

# Civil Society Forum

Vol.17



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ボランティア活動国際研究会

JAPAN INTERNATIONAL INSTITUTE FOR VOLUNTEERING RESEARCH

## 2025年度事業計画 (JIVRI FY2025 Annual Activity Plan)

### ● 基本方針

市民社会分野における研究交流を2つの地域的領域(東アジア地域およびグローバル)でそれぞれ異なる以下の事業を展開し、市民社会の発展を模索する機会創出に引き続き取り組む。

- (1) 第16回東アジア市民社会フォーラム開催への協力と参加
- (2) 機関誌「Civil Society Forum」の発刊と各国市民社会の紹介

### ● 事業計画

- (1) 第16回東アジア市民社会フォーラム開催への協力と参加

- ・第16回東アジア市民社会フォーラム開催に向け実行委員会による準備に参加し、当日は同フォーラムを共催する。同フォーラムの開催要領は以下のとおり。

テ ー マ: 人口減少社会における持続可能な地域コミュニティの形成

開催日程: 2025年11月13日～14日

開催場所: 三重県 名張市、伊賀市

- (2) 機関誌「Civil Society Forum」の発刊と各国市民社会の紹介

- ・機関誌「Civil Society Forum」を年に2回発刊する。
- ・海外における市民社会セクターの状況について原稿執筆の依頼を行う。
- ・寄稿記事は、機関誌に掲載し、ホームページを通じて国内外に発信する。

- (3) その他

- ・広報活動の一環としてJIVRIホームページの充実を図る。

### 役員体制

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理 事: Aarti Thakor (Mishocon de Reya 弁護士)、伊井野雄二((特活)赤目の里山を育てる会 理事長)、黄 浩 明(北京師範大学中国公益研究院 特別教授)、楠田健太(東京藝術大学 准教授)、方 真雅((特活)大阪精神障害者就労支援ネットワーク 就労支援員、三育大学 研究員)、山岡義典((特活)市民社会創造ファンド 理事長)



## **Understanding Charitable Reserves:** **resilience in unpredictable times**

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In most countries around the world, whether you are a large international charity or a small local organisation trying to have impact, financial stability is crucial for ensuring that missions are met and services are delivered effectively. One key aspect of financial management for charities in England and Wales is the holding of reserves. But what exactly are reserves, and why are they important?

### **1. What Are Charitable Reserves?**

Reserves are essentially the funds that a charity has set aside, which are freely available to spend on any of the charity's purposes. These funds are distinct from endowments, restricted funds, or any money tied up in fixed assets. These types of funds come with particular legal conditions about how they can be used, spent or given away. The rationale for such strictness in dealing with those class of assets are to protect income or capital for charity in the longer term, so that short term needs are not prioritised over the longevity of the mission and purpose of the organisation.

Whilst reserves operate in a similar way, that is, being a financial buffer that can help a charity navigate through uncertain times, they usually do not have the same level of restrictions or conditions in the way they can be collected or used, and so can be a useful mechanism for charitable financial resilience and longevity.

Many countries around the world such as Canada, the US, Australia and of course England and Wales have a regime which allows the collection of reserves in a charity, but charities are often expected to both justify any such collection, and they must manage their finances prudently. Donors and regulators also often scrutinise reserve levels to ensure funds are used effectively. So it is a regime that comes with reward but also responsibility, and needs careful planning to make sure it is effective and retains the confidence of those impacted by it.



## 2. Why have reserves?

The world has changed remarkably in the last decade online, particularly for England and Wales: COVID, Brexit, multiple government changes, immigration and involvement in international crises have all affected the way in which many charities have operated, to name a few factors. And yet, 70% of the 169,000 registered charities have an income of below £50,000 per annum, so the impact on how short and long term operations and priorities of charities has been decided has been quite significant. COVID in particular saw the closure of many smaller charities who were unable to operate due to a lack of income and assets whilst activities were suspended, and England continues to see the consequences of this even today.

Having reserves in a charity comes with both advantages and disadvantages, but in the increasingly unpredictable local and geopolitical circumstances including the general rate of societal and wider regulatory change, many charities are looking at how they can increase the source of money available to enable them to survive tougher and unexpected economic times.

