



Norwegian Ministry
of Finance

Global Forum on VAT

Multi Location Entities – cross-border supplies of services

Paris, 26–28 January 2026

Agenda



I. Background



Basic principles

Neutrality



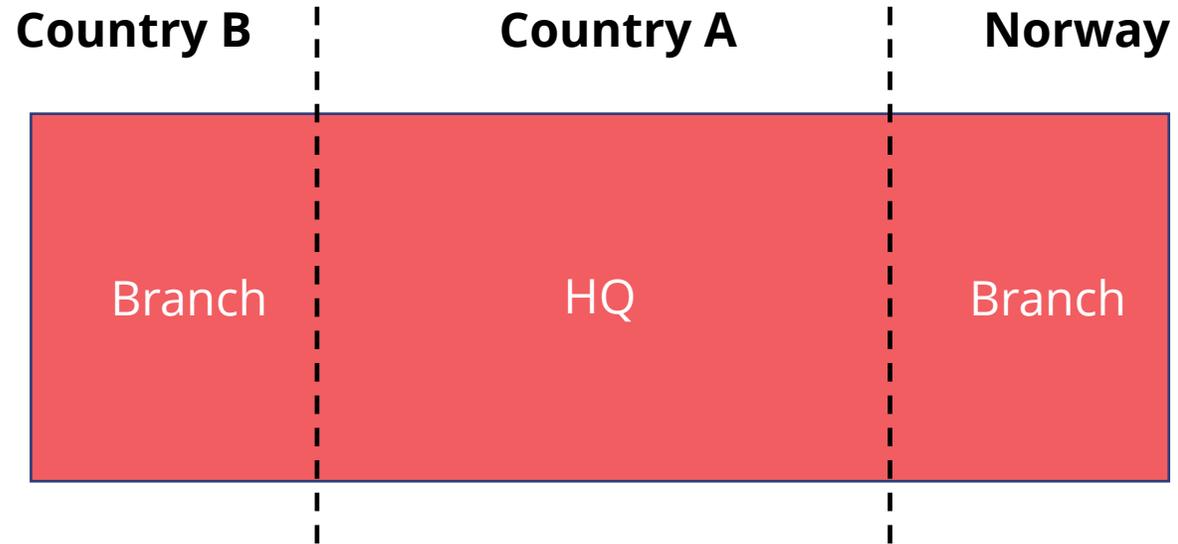
- VAT rules should not be the primary influence on business decisions
- Similar treatment of businesses in similar situations
- Foreign businesses should not be disadvantaged or advantaged compared to domestic businesses

Destination principle



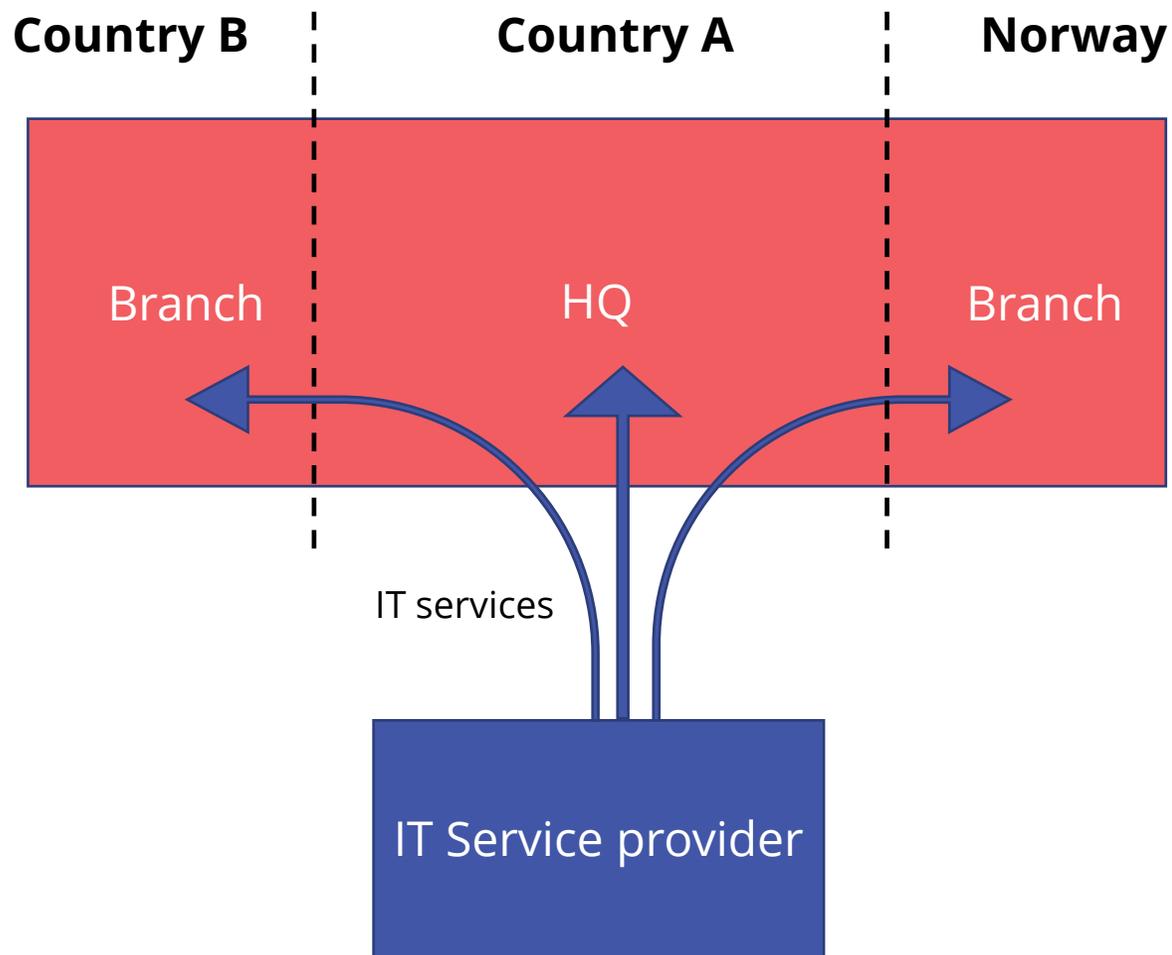
- Imports subject to the same tax treatment as domestic supplies
- Exports free of VAT

