



# Doing Business in Iceland



Invest in Iceland Agency

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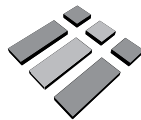
Invest in Iceland Agency is run by the Trade Council of Iceland and the Ministries of Industry and Commerce.

The agency's experts provide information and confidential service on all aspects of investments, free-of-charge.

The Invest in Iceland Agency functions as a "one-stop shop" for foreign investors and provides information on investment opportunities in Iceland and the business environment. The Agency arranges site visits and plans contacts with local authorities as well as local business partners and professional consultants. The Agency also runs The Film in Iceland Agency project.

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# A. Executive Summary

## A.1 Regulatory Constraints and Reliefs

As a member of the 30-nation European Economic Area, Iceland implements the same basic liberal business philosophy as the European Union. Except in a few limited areas, all EU commercial legislation and directives take effect in Iceland. Consequently, Iceland makes an ideal springboard for tariff-free access to the major EU market area, as well as a fully competitive location for EU companies to operate.

### Exchange Controls

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

### Foreign Ownership of Business

In principle, foreign ownership of business is unrestricted. However, some limitations apply to specific sectors, namely fishing, primary fish processing, energy production and aviation.

A wide range of portfolio investment options are available through licensed securities trading companies.

## A.2 Official Attitude and Incentives

Iceland has systematically made its business environment increasingly attractive for investment and location, among other things with the series of tax cuts, which give Iceland one of the lowest levels of corporate income tax in Europe.

Advantages offered by Iceland for industrial investors include the most competitive electricity prices in Europe and industrial steam at 6 barg or USD 3 per metric tonne. Industrial sites with good natural harbours, for small and large ventures, are available in many parts of the country, and many local authorities have designed development strategies and scenarios, which provide for new investments. Highly skilled labour is available, including experts in software and a wide range of research fields.

Special incentives are granted for film and TV production in Iceland, whereby 14% of total costs are refundable. Production cost incurred in other EEA countries is also refundable within certain limits.

## A.3 Tax System

The Icelandic tax system is relatively simple and effective. The emphasis has been to simplify it further, reduce tax rates, broaden the tax base and conclude more double taxation conventions, which will increase the competitiveness of Icelandic corporations and attract foreign investors.

With corporate income tax of 15% Iceland ranks among the lowest tax rates within the OECD member countries.

## **Some characteristics of Icelandic tax law:**

- Corporate income tax of 15% on net income only levied by the state;
- Dividends received by corporations are not taxable. No requirements relating to percentage of stock ownership in the corporate payer apply;
- Consolidated returns available for corporations under 90% common control;
- No branch profits tax levied on repatriated profits from branches;
- Double taxation treaties available;
- Foreign tax credit available to avoid double taxation in the absence of tax treaties;
- No legislation on controlled foreign corporations;
- No legislation on “thin capitalization”;
- No basket system regarding the foreign tax credit.

## **Taxes on Businesses**

Companies resident in Iceland, and Icelandic branches of foreign resident companies, are liable for corporate income tax (national income tax) on their net earnings. The corporate tax rate is 15% and no local corporate tax rate is applied.

Net worth taxes on companies and individuals in Iceland have been abolished.

Real estate taxes are paid locally by businesses, along with local service charges.

## **Personal Income Taxes**

Individuals resident in Iceland are liable to income tax at the rate of 35.72%, on all earned yearly income above ISK 1,143,362 (USD 18,253<sup>1</sup>).

Personal income tax is withheld at source and paid as you earn. It is divided into national income tax (22.75%) and municipal income tax (averaging 12.97%), making a total of 35.72%.

Financial income of individuals is taxed at the rate of 10%.

Resident individuals are taxed on their worldwide income.

Non-resident individuals become tax residents if they stay in the country for more than 183 days out of a 12-month period.

A non-resident individual is taxed on Icelandic-sourced income.

## **A.4 Financial Reporting and Audit Requirements**

Every company resident and operating in Iceland must submit annual accounts that comply with statutory accounting rules and disclosures, and reflect a true and fair view of the company's assets, liabilities, results and financial position. Presentation is modelled upon standard EU requirements. The requirement of adjustments being made to revalue assets and liabilities on the principles of inflationary accounting was abolished in 2001.

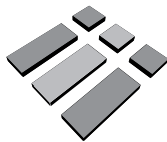
Companies above a certain size, which are publicly traded and have subsidiaries, are required to prepare consolidated group accounts. Tax returns are filed with local tax authorities.

Corporations registered in Iceland, with the main part of their income from foreign sources, can apply to keep their books of accounts and records in a foreign currency.

Publicly traded companies are allowed to issue their share capital in a foreign currency. Other non-publicly traded limited liability companies with the main part of their income from foreign sources are also allowed to issue their share capital in a foreign currency provided that certain requirements are met.

## **A.5 Guidance and Services for Potential Investors**

To coordinate efforts for attracting inward investments to Iceland, the Ministry of Industry and Commerce has established a “one-stop shop,” the Invest in Iceland Agency, run by the Trade Council of Iceland and the Ministry of Industry and Commerce. The Agency is responsible for attracting inward investments to Iceland. The Invest in Iceland Agency offers free and confidential services to potential investors on all aspects of location, arranges contacts with relevant authorities and companies, fact-finding visits, etc.



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## **B. General Background**

### **B.1 Physical Background**

#### **Geography, Climate and Geology**

Iceland is located in the North Atlantic, about 3 hours by air from major cities in Western Europe and 5-6 hours from the East Coast of the USA. Shipping distances are 3-4 days to Europe and 7-8 days to eastern North America. Its mid-Atlantic location makes Iceland an ideal base for companies with business in both continents. Geologically it is a young country, whose active volcanic forces have created huge resources of geothermal energy, which can provide low-cost industrial steam and electricity, while pollution-free hydropower resources have to some extent been developed in the mountainous highland terrain.

Despite its name, Iceland has a relatively mild climate for its northerly location at a latitude from 63°24' to 66°33'N and longitude from 13°30' to 24°32'W. The mean annual temperature in the capital, Reykjavík, is -1.5°C in January and 10.3°C in July. Temperatures for the northern town of Akureyri are -1.9°C in January and 10.9°C in July.

#### **Resource Base**

The location and geology of Iceland determine its main resources, which are fish from some of the richest and cleanest waters in the world and "green" hydro and geothermal energy. Iceland is the 13th largest fishing nation in the world, based on its catch volume in 2004. Another major resource is Iceland's unspoilt natural environment on which a large and growing tourist industry is based. High levels of education, openness to innovation and specialist know-how also make Iceland's human resources an important asset for investors in many fields.

#### **History**

Iceland was settled in the ninth century by pioneering Vikings on the westward expansion, which took them as far as the shores of North America. They founded a unique republic in 930, and the oldest national parliament still functioning in the world today. Iceland passed under Norwegian and later Danish rule but became a fully independent republic again in 1944.

#### **Language**

Icelandic, the language spoken by the Icelanders, is really the ancient tongue of the Vikings and has changed remarkably little during the eleven centuries since the country was first settled. Knowledge of English is almost universal and most people speak one Scandinavian languages. The majority of students past compulsory schooling age learn German or French.

## Population

Total population: 312,872 (December 1, 2007). Some 37.6% of the population live in the capital, Reykjavík, and 62.6% in the capital and neighbouring communities.

*Source: Statistics Iceland.*

*For updates see [www.statice.is](http://www.statice.is)*

With 22.4% of its population aged 15 and below, and 10.7% aged 65 or above, Iceland has the youngest population in Europe.