Looking at both sides of the argument, here are some factors most organisations consider when deciding whether or not to have reserves:

### Advantages of Having Reserves

- a. *Financial Stability*: Reserves provide a financial cushion that helps a charity manage unexpected expenses or income shortfalls, ensuring continuity of operations.
- b. *Risk Management*: They allow charities to handle unforeseen events, such as economic downturns or emergencies, without immediate financial distress.
- c. *Strategic Flexibility*: Reserves can be used to invest in new opportunities or initiatives that align with the charity's mission, providing room for growth and innovation.
- d. *Donor Confidence*: A well-managed reserves policy can enhance donor confidence, as it demonstrates prudent financial management and long-term planning.
- e. *Operational Continuity*: Reserves ensure that essential services and programmes can continue even during periods of financial uncertainty.

### Disadvantages of Having Reserves

- a. *Perception Issues*: Holding large reserves might lead to perceptions that the charity does not need additional funding, potentially affecting donations.

- b. *Opportunity Cost*: Funds held in reserves are not being actively used for immediate charitable activities, which could be seen as a missed opportunity to further the charity's mission.
- c. *Management Complexity*: Managing reserves requires careful planning and oversight, which can be resource-intensive and may require specific financial expertise.
- d. *Regulatory Scrutiny*: Charities must justify their reserves levels to regulators and stakeholders, which can be challenging if the rationale is not clearly communicated.
- e. *Potential for Complacency*: Relying too heavily on reserves might lead to complacency in seeking new funding sources or improving operational efficiency.

As can be seen, there are a number of factors to balance in order to come to any conclusion about whether a reserves policy is suitable for a charity, but most charities see the benefit of having reserves because they have seen the benefits of being able to operate independently longer terms as a result. These factors listed are often directly applicable regardless of the country in which a charity is operating in, so as long as trustees make balanced and careful decisions, they are usually able to justify the keeping of such funds aside.

### **3. How much can a charity keep in reserve?**

Interestingly, in England and Wales there is no particular statutory requirement in terms of a cap or percentage that a charity can keep as part of its reserves. A charity could in theory keep a significant proportion of its income or capital as reserves although the longer any such funds are withheld the more serious the evidentiary justification will have to be both to the donors, the regulator and to the public. Trustees are also under a competing duty to ensure that money is spent prudently and by extension, within a reasonable timeframe on the actual charitable purpose for which the organisation was set up. So it cannot keep any funds in reserve indefinitely, and this may lead to the Charity Commission as regulator engaging with the trustees if this was the case. Any policy should be appropriate for the charity's circumstances and demonstrate sound financial management.

### **4. Reserves strategy and policy**

So you have decided to keep some money aside, but what determines why,

how much, and when it will be spent? This is where a well thought out and worded policy comes in to play. It doesn't need to be complex, but it does need to cover some critical points. Developing a reserves policy is a vital step for any charity. This policy should be tailored to the organisation's unique needs and circumstances, providing a clear framework for managing reserves. It should articulate the purpose of holding reserves, which might include managing financial risks, supporting future plans, or ensuring stability in income streams. Determining the appropriate level of reserves is crucial and will vary depending on the charity's size, activities, and financial situation. The policy should also outline how and when reserves can be used, as well as how the policy will be reviewed and monitored over time.

Several factors influence a charity's reserves policy. Financial risks are a primary consideration, as charities must be prepared for potential uncertainties that could impact their operations. Future plans and commitments also play a significant role, as the reserves policy should ensure that funds are available when needed to support these initiatives. Additionally, the stability and predictability of income streams are critical in determining the appropriate level of reserves. Charities with more volatile income sources may need to hold higher reserves to safeguard against fluctuations.

Transparency is also a key aspect of managing reserves. Charities are expected to include information about their reserves policy and levels in their annual report. This transparency not only demonstrates good governance but also helps stakeholders understand how the reserves policy supports the charity's activities and financial health. It is an opportunity for charities to communicate their financial strategy and reassure donors and beneficiaries of their stability and foresight.

## 5. Final thoughts

Reserves can be an effective, pragmatic and innovative way of ensuring financial resilience for a charity, and the importance of a well-considered reserves policy can be a useful strategic tool for ensuring a charity's long-term sustainability. A well-thought-out reserves policy is not merely a regulatory expectation but a strategic asset that supports the charity's mission and enhances its resilience in the face of uncertainty. By carefully analysing their financial landscape and planning accordingly, charities can ensure they are well-equipped to thrive and make a lasting impact.