MLEs

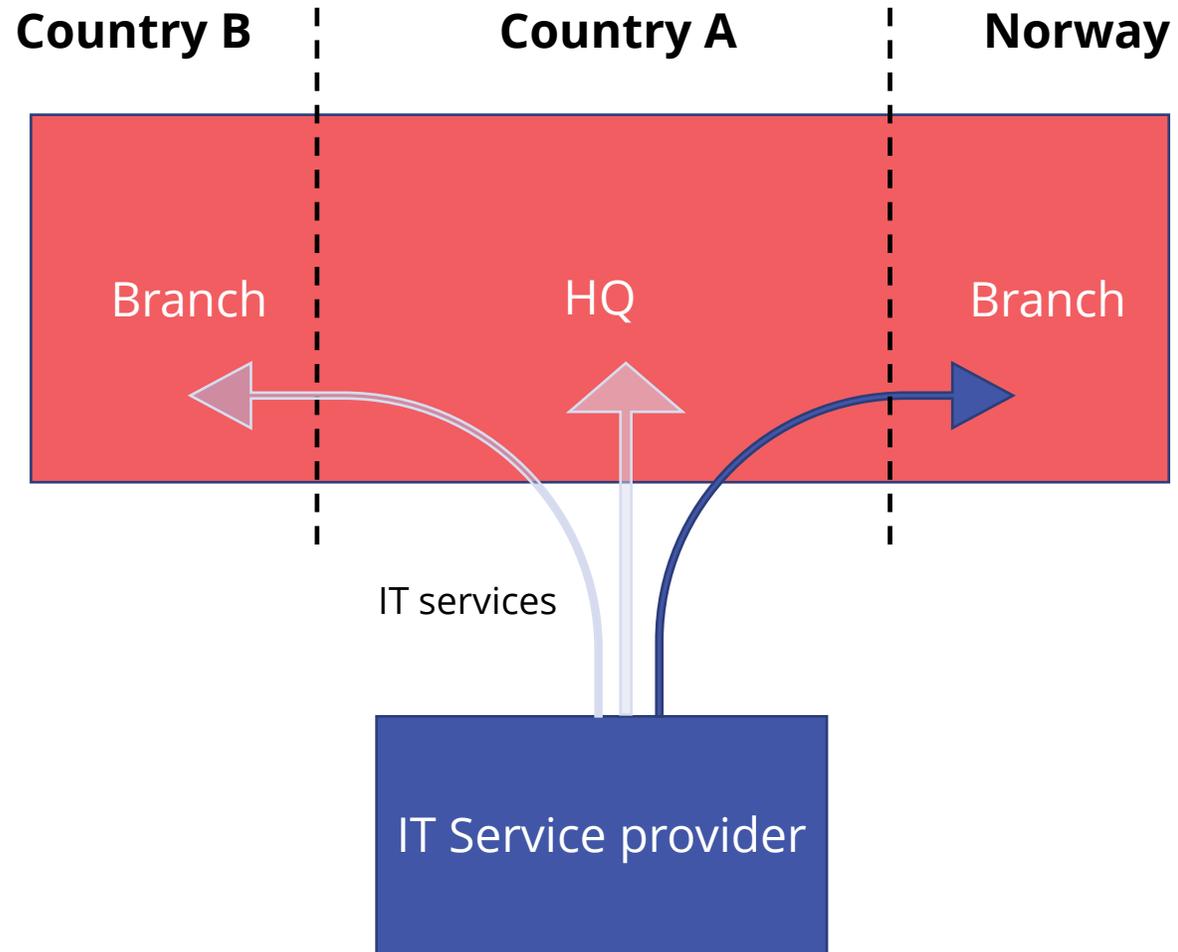


MLE =
Multi Location Entity;
«a legal entity that has
establishments in more
than one jurisdiction»