## B.2 International Framework

Iceland is a founding member of the European Economic Area (EEA)<sup>1</sup>. This free-trade zone allows the tariff-free movement of goods, services, capital and labour. A company domiciled in any of the other 30 member countries of the EEA, and in fact in any of the OECD countries, has the same rights to operate in Iceland as an Icelandic-registered company. It only needs to apply for the same permits and registration as an Icelandic-domiciled company. Companies registered in Iceland are permitted to operate in all the countries of the EEA without any special permits or legislation. The same rules apply to movements of labour. A national of a foreign country who intends to stay in Iceland for a period exceeding three months must have a residence permit. However, a national of an EEA member country in search of a job is allowed to stay in Iceland for six months without a residence permit. A standard tax credit can be obtained within the tax authorities. Iceland is actively involved in the work of major international organisations. It is a member of the United Nations, Council of Europe, NATO, EFTA, OECD, GATT, GATS and WTO, and cooperates particularly closely in cultural and social fields with Scandinavian countries through the Nordic Council.

*For further information see [www.utl.is](http://www.utl.is)*

## B.3 Government and Political System

### National Government

Iceland is a parliamentary democratic republic. The head of state is the President, elected for a term of four years at a time, whose duties lie outside day-to-day party politics. The government is led by the Prime Minister.

Parliamentary elections are held at intervals of no more than four years. There are 63 members of parliament, elected by proportional representation. Since no party has secured a parliamentary majority since the establishment of the Republic in 1944, Iceland has always been ruled by coalition governments.

After the 2007 parliamentary elections, a new administration was formed, consisting of the collaboration of the Independence Party (IP) and the Social Alliance (SA) with Mr. Geir H. Haarde, leader of the IP, as Prime Minister, and Ms. Ingibjörg Sólrún Gísladóttir, leader of the SA, as Minister for Foreign Affairs.

Parliamentary seats were won in the May 2007 general elections by the Independence Party (centre-right) (25), the Progressive Party (centre) (7), the Social Alliance (18), the Left Green Party (9) and the Liberal Party (4).

The next parliamentary elections will be held in May 2011.

*For further information and updates see [www.government.is](http://www.government.is).*

## **Local Government**

Local elections are held every four years.

Municipalities are responsible for specific services including basic health care and compulsory education, and are allocated part of income tax revenues to fund their operations, along with property taxes and other smaller levies.

## **B.4 Legal Environment**

### **Legislative Process**

Parliament consists of a single chamber of 63 members and a simple majority is required for ordinary bills to become law, while constitutional amendments require a two-thirds majority and take effect if they are then approved by the parliament, which convenes after the following general election. Approved bills are ratified by the President, who has the formal power of vetoing a bill and referring it to a national referendum, although this has only once been used under the Republic.

Bills may be introduced either by the government or ministers responsible for the issues in question, or by private members, including the opposition. After their introduction in parliament, bills are given at least three readings before being voted on, and in many cases are sent to a parliamentary committee in between.

### **Courts**

Under the Constitution, sentences may be passed by the courts only. The courts are divided into two classes: the Lower Courts, where most cases are heard, and the Supreme Court, which hears appeals from the lower courts.

There are eight lower courts and one Supreme Court, all hearing private and public cases.

A special court called the Labour Court is concerned with labour disputes.

# C. Business and Economic Background

## C.1 Investment and Business Environment

Industrial investment in Iceland has grown considerably since 1995 and is likely to increase substantially in the coming years as new aluminium investments go on-stream. The new Alcoa Fjardaral smelter in Reydarfjordur, Iceland, is estimated to have a capacity of 346,000 tons per year. Foreign direct investment in Iceland, which involves an influence on corporations' boards or at least 10% ownership in a corporation reached ISK 271,8 billion (USD 4,339,080 million) by the end of 2006. Main sources of investment have been the Netherlands, Luxembourg, Belgium, Guernsey, United Kingdom and Germany. Over the past few years non-resident funds have been investing in companies which are listed on OMX Nordic Exchange in Iceland.

Annual average unemployment was 1,1% in 2007 and labour force mobility, both geographical and between jobs, is very high, even though labour turnover is low. The labour force is relatively young compared with neighbouring countries, with 67% of the population aged between 16 and 65.

## C.2 Economic Growth

The Central Bank of Iceland's main objective is price stability, defined as a 12-month rise in the CPI of 2.5%. If it deviates by more than 1.5% in either direction, the Central Bank is obliged to present the Government with a report, which will be made public, explaining the reasons for the deviation from the target and the Bank's responses to the deviation. Inflation was 4% in 2005, 6.8% in 2006 and 5,6% in 2007. The Central Bank forecasts inflation to be above the inflation target in 2008 and 2009. Planned investments for the aluminium industry have been stepped up even further, at the same time as household access to credit has been made much easier. However, long-term interest rates on mortgage lending have increased to slow down inflation. The Central Bank of Iceland estimates that inflation will be 4.1% in 2008 and 2.7% in 2009. The Ministry of Finance estimates the inflation target of the Central Bank of Iceland to be attained in 2009. Prospects for economic growth have become more moderate. Economic growth was 6.2% in 2004, 6.6% in 2005, 4.2% in 2006 and is expected to be 2,7% in 2007, 1,4% in 2008 and 0.4% in 2009. With a GDP per capita of USD 53,900 in 2006, Iceland was ranked highest in an international comparison within the OECD countries (OECD, 2007).

Most barriers to investment have been abolished with the European Economic Area (see section D.2 below) and Iceland's stable, growth-led economy, innovative environment, well educated labour force and competitive labour costs make it a very attractive location for new ventures today.



## **C.3 Currency**

The official currency unit of Iceland is the króna (ISK). The exchange rate of the króna is determined on the interbank market for foreign exchange. Since March 2001 the króna has been floating more or less freely in the context of an inflation targeting framework. Iceland is not a member of the EU and therefore not of its monetary union, and is not mandated to use the Euro.

## **C.4 Economic Structure**

The basic sectors in the Icelandic economy are various services (accounting for 44.6% of GDP in 2006), manufacturing industries, construction and utilities (24.5%), and fisheries (fishing and fish processing, accounting for 9.4% of GDP in 2006). Public ownership is being systematically phased down by privatisation and the main role of the public sector is in health, education and social welfare.

The export base is relatively narrow and largely based on natural resources, namely fisheries products and output from industries powered by renewable energy sources (hydropower and geothermal power). Foreign investment is mainly concentrated in export-orientated sectors, although plenty of opportunities are available for serving the small but highly consumeristic domestic market as well, on both the production and retail side. New exciting sectors for investment are in the field of information technology, financial services, life science and tourism in Iceland, which has grown increasingly in the last few years.

## **C.5 Relationship of Government and Business**

Access to official bodies and agencies is very easy in Iceland's small society, with a minimum of red tape.

Government policy in Iceland aims to provide a fair, efficient and competition-driven operating environment for companies within a market economy, and to encourage foreign investment, especially in areas that diversify the economy. Iceland's corporate income tax of 15% is one of the lowest in Europe and among the OECD member countries. For more than a decade, the government has tailored packages of measures to fit pay agreements negotiated in collective bargaining between employers and unions. Pay agreements were negotiated for most sectors of the labour force in 2004, which will remain in effect until December 31, 2007. New wage agreements are being negotiated and are expected to be finalized in Spring 2008.

## **Privatisation and Economic Restructuring**

It is the stated policy of Iceland's government to scale down public sector activities in areas, which could be handled by private operators without raising social costs. To an increasing extent, public supplies and services are being contracted out. Tenders are mandatory for all procurement of supplies exceeding ISK 13,422,320 (USD 214,277) and procurement of services and works exceeding ISK 17,430,000 (USD 278,257) throughout the EEA/EU countries.

Privatisation began in the late 1980s and some state-owned enterprises have already been sold, while others have been converted to corporations and the plan is to privatise them in part or whole. Among the incorporated state-owned enterprises are power companies and a mail company. Shares in industrial ventures, in which the state took part as a founder, have also been announced for sale.

## Regulatory Environment

Operating licences are required for businesses in certain sectors, for example manufacturing industries, and are granted on fulfilment of clearly defined rules. Details of regulations, monitoring and inspection agencies, etc., vary from one sector to the next, and the Invest in Iceland Agency will help to establish contacts and offer guidance.

Broadly speaking, as a member of the European Economic Area, Iceland operates its regulatory environment on the same principles as the European Union.