## Overview of the Charity Sector in Norway

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### 1. Non-Profit Legal Entities in Norway

The Norwegian charity sector has its origins in religious charitable activities and mutual aid within local communities. During the 19th century, through the processes of industrialization and urbanization, organized charitable organizations began to form (Sandaa-Johansen and Kairova, 2017). In this period, churches and civic groups provided support to the poor and the working class, laying the foundation for social welfare (Kohno, 2009). By the 20th century, as the welfare state developed, charitable organizations collaborated with the state and expanded their activities across a wide range of fields such as education, healthcare, and culture (Loga, 2018). In recent years, the advancement of digital technology and the diversification of social issues have given rise to new forms of donations utilizing crowdfunding and social media. Moreover, an increased emphasis on corporate social responsibility (CSR) and a surge in volunteer activities—particularly among younger generations—have further promoted broad social participation in the charity sector. In this way, Norway's charity sector is blending its historical background with contemporary needs to contribute to the construction of a sustainable society.

At present, Norway recognizes four major categories of charitable and non-profit legal entities: associations (Forening), foundations (Stiftelse), non-profit joint-stock companies (Aksjeselskap), and cooperatives (Samvirkeforetak). Each form is governed by different legal statutes. For example, associations are not subject to a specific organizational law and function as autonomous bodies under the freedom of association; foundations are governed by the Foundations Act (Stiftelsesloven) of 2001 and possess an independent legal personality; non-profit joint-stock companies are formed under the Private Limited Liability Companies Act (Aksjeloven) and can be regarded as essentially non-profit if their bylaws prohibit profit distribution; cooperatives are organized under the Cooperative Societies Act (Samvirkelova) of 2007 and are corporate forms aimed at the economic benefit of their members.

In addition, the Act on the Register of Non-Profit Organizations (Lov om Frivillighetsregisteret) was enacted in 2008, creating a voluntary registration

system for organizations that operate with non-profit objectives regardless of their legal form. Registration in this Register of Non-Profit Organizations is not compulsory; however, by registering with the Brønnøysund Register Centre, an organization can obtain a number of institutional benefits (Brønnøysundregistrene, 2025). These benefits include eligibility to apply for public grants, eligibility to participate in the state-owned Norsk Tipping lottery's "Grasrotandelen" (Grassroots Share) program, eligibility to claim refunds of value-added tax (VAT), and other advantages.

In practice, many charitable and non-profit organizations choose to register in this voluntary register to avail themselves of such benefits. For example, a foundation that exists only under the Foundation Act is not automatically eligible for public grants; only by registering in the Register of Non-Profit Organizations does it become qualified to receive government subsidies or allocations of lottery revenues.

Each legal form features a different regulatory framework and degree of government oversight. In the case of associations, there is no centralized supervisory body that examines or certifies public-benefit status (such as the Charity Commission in the UK or the IRS for charities in the United States). As a result, associations generally enjoy a high degree of freedom in their operations, and especially in the case of small organizations, they are almost entirely self-governing (Sandaa-Johansen and Kairova, 2017). However, if an association's annual income exceeds a certain threshold (50,000 NOK), it incurs reporting obligations for tax and accounting to the Norwegian Tax Administration (Skatteetaten, 2025b). With respect to registration, the Brønnøysund Register Centre administers both the Central Register of Legal Entities (Enhetsregisteret) and the Register of Non-Profit Organizations, providing unified management of organizational information (Brønnøysundregistrene, 2025). In this manner, associations are characterized by a proportional regulatory approach that scales with the size of the organization.

By contrast, a foundation is a legal entity established by an independent endowment contributed by its founder(s) and it has no owners or members, which gives it a high degree of governance independence (Altinn, 2025b). For this reason, all foundations are subject to legal supervision by the Foundation Authority (Stiftelsestilsynet). This authority has the power to monitor and intervene in foundations' operations, including reviewing annual reports, overseeing asset management, and ensuring that assets are not used