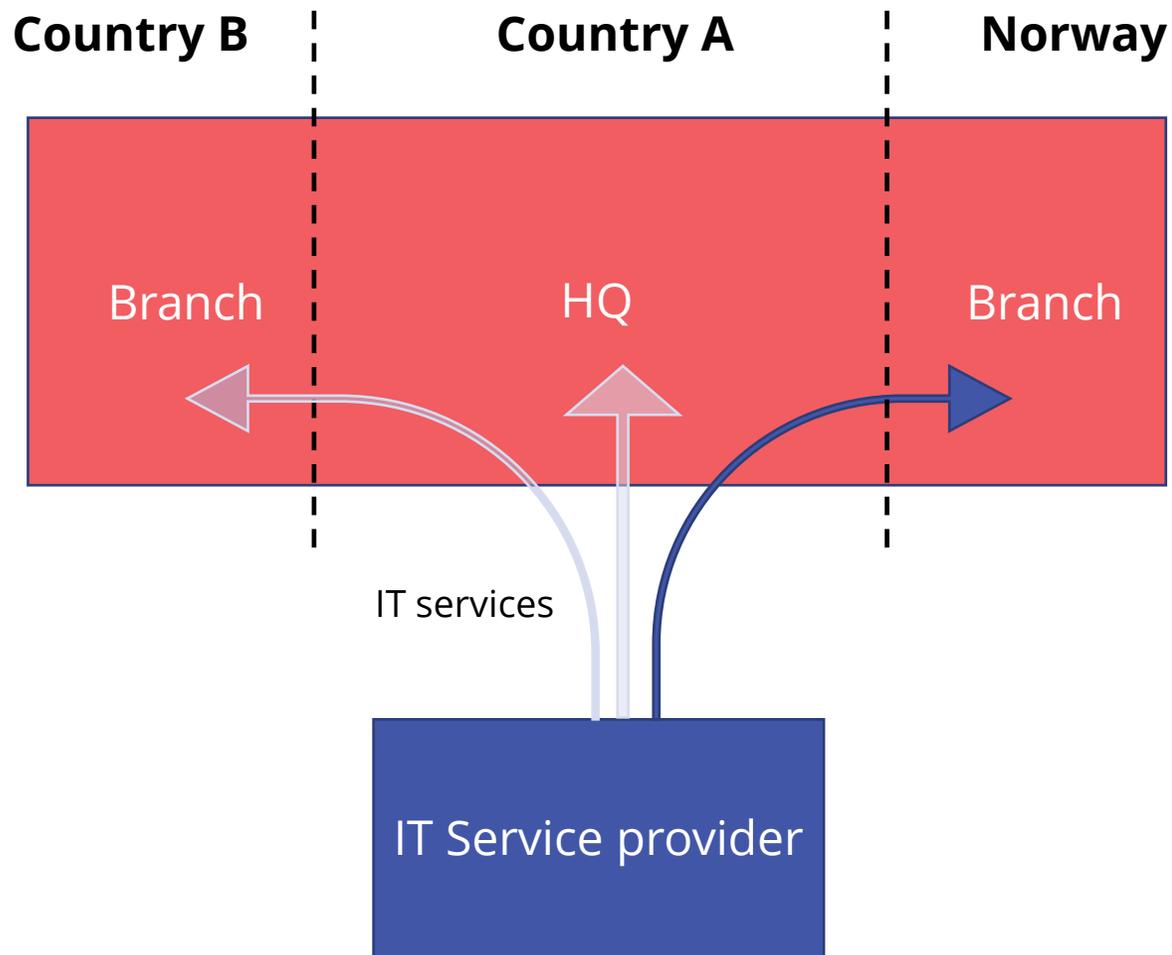
MLEs and cross-border supplies of services



How to allocate the taxing rights?