## C.6 Financial Sector

### Introduction

The Icelandic financial system is broadly in line with those of other European and Western nations, and largely in harmony with European Union legislation. In recent years the government has emphasised privatisation and economic liberalisation. Business credit is offered by commercial and savings banks, investment banks and securities houses.

A strong non-bank sector has evolved, covering stock broking, leasing and a wide range of other financial services.

International players are established in insurance and Icelandic finance companies have associations with global funds.

### Central Bank

The Central Bank of Iceland has the main objective of ensuring price stability, as defined by an inflation target of 2.5%. The Bank has been granted full independence to implement monetary policy. Any direct access by the government to Central Bank financing has been formally closed. The Bank has put increasing emphasis on monitoring financial stability. Furthermore, the Central Bank administrates Iceland's foreign exchange reserves and acts both as fiscal agent for the government and the borrowing agent for the Republic of Iceland in international capital markets.

Standard Central Bank functions with regard to commercial and savings banks and other credit institutions include acting as a lender of last resort and clearing agent. The main monetary instrument of the Central Bank is the rate on repurchase contracts, which are auctioned weekly. Hitherto the Bank has only auctioned two-week contracts.

*For further information see Central Bank of Iceland [www.sedlabanki.is](http://www.sedlabanki.is)*

## Financial Supervisory Authority

The Financial Supervisory Authority is an independent state authority with its own board of directors, which monitors compliance with laws and regulations covering factors such as liquidity and capital adequacy of parties subject to its supervision and that they are in every respect consistent with sound and proper business practices. Parties subject to supervision are commercial banks, savings banks, credit undertakings (investment banks), deposit departments of co-operative societies, securities companies, securities brokerages, management companies of UCITS, stock exchanges, central securities depositories, pension funds, insurance companies and insurance brokers licensed to operate in Iceland.

*Source: Financial Supervisory Authority, [www.fme.is](http://www.fme.is)*

## Commercial- and Savings Banks

There are four commercial banks, listed on the OMX Nordic Exchange and all of them are rated by international rating agencies. In recent years they have expanded their operations abroad with mergers and acquisitions in commercial banking and security brokerage. The fifth commercial bank, Icebank, owned 57.3% by 18 local savings banks and 42.7% by various investors, acts both as a service and clearing institution for the local savings banks and as an investment bank. In addition, deposit-receiving facilities are operated by the Postal Giro system.

Originally Iceland's banks were sector-targeted but now all offer a full range of financial services (including non-bank activities through subsidiaries) to businesses and individuals. Housing mortgages used to be mostly handled by a state agency, but the commercial banks have entered the market. Loans are now disbursed to borrowers in cash, instead of the old tradable housing bonds.

Bank services include all regular lending, deposit and current account services. Interest rates and other terms vary considerably and are determined by market forces. Companies and individuals can hold bank accounts in Iceland denominated in major foreign currencies.

Indexation of financial obligations, a legacy from the inflationary 1980's, is being phased out on shorter maturities and no longer applies to financial obligations for a shorter period than five years. One striking feature of banking activities in Iceland is the predominance of electronic transactions. Cheques are becoming quite rare in day-to-day business and Iceland has the highest per capita payment card ownership in the world, with 456,224 debit cards and 345,089 credit cards in January 2008, among a population of 312,000.

In the beginning of 2007 the Financial Supervisory Authority adopted new rules on the capital requirement and risk-weighted assets of financial undertakings. The new rules are based on new international rules on the equity capital of financial undertakings which entered into effect at the beginning of 2007. The

international rules are based on standards issued by the Basel Committee on Banking Supervision, the Basel II Accord.

Iceland adopted the BIS standard for capital adequacy of commercial and savings banks in 1992.

## Financing Investments

A state-owned New Business Venture Fund has the specific aim of funding innovations, research-driven projects and the like.

A Regional Development Fund also provides credit and grants for projects located outside the capital area.

Iceland's commercial banks are actively engaged in corporate lending and have extensive links with foreign banks for this purpose. Twelve credit institutions, other than the commercial banks, currently operate in Iceland, five of which are investment banks, two investment funds and three are leasing companies.

## Mortgage Finance

The main source of mortgage finance for private housing has been through the State Housing Fund. However, major changes took place in the Icelandic mortgage market in 2004. The Fund used to issue tradeable bonds, but the format was changed in July 2004. Loans are now disbursed to borrowers in cash, instead of the old tradable housing bonds. There is a ceiling on mortgage levels and applicants are means-tested.

The commercial banks have captured a share of the market and offer a variety of loans. The banks offer for example CPI-indexed mortgages, a loan-to-value ratio of up to 80% (and some even up to 100%, especially for first-time buyers), currency-linked loans and non-indexed mortgages for shorter periods. Interest rates on mortgage loans at the commercial banks came down to 4.15% (January 2005) but in January 2008 the interest rates are normally 6.30% on first mortgage and are only available to existing customers. However, sometimes the interest rate depends on the portion of the property mortgaged. Housing bonds carry 5.75% indexed interest rate on general loans.

The maturity of the loans is up to 40 years. These loans are not confined to housing purchases, they can also be taken for refinancing and mortgage equity withdrawal. Some savings banks and pension funds have responded to this competition by lowering their interest rates and raising their loan-to-value ratio.

Most mortgages are indexed, generally against the consumer price index.

Although properties are more expensive in the Greater Reykjavík Area than outside it, and although "desirable areas" do exist, the property price range is much narrower than in more populous countries and cities.

## **OMX Nordic Exchange Iceland**

See chapter E.11

### **Institutional Investors**

Pension funds, often organized along labour union lines, are a major player in the Icelandic financial system with net assets of ISK 1.498,8 billion (USD 23.927 million) on December 31st, 2006. They have played a large role in housing finance, both through their own lending and purchases of mortgage bonds, and are becoming an increasing presence in other investment areas, including equity and foreign securities.

Some 30 unit trusts (ucits), run by 7 management companies, were in operation in Iceland on October 31st, 2007, and nine investment funds. Twelve domestic insurance companies operate as well, and are large players in the Icelandic securities market with around half their investment portfolio in marketable shares.

*Source: Financial Supervisory Authority, [www.fme.is](http://www.fme.is)*

### **Interest Rates**

Interest rates are determined by market forces in Iceland. A formal inflation target has been adopted by the Central Bank, which may influence interest rates through market operations to reach the inflation target. The Bank's main instrument is its repurchase agreements (repos) with credit institutions. Its main rate is determined at weekly Central Bank repo auctions. In recent years, interest rates in Iceland have been considerably higher than those among its major trading partners.

### **Exchange Rate**

Market forces directly influence the exchange rate of the króna in Iceland's interbank market for foreign exchange. The Central Bank is authorised to intervene, but ceased acting as a market maker in 1997.

The official exchange rate index is calculated as the geometric average of indices of nine currencies and is chain-linked. The index is reweighted annually on the basis of the share of each currency in Iceland's trade over the previous calendar year. The weight between merchandise- and services indices in the index is determined by their respective shares in Iceland's total external trade.

## Credit Rating

### REPUBLIC OF ICELAND CREDIT RATINGS

	FOREIGN CURRENCY			DOMESTIC CURRENCY		
	AFFIRMED	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM	OUTLOOK
Moody's	Aug. 2007	Aaa	P-1	Aaa	P-1	Stable
Standard & Poor's	Nov. 2007	A+	A-1	AA	A-1+	Negative
Fitch	March 2007	A+	F-1	AA+		Stable
R&I Rating of Japan	June 2007	AA+				Stable

Ratings for the Republic of Iceland have improved in the past decade but in late 2006 and early 2007, Standard and Poor's and Fitch Ratings lowered their sovereign credit ratings for Iceland<sup>1</sup>. Standard and Poor's based their main arguments for the downgrade on loosening of fiscal policy ahead of the 2007 election [...] and an increasingly unbalanced policy mix. Nevertheless, Standard and Poor's stated that "the ratings on Iceland remain supported by its stable and flexible political institutions, high level of prosperity, and strong long-term economic growth prospects and low and declining government debt level". Fitch Ratings were concerned about the deterioration in Iceland's external balance sheet, which amplified their concerns about external debt sustainability. However, Fitch recognised in its statement that Iceland possesses certain strengths that clearly set it apart from other "single A" category sovereigns: these include per capita income of USD 52,000, very high standards of governance and strong, transparent institutions. Moody's rating is Aaa for long-term foreign and domestic obligations, Aaa for country ceiling and P-1 for short-term obligations, which are the highest ratings that the agency issues. In its analysis on Iceland in August 2006, Moody's says " the Aaa rating and stable outlook are supported by institutional strength, low government debt and a tested ability to withstand shocks.