Table 1. Overview of Major Public-Benefit/Non-Profit Legal Forms in Norway

	Association	Foundation	Non-Profit Company	Cooperative
Overview	An autonomous organization operated by members that conducts charitable activities.	An independent legal entity established for a specific purpose and possessing its own assets.	A corporate form with shareholders, but it does not distribute profits and engages in charitable activities.	A corporate form aimed at promoting the economic interests of its members.
Legal Basis	No specific act (freedom of association); if annual income $\geq$ 50,000 NOK: Accounting Act & Bookkeeping Act; optional: Register of Non-Profit Organizations Act (2008).	Foundations Act 2001; optional: Register of Non-Profit Organizations Act.	Private Limited Liability Companies Act; optional: Register of Non-Profit Organizations Act.	Cooperative Societies Act 2007; optional: Register of Non-Profit Organizations Act.
Supervisory Authority	None (no central charity regulator); Registration: Brønnøysund Register Centre	Foundation Authority (Stiftelsestilsynet); Registration: Brønnøysund Register Centre	None (no dedicated regulator); Registration: Brønnøysund Register Centre	None (no dedicated regulator); Registration: Brønnøysund Register Centre
Establishment Requirements	<ul style="list-style-type: none"> <li>• At least 2 founding members (3 or more recommended)</li> <li>• Draft bylaws (statutes)</li> <li>• Hold founding general meeting</li> <li>• Submit registration application</li> <li>• Optionally register in the Non-Profit Register</li> </ul>	<ul style="list-style-type: none"> <li>• Clear public-benefit purpose set by founder</li> <li>• Prepare endowment (min. 100,000 NOK)</li> <li>• Draft deed of foundation and bylaws</li> <li>• External auditor's capital confirmation</li> <li>• Apply via Brønnøysund (Register of Business Enterprises – foundation section)</li> <li>• Approval by Foundation Authority</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum share capital 30,000 NOK</li> <li>• Draft bylaws (must stipulate no profit distribution)</li> <li>• Founder (at least one)</li> <li>• Submit registration application</li> </ul>	<ul style="list-style-type: none"> <li>• At least 2 members (members can be legal entities)</li> <li>• Draft bylaws</li> <li>• Hold founding general meeting</li> <li>• Register under the Cooperative Societies Act</li> </ul>

	Association	Foundation	Non-Profit Company	Cooperative
Key Characteristics	A voluntary, non-profit association governed by its members. It does not pursue profit, and even if a surplus is generated, it is not distributed to members.	An independent entity that uses a founder's contributed assets for a specific public purpose. It has no owners or members, and operates under the strict supervision of the Foundation Authority.	Takes the form of a company but does not distribute profits to shareholders, instead using them for public purposes. It allows flexible management and is suited for social enterprises or providing public services.	A member-owned enterprise pursuing common economic benefits for its members. Profits are distributed to members not by share ownership but according to their usage (e.g., patronage).

outside the foundation's stated purpose (Lotteri-og stiftelsestilsynet, 2025). Moreover, important changes such as amendments to the statutes or purpose, as well as any merger or dissolution, require prior approval by the Authority. In addition, every foundation is required to have an external auditor. The auditor must verify that the foundation's financial statements are prepared in accordance with the law and the foundation's bylaws, and that the management and allocation of assets are appropriate; the auditor's report is submitted to the Foundation Authority.

Non-profit joint-stock companies and cooperatives, being formally business entities, likewise do not have a dedicated regulatory agency that certifies their public-benefit status (similar to the situation for associations). However, for their establishment and operation as legal persons, they must be registered with the Brønnøysund Register Centre, and they are subject to oversight by the Tax Administration (Skatteetaten) with respect to corporate tax, value-added tax (VAT), payroll taxes, and related obligations. In particular, the Tax Administration holds broad supervisory authority over the financial and tax compliance of these entities (Altinn, 2025a).

However, the stringency of oversight varies by legal form. For associations, the level of oversight is proportional to the scope of their activities: a small association (with annual income below 50,000 NOK) is exempt from bookkeeping requirements, annual reporting, and taxation, and is not subject to any audit requirement (Skatteetaten, 2025b). In contrast, foundations, non-profit companies, and cooperatives are all subject to standard accounting and annual reporting requirements by virtue of their legal form, regardless of their size. All



of these must submit annual financial statements to the Brønnøysund Register Centre's Register of Company Accounts (Regnskapsregisteret), and foundations must submit their reports to the Foundation Authority as well (Brønnøysundregistrene, 2025; Samvirkelova, 2007).

## 2. Revenue-Generating Activities

In Norway, even associations and foundations are permitted to engage in revenue-generating commercial activities under certain conditions, so long as it is in pursuit of their public-benefit objectives. However, compared to non-profit companies and cooperatives—which by their form can more readily conduct business activities—associations and foundations are subject to more stringent regulations concerning the use of any profits, the scope of their activities, and transparency. The permissibility and limitations of conducting profit-making activities differ by legal form as summarized below.