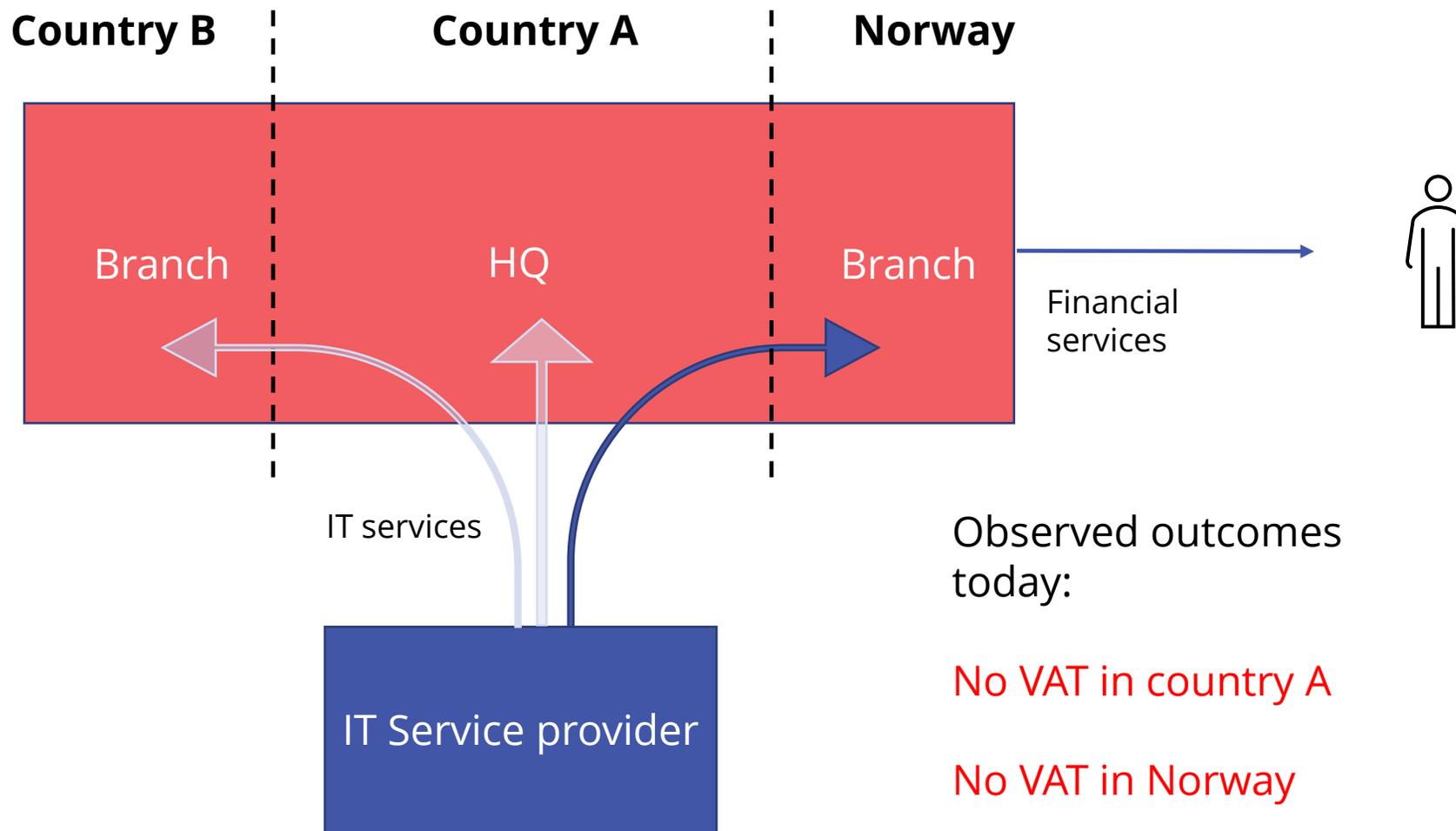


Current situation in Norway – loophole

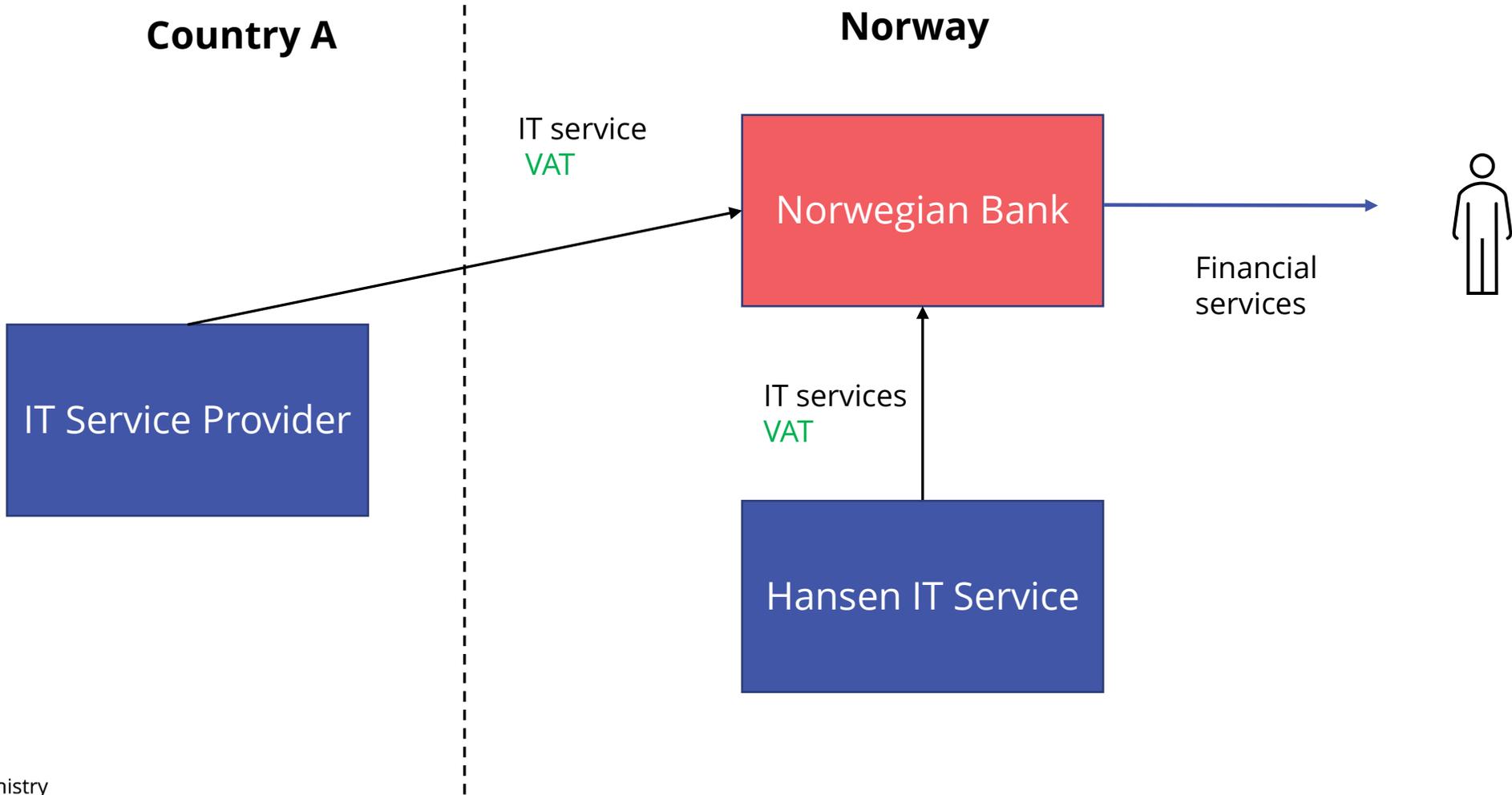


Under the current rules, MLEs are in many cases able to circumvent VAT liability on services used in Norway

