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## Accounting and taxing regulations, do they stimulate or hinder the transition to circular economy?



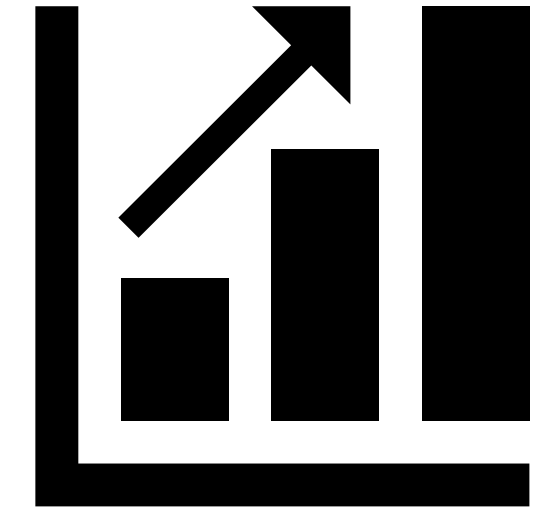
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The big question to ask!



Is it possible to have a profitable transition to circular business models these days without incentives from the government and revised accounting principles?



What we report today versus future  
reporting of the business as a whole  
- Internalities *and* externalities





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# Circular economy is the new economy



NEW FINANCING SOLUTIONS

INNOVATION AND NEW  
BUSINESS MODELS

ECONOMY AND  
ACCOUNTING

# Business models in the circular economy



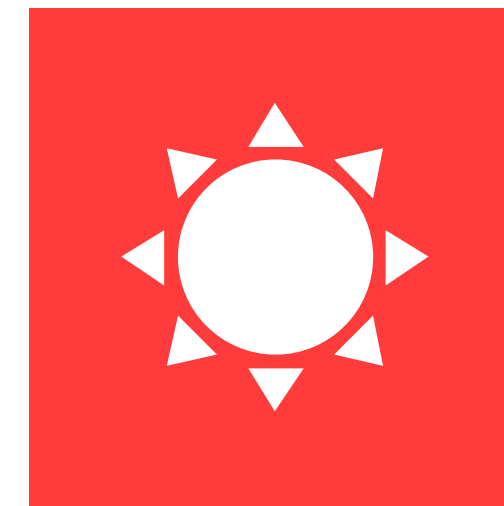
