



**SjømatNorge**

# **The Resource Rent Tax Proposal in Norway – What to Expect?**

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*Barcelona 24.04.2023*



28. September, 2022

# DID WE KNOW THIS WAS COMING?



Yes and No.....

Foto: Frode Hansen, VG

# KEEPING THE DREAM OF RESOURCE RENT TAX ALIVE



# RESOURCE RENT TAX

- David Ricardo
- Origin is the ground rent/land value tax
- Has been referred to as "the perfect tax" and the economic efficiency has been accepted since the eighteenth century
- Never used within biology(?)
- Makes the State a «co-investor»?
- Suggested on several other industries: Fishing, Forestry, Tourism etc.
- Already in place in petroleum and energy (wind, water)

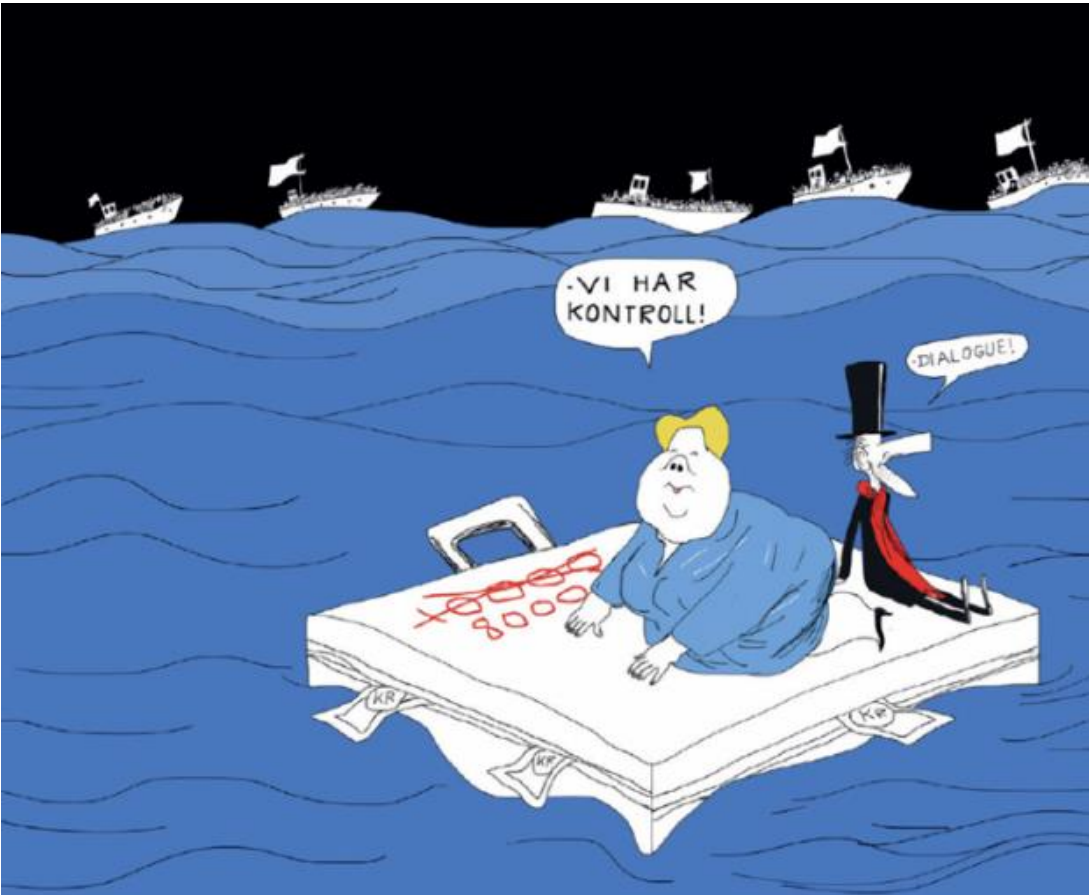
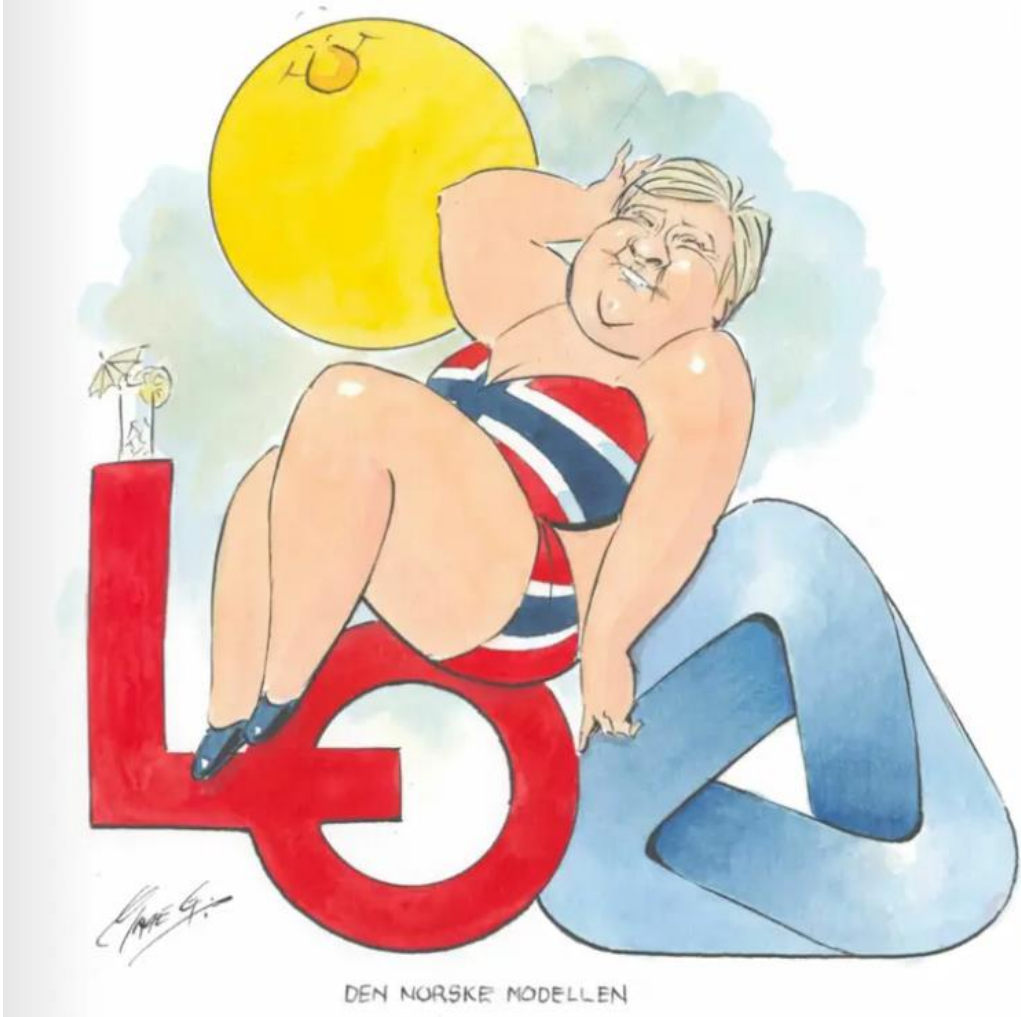
What's the appeal?