Table 2. Permissibility of Profit-Making Activities by Legal Form

	Association	Foundation	Non-Profit Company	Cooperative
Permissible Scope of Commercial Activities	Permitted secondarily, as long as the organization's primary purpose is public-benefit.	Permitted as a source of funding for the public-benefit purpose.	Permitted even if business activities are central (provided no distribution of profits).	Permitted if conducted for the benefit of members.
Dividend Distribution	Not allowed	Not allowed	Not allowed (prohibited by bylaws)	Allowed (distributed to members based on use)

- a. Association: As long as the organization's primary purpose is public-benefit, it may conduct commercial activities as a secondary means to achieve that purpose. However, any profit earned cannot be distributed to members.
- b. Foundation: A foundation may engage in ancillary commercial activities as a source of funding to accomplish its public purpose. Any surplus generated must be either added to the foundation's endowment or used for its mission, and distribution of profits is of course not permitted.
- c. Non-Profit Company: By law this form is a regular company and faces no special legal restrictions on its business activities; even if profit-making becomes central to its operations, it can still be formally regarded as non-profit so long as its bylaws prohibit profit distribution. However, in terms of governance, it remains a company with investors (shareholders) and is subject to the tax regulations applicable to for-profit corporations.

Moreover, the criteria for registration in the Non-Profit Organizations Register are stringent, and in practice there are only limited cases where a non-profit company enjoys the same benefits and favorable treatment as associations or foundations.

- d. Cooperative: A cooperative may conduct commercial activities for the benefit of its members. Any surplus from such activities can be distributed to the members, but not in proportion to capital contribution—rather, according to each member’s level of participation or patronage. A cooperative is essentially an enterprise aimed at mutual self-help among its members and is not confined to public-benefit purposes.

The involvement of supervisory authorities in revenue-generating activities also varies by legal form. In the case of associations, non-profit companies, and cooperatives, the Tax Administration primarily oversees any tax and accounting matters arising from commercial income. In contrast, for foundations, the Foundation Authority closely monitors their asset management and ensures that any commercial ventures do not stray from the foundation’s purpose.

Regardless of the differences between legal forms described above, three common criteria are used to judge whether a given organization’s commercial activities are permissible. These are: (1) whether the revenue-generating activity is a necessary means of achieving the organization’s public-benefit purpose; (2) whether the profits obtained are not distributed to any private parties but are used to further the organization’s objectives; and (3) whether the commercial activities remain subordinate to the organization’s overall activities. As long as these conditions are satisfied, non-profit organizations are allowed to engage in a certain level of commercial enterprise.

### **3. Establishment and Operation of Associations**

#### **(1) Establishment of an Association**

To establish an association, the founders must first convene a founding meeting at which the decision to establish the organization and its basic provisions are confirmed. At least two founding members are required (three or more are recommended). During the founding meeting, the members must adopt the bylaws (statutes), elect the board members, and prepare and sign the meeting minutes. The bylaws should include fundamental items such as: (i) the name of the organization; (ii) its purpose; (iii) membership eligibility and

composition; (iv) rules governing the general assembly and the board; (v) accounting and reporting obligations; and (vi) the disposition of assets upon dissolution.

Next, an online registration must be submitted via the Brønnøysund Register Centre's electronic portal (Altinn) to register the organization in the Central Coordinating Register for Legal Entities. The registration application must include attachments of the founding meeting minutes and the adopted bylaws. Once the registration is approved, a notification containing the organization's unique organization number is sent to the applicant's inbox on the Altinn portal. Thereafter, the association may optionally apply for inclusion in the Register of Non-Profit Organizations. As noted earlier, this voluntary registration enables the association to receive various institutional benefits, such as eligibility for grant programs, lottery revenue distribution, and VAT reimbursement schemes. Finally, a bank account should be opened in the name of the organization. The above constitutes the basic procedure for establishing an association.

## (2) Operation and Reporting Obligations

An association is required to hold an annual general meeting (ordinary general assembly) each year in accordance with its bylaws, during which the financial accounts and an annual activity report are presented for approval. In general, for a typical small association, there is no legal obligation to submit these annual reports to any external authority. It is recommended, however, that the minutes of the general meeting and the financial statements be kept on file internally as a matter of good practice.

