

HOW TO ESTABLISH A COMPANY IN ICELAND

Who can establish a company in Iceland ?

Public and Private Limited Liability Companies, as well as Private Companies and Partnerships can be established in Iceland by persons of any nationality, provided they fulfil the general conditions prescribed by the relevant laws.

For a non resident of Iceland to become a founder of such entities, a director, manager or a branch manager thereof, an exemption by the Minister of Commerce is needed in some cases.

However, such exemptions are not needed for citizens of the other OECD or EEA countries and citizens of the EEA countries do not need a work permit in Iceland. Otherwise the majority of the founders of a legal entity must be residents of Iceland.

A company domiciled in any of the other member countries of OECD or EEA has essentially the same rights to operate in Iceland as an Iceland domiciled company.

Foreign ownership of businesses is basically unrestricted, although limitations apply to specific sectors where sensitive national interests are at stake, such as in fishing and primary fish processing.

A special type of company, International Trading Company, can be set up in Iceland by a resident, or non-resident, to trade, or intermediate trade, with foreign entities outside of Icelandic jurisdiction in goods and/or services, which do not originate in Iceland.

No restrictions are imposed in Iceland on the buying or selling of foreign currencies.

Set-up procedures

The registration of a Company in Iceland is simple and straightforward process. It is done at the Company Registration, hosted at the Internal Revenue Directorate (www.rsk.is).

International Trading Companies need to apply for an operating licence granted by a Certification Committee.

Taxation of Companies

The rate of income tax for Limited Liability Companies is 18 % of net earnings.

The rate of income tax for Partnerships is 26 % of net earnings.

The rate of income tax for International Trading Companies is 5 % of net earnings.

Net worth taxes, 0,6 %, are levied on the net assets of Limited Liability Companies and Partnerships. International Trading Companies are exempt from net worth tax.

Out paid dividends are not deductible from the profits of the company paying the dividends.

Elimination of double taxation of dividends paid by one Limited Liability Company to another Limited Liability Company is achieved by allowing a special deduction for the Company receiving the dividends.

A Limited Liability Company is obliged to withhold a 10 % tax when distributing dividends, but this withholding tax is fully deductible in the final assessment of resident individuals and is reimbursed to Limited Liability Companies.

Individuals pay a 10 % tax on dividends received.

Double Taxation Treaties

Iceland currently has double taxation treaties with :

Canada, China, Estonia, France, Germany, Great Britain, Latvia, Lithuania, The Netherlands, The Nordic Countries (Denmark, Faroe Islands, Finland, Norway and Sweden), Poland, Switzerland and the U.S.A.

Dividends paid to citizens or legal entities of these countries will be taxed at 5 % in Iceland, provided their ownership in the Limited Liability Company exceeds 10 %.

However this taxation on dividends is not applicable if the citizens or legal entities are Danish, Dutch, Faroese, Finnish, Norwegian or Swedish, as they enjoy 0 % taxation.

Double taxation treaties have been signed, but not ratified with :

Belgium, Czech Republic, Luxembourg, Portugal, Russia, Slovak Republic, Spain, Italy and Vietnam.

Value Added Tax

General VAT is 24,5 %, but VAT paid on goods and/or services being exported is refunded when these are exported. VAT on food (not all food though) is 14%.

Please consult our website for further information on doing business in Iceland, International Trading Companies, our members and our services:

Iceland Chamber of Commerce,
House of Commerce,
Kringlan 7,
103 Reykjavik.
Tel. : + oo. 354. 510. 7100, Fax : + oo 354. 568. 6564.

www.chamber.is

For further information on registering companies please contact :

The Internal Revenue Directorate

www.rsk.is

For further information regarding tax issues please contact :

The Directorate of Internal Revenue,
Laugavegur 166,
150 Reykjavik
Tel. : + oo. 354. 563. 1000, Fax : + oo 354. 562. 4440.
www.rsk.is

For an English translation of the Act of Law on Public and Private Limited Liability Companies, Private Companies and Partnerships, as well as for other pertinent information please contact :

The Ministry of Commerce and Industry,
Arnarhvali,
150 Reykjavik
Tel. : + oo. 354. 560. 9070, Fax : + oo 354. 562. 1289.
www.stjr.is

For further information on investment in Icelandic companies please contact :

Invest in Iceland Agency, General Investments
Hallveigarstigur 1,
101 Reykjavik
Tel. : + oo. 354. 511. 4000, Fax : + oo 354. 511. 4040.
www.invest@icetrade.is