**TAX=78%**

# THE NORWEGIAN MODEL – DIALOGUE!



# ¿Qué ha pasado?

## A short timeline – Ap and Sp - Political positions on resource rent tax on salmon farming

- 2019: Support parliamentary consensus to reject resource rent tax and introduce production tax
- 2021: Promise not to introduce resource rent tax on in the election campaign
- 2022: Propose resource rent tax on aquaculture contrary to their own promise
- 2023: Implement resource rent tax on aquaculture without having adopted the tax



HOW DID THE MARKET  
REACT?

NOK 57 BILLION. GONE  
WITHIN HOURS



# HOW DID THE INDUSTRY REACT?

- INVESTMENTS FOR MORE THAN NOK 40 BILLION. CANCELLED/FROZEN
- CONTRACT MARKET FROZE

**Trønderavisen** MENY

**SISTE** (+) Mangler togsett for å realisere to tog i timen innen 2027: - Nå har staten og... **10:46** (+) Rundballep tapt i brann



**Fikk avbestilling på kontrakt verdt 90 millioner etter sjokkbeskjeden fra regjeringen - må permittere 30 ansatte**



- Vi vil se vesentlig lavere investeringer i næringen og på sikt lavere verdiskaping i Norge

**iFinnmark**

**Oppdrettsgigant fryser investeringer i Finnmark: - Forslaget vil påvirke vekst og jobbskaping**



WHAT DID ECONOMY  
PROFESSOR ULLTVEIT-MOE  
AND THE GOVERNMENT SAY?