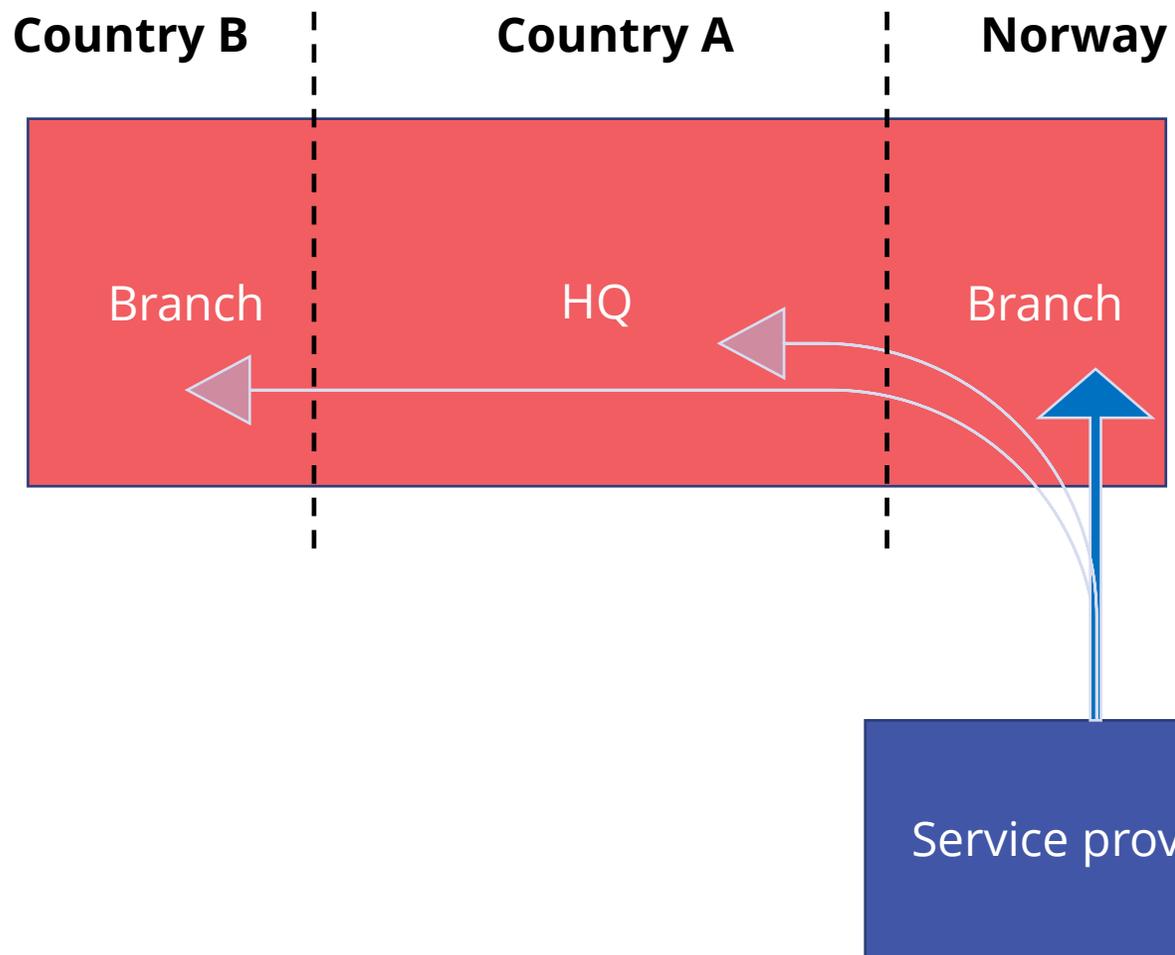
Unintended non-taxation



A Norwegian company – comparison



Services used by MLEs outside Norway



Risk of final VAT burden in Norway on services used by MLEs outside Norway

Current rules and operation of basic principles

Neutrality?



- Affect the geographical location of internal functions
- Influence the choice of organizational structures
- Violation of equal treatment

Destination principle?



- Significant acquisitions for use in Norway are not taxed
- VAT burden on acquisitions used outside Norway

II. The new rules

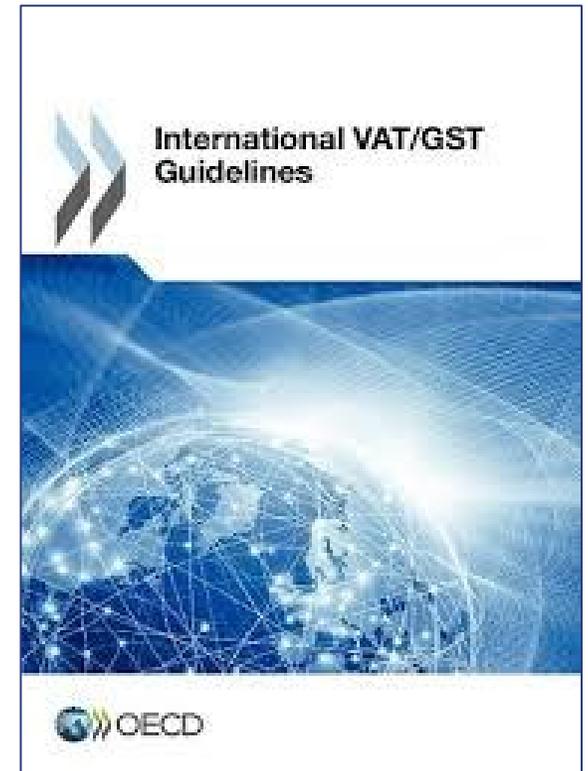


International VAT/GST Guidelines

- For consumption tax purposes internationally traded services and intangibles should be taxed according to the rules of the jurisdiction of consumption.

Guideline 3.1

- (i) Neutrality
- (ii) Compliance – as simple as possible
- (iii) Clarity and certainty
- (iv) Compliance costs
- (v) Sufficiently robust barriers to evasion and avoidance



Business-to-business supplies

- For the application of Guideline 3.1, for business-to-business supplies, **the jurisdiction in which the customer is located** has the taxing rights over internationally traded services or intangibles.

Guideline 3.2

- For the application of Guideline 3.2, the identity of the customer is normally **determined by reference to the business agreement.**

Guideline 3.3

- For the application of Guideline 3.2, when the customer has **establishments in more than one jurisdiction**, the taxing rights accrue to the jurisdiction(s) where the establishment(s) **using the service** or intangible is (are) located