## C.7 Main Sources of Finance

The bulk of funds used by foreign companies investing in Iceland have traditionally been raised in international finance markets. Foreign-owned subsidiaries or branches may raise funds in any country without restriction and have full access to Iceland's finance market.

Icelandic domestic finance companies offer a broad range of services, including:

- Medium-term and long-term financing: Longer loans may be negotiated directly with banks and other credit institutions, and are generally indexed. There has been an increasing trend towards raising longer-term capital through bond issues.
- Leasing, hire purchase, factoring: and a full array of other financial services are available in Iceland within the banking and non-bank sectors.
- Export guarantees: may be negotiated with banks.

## **C.8 Energy and Other Resources**

Iceland's main natural resource outside the fishing industry is its energy production from renewable, non-polluting sources. It is estimated that in 2008, even after a build up in power-intensive industry, only 40% of Iceland's 30 TWh of technically, ecologically and economically feasible hydropower potential has been harnessed, and 20% of its 20 TWh of geothermal energy.

Imported fossil fuels account for one-third of Iceland's energy consumption and are almost entirely used for transportation. Some 90% of houses in the country are heated from geothermal sources, following large-scale development of this energy source during the oil crisis of the 1970s. Geothermal steam is also used for electricity generation and for certain specialised industrial applications.

## **C.9 Industrial Structure**

Iceland's economy is diversified in character, with strong export bases in fisheries and metal industries, and large services and import sectors. There are several large Icelandic-owned corporations in international seafood sales, financial transactions and transportation, as well as in power-intensive industrial manufacturing, which includes foreign investment, but these industries are predominantly occupied by small and medium-sized businesses.

## **C.10 Foreign Trade**

### **Main Products and Trading Partners**

Although some industry segments compete both in the small domestic market and in international export markets, in general Iceland has to maintain a high level of imports to supply consumer needs, and therefore a high level of exports to finance them. Exports of goods and services accounted for 34.4% of GDP 2002-2006 (period average).

Marine products account for ca. 34% of Iceland's total exports and around 36% of its foreign currency earnings, despite greater export diversity and stricter fishing quotas. The main reason is the steady growth of value-added processing of seafood products, catch diversification and responsiveness to market trends. Metals from power-intensive industries accounted for 17% of goods exports in 2006. Another important export sector is a wide range of equipment for the fishing industry, while software, medical and pharmaceutical exports are growing rapidly and biotechnology is now reaching the export stage too. Services account for 34.3% of foreign currency earnings, thereof tourism 12.7%.

Leading import items are industrial supplies, capital goods, transport equipment, consumer goods and food and beverages.

European Economic Area countries accounted for 74.8% of all Iceland's exports and 64.7% of imports in 2006, led by the Netherlands (16.6% of exports / 4.8% of imports) and the U.K. (15.6%/5.3%). The USA accounted for 10.8%/12.9%, Germany 15.0%/12.3%, Norway for 4.0%/7.0% and Japan for 2.1%/4.1%.

*Source: Central Bank of Iceland, [www.sedlabanki.is](http://www.sedlabanki.is) and Statistics Iceland, [www.static.is](http://www.static.is)*

## International and Regional Trade Associations

Iceland joined the European Free Trade Area (EFTA) in 1970 and was one of the founding members of the now 30-nation European Economic Area – set up by the European Union and EFTA in 1994 and enlarged in 2004 – a no-tariff market of 450 million people. Iceland also belongs to the Organisation for Economic Co-operation and Development (OECD), the General Agreement on Tariffs and Trade (GATT), General Agreement on Tariffs and Services (GATS) and the World Trade Organisation (WTO), as well as the United Nations and its agencies, and NATO. Furthermore, Iceland is a signatory to many international agreements, for example on patents and intellectual property rights.

Iceland is a member of the Nordic Council together with Denmark, Finland, Norway and Sweden, a regional association with particularly close social and cultural links.





## **D. Foreign Investment in Iceland**

### **D.1 Exchange Controls**

Foreign exchange controls have been fully abolished in Iceland since 1995, although the Central Bank is authorised to impose temporary restrictions on capital outflows in the event of exceptional circumstances. This has never been done, however.

### **D.2 Restrictions on Foreign Investment**

Non-residents may invest in a business enterprise in Iceland with some limitations, which are stipulated in the Act on Investment by Non-Residents in Business Enterprise or in specific legislation, and upon the fulfilment of other conditions and acquisition of licences required by law.

Under the European Economic Area Agreement, investment in Iceland by EEA residents is in principle free, but few exceptions were negotiated in specific fields considered to be of national political importance.

#### **Restrictions on Investment by Non-Residents** (including EEA Residents)

Only the following may conduct fishing operations within the Icelandic fisheries jurisdiction or own or run enterprises engaged in fish processing:

- Icelandic citizens and other Icelandic entities.
- Icelandic legal entities wholly owned by Icelandic entities or Icelandic legal entities, which are:
  - Controlled by Icelandic entities
  - Not under more than 25% ownership of foreign entities (up to 33% in certain circumstances)
  - In other respects under the ownership of Icelandic citizens or Icelandic legal entities controlled by Icelandic entities.

Fish processing means any processing that preserves marine products from decay including production of fish oil and fish meal, but does not include further processing designed to render products more suitable for distribution or consumption. Canning of seafood, however, is open to foreign investment.

#### **Restrictions on Investment by Non-EEA / Non-OECD Residents**

Only Icelandic citizens and other Icelandic entities, as well as individuals and legal entities domiciled in another member state of the European Economic Area, are permitted to own energy exploitation rights as regards waterfalls and geothermal energy for other than domestic use. The same applies to enterprises, which produce or distribute energy.

The maximum total shareholding owned by non-residents (except residents and legal persons of a country that is a member of the European Economic Area or of the Faroe islands) in Icelandic airline companies is 49%.

Special permission must be applied for from the Minister of Commerce in the case of investment in Icelandic enterprises by foreign states, foreign municipalities or other foreign authorities involved in enterprises.

An individual domiciled within the EEA and/or OECD may run a business or take part in a business enterprise with unlimited liability in Iceland, while those from outside need to apply for permission from the Minister of Commerce or another appropriate authority. Limited liability companies and other legal entities with domicile outside the EEA and the OECD may operate in Iceland provided that this is permitted in an international treaty to which Iceland is a party or if permission is granted by the Minister of Commerce.

Board membership of Icelandic companies by individuals resident outside the EEA/OECD is subject to restrictions (residence requirements) but the Ministry of Commerce may grant exemptions.

## **Requirements, property purchases, etc.**

New foreign enterprises operating in Iceland that set up a branch or a subsidiary are obliged to register with the Register of Enterprises (Fyrirtækjaskrá), and for others than residents of the EEA/OECD countries, certain requirements are made regarding minimum number of board directors resident in Iceland (see chapter E.8). EEA residents may stay in Iceland without special authorization up to six months if they are looking for work. If they intend to stay in Iceland for a longer period a resident permit must be applied for.