With regard to bookkeeping, if an association's annual income exceeds 50,000 NOK, it becomes subject to the Bookkeeping Act, which mandates proper accounting records and retention of supporting vouchers (Skatteetaten, 2025b). Associations with annual income at or below 50,000 NOK are exempt from these bookkeeping requirements, and if their activities remain small in scale, they do not need to file any reports or apply for exemptions to public authorities.

On the other hand, any association that has an annual total income exceeding 5,000,000 NOK, or that receives public grants above a certain threshold, or that has voluntarily registered in the Non-Profit Organizations Register and thereby opted into a financial reporting obligation, is legally required to prepare annual financial statements and submit them to the



Brønnøysund Register Centre's Register of Company Accounts. The annual financial statements should include an income and expenditure statement, balance sheet, and notes, prepared in accordance with the Norwegian Accounting Act and relevant regulations.

Importantly, these external financial reporting obligations apply only to associations above the specified size or conditions, and are not imposed on all associations universally. Additionally, if an association is registered in the Non-Profit Organizations Register, it has an obligation to submit an updated copy of its bylaws whenever they are amended, and—if the association chose to be subject to financial reporting at the time of registration—to submit its annual financial statements to the same register each year.

With respect to auditing, under the law an association is not required to appoint an auditor unless it exceeds certain large-size criteria. Nevertheless, some organizations choose to undergo voluntary audits to strengthen accountability to stakeholders and to enhance governance.

## 4. Establishment and Operation of Foundations

### (1) Establishment of a Foundation

To establish a foundation in Norway, the founder (which may be an individual or a legal entity) must first define a clear purpose of public benefit and prepare the endowment (equivalent to what is called the basic capital in a Japanese foundation). Norwegian law stipulates a minimum initial contributed capital of 100,000 NOK to establish a foundation; as a rule, a foundation cannot be established with assets below this amount. In addition, the founder must obtain a capital confirmation statement from an auditor—certifying that the contribution of assets has been duly made—and prepare an opening balance sheet showing the foundation's financial position at the time of establishment. Once these preparations are complete, the founding document and bylaws are drafted, and the full set of required documents is assembled. The bylaws of a foundation must specify, among other things, the foundation's purpose, the conditions for the use of its assets, its organizational structure, the composition of the board, accounting and reporting obligations, and the method of disposing of any remaining assets upon dissolution.

The application for registration of a new foundation must be submitted to the Brønnøysund Register Centre, specifically to the foundation section of the Register of Business Enterprises. Using the Altinn online filing system, the founder enters the required information and uploads the necessary documents

(the founding document, bylaws, auditor's confirmation, and opening balance sheet). The electronic signatures of all board members designated by the founder and the auditor must be provided as part of the submission. Once the application is received, the Foundation Authority will review it for compliance with the law; if no issues are found, the registration is approved. After registration is completed, a notification is delivered to the founder's Altinn inbox, and the foundation is thereby granted formal legal personality.

It should be noted that after obtaining legal personality, a foundation is subject to numerous statutory obligations in its operations. Notably, every foundation is required to include at least one "external" board member on its board of directors. An "external board member" refers to an individual who is not the founder of the foundation (nor a close relative of the founder), and this requirement is intended to ensure the foundation's independence and neutrality in governance (Altinn, 2025b). In addition, if a foundation's endowment is very large and revenue-generating activities constitute a significant portion of its operations, the foundation may be classified for tax purposes as a "commercial foundation" (næringsdrivende stiftelse). In such cases, the minimum capital requirement is raised to 200,000 NOK (Altinn, 2025b). However, under Norwegian foundation law, even a commercial foundation is still considered a non-profit entity, and profit distribution remains prohibited. In essence, the "commercial foundation" label is only a convenient distinction in practice, indicating a foundation with substantial business activities.

As outlined above, establishing a foundation requires careful preparation of many elements, and once established, the foundation must fulfill a wide array of obligations (including tax filings, maintaining accounting and audit arrangements, and preparing and submitting annual financial statements). Therefore, it is crucial to set up the necessary structures from the outset in a planned manner and to build the foundation's governance with the advice of experts.

