

## Information about VAT in projects with partners

We are often asked whether Value Added Tax (VAT) should be paid on transactions between the partners in a project.

In a letter to the Research Council dated 20 March 2009, the Norwegian Directorate of Taxes referred to an interpretative statement from the Ministry of Finance dated 15 June 2001. The letter refers to the concept of sale in the VAT Act relating to research services.

The Ministry of Finance states that the requirement for sales activity will not be met when an enterprise receives public funding without the public administration receiving a specific service in return. Furthermore, when it comes to channelling funds through e.g. the Research Council, this is not deemed to constitute payment for a service. Funds channelled through the Research Council are therefore considered aid, not payment for a service, according to the Directorate of Taxes.

It is also clear from the Directorate's letter that when the recipient of funds for a project (the Project Owner) from the Research Council has partners that carry out part of the work, and it is a question of equal partners with joint responsibility for the results achieved in the project, the Ministry has, in a specific case, relied on the assumption that no sales activity takes place between the parties. Channelling the funds from the Research Council through one of the partners had to be seen as a practical solution to the financing of a joint project. It was assumed that it had been decided in advance how much of the contribution should go to each partner in the project.

On this basis, the Project Owner's distribution of the Research Council's grant among the partners does not constitute sale. The Research Council therefore believes that there are good arguments for not calculating VAT on transfers to partners, and that this only constitutes a "passing-on" of parts of the Research Council's grant for the project. It is the Norwegian Tax Administration that decides the matter, however.

An R&D provider, on the other hand, provides a service on assignment. This will constitute a sale for the R&D provider, and VAT must be calculated on this service.

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