Foreign direct investment in real properties in Iceland is open to individuals and legal entities that enjoy rights in Iceland under the Agreement on the European Economic Area regarding free movement of individuals, the right of establishment, services or movement of capital or corresponding provisions in the Convention on European Free Trade Association. This applies to the following parties:

1. Employees who are EEA-citizens or EFTA-citizens, and who work as such in Iceland, or have EEA-residence permit.
2. EEA- and EFTA-citizens who have established themselves, or intend to establish themselves, in Iceland in order to engage in independent business operations.
3. EEA- and EFTA-citizens who are domiciled in another member state and have established, or intend to establish, a branch or an agent's office in Iceland, or who intend to render services in Iceland.
4. Companies and other legal persons, which are founded in accordance with the legislation of a member state, and have established, or intend to establish, a branch or an agency's office, or intend to render services in Iceland. Those companies and legal persons shall either have their headquarters or principal activity in an EEA- or EFTA-state or be domiciled there according to the Articles of Association of the company. In the case of a domicile the company's activity must have a real and permanent connection with the economy of the member state concerned.

**5.** Individuals residing in a state, which is a member of the EEA or EFTA, and companies or other legal persons, which are founded in accordance with the legislation of an EEA- or EFTA-state, may require real property rights in Iceland on the basis of the rules of free movement of capital. Those companies and legal persons shall either have their headquarters or principal activity in an EEA- or EFTA-state or be domiciled there according to the Articles of Association of the companies. In the case of a domicile the company's activity must have a real and permanent connection with the economy of the member state concerned.

The registration of a deed for a real property without special permission, is dependent on the holder of the right presenting a special declaration. A sample of such a declaration is to be found on the website of the Ministry of Justice on: <http://eng.domsmalaraduneyti.is/laws-and-regulations/nr/698>

Residents and legal entities domiciled outside EEA or EFTA are subject to the following restrictions on real property purchases in Iceland:

Private individuals may purchase real property if they are either Icelandic citizens or have their legal residence in Iceland. Partners of legal entities or businesses, who have unlimited liability for the debts of the entity or business concerned, must be Icelandic citizens or individuals domiciled in Iceland for at least 5 years in order to purchase a real property. In the case of a limited liability company or an institution, the company or the institution must be domiciled and have their venue in Iceland. Furthermore, the members of the board and directors must be Icelandic citizens or domiciled in Iceland for at least 5 years. In case of corporations, 4/5 of the share capital must be owned by Icelandic citizens and Icelandic citizens must exercise the majority of the votes at shareholder meetings.

However, the Minister of Justice may grant exemptions upon application to those that are permitted to run a business in Iceland and the property is to be used as business premises or a permanent residence. The Minister of Justice may also grant exemptions if other reasons apply.

*For further information see the Icelandic Directorate of Immigration [www.utl.is](http://www.utl.is)*

## **D.3 Investment Incentives**

Broadly speaking, Iceland does not offer direct subsidies for business investment. It focuses on the favourable environment for businesses in general, including low corporation tax, competitive labour- and payroll costs, and low energy prices. Industrial sites are available around Iceland at competitive cost. Local communities may offer certain incentives.

However, as a member of the EEA, Iceland has access to EU research funds for R&D programmes and joint ventures undertaken with companies from at least one other EEA country.

Grants are issued for specific projects on a case-by-case basis by bodies including the New Business Venture Fund and Science Fund.

Starting in 1999, special incentives are granted for film and TV production in Iceland. The production must be incorporated in Iceland. An Icelandic branch or a representative office of a corporation registered in one of the EEA countries is considered as incorporated for this purposes. There are no requirements as to the production budget, but the film must promote Icelandic culture and introduce the history of Iceland and its nature. The film and TV production cost rebate rate is currently 14%.

## **D.4 Importing and Exporting**

### **Restrictions**

Standard restrictions apply in Iceland on the import of live animals, firearms, dangerous substances, pharmaceuticals, etc. Similarly, special procedures and documentation are required for exports in these categories.

### **Excise Duty on Manufactured/Imported Goods**

#### ***Taxable goods***

An excise duty is levied on a variety of goods specified in the Icelandic Excise Tax Act. They include goods, new and second-hand, which are imported from abroad or manufactured, processed or packed in Iceland. There is no excise duty on exports. The settlement period for excise duty is two months. When returning excise duty to the state treasury for any given period, the duty paid during the same period on material purchased for the production of taxable products can be deducted. If the excise duty arising from goods purchased is higher than that arising from goods sold, the difference is returned. The same applies to exports. The Excise Tax Act with attendant regulations authorises the Treasury to exempt certain categories of local taxable goods from excise duty. In practice, excise duty is retrievable by producers and should not adversely affect their operations to any appreciable extent.

*For further information and updates see [www.rsk.is](http://www.rsk.is)*

#### ***Tax base***

The excise duty is either a quantity-based or a price-based charge. The quantity charge is based on each kilogram or litre of the relevant goods. The price charge is based on the duty-added import price for imported goods or on the factory price of goods produced in Iceland. Several rate brackets apply to each but the system has been greatly simplified in recent years.

*For further information and updates see [www.tollur.is](http://www.tollur.is)*

## Rules of Origin

A product originating outside Iceland can be regarded as having Icelandic origin if it fulfils specific criteria for "sufficient processing" as defined under the "New European Rules of Origin." Criteria differ depending upon the type of product and processing involved. As a rule of thumb, if a product's last two digits change in the HS (Statistics Bureau) custom code when it is processed in Iceland, the product receives Icelandic origin. This does not mean that all the processing has to take place in Iceland, only the part of it which changes the digit classification, however there are exceptions from this rule.

New notions of pan-European culmination and circulation of products in these rules mean that goods may undergo processing in several countries, which are signatories to the agreements, without losing preferential status. Up to 10% of ingredients of the product may be originated outside these countries. A total of 31 European countries (EFTA including Iceland, the European Union and CEEC (Central and Eastern European Countries)) are signatories to agreements on pan-European culmination and circulation.



# E. Establishing a Business in Iceland

## E.1 Types of Business Presence in Iceland

The most common and economically important type of business in Iceland is the limited liability company (corporation). Other structures are partnerships, cooperative societies, businesses run by the self-employed and branches of foreign limited companies. Iceland has adopted the EU directive No. 2157-2001 on Societas Europaea (SE) with Act No. 26/2004 on European Companies (SE).

### Limited Liability Companies and Branches of Foreign Companies

There are two types of limited liability companies in Iceland, public and private, regulated by two separate Acts. These Acts are in line with the requirements of the company law provisions of the EEA agreement. Foreigners investing in Iceland have customarily chosen to establish limited liability companies or branches of foreign limited companies (corporations). Publicly traded enterprises are allowed to issue their share capital in a foreign currency, and so may other nonpublic companies, if certain requirements are met. Books and records can also be kept in a foreign currency. Tax considerations have played a large role when choosing a type of business entity since the income tax rate for limited companies and their branches is now 15%, compared to 26% for partnerships. Furthermore, the corporate form offers the benefits of limited liability.

Foreign public or private limited companies and companies in a corresponding legal form having legal domicile within the European Economic Area may engage in activities with the operation of a branch in Iceland. Corporate income tax: 15%.

Limited liability companies and companies in a corresponding legal form domiciled outside the European Economic Area may operate a branch in Iceland, if this is permitted in an international treaty to which Iceland is a party or by the Minister of Commerce. Corporate income tax: 15%.

Limited liability companies and branches are registered with the Register of Enterprises (Fyrirtækjaskrá).

## E.2 Establishment Procedures

Non-resident investors can normally choose between the different legal structures outlined from E.3 onwards when establishing a company in Iceland. Investors are also permitted to establish an independent company (or a branch of a foreign incorporated business) or buy stock in Icelandic companies, except in the fields where certain restrictions apply (see chapter D.2).

The Invest in Iceland Agency provides information about law firms and accounting firms with experience in assisting in foreign investment in Iceland and registration of companies.

## **Registration Procedures**

New public limited companies and private limited companies must be registered with the Register of Enterprises. Before registration, the founders are liable for all commitments entered into on behalf of the company.

*For further information see Internal Revenue Directorate [www.rsk.is](http://www.rsk.is)*

## **Time Required**

A completed application to establish a company is generally handled in one day.