«THIS TAX WILL NOT HAVE  
ANY NEGATIVE EFFECTS ON  
THE INDUSTRY OR FOR THE  
COAST»

Foto: Aleksander  
Nordahl

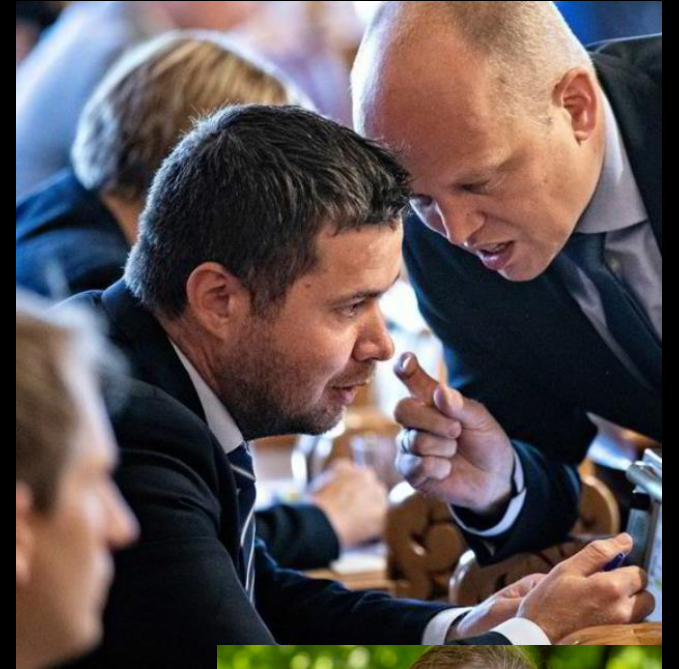


Foto: Gorm  
Kallestad/NPK



# A PARALLEL UNIVERSE?

Photo: Getty/manjik

# Six Months of Chaos and Confusion

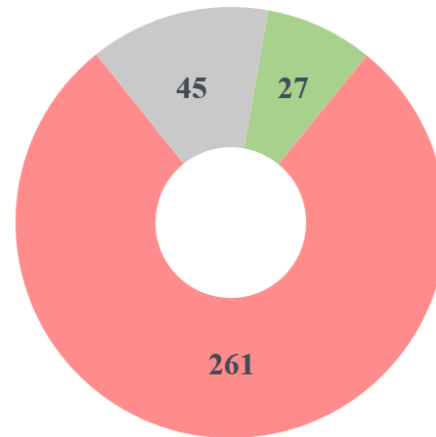
- Tax put into effect 1. January 2023
- End of public hearing: 4. January 2023
- Original proposal packed with uncertainties
- **Anticipated revenues from the resource rent tax: NOK 3,6 – 3,8 mrd or NOK 11 mrd?**
- Several public statements affected the stock market – strongly criticized
- Adjustments to pricing (Nasdaq) for 2023 to get the contract market running
- 23.01: Pollestad announces substantial changes to the original proposal



# A LEGITIMATE HEARING – We Will Listen!

Overordnet holdning til  
skatteforslaget, alle høringsvar

Positiv Negativ Uklar/uspesifisert



- 414 responses to the public hearing
- 14.000 pages in total



Foto: Javad Parsa / NTB

28. March, 2023

# WHAT'S ON THE TABLE?

- The effective special tax rate has been proposed at 35% (compared to 40% which was the proposal in the consultation paper presented in 2022)
- If this is adopted, the effective marginal tax rate (including the corporate income tax of 22%) will be 57%
- As the corporate income tax will be deductible in the special tax, the formal tax rate for the special tax will be 44.9 %.
- Revenues will be based on the market value when fish are removed from the pen, which the companies themselves will set for 2023.
- A standard deduction of NOK 70 million – i.e 54 million – **NO CHANGE**
- Significant increase in the production tax (up to 90 øre per kg)
- Land-based and ocean-based are exempt as of now



## Prop. 78 LS

(2022–2023)

Proposisjon til Stortinget (forslag til lovvedtak og stortingsvedtak)

Grunnrenteskatt på havbruk



# WHAT'S ON THE TABLE 2?

- Half of the revenues will accrue to the municipal sector
- The Government proposes a slightly lower tax rate and valuation discount for aquaculture licences in the wealth tax
- Cash-flow-tax with immediate deductions for investments that are only used during the sea phase. immediate deductions for cost (investments) in aquaculture facilities that are solely used during the sea phase. (Limited compared to the original proposal)
- Deductions will only be granted for investments made prior to 1 January 2023 through depreciation of remaining tax values. No deductions for financial expenses.
- No deductions will be granted for the value of fish farming licences, however a template deduction in revenue will be permitted for licences purchased at auction in 2018/2020 and allocated at fixed prices in 2020.