Guideline 3.4

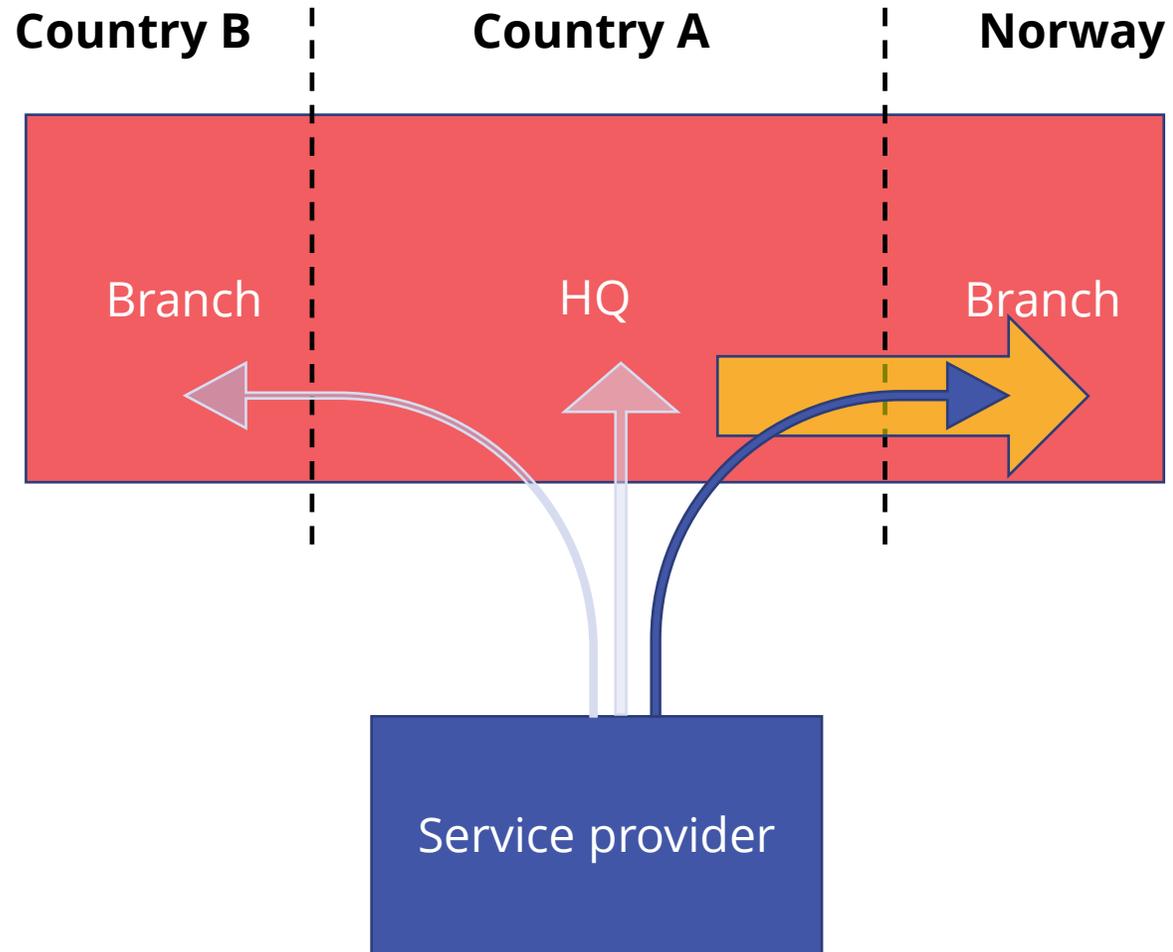
The Recharge Method

3.35 The recharge method could offer **an effective solution** for identifying the place of taxation of the supply of a service or intangible to a MLE, **particularly in multiple-use scenarios**.

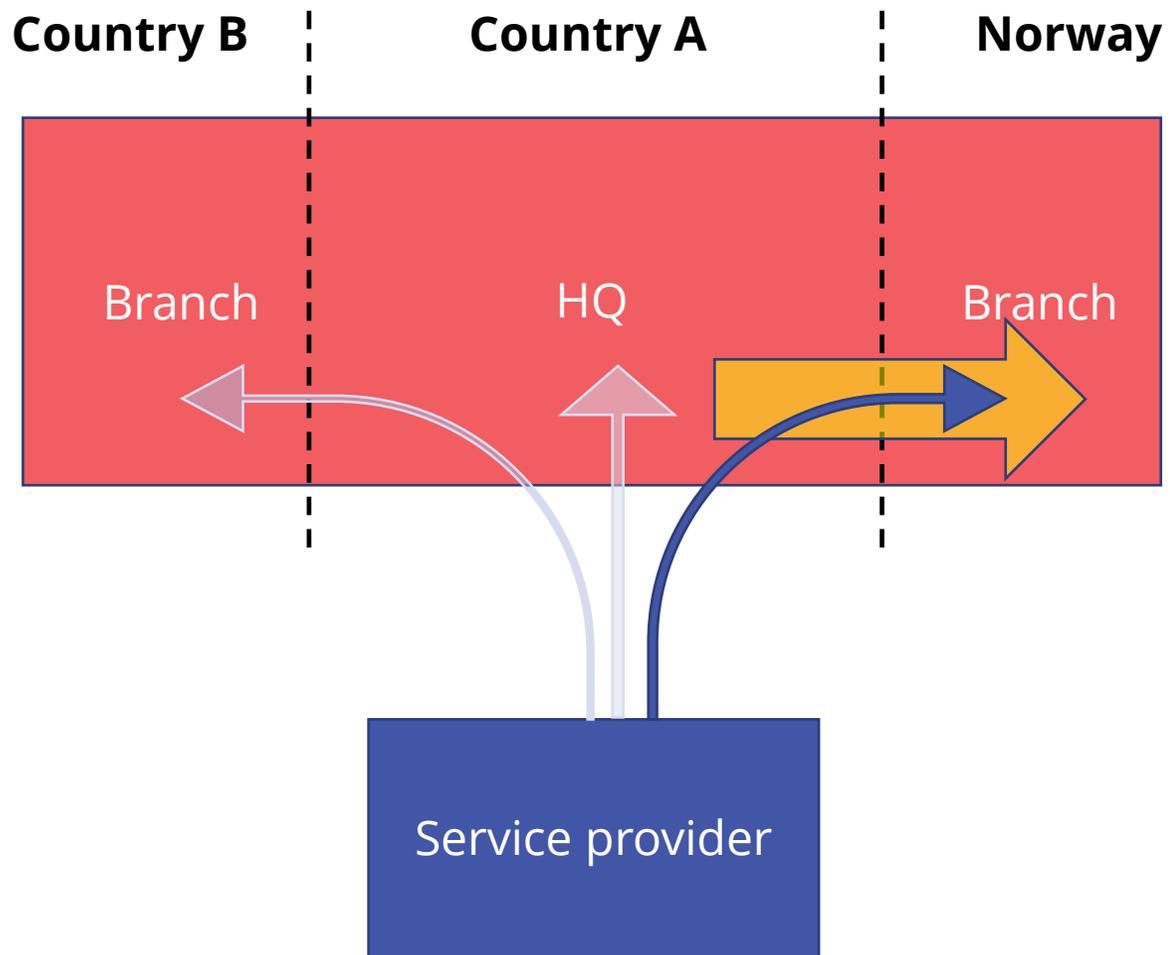
(...)

