

FINN's Proposals for Boosting Circularity through VAT Adjustments: Expert Group Consultation

1. The Urgent Need for Promoting Second-Hand Trade in Norway

Earth Overshoot Day—the date when humanity’s demand for nature’s resources surpasses Earth’s capacity to regenerate them for the given year—fell on August 1st this year¹. This means that humanity is currently using nature 1.7 times faster than our planet’s ecosystems can regenerate. Moreover, if all of humanity consumed like Norwegians, Earth Overshoot Day would arrive as early as April 12th, just four months into the year². The message from this data is clear: there is an urgent need for Norway to accelerate its transition to a circular economy.

At FINN, we are committed to promoting reuse and fully support the government’s circular economy action plan aimed at accelerating the transition. Given that the retail industry is responsible for 25% of global emissions, companies need to adopt circular business models to reduce their environmental impact³. However, until recently, there has been a lack of data measuring the effects of these models.

Therefore, FINN, along with other Schibsted-operated marketplaces in Sweden, Denmark, and Finland, partnered with carbon-calculation software maker Vaayu to create the Second-Hand Effect report⁴. This report explores the impact and benefits of second-hand transactions across Schibsted Marketplaces’ recommerce sections in 2023. Key findings show that:

- Around half of second-hand purchases in the Nordics replace new items
- Collectively, Schibsted Marketplaces avoided 349,726 tonnes of CO₂e, equivalent to:
 - 1,883,425 car journeys from Oslo to Stockholm and back
 - Producing 2,388,937 new bicycles

In Norway alone, FINN reported net avoided emissions of around 163,000 tonnes of CO₂e, underscoring the potential of second-hand trade in advancing the country’s circular economy. To further unlock its potential, we propose the following measures:

2. Zero/Reduced VAT Rate for Second-Hand Goods and Repair

The Value Added Tax (VAT) system is a consumption-based tax levied on the value added at each stage of production and distribution of goods and services. In the VAT system, businesses collect VAT on sales while being able to deduct the VAT they have paid on their own purchases related to business activities. This ensures that tax is ultimately borne by the final consumer with the VAT rate applied on the ultimate product or service, as each business in the supply chain is taxed only on the value they add, and not on the total sales price.

¹ <https://overshoot.footprintnetwork.org/newsroom/press-release-2024-english/>

² <https://overshoot.footprintnetwork.org/newsroom/country-overshoot-days/>

³ <https://www.bcg.com/publications/2022/sustainability-in-retail>

⁴ https://cdn.schibsted.com/wp-content/uploads/2024/06/14102311/Public_Schibsted-The-Second-Hand-Effect-Report-2023_14-june2024.pdf

Except for second-hand cars, a 25% VAT rate applies whenever a business sells second-hand goods like bicycles or washing machines, despite VAT having been paid the first time these goods were sold. Additionally, the vast majority of second-hand products are sold at a price lower than their original sales price. Therefore, VAT on second-hand products amounts to double taxation and a deviation from the principles behind the VAT system of which each production stage charges VAT only on the value added by that stage.

To avoid double taxation, zero VAT should be charged on second-hand goods. At least, this method should be used for items or categories where the typical sale implies double taxation due to the lack of deduction of the input VAT applied in the original sale. Implementing a zero VAT rate for second-hand goods has been requested by Forbrukerrådet⁵.

The government already applies a reduced VAT rate to stimulate consumption in sectors such as passenger transport and accommodation, where a 12% VAT rate is in place. Extending this approach to the second-hand market, including transport and repair, would be a logical next step to accelerate the transition to a circular economy. Just as the government incentivises positive change in other sectors, it is now time to promote sustainable consumption by implementing a zero or significantly reduced VAT rate for second-hand goods.

Extending VAT reductions to repair services would also promote a circular economy. This approach is already in place in some EU member states that have been encouraged by the EU Commission to use VAT to boost circular economy activities like repair. For example, Sweden has reduced VAT on certain repair services from 25% to 12%, while similar reductions are also found in Austria and Poland⁶.