## **Independent Price Board:**

- An independent price board will be established to determine the correct income. This board will be tasked with setting the market value when the fish are removed from the pen, and will apply for salmon, trout and rainbow trout from 2024. Regulations relating to the price board will be sent out for consultation.
- For 2023, the companies will set the market values when fish are removed from the pen, and these will be used as a basis in the tax return in accordance with general self-reporting.
- The Government has moved away from the proposal of using norm prices based on Nasdaq prices.

# WHAT'S ON THE TABLE – SUMMED UP

- Minor adjustments to the original proposal – No substantial changes as communicated
- They have NOT listened
- Major problems remain – total tax burden on the industry, very bureaucratic model, pricing ++
- That's why we refer to this proposal as:

Anti-business, harmful to local communities and to investments



Foto: Aleksander Nordahl

# THE INDUSTRY'S POSITION

- 1. Postpone the introduction of a new tax regime:** The Government must conduct a proper impact assessment on a broader scale and consider multiple models before the future tax model for the aquaculture industry is adopted.
- 2. Introduce an interim arrangement** that ensures the same revenues to society. The interim arrangement should be in place until the new tax scheme is implemented.
- 3. Explore alternative models,** including an increased corporate income tax and a Norwegian variant of the Faroese model for obtaining resource rent. This is an established scheme which functions well in the Faroe Islands and Iceland. The model is based on profit, in that there is a stepwise royalty tax that considers the differences between price and production costs. The tax increases with increasing profitability. The model can be adapted regionally so that varying costs levels along the coast are considered. Basic tax-free allowances can easily be established, and the tax is non-bureaucratic for both companies and government authorities.

17. April, 2023

# FINANCIAL COMMITTEE PUBLIC HEARING



- Great concerns regarding the proposal
- Pollestad (Sp) will lead negotiations about the tax proposal – expects a difficult process
- Ap and Sp went to The Faeroe Islands 18-20 April to learn more about their taxation of salmon farming
- The Committee will present its recommended resolution to the Parliament by 16 May 2023
- The proposal is expected to be adopted by the Parliament before the summer of this year, most likely in June 2023

Foto: Bjarni Mohr / E24

16. May, 2023

# POLITICAL POSITIONS – 21.04.2022

Rødt	SV	Ap	Sp	KrF	V	H	FrP
Cannot get enough taxation – the more the better	Budget partner with the government  Want 48% resource rent tax	Government  Internal disputes	Government  Internal disputes	Concerned about the effect of the proposed tax, want further analysis	Concerned about the effect of the proposed tax, want further analysis	Will not accept the tax as it is – Want further studies, different models, analysis	Totally against imposing further taxes on salmon farming