**Product-Life extension**



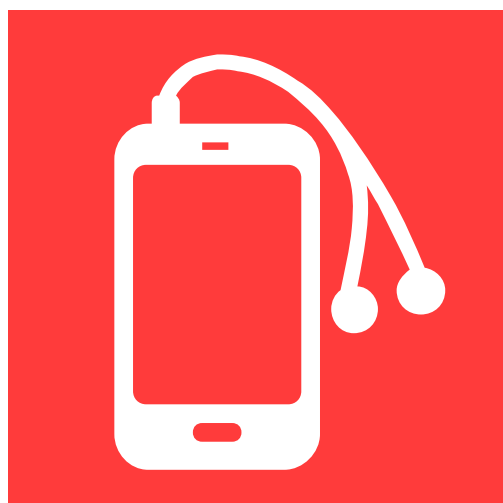
**Leasing and renting**



**Product as a Service**



**Resources efficiency  
and process innovation**



**Sharing platforms**

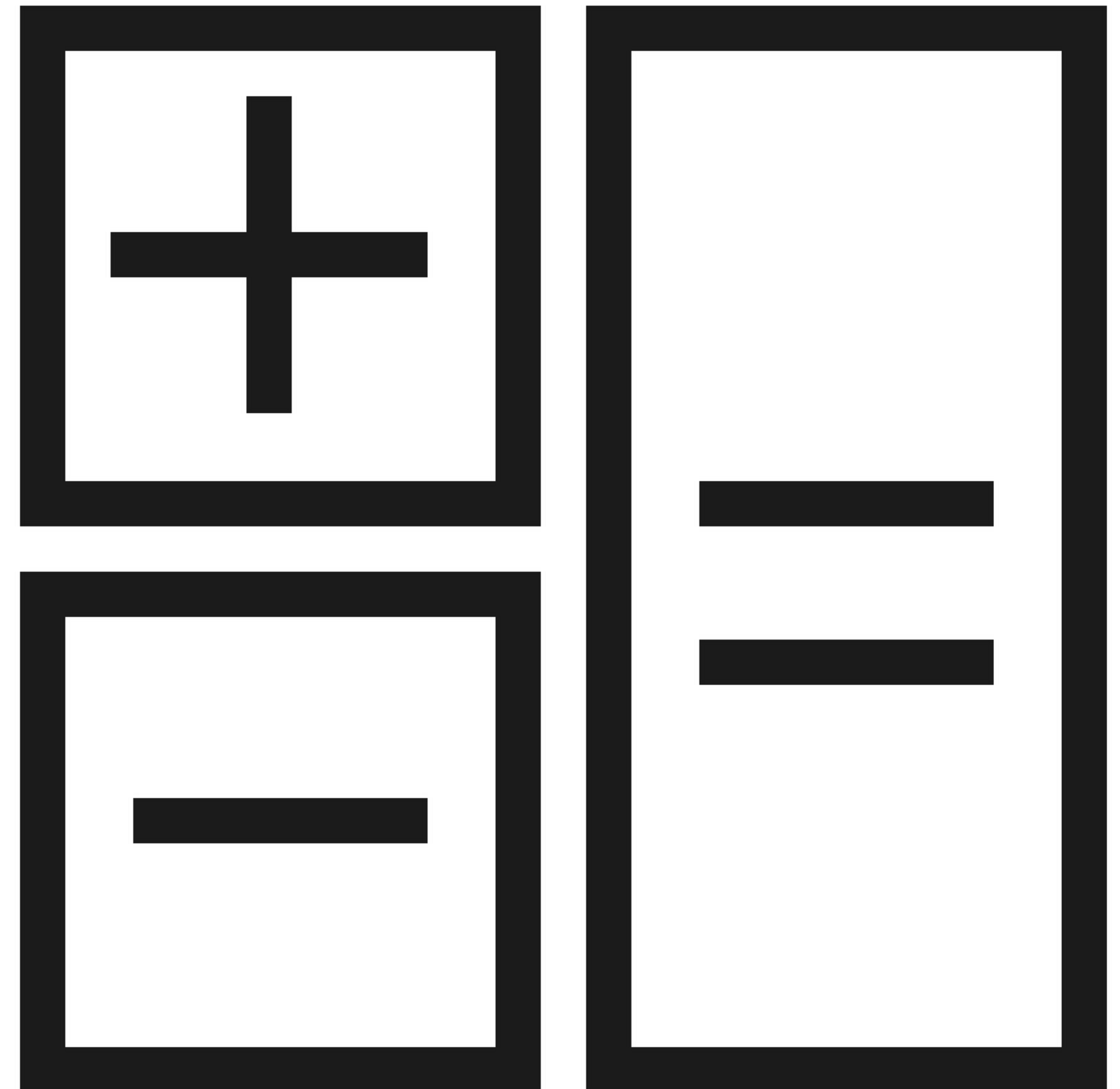


**Sell and return**

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# Accounting issues at hand

- Generally Accepted Accounting Principles Norway (NGAAP) versus IFRS
  - IFRS seems more flexible in relation to the issues at hand
- Recognition and measurement
  - What is recognized in the balance sheet?
  - What is the initial measurement of these items?
- Valuation after initial measurement
  - Lack of market places to substantiate fair value
  - Value in use
  - Do we need “value in use for others”?
- Internalities and Externalities
- Notes to the accounts versus numbers in the balance sheet and the P&L