3.73 *The recharge method requires MLEs to **internally recharge the costs of externally acquired services or intangibles to their establishments that use these services or intangibles**, as supported by internal recharge arrangements. Under the recharge method, **these internal recharges are used as a basis for allocating the taxing rights** (...).*

The Recharge Method



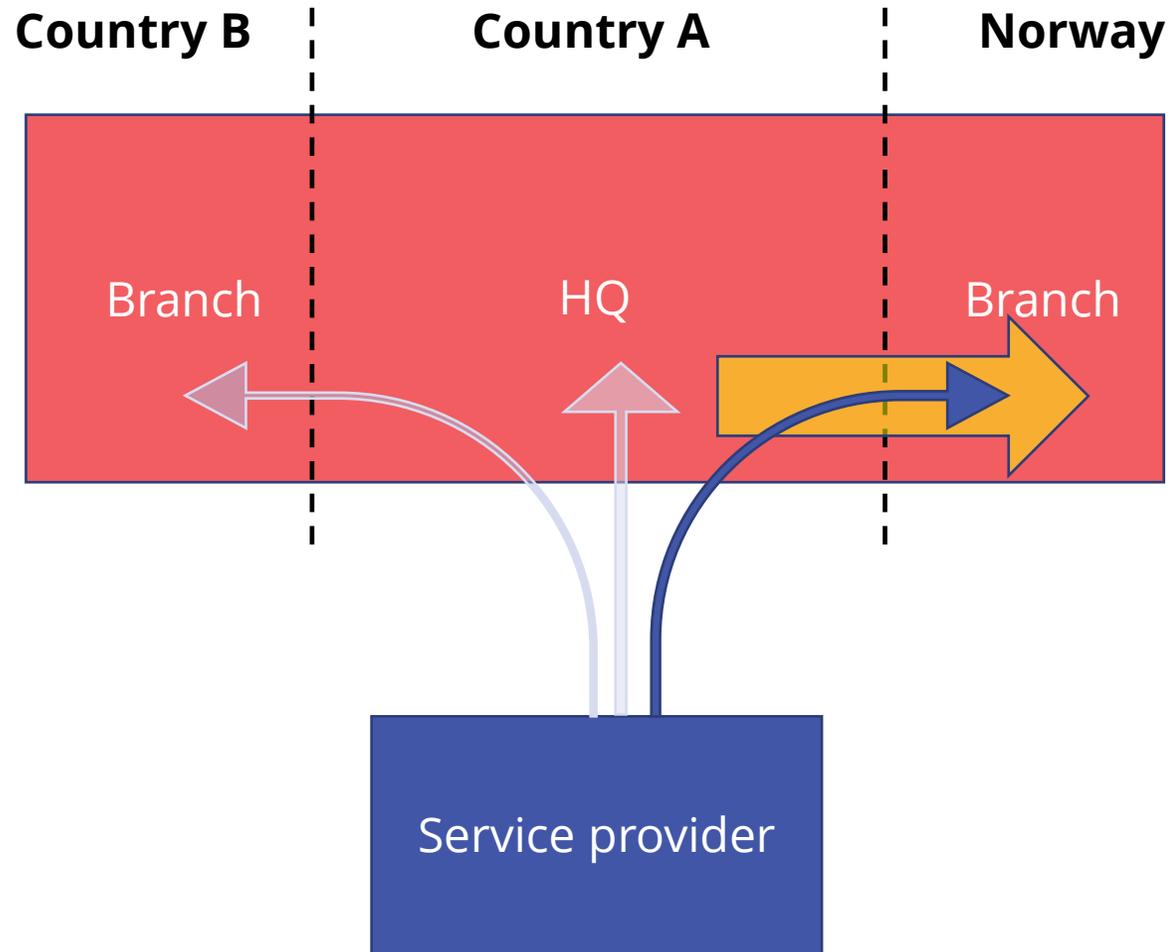
The Recharge Method



Scope of VAT liability

Basis for calculation

The Recharge Method

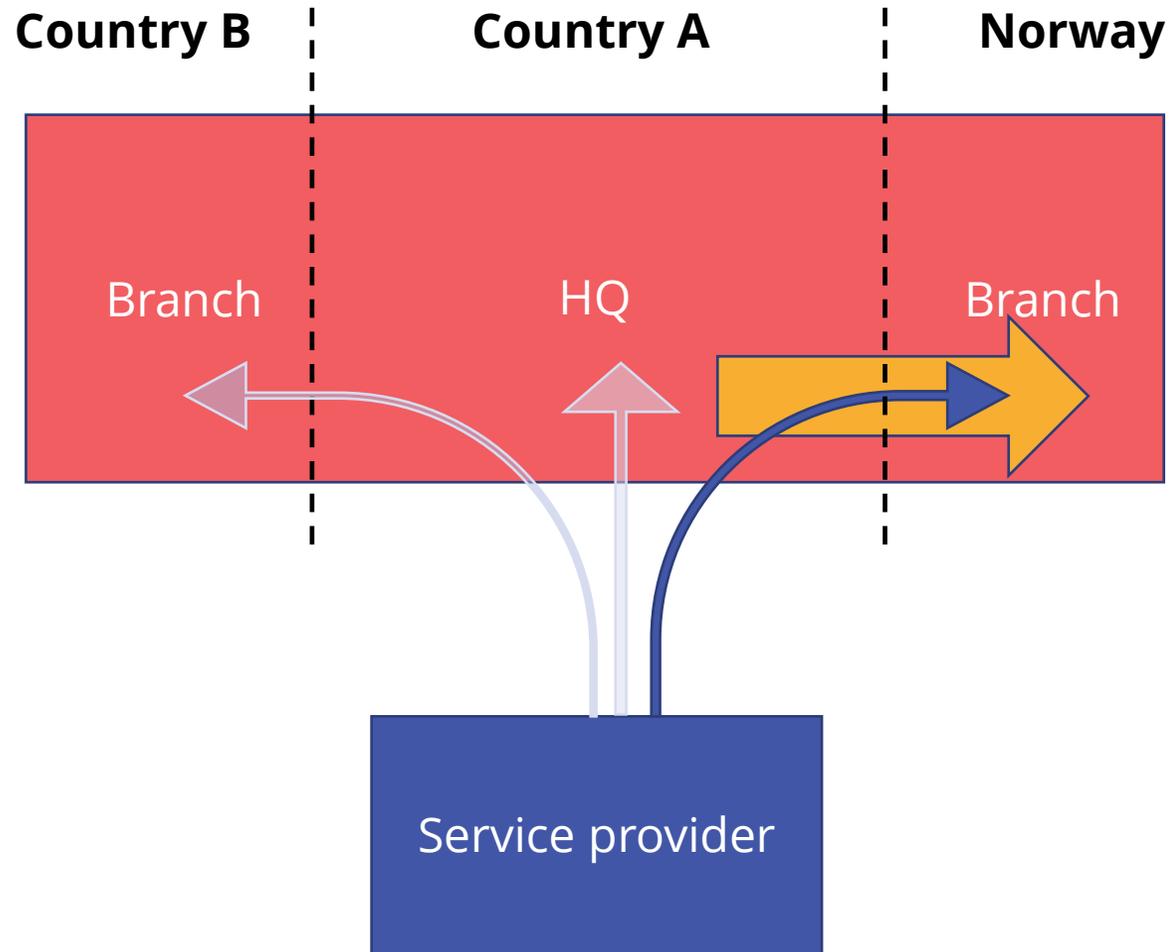


Scope of VAT liability

Basis for calculation

Input VAT deduction on the recharged service

The new rules – services used in Norway