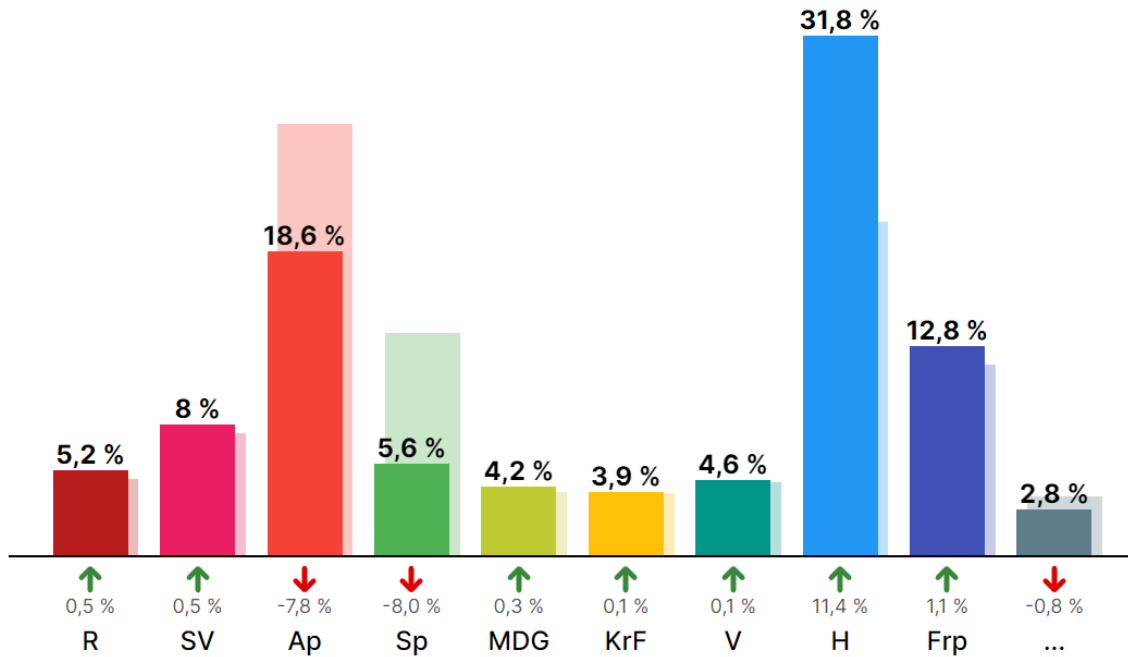
The Majority in Parliament

The broad coalition that voted for the production fee in 2020

Ideal outcome for the Government?

Political risk – High!

# WHY IS THE POLITICAL RISK SO HIGH?



**Political Poll Norway**  
17.04.23 (VG)



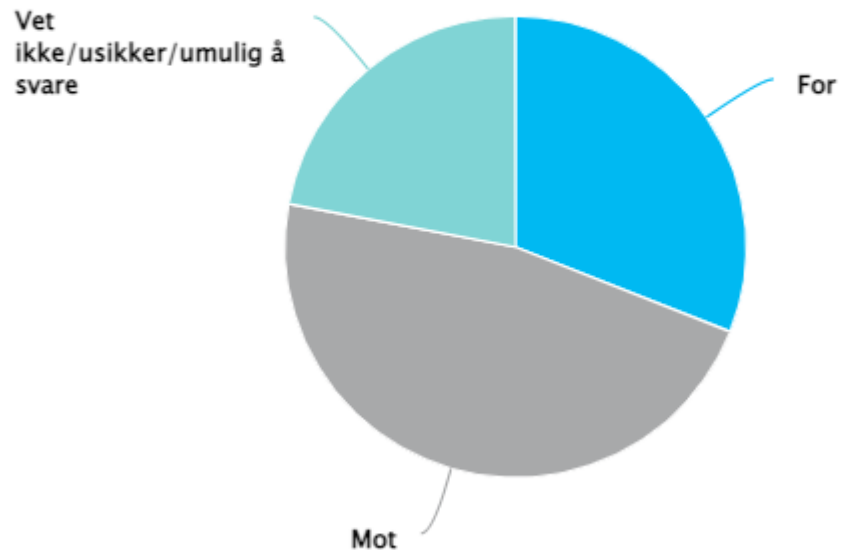
Foto: Mattis Sandblad / VG



# A CONTROVERSIAL TAX

## For eller mot lakseskatten?

Spørsmål: Er du for eller mot regjeringens forslag til grunnrenteskatt på havbruk, den såkalte lakseskatten?



Tall i prosent. Totalt 981 respondenter i ni norske havbrukskommuner.

Kilde: Norstat



Nyheter Sport Kultur Humor Distrikt Mer

## Frykter tøffere tider på merdkanten

Et flertall av velgerne i flere store havbrukskommuner er imot den omstridte «lakseskatten», og regjeringspartiene får svi.



Grete Thobroe  
Journalist  
Sunniva Hadland Bethun  
Journalist  
Marius André Jenssen Stenberg  
Journalist  
Olav Reli  
Journalist  
Håvard Grønli  
Journalist

Vi rapporterer fra  
Frøya/Smøla/Hammerfest  
Publisert i dag kl. 08:07  
Oppdatert for 6 timer siden

31% support the  
tax proposal

# WHAT TO EXPECT? **THE BAD NEWS**

Unpredictable and unstable times ahead

Political developments very important

**When will Norwegian salmon farmers be able to enter into long term contracts?**

I don't know...

But this is an industry which is exceptional when it comes to finding solutions in difficult times



# WHAT TO EXPECT? THE GOOD NEWS

Norwegian politicians agree on the following:

- More jobs – (in the private sector)
- More investments in sustainable technology
- More exports – including salmon!
- More processing of fish
  
- They want people to live and work in our small coastal communities – not move



Why impose a tax which will lead to the opposite?

Foto: Seafood.no

# What to expect beyond June 2023?

# GREAT EXPECTATIONS?

- We expect politicians to be responsible and not discard the warnings and the actions of the industry and the coastal communities
- We expect politicians to keep their promises, to cooperate and find solutions
- We have the same goals, but we strongly disagree on measures
- **The political framework will be adjusted to fit reality – not the other way around**

Foto: © Kenneth Scoth



# Thank you!

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Norge