

Regulation No. 515/1996, on Registration of Parties Subject to VAT^{*1)}

**1) Cf. Regulations Nos. 378/1997 and 215/2006.*

CHAPTER I

General registration

Article 1

(1) Any party subject to VAT as referred to in Article 3, cf. Art. 4 of Act No. 50/1988, must on own initiative and no later than eight days prior to commencing activities, send notification of its commercial operations or independent activities for registration to the regional tax director where the party is legally domiciled.

(2) Notifications as provided for in the first paragraph must be sent to the regional tax director on the form RSK 10.22^{*1)}.

(3) Changes to activities occurring after registration must be notified to the regional tax director in writing no later than eight days after the said change occurred.

**1) Cf. now RSK 5.02.*

Article 2

(1) Any party who, in its commercial operations or independent activities sells or delivers goods or valuables, or provides taxable work or services, or is in other respects subject to tax as provided for in Article 3, cf. Art. 4 of Act No. 50/1988, must be registered in the VAT registry, provided it fulfils the requirements of the second paragraph.

(2) It is a premise for registration that the party's total income from the sale of goods and services subject to tax is generally higher than the cost of the taxable inputs purchased for its operations, including tax on purchase of fixed assets. A party shall not be registered pursuant to this Article unless it appears clear that its activities will return income from the sale of taxable goods or services immediately during the first reporting period.

(3) Notwithstanding the provisions of the first and second paragraphs, a party is not obliged to register if its total income from the sale of taxable goods and services during a 12-month period does not amount to the minimum specified in Point 3 of Art. 4 of Act No. 50/1988.

Article 3

(1) The regional tax director shall rule as to whether a party is subject to registration as provided for in Art. 2 when a notification as provided for in Article 1 has been received.

(2) The regional tax director shall, notwithstanding the provisions of the first paragraph, register a party if it satisfies the conditions of Article 4 or 6.

(3) The regional tax director shall issue confirmation to the party subject to registration that registration as provided for in the first or second paragraph has been carried out.

(4) If a party, who in the estimation of the regional tax director is subject to registration as provided for in Article 2, has not notified its activities for registration, the regional tax director shall rule that it shall be placed on the VAT registry and notify the party thereof.

CHAPTER II

Registration in advance etc.

Article 4

(1) Parties pursuing activities at the research and development level are entitled to registration, notwithstanding the provisions of Article 2, if their purchase of investment goods is directly connected to their sale of taxable goods and services on a commercial basis during later periods of operation.

(2) The conditions for registration pursuant to this provision are as follows:

- a. that a commercial activity is involved, i.e. an activity which aims at returning an operating profit after a normal development period;
- b. the party's investment in fixed assets, including real estate and land improvement, or inventory is substantial and at the same time it is normal, due to the nature of the activity, that it should not return operating income;
- c. it is not sufficient that a party have substantial costs arising from VAT on general operating expense. It must be foreseeable that the activities will return income.

(3) Registration in accordance with this provision shall apply for 12 months. A party who has obtained registration in advance can obtain registration for an additional 12 months from the regional tax director if it appears evident that the premises for registration have not changed since the party was originally registered. [If it is considered normal that the activities have not returned income within this period, the regional tax director may grant continued registration for up to ten years, for a maximum of two years at a time.]¹⁾ Otherwise, the regional tax director should rule that the party be removed from the registry, unless a guarantee is provided in accordance with Article 6.

¹⁾ Cf. Art. 1 of Reg. No. 215/2006.

Article 5

(1) Parties requesting registration as provided for in Article 4 shall send the regional tax director, as well as notifications as referred to in the second paragraph of Article 1, an operating budget, summary and other documentation on their activities to confirm that what is involved is normal development of operations.

(2) The regional tax director will assess whether the conditions in subparagraphs a-c of the second paragraph of Article 4 are satisfied. In making the assessment provided for in this paragraph, the regional tax director may, for instance, have regard for how financing of the development activities is provided, e.g. whether share capital has been supplied or loans obtained for the activities from a bank or industrial fund.

Article 6

(1) If a party does not satisfy the conditions of Article 2 or 4, the regional tax director shall reject the registration unless the party provides a guarantee for the VAT in the form of unconditional surety from a bank. The regional tax director may, however, accept a guarantee in another form if the party is involved in commercial forestry, provided the purpose of the forestry is to produce and sell products in later operating years. If a party cannot provide a satisfactory guarantee, the regional tax director must reject the registration.

(2) Registration as provided for in the first sentence of the first paragraph cannot extend for a longer period than [twelve]¹⁾ years, including the time the party has been registered as provided for in Article 4.

(3) [The guarantee must at any time suffice for payment of output tax, cf. the first paragraph of Article 9, and payment of the adjusted input tax, cf. the second paragraph of Article 9.]¹⁾

¹⁾ Cf. Art. 2 of Reg. No. 215/2006.