## (2) Annual Reporting Obligations of Foundations

Under the Foundations Act and related regulations, every foundation in Norway must fulfill several annual reporting obligations. As mentioned above, the supervisory authority for foundations is the Foundation Authority, which monitors each foundation's status through the annual reports submitted. The main annual reports that must be prepared and submitted by a foundation are as follows:

- a. Annual financial statements: A full set of financial statements for the foundation's fiscal year, including at minimum an income statement, balance sheet, and notes (including accounting policies). The financial statements must be prepared in compliance with the Norwegian Accounting Act. They must be approved by the foundation's board within 6 months after the end of the financial year, and submitted online to the Register of Company Accounts within 7 months after year-end.
- b. Annual report: A narrative report summarizing the foundation's activities, outcomes, and the extent to which its objectives were achieved during the year. This report complements the financial statements, explaining how the year's activities have contributed to fulfilling the foundation's purpose. The annual report must be submitted together with the financial statements.
- c. Audit report: The report prepared by the foundation's external auditor (a state-authorized or registered public accountant) detailing the results of the annual audit. All foundations, irrespective of size, are subject to a statutory audit requirement. The auditor examines whether the financial statements are accurate and have been prepared in accordance with the law and the foundation's bylaws, and whether the foundation's management and use of funds are appropriate. The audit report must be submitted along with the financial statements to the Register of Company Accounts, and if the auditor has any significant findings or remarks, the auditor is also obligated to report these directly to the Foundation Authority.
- d. Board approval minutes: The minutes of the board meeting at which the board formally approves the annual financial statements and the annual report. These minutes must be signed by the chair of the board and the board members (electronic signatures are acceptable) and, like the other documents, submitted online.

These annual documents are submitted primarily to the Brønnøysund Register Centre's Register of Company Accounts, from which the Foundation Authority also retrieves and reviews them as necessary. Key characteristics of the reporting and oversight regime for foundations include: the universal audit requirement for all foundations; the Foundation Authority's robust powers to scrutinize asset management and to correct any deviations from the foundation's purpose; and the requirement for prior approval from the Authority for major decisions such as changes to the foundation's purpose, dissolution, or



mergers. Through these measures, foundations are subject to a much stricter governance framework than other types of organizations.

## 5. Tax Incentives for Non-Profit Organizations

Norway provides a multi-layered set of tax incentives for non-profit organizations that pursue public-benefit purposes. In this section, I introduce four major such measures: (a) the donation tax deduction scheme, (b) the income tax exemption for qualifying organizations, (c) the value-added tax (VAT) compensation scheme, and (d) the tax exemption for volunteer remunerations.

Table 3. Tax Incentives by Legal Form

	Association	Foundation	Non-Profit Company	Cooperative
Donation tax deduction for donors	Yes	Yes	Partial	No
Income tax exemption (for organization)	Yes	Yes	Partial	No
VAT compensation scheme	Yes	Yes	Partial	No
Volunteer remuneration exemption	Yes	Yes	Yes	No
Withholding tax on wages	No exemption	No exemption	No exemption	No exemption
Deemed donation taxation	None (no such system)	None (no such system)	None (no such system)	None (no such system)
Depreciation allowance	Yes	Yes	Yes	Yes
Tax on interest income	Partial (exempt if used for public purpose)	Partial (exempt if used for public purpose)	No	No
Tax on real estate income	Partial (exempt for qualifying use)	Partial (exempt for qualifying use)	No	No

*Note:* “Partial” indicates that the tax benefit is available only under certain conditions. “No exemption” indicates no special tax reduction is provided.