## **Incorporation Fees**

The registration fee is ISK 171,000 (USD 2,730) for a new public limited company and ISK 88,500 (USD 1,413) for a new private limited company, including an identity number for the company.

## **Number of Founders**

A public limited company must have at least two founders. The majority of the founders shall be resident in Iceland, but half of them in case the number of founders is even. The residence requirement does not apply to citizens of an EEA or OECD country. A private company may be founded by one or more persons. At least one of them must reside in Iceland or be both a citizen and resident of an EEA or OECD country. Evidence of citizenship and residence must be submitted.

## **Maximum Number of Shareholders**

No limits are set on the number of shareholders.

## **Initial Capital Requirements**

A public limited company must have an initial capital of at least ISK 4 million (USD 63,857), which has to be paid within one year of registration, and a private limited company at least ISK 500,000 (USD 7,982), which has to be paid before registration.

## **Articles of Association for Limited Companies**

When a limited liability company is established a memorandum of association must be prepared containing a draft of articles of association, names and addresses of founders, subscription price of the shares and deadline for subscription and payment of subscribed capital. The draft of articles must contain information including the name and location of the company, its objectives, share capital, board of directors, legal venue, auditors and financial year. The articles of association are

adopted by the shareholders at the first general meeting and the company must be registered with the Register of Limited Companies within six months of the date of the memorandum of association in the case of a public limited company or two months in the case of a private limited company. An unregistered company can neither acquire rights nor assume duties.

Other distinctions between public and private limited companies are as follows:

## **E.3 Public Limited Companies**

Public limited companies are mainly aimed at seeking capital from a wide number of shareholders among the public at large, for example on the stock market. The minimum stock required for a public limited company is ISK 4 million (USD 63,857). Other minimum requirements are that the company has two founders, two shareholders, at least three directors on the board of directors, and a manager. The provisions on branches are similar for both public and private limited companies, except that disclosure requirements for the Register of Limited Companies are somewhat stricter with respect to public limited companies.

### **Publicly Listed Companies**

Publicly traded companies are subject to a number of specific rules in addition to the Companies Act requirements. These rules, which are determined by the Ministry of Commerce and the Board of Iceland Stock Exchange, have become stricter in recent years. The financial statements must be audited by a state authorized public accountant or an audit firm. The audited financial statements and the annual report of a publicly traded company must be sent to The Financial Supervisory Authority within three months from the end of the accounting period.

## **E.4 Private Limited Companies**

Rules for private limited companies are simpler than for the public ones. The minimum stock required is ISK 500,000 (USD 7,982). Other minimum requirements are to have one founder, one shareholder, and one director (with one deputy) in cases where shareholders are four or less. There is no obligation to have a manager. On their establishment, private limited companies must state whether they have one or more shareholders. In one-party private limited companies, meetings of the board of directors and shareholders are not obligatory.

The Minister of Commerce can grant an exemption from the otherwise general principle that the majority of the board of directors and the general manager of a limited liability company must be domiciled in Iceland or in a country within the European Economic Area or OECD.



## E.5 Branches of Foreign Companies

Branches of foreign incorporated businesses with limited liability are registered with the Register of Limited Companies and the head office must file the following documents:

- A copy of the articles of association of the head office.
- The incorporation certificate of the head office.
- A letter of representation for the branch manager together with documentation that the branch manager meets the requirements as to residency, citizenship and solvency.
- The Financial Statements of the head office for the preceding year.

A registered branch must have a name, which includes the name of the foreign company.

Note that documentation filed with the Icelandic authorities must be submitted in certified Icelandic translation.

Registration fee for a branch is ISK 171,000 (USD 2,730).

## E.6 Partnerships

A partnership is an association of two or more persons, including individuals, corporations or other legal entities, that operate a business as co-owners for profit. Many professions operate as partnerships.

Act No. 50/2007 governs the operation of a partnership, but relations between the partners usually require the preparation of a formal set of agreements (bylaws). Minimum accounting requirements are set out in the Accounting Act.

Partnerships, which are registered as taxable entities for tax purposes are taxed with 26% on their profits. However, distribution of after-tax profits of a partnership is not taxable, whereas after-tax profits of a limited company is taxed at a 10% rate when distributed to individuals or partnership shareholders. Partnerships, which divide their income and assets to the respective partners, are taxable on the same basis as their partners.

Under Icelandic law, partners in a partnership have full and unlimited liability in solidum (“one for all and all for one”), which generally means that this is not an attractive choice of form for a foreign investor.

Limited partnerships (samlagsfélög) can be founded and registered in Iceland. There must be at least two members where at least one member of the partnership is unlimited liable of the partnership’s liabilities. Other members may limit their liability to their share contribution. The same registration process and expenses as for partnerships apply to limited partnerships.

Registration fee for a partnership, which is also registered with the Register of Limited Companies, is ISK 61,000 (USD 974).

## **E.7 Sole Proprietorships/Self-Employed**

Sole proprietorships are mainly confined to self-employed (sole practitioners) in Iceland and the form is rare for large enterprises. Sole proprietors are taxed on business income (35.72%) and any other additional income.

## **E.8 Residence Requirements for Board of Directors and Management**

A public limited company must have a board of directors consisting of at least three persons, and must appoint at least one managing director. The managing director(s) and at least half of the members of the board must reside in Iceland or be residents and citizens of any other EEA or OECD country. An exemption may be granted by the Minister of Commerce.

The general rule is that a private limited company shall have three persons on its board of directors. If the company has four shareholders or fewer, one or two persons may serve as members of the board. One or more managing directors may be appointed by the board, and if there is only one person on the board of directors he may also serve as managing director. The managing director(s) and at least half of the members of the board must reside in Iceland or be residents and citizens of any other EEA or OECD country. An exemption may be granted by the Minister of Commerce. If there is only one person on the board of directors, he must fulfil the residence qualification.

## **E.9 Annual Requirements for Corporations**

### **Income Tax Filing**

Corporations and registered branches of non-resident entities must file an annual income tax return by the end of May, irrespective of whether or not they have any taxable income.

### **Audit Requirements**

Every limited liability company in Iceland is required to appoint one state authorized public accountant, an audit firm or two auditors. (For further details see H.1)

## **E.10 Mergers and Acquisitions**

The Icelandic Competition Authority (Samkeppniseftirlitið) is entitled to take action including the imposition of limiting conditions if a company, which is created by a merger is likely to acquire a dominant market position. Planned or possible mergers may be referred to the Authority for consideration, and it can do so on its own initiative. An appeal against the Authority's ruling may be lodged with its appeals board. Laws on competition are implemented by the Minister of Commerce.

A shareholder owning more than nine-tenths of stock in a company and controlling the same proportion of votes may jointly decide with the board of directors to redeem the holdings of other shareholders.

If one shareholder owns more than nine-tenths of stock in a company and controls the same proportion of votes, any of the other minority shareholders may insist on their shares being redeemed.

If a company's articles of association do not stipulate how to determine the buying price of shares and no agreement can be reached, the shares are valued by specialists appointed by a lower court.

Only stock-for-stock mergers are tax-free under Icelandic tax law. The use of operating loss carry-forwards is only allowed if the merger is made for a legitimate business purpose.

## **Provisions concerning takeover bids**

If a holding in a company, which has publicly listed one or more classes of its shares on a stock exchange has been taken over, directly or indirectly, all the shareholders in the company shall be given the opportunity, within four weeks from the takeover, of relinquishing their holdings on comparable terms to a party who:

- a) has acquired 40% of the voting rights in the company ;
- b) has acquired the right to appoint or remove a majority of members of the company's Board of Directors;
- c) has, on the basis of an agreement with other shareholders, the right to control 40% of votes in the company.

The Financial Supervisory Authority may grant an exemption from this requirement under certain circumstances.