By implementing these proposed VAT changes for both second-hand goods and repairs, sustainable consumption practices could become more affordable for consumers. This is crucial, as price-sensitive consumers at times face higher costs for reused goods, especially when repairs are involved, compared to new products. A lower VAT rate on second-hand goods and repairs would also provide companies with stronger incentives and improved profit margins—an area where second-hand businesses often struggle—helping them to develop circular business models.

3. Zero/Reduced VAT Rate for Transportation of Second-Hand Goods

A large part of the items sold on marketplaces like FINN are low-priced items that are shipped from one consumer to the next. For this reason, the price sensitivity of the transportation cost is very high. For instance, when a consumer wants to purchase a used sweater for 100 NOK, and the transportation cost is 70 NOK, the total price may be too high to motivate a purchase. Easy and affordable transportation is, therefore, a prerequisite for many second-hand trades to happen,

⁵ <https://www.forbrukerradet.no/siste-nytt/forbrukerradet-momsen-pa-bruktkjop-ma-fjernes/>

⁶ <https://www.regjeringen.no/contentassets/2dcc57a783cc4403bbdb48558514dc38/no/pdfs/nou202220220020000dddpdfs.pdf> (p. 424).

especially when items are sold over a wider geographic range, which impacts the potential selling price and the likelihood of a sale.

The same problem arises with the repair of goods. Often things that need repair have to be shipped and returned once fixed. To keep the price of repairing things lower than the price of replacing them with new items, the transportation cost of these repairs is also important. Moreover, in certain categories, like phones and small electronics, repair services can also enable warranties to be provided for used items, further boosting second-hand trades.

To address these challenges, we propose a zero or, at least, a significantly reduced VAT rate on the transportation of second-hand goods to help lower costs and promote sustainability. At FINN, we have data showing that the number of second-hand trades significantly increases when the transportation cost is reduced. E-commerce players frequently offer free shipping, something that second-hand players rarely have the margins or financial muscle to do. We would be pleased to share the relevant data with the Expert Group for further consideration and dialogue.

4. Changing the Tax and VAT on Donations (uttaksskatt og uttaksmva)

In Norway, businesses that donate unsold inventory are subject to taxation and VAT based on the market price. This tax system creates an incentive to destroy or throw away unsold goods rather than donate them, as businesses can only receive a tax deduction if the inventory is classified as broken or waste. Consequently, these regulations not only hinder second-hand trade and charitable donations but also result in environmental and social harm. To address these issues, the government should thoroughly review existing regulations and make the necessary changes to align economic incentives with environmental and social objectives.

5. Final Remarks

The latest results from Schibsted's monthly study on circular consumption, conducted with market research company Nepa, show that Sweden leads the way, with over 42% of consumers choosing second-hand items at least every other purchase. Finland follows at 37%, Denmark at 34%, and Norway ranks the lowest at 33%. This highlights the pressing need for Norway to speed up its circular transition. While our proposed tax adjustments are powerful tools and important steps towards enhancing a circular economy, it will also be crucial to help companies implement the sizable amount of EEA-relevant EU legislation that is forthcoming. Moreover, the government should consider investigating (and, as needed, taking action to address) company practices that undermine reuse and circularity⁷.

FINN is eager to engage with the Expert Group and looks forward to ongoing dialogue and working together to advance a more sustainable and circular economy.

⁷ See, for example: <https://www.bloomberg.com/news/features/2024-04-18/apple-iphone-recycling-program-has-secrets>

About FINN

Norway's largest marketplace, [FINN.no](https://www.finn.no), was founded in 2000. Ever since then, FINN has gained enormous popularity among Norwegians. In 2023, FINN had 3.5 million logged-in users, 299 visits on average per person, while 30 million classified ads were posted. Whether you buy or sell products, look for a house or a job, browse cars or boats or dream of your next holiday—FINN offers the opportunity to realise dreams and make sustainable choices.

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