

Everything you need to know about the holiday act and holiday pay.

As a manager, you know there are times of the year when questions about vacation come in thick and fast. Managers represent the employer in relation to employees and should therefore have basic knowledge of vacation rules and holiday pay, so they can handle the most common questions clearly and correctly.

Vacation made simple – a quick guide

To understand rules and regulations about vacation in Norway, it's important to distinguish between vacation time and holiday pay. The first part of this guide focuses on vacation time. Then we explain holiday pay entitlements, and finally bring the two concepts together with an example of how it appears on a payslip.

This guide covers employee rights under the Holiday Act, and we comment where different rules apply due to company agreements. Most rights are regulated by law, with exceptions for vacation percentage and number of days (typically part of "agreed additional vacation").

In addition to this guide, managers should be familiar with internal routines found in the company handbook, local or national agreements, or individual contracts.

Vacation Time

By law, employers must ensure all employees take their statutory vacation each year. Employees are also obligated to take their vacation. Responsibility is shared.

Length of vacation

Employees are entitled to 4 weeks and 1 day of vacation annually by law. Many companies offer 5 weeks (30 business days Mon–Sat), which equals 25 workdays (Mon–Fri). Employees turning 60 in the vacation year are entitled to an additional week.

It's often easier to talk about vacation in terms of workdays off. For part-timers, a general rule is: number of working days per week \times 5 = vacation days. Ask a payroll specialist if in doubt.

New Employees

Employees starting before September 30 are entitled and obligated to take full vacation (unless already taken with a former employer). Those starting after September 30 are entitled to 6 business days.

These employees should also be included in the vacation planning!

Exceptions

An employee may refuse vacation if their holiday pay does not cover lost wages.

Spent holiday pay from a previous employer does not qualify for an exception. In such cases, the vacation deduction can be spread over the year, avoiding a full wage loss in June. This requires a written agreement.

If the company closes for summer, employees can be required to take vacation. Those on parental leave may take vacation while receiving benefits. Vacation not taken in time must be carried over.

If vacation is missed due to the employer, the employee may claim compensation. A well-structured vacation plan benefits all parties.

Setting vacation

Vacation planning must be discussed (it can be as simple as submitting preferences), but the employer has final say.

- All employees are entitled to 3 consecutive weeks during main holiday period.
- The main period is June 1 to September 30. New employees before August 15 may claim this.
- Employees have the right to be notified at least 2 months in advance.
- Employees over 60 may decide when to take their extra week, with 2 weeks' notice.

Advance and carry-over vacation

Employees may request to take up to 2 weeks of next year's vacation early. A written agreement is required for both advance vacation and carry-over of up to 2 weeks.

Sick leave during vacation

Employees can postpone vacation from day one of documented illness, if:

- The employee is ill (not a relative)
- 100% unfit for work
- Has a doctor's note
- Stayed in Norway or the EEA
- Requests postponement upon return

Holiday pay

Holiday pay is calculated based on salary earned in the previous year and replaces salary during vacation.

It excludes reimbursements, per diems, and previously paid holiday pay.

- Legal rate is 10.2%
- Common agreement rate for 5 weeks is 12%
- Over 60? Add 2.3% for the extra week

Tax on Holiday pay

Holiday pay is tax-exempt at the time of payout but still taxable income. Tax is spread over 10.5 months. Employers may skip withholding in June and make a half deduction in Nov/Dec.

Exemptions do not apply to the 6th week, current year payouts (e.g. final settlements), or for employees under PAYE tax card ("kildeskatt").

PAYE tax card (Kildeskatt)

Relevant for foreigners with short stays or their first year in Norway. This is optional and set when applying or by changing the tax card. A 25% flat tax applies to all income year-round, including holiday pay.

The tax is settled immediately, and employees do not file a tax return.

Vacation + Holiday pay

Employees must be deducted for vacation and use holiday pay to cover the loss.

Note: The employer deducting for vacation may not be the one paying holiday pay. The right follows the employee.

Standard practice is to deduct all vacation in June when holiday pay is paid out. Salary for 5 weeks is deducted then, and regular salary is paid when vacation is taken. For hourly workers, the deduction happens through lack of hours.

Payslip in June

This often causes confusion. Here's the setup for agreed additional vacation, 5 weeks total:

Regular salary is paid, plus:

- Deduction for 5 weeks of vacation
- Holiday pay to cover the lost salary

Payroll item	Basis	Quantity	Rate	Deduction	Amount
Fixed salary				X	35 028,50
Holiday deduction*		-25	1 616,45	X	- 40 411,28
Holiday pay due	395 077,30	25			47 409,28
Total salary					42 026,49

* The holiday deduction is taken in full (5 weeks) in connection with the holiday-pay payment, regardless of when the holiday is actually taken.

Note: Employees may request holiday pay to be paid on the last payday before vacation, with a matching deduction.

Employees must be aware of internal rules. Go through this during onboarding.

Check with payroll before responding – there may be agreements or practices you're unaware of. When in doubt, ask an expert.

Good luck with this year's vacation questions! 😊

Simplifying business.