Article 7

(1) If a party has been refused registration, and subsequently is shown to satisfy the conditions of Article 2 or 4, or if it provides a guarantee as provided for in Article 6, the regional tax director may register the party retroactively as of the date which can be regarded as the date operations commenced. The condition for a retroactive registration is that the same activities are involved and that the request for retroactive registration together with the relevant documentation is sent to the regional tax director in such form as decided by the Director of Internal Revenue. A retroactive registration may cover the elapsed period of the current year and, in addition, the entire previous year if application is made prior to 15 March.

(2) If a party is granted retroactive registration, as provided for in the first paragraph, it shall be entitled to include in its input tax VAT on inputs for its activities but must at the same time deduct the imputed VAT (output tax) on turnover from the same period.

(3) A party who satisfies the conditions for retroactive registration shall be placed on the VAT registry from the date operations commenced, as referred to in the first paragraph. Tax settlement resulting from retroactive registration must take place on the due date for the reporting period when the regional tax director ruled on the retroactive registration. In the case of reimbursement, where the regional tax director is unable, due to a taxable party's circumstances, to carry out the required examination of the documentation upon which the tax settlement or retroactive registration is based, this shall be postponed until the next due date.

CHAPTER III

Deregistration

Article 8

(1) If a party ceases activities subject to registration or no longer satisfies the conditions of the first paragraph of the second paragraph of Article 2, it must notify the regional tax director thereof no later than eight days after the change took place. The regional tax director shall rule that the party be deregistered.

(2) If a party fails to notify the conclusion of its activities subject to registration, as provided for in the first paragraph, and the regional tax director does not consider it to have activities subject to registration, the regional tax director shall rule that the party be deregistered.

(3) A party registered as provided for in Article 4 or 6 shall notify the regional tax director thereof when it is considered evident that the premises for registration no longer exist. The regional tax director shall rule that the party be deregistered.

(4) If the activities of a party have been registered as provided for in Art. 4, and the conditions of the first sentence of the second paragraph of Article 2 have not been fulfilled during a 12-month period, the regional tax director shall rule that the party be deregistered unless continued registration has been granted or a guarantee set for input tax as provided for in Article 6. If a party registered as provided for in Article 6 no longer satisfies the requirements for a satisfactory guarantee or if the time limit of the second paragraph of Article 6 has been reached, the regional tax director shall rule that the party be deregistered.

Article 9

(1) If a party notifies its deregistration or is removed from the registry on the basis of a ruling by the regional tax director, its inventories, machinery, equipment and other fixed assets shall be included in taxable turnover in the reporting period when its activities conclude, cf. the third paragraph of Art. 11 of Act No. 50/1988.

(2) If, upon the conclusion of activities, changes occur to the premises for deducting input tax due on fixed assets, the party must adjust its input tax in accordance with Chapter IV of Regulation No. 192/1993, on input tax.

(3) If a party has given incorrect or misleading information, e.g. concerning registration or tax remittance, and in so doing deprived the Treasury of funds, it must repay the input tax which it has received on the basis of this information.

CHAPTER IV

Miscellaneous provisions

Article 10

(1) The reporting periods and due dates for parties newly registered shall be as provided for in Article 3 of Regulation No. 667/1995, on Reporting and Remitting VAT. [---]¹⁾

(2) A party registered as provided for in Article 4 or 6, must submit a special VAT return for these activities, even if it carries out other activities subject to tax.

(3) The regional tax director shall check that only parties subject to registration are on the VAT registry.

**1) Cf. Regulation No. 378/1997.*

Article 11

A rejection of registration by the regional tax director may be appealed as provided for in Art. 29 of Act No. 50/1988.

Article 12

(1) A guarantee as referred to in Article 6 is intended to ensure payment of VAT as provided for in Article 9.

(2) A guarantee as referred to in Article 6 shall be cancelled in the following instances:

1. if a party satisfies the conditions of Article 2 or 4;
2. if a party has ceased its activities subject to registration and remitted to the Treasury's collection agent the VAT which it is obliged to remit as provided for in Article 9;
3. if a company changes ownership as provided for in the fourth paragraph of Art. 12 of Act No. 50/1988, and the new owner has provided a satisfactory guarantee for input tax as provided for in Article 6.

Article 13

Incorrect reporting or the submission of incorrect or misleading documentation, as well as false information provided with the intent of receiving a VAT refund, is an offence against Article 40 of Act No. 50/1988.

Article 14

This Regulation, which is set by authority of Article 5 and Article 49 of Act No. 50/1988, on Value Added Tax, as subsequently amended, shall enter into force on 1 January 1997. As of 1 October 1996, Regulation No. 150/1996, cf. Regulation No. 273/1996, shall be repealed.

Temporary provision

A temporary provision with Reg. No. 515/1996 is not published here.