## **E. 11 OMX Nordic Exchange Iceland**

The OMX Nordic Exchange operates the only regulated market for listed securities in Iceland. A wide variety of products are traded on the Nordic Exchange, such as Equities, Equity rights, Convertible loans, Subscription options, Premium bonds, Retail bonds, ETFs, Warrants, Equity derivatives, Index derivatives and Fixed income derivatives. The Nordic Exchange offers customer access to approximately 80% of the Nordic and Baltic securities markets.

The regulatory framework is in line with other European markets.

### **Access to a single Nordic Market**

Operated by OMX, the Nordic Exchange includes exchanges in Iceland, Stockholm, Helsinki, Copenhagen, Riga, Tallinn and Vilnius, and covers two distinct markets, the Nordic market and the Baltic market. Harmonization is achieved by among other things sharing the same trading system and the same surveillance system. Common listing requirements apply along with common member rules, indexes and industry classification. The Nordic Exchange enables efficient cross-border trading

and settlement, offering cross-membership and providing one market source of information on the web.

*For further information see OMX Nordic Exchange [www.omxgroup.com/nordicexchange](http://www.omxgroup.com/nordicexchange)*

## **Regulatory Framework**

The legal framework controlling activities of Icelandic financial enterprises is based on European Union (EU) Directives. Icelandic legislation in this field has undergone extensive revision in recent years to bring it into line with legislation of other member states of the European Economic Area (EEA). A new legislation, Act on securities transactions No. 108/2007, entered into force on November 1st, 2007. A bill transposing EU directives on market abuse, takeovers and prospectuses was submitted to the Icelandic parliament, Althingi, in 2005 and is now Act on Competition No. 44/2005.

## **Raising Capital by Listing on OMX Nordic Exchange**

Both domestic and foreign companies can benefit from listing on OMX Nordic Exchange. They can gain better access to risk capital. Listing also encourages more effective price formation of shares and generally improves their liquidity, gives the company a higher profile and subjects it to market discipline through the on-going disclosure requirements involved.

OMX Nordic Exchange listing requirements are based on those stipulated in various EU Directives. Both the listing requirements and listing application procedure are described in the Rules for Issuers published by OMX Nordic Exchange Iceland. In all instances a listing prospectus must be made available, describing the securities involved and their issuer. Stock exchange legislation makes a distinction between official listing on a stock exchange and listing on a MTF market, which is not regarded as an official listing.

## **Listing of Securities**

### **Official listing on OMX Nordic Exchange**

Equities admitted to trading on the OMX Nordic Exchange Main Market are officially listed, i.e. their listing fulfils the harmonised minimum requirements of the EU Directives which apply in the EEA for official listing of securities on a stock exchange. The estimated market value of a share class, for which listing on the OMX Nordic Exchange Main List is sought, must be at least EUR 1 million.

Other securities listed on OMX Nordic Exchange markets include various types of bonds, unit share certificates of mutual funds and investment funds, and shares in investment funds. The estimated market value of a bond class or fund division, for which listing is sought, must be at least ISK 40 million (USD 638,569.6) and never less than EUR 500,000.

## **Listing on the First North Alternative Market**

The First North alternative marketplace is a registered MTF market. Equities admitted to trading on First North need not meet the minimum listing requirements of legislation in the EEA for listing on a stock exchange. The market is suitable for small growth companies, providing opportunities on the Nordic and global financial markets. It gives companies greater visibility and ease of access to Northern Europe's pool of capital, combining the benefits of being on-market with simplicity. First North is a part of OMX Nordic Exchange, which means that the companies admitted to First North are given the same possibilities as large companies, but the regulations are lighter. First North is ideal as the first step towards listing on OMX Nordic Exchange. Same restrictions apply to all investors, including pension funds and mutual funds, for investments in securities traded on First North.

## **Listing Procedure**

The listing prospectus is subject to approval by OMX Nordic Exchange. A prospectus must contain all the information necessary for investors to form an opinion of the issuer, its securities and their value. Prospectuses play an important role in ensuring transparency on a regulated securities market, since they serve as the basis for investors' assessment of issuers and their securities. Therefore it is important that all information relevant for such an assessment be included in the prospectus. OMX Nordic Exchange may reject an application for listing if it deems it will not serve the interest of the public or the securities market.

A company considering listing may, without any obligation, request a meeting with the OMX Nordic Exchange staff for a briefing on the requirements and obligations involved in Nordic Exchange listing.

## **Disclosure requirements**

The listing of securities entails on-going disclosure requirements for the issuer according rules and regulations of OMX Nordic Exchange Iceland and as stated by law.. Issuers must always make every effort to make public without delay any information they feel could have significant impact on price formation of the securities. A foreign issuer may disclose all information only in English.

## **Clearing and Settlement**

The Icelandic Securities Depository (ISD) operates a central registry and depository for dematerialised securities, and effects transfer of title to them. Trades in dematerialised securities executed on OMX Nordic Exchange Iceland are cleared and settled through the ISD. Only settlement banks can participate in the netting process for securities trading. The settlement cycle for equities is T+3, i.e. payment for shares purchased is made on the third business day after the transaction. The settlement cycle for bonds is T+1.

## **F. Labour Force and Employee Benefits**

### **F.1 Labour Supply and Relations**

Of Iceland's population of 312,872 on December 1, 2007, the labour force totalled 181,500. The total participation rate was 83.3% in 2007: 87.5% among males and 78.6% among females. Unemployment was 1.1% in 2007.

#### **Employee and Employer Organisations**

The Icelandic labour market is highly unionised with more than 85% of employees belonging to unions. The major labour organisation is the Icelandic Federation of Labour (ASÍ), founded in 1916, which is the largest organisation of trade unions in Iceland. Most of the unions affiliated to the ASÍ are organised into 5 national federations. In all, there are 59 unions affiliated to ASÍ federations and 7 unions belonging directly to it. Total membership of these 66 unions and branches was 107,859 at the end of 2007.

Public employees are organised into various unions, which in turn belong to the Federation of State and Municipal Employees (BSRB) or Association of Academics (BHM), which also organizes some employees of private companies, or to separate unions for professions such as teaching.

The Merchant Navy and Fishing Vessel Officers' Guild is a federation of several unions, most of them representing seamen, although many members of the Association of Icelandic Engineers are land-based.

Employees in banks are all members of the Confederation of Icelandic Bank and Finance Employees (SSF).

Private non-banking sector employers are organized into The Confederation of Icelandic Employers (Samtök atvinnulífsins, SA). SA tasks include negotiation of contracts with unions on wages and working conditions, and the interpretation and communication of decisions by governmental authorities that directly affect the financial performance of businesses at both domestic and international level. SA includes about 2,000 corporations and businesses and the organization accounts for approximately 50% of all salary-paid employees on the Icelandic labour market.

The State is by far the largest employer in Iceland. Many of the local authorities – Reykjavík being an important exception – conduct their wage bargaining through a joint negotiation committee, and so do the banks.

#### **Labour Relations**

Icelandic labour unions are decentralised and non-political. For many years some of them have broadly supported wage restraint under tripartite agreements with employers and the government.

Contractual wage agreements cover general terms of employment, including a basic minimum wage, but specific terms are usually negotiated on a more job-specific basis. Collective bargaining power, in both the public and the private sectors, rests with individual labour unions. Many rights are handled by the central federations (ASÍ, BSRB and BHM). Some companies in Iceland have also introduced workplace pay agreements.

In recent negotiations growing emphasis has been put on education and training for employees with the establishment of mutual educational funds and institutions.

The Industrial Relations Act specifies the conditions for lawful industrial action. A strike (or other permitted form of industrial action) may be called on condition that at least 20% of the trade union members vote secretly and that the majority accepts the strike. Formal announcement of the industrial action must be sent to a mediator and the employer with 7 days' notice. Industrial action is not allowed over disputes under the jurisdiction of the Labour Court. Furthermore, the Act prohibits solidarity strikes in support of unions on illegal strikes, and bans political strikes outright.