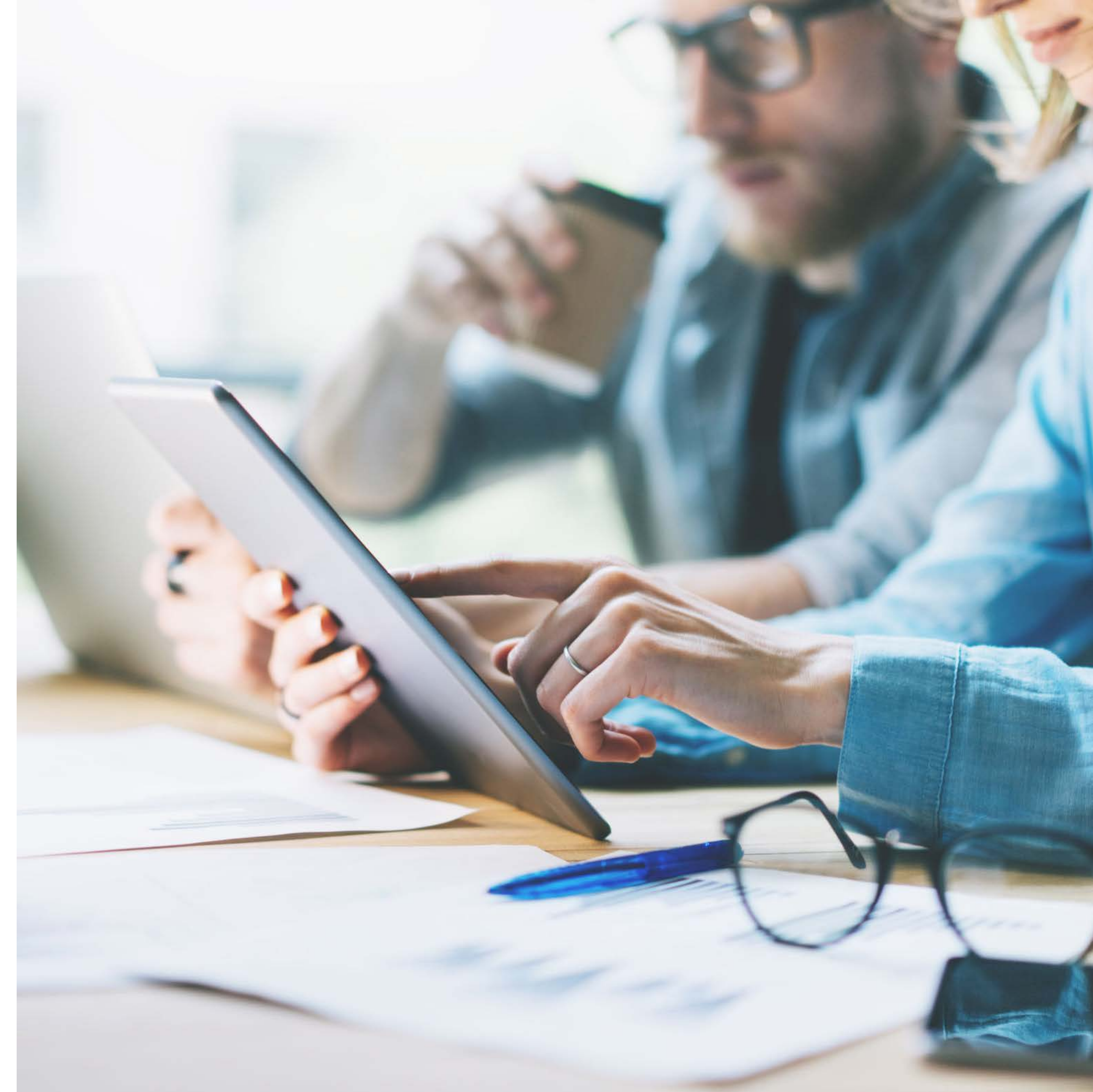




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# What types of incentives could be applicable?

- Direct taxes
  - Deferred taxes versus permanent tax reliefs
  - Depreciation rules
  - Realization, tax deductions
- Indirect taxes
  - Limited or zero VAT on repairs
- Co-operation with NAV (Norwegian Labour and Welfare Administration)
  - Utilization of a potential workforce that today are outside the job market





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# Accounting and tax challenges

- How do we value used materials that will enter the new production cycle in the balance sheet?
- Taxable depreciation for obsolescence if obsolete goods enter a new value chain?
- If the final depreciated value of fixed assets is not zero, what is it then?
- What is the accounting and tax value / obligation in a repurchase agreement?
- Do you have to pay VAT one more time for used goods that are repaired and resold?
- New business models retain ownership and build a great balance. How do we assess the liquidity of such companies?





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# What public funds is currently available?

- Innovation Norway
  - Innovation Norway is the Norwegian Government's most important instrument for innovation and development of Norwegian enterprises and industry. Innovation Norway support companies in developing their competitive advantage and to enhance innovation
- Skattefunn
  - You are developing a new and better product, service or production process
  - You have a targeted and defined project to achieve this
  - Your business can benefit from the result
- Start-up clusters funded by miscellaneous governmental initiatives
- Design driven innovation programme
- Horizon 2020 – international programme
- and many more





# CIRCULAR ACCOUNTING CLUSTER

ACCOUNTING FOR SUSTAINABLE AND CIRCULAR  
BUSINESS



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# Circular Accounting Cluster

- Regnskap Norge took the initiative to establish Norway's first circular accounting cluster, which will solve specific issues related to accounting, direct and indirect taxes in the transition to circular economy.
- A dozen committed and solution-oriented people from the accounting industry, business and academia met for the first gathering at Inland Norway University of Applied Sciences.
- The purpose of the gathering was to define which tasks the accounting cluster will solve, how the cluster will be organized and who should contribute.
- Through workshops, we shared experiences and expertise when discussing the opportunities that lie in circular economy. New business models affect bookkeeping, accounting and financial management, and often require new financing solutions.
- We are confident that the cluster will define concrete solutions that the accounting industry, Norwegian businesses and the education sector will benefit all in the time to come.



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## What else are we currently doing?

- Contribute to the launch of Circular Norway, we are a member of the Advisory Board
- Consultations and workshops at the Parliament
- Collaboration with IT suppliers on new AI-solutions in ERP systems - Integrated reporting
- European project for establishing standard and method for valuing used materials



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## Three take-aways

- Accounting standards must improve to encompass both internalities and externalities
- Companies should be able to communicate through the accounts the value of their circular business model
- Taxes, both direct and indirect, should be used actively to stimulate the transition from linear to circular thinking





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