- a. **Donation Tax Deduction for Charitable Donations:** Individuals or businesses that donate money to a charitable and non-profit organization approved in advance by the Tax Administration can deduct the amount of the donation from their taxable income. The conditions for a donation to qualify for this deduction are: (i) the recipient organization must be included on the Tax Administration's pre-approved list of eligible charities; (ii) the total donations to that organization in a year must be at least 500 NOK; and (iii) the donation must be made in money and be reported by the recipient organization electronically to the tax authorities. As of the 2024 tax year, the maximum deductible amount is 25,000 NOK per year (Skatteetaten, 2025a). For example, if an individual donates 10,000 NOK to an approved organization, that person's taxable income for the year is reduced by 10,000 NOK. However, in order for the donor to receive the deduction, the recipient organization must report each donor's donation amount to the tax authorities by the stipulated deadline; any donations that are not reported by the organization do not qualify for the tax deduction.
- b. **Income Tax Exemption for Charitable and Non-Profit Organizations:** Charitable and non-profit organizations with charitable purposes can be exempted from paying corporate income tax if their revenue-generating activities remain small in scale. Specifically, if an organization's total annual revenue is 140,000 NOK or less and commercial activities are not its main objective, then the organization is exempt from income tax on that revenue (Skatteetaten, 2025b). If, however, the organization's income from commercial activities (for example, proceeds from sales of goods or rental income) exceeds 140,000 NOK in a year, then the entirety of the net profit from those activities in that year becomes subject to tax. It is worth noting that the threshold of 140,000 NOK is aligned with the registration threshold for VAT: a non-profit that exceeds 140,000 NOK in annual sales must register for VAT, whereas below that threshold it is treated as a small enterprise not required to charge VAT.
- c. **VAT Compensation Scheme:** Charitable and non-profit organizations can receive reimbursement (compensation) for some or all of the VAT they have paid on their expenditures, under certain conditions. This scheme is administered by the Norwegian Gaming and Foundation Authority (Lotteri- og stiftelsestilsynet), and a prerequisite for eligibility is that the organization is registered in the Register of Non-Profit Organizations (Brønnøysundregistrene, 2025). Organizations that meet the criteria can



apply annually, following a set procedure and submitting the required documentation, to be reimbursed for a portion or all of the VAT they have paid. The VAT compensation scheme is intended to alleviate the financial burden on the charity sector, and many organizations make use of it.

- d. **Tax-Free Volunteer Remuneration:** Charitable and non-profit organizations can provide volunteers with a stipend or token remuneration that is exempt from income tax up to a certain limit. Specifically, in an organization that has been granted tax-exempt status by the Tax Administration, any remuneration paid to a volunteer up to an annual total of 10,000 NOK is not counted as taxable income for that volunteer (Skatteetaten, 2025c). This 10,000 NOK cap applies not only to cash stipends but also to in-kind benefits such as gift cards, prizes, or goods, evaluated at their monetary value. This scheme enables non-profits to more easily offer volunteers modest compensation (including travel expense reimbursements, small tokens of appreciation, etc.) and serves as an incentive to encourage volunteerism. Any compensation beyond this 10,000 NOK threshold in a year is treated as regular taxable income for the recipient, and the organization then incurs the normal obligations of withholding tax and reporting the payment as wages.

In addition to the major schemes described above, certain other tax provisions benefit charitable activities. For example, real property that is used for charitable purposes can be exempted from municipal property tax (eiendomsskatt) in some cases. Likewise, minor revenues such as small membership fees or proceeds from token sales (e.g. fundraising merchandise) are treated as tax-exempt income. These measures also help support the financial sustainability of charitable and non-profit organizations. Moreover, an organization's registration in the Non-Profit Organizations Register can indirectly confer advantages: it enhances the organization's credibility in the eyes of tax authorities and can make it easier to meet eligibility criteria for various grant programs and compensation schemes.

It should be noted that standard payroll tax obligations still apply to charitable and non-profit organizations. In other words, regardless of legal form, whenever a non-profit pays salaries or substantial fees, it must fulfill the usual requirements to withhold income tax from those payments and report them—no special exemption from withholding applies. Additionally, unlike in some other countries (such as the “deemed donation” taxation concept in Japan), Norway does not tax the value of money, goods, or services that are provided free of

charge to a non-profit and used for its charitable activities. Furthermore, income from interest or real estate is not taxed as long as it is applied to the organization's charitable activities; however, if such income is derived from activities with a predominantly commercial character, it becomes subject to tax.

Overall, the Norwegian tax regime for non-profits focuses on the substantive nature of an organization's activities and the use of its income, rather than the organization's formal legal form. This flexible system, which emphasizes public-benefit outcomes, provides significant support for the charity sector.

## 6. Conclusion

In summary, this paper has reviewed the current legal framework for public-benefit and non-profit organizations in Norway, covering aspects from types of legal entities and regulatory oversight to tax incentive schemes. Distinctive features of Norway's charity sector include the guarantee of diverse organizational forms to choose from, the establishment of rigorous governance and transparency mechanisms (most notably for foundations), and the extensive financial support and tax incentives provided by the state. In particular, the fact that foundations—due to their independent nature—are placed under strict supervisory control, while at the same time charitable activities are bolstered by tax measures such as donation deductions, VAT compensation, and income tax exemptions, reflects the characteristics of Norway as a Nordic welfare state.

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