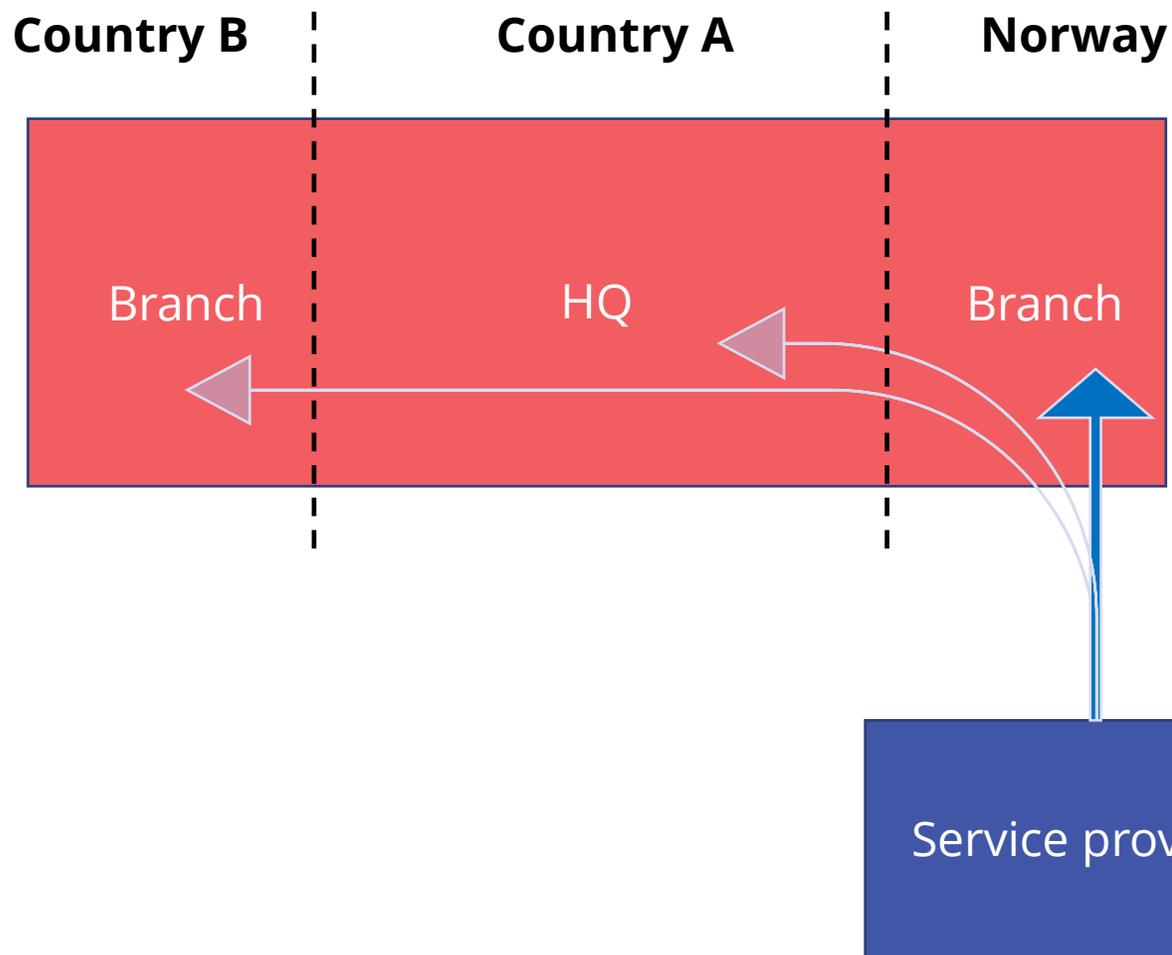


No VAT if fully deductible

Scope of VAT liability – what qualifies as «used in Norway»

Prevention of double taxation?

The new rules – services used outside Norway



Input VAT deduction (or reimbursement) on the portion of the services used by the MLE outside Norway



III Experiences



Process

- Adequate assessment time
- Dialogue with international colleagues
- Business involvement
- Sufficient lead time

Key material issues

- Identifying the tax base
- Periodization



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Link to
Transfer
Pricing





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