## **Wages**

An important characteristic of the Icelandic economy is its large degree of labour market flexibility. According to the OECD, real wage flexibility is greater in Iceland than in any other member country. There are various reasons, including the structure of labour market organisation, the strength of which has been felt in particular during recessions when wage settlements have invariably been of tripartite character, with a strong contribution by the government.

By international comparison, wages and wage cost in Iceland are very competitive relative to most Western countries. In manufacturing, they are less than half those in Germany, for example. Indirect wage cost is relatively low in Iceland at 35-40% (including vacation and sickness provisions, payroll taxes and contribution to a pension fund).

Iceland's highly competitive hourly wages but high per capita income are to a large extent explained by the high level of labour force participation and the widely accepted practice of working long hours.

## **Employment contracts**

In accordance with EU regulations a written contract of employment is required by for any employee engaged for a term longer than one month. The contract must be available no later than two months after the employee was recruited. Iceland has no statutory minimum wage, but contracts must never offer poorer terms than those stipulated in contractual union pay agreements in the relevant profession. A trial period from one up to three months is common, but in higher-level jobs up to six months.

Private employers in Iceland have greater flexibility to terminate employment

than in most other European countries. In general, any employee's service may be terminated provided mandatory notice is given, and the employer may prevent him from working the notice period, which generally ranges three months. No specific reason needs to be given for termination of employment. However, there are some exceptions: shop stewards, employees' with special family responsibilities (due to sick or disabled family members), pregnant women and parents on maternity/paternity leave enjoy special protection against dismissal. Discrimination on grounds of sex is forbidden and special rules cover transfer of undertakings and collective redundancies. Usually there is no severance pay beyond that for the notice period.

## Working Hours

The basic legal working week is 40 hours over 5 days, but some professions have 37.5 – 39.5 hours per week, mainly office clerks and sales assistances. Overtime, however, is common in the labour market. Most employees are paid for overtime, or alternatively allowed time off in lieu.

Typical shift-work rates are an extra 33% on top of the daytime rate, and an extra 45% for weekend or public holiday work. This rate may be 80%, if the relevant pay agreement or a contract of employment does not include rates on shift-work or on overtime work.

A continuous rest period of 11 hours is typically guaranteed during each 24-hour period. In certain circumstances the rest period may be shortened to 8 hours.

## Workplace Regulation

Conditions vary from company to company, but according to the Act on Facilities, Hygiene and Safety at Work, every workplace must have a safety convenor or safety committee, in accordance with the size of the firm.

## F.2 Social Security and Payroll Taxes

### Social Security

Social security contributions are partly paid with the income tax paid by the employee and partly with the social security charge paid by the employer.

In structure, the health care system in Iceland is comparable to those of the other Nordic countries and is largely run by the state and local governments. All residents are covered by a public health insurance system, which provides for free hospital care and other types of health care at a low cost to the patient.

Access to the health care system is based on domicile in Iceland. An individual moving to Iceland from another country gains full access after being domiciled for a full 6 months. Faster access is granted to individuals who move from a Nordic or EEA country and provide the social security authorities with the relevant documentation.



## **Payroll Taxes/Social Security Contributions**

All employers are liable to payroll tax (social security fee) on paid wages and other remuneration. This tax also applies to the calculated earnings of self-employed individuals. A single rate applies and is 5.34% in 2008.

An extra 0.65% insurance contribution is paid on the wages of seamen and added to the 5.34% rate.

Revenue from the social security contribution is divided among an Unemployment Insurance Fund, the Occupational Safety, the Maternity/Paternity Leave Fund, Icelandic Standards, the Icelandic Committee on Trade Procedures and e-Commerce, and Health Administration and the Social Security Bureau.

## **F.3 Employee Benefits**

### **Vacations**

The minimum vacation period is 24 working days, i.e. 4 weeks + 4 days. The right to vacation allowance depends upon the wage-earner's length of service during the immediately preceding 12 months and is calculated as two paid vacation days per month of work during the immediately preceding vacation year, which extends from May 1 to April 30.

Public holidays are generally 11 days a year and arrangements for overtime payments for them are specified in individual union agreements.

### **Unemployment Benefits**

Unemployment benefits, which are partly related to the previous salary, are paid from a separate fund, the Unemployment Insurance Fund, which is managed by the Social Security Administration.

Its revenues come from a 0.65% component of the payroll tax on all wages and salaries.

Benefits payable to unemployed individuals amount to ISK 118,015 (USD 1,884) a month plus ISK 218 (USD 3.48) per day for each child younger than 18 years. Maximum income-related benefits amount to ISK 191,518 (USD 3,057) a month but are not paid for more than 3 months. Benefits are not wealth-related.

### **Sickness Pay**

Employees are entitled to wages for a certain period during sickness or after an accident at work. The minimum rights during the first year of service with an employer are 2 days in respect of each month. After one year of employment an employee is entitled to total wages for 1 month out of every 12 months, after three

years with the same employer 1 month of total wages and 1 month with day wages out of every 12 months, and finally after five years with the same employer 1 month of total wages and 2 months with day wages out of every 12 months. An employee who is absent from work for a longer period is entitled to payment from the union sickness fund. Contractual wage agreements may provide better rights.

## Accident Pay

All employees who are excused from work on account of accident at work, on direct route to or from work or due to occupational diseases caused by it shall receive payment of wages for daytime work for up to 3 months in accordance with the tariff under which the party concerned received wages, provided that the work be with a party engaging in business operations in the trade concerned.

All permanently engaged employees who have been engaged in service with the same employer continuously for one year shall, when they are excused from work on account of diseases or accidents, not forfeit any of their wages for one month in whatever form these may be paid.

In case such employees have been engaged with the same employer continuously for three years they shall, in addition to that which is stated in paragraph 1, retain their daytime wages for one month, but two months after five years of continuous engagement with the same employer.

In addition to the rights enjoyed by permanently engaged employees in accordance with paragraphs. 1 and 2 they shall, when their absence is caused by an accident at work or an occupational disease, retain their daytime wages for up to three months as stated in paragraph 1.

## Maternity and Paternity Leave

A new Act on Maternity/Paternity Leave and Parental Leave entered into force on January 1st, 2001. Parents have each an independent right to maternity/paternity leave of up to three months due to a birth, primary adoption or permanent foster care of a child. This right is not assignable. In addition, parents have a joint right to three additional months, which may either be taken entirely by one of the parents or else divided between them. The right to maternity/paternity leave lapses when the child reaches the age of 18 months. The right to maternity/paternity leave is established upon the birth of a child. However, a woman is permitted to start her maternity leave up to one month prior to the expected birth date, which is confirmed by a medical certificate.

All parents, who do not enjoy full contractual salary rights from their employers are paid by the Maternity/Paternity Leave Fund after they have been active in the domestic labour market for six consecutive months prior to the first day of the maternity/paternity leave. A parent's working time in other EEA countries is taken into account if the parent has been employed in Iceland for at least one month during the six months prior to the first day of the maternity leave (date of birth in case of paternity leave). The Maternity/Paternity Leave Fund's monthly payment

to an employee on leave in 2008 amounts to 80% of her/his average wages during 2006 and 2007. Maximum payment is ISK 535,700 (USD 8,552) per month. The monthly payment to a self-employed parent amounts to 80% of the calculated remuneration on which an insurance levy has been paid for the same period. However, the monthly payment during maternity/paternity leave to a parent in a 25-49% part-time job shall never be less than ISK 74,945 (USD 1,196), and the monthly payment to a parent holding a 50-100% job shall never be less than ISK 103,869 (USD 1,658). Parents employed by the State and local authorities are also paid by the Maternity/Paternity Leave Fund. They also enjoy payments from a special fund to meet the difference between their full contractual salary rights and the 80% payment from the Maternity/Paternity Leave Fund.

Parents not active in the domestic labour market or in a less than 25% part-time job are entitled to a payment to the amount of ISK 45,324 (USD 724) per month and full-time students are entitled to a payment to the amount of ISK 103,869 (USD 1,658) per month from the social security system.

## Old-Age Pensions

The general retirement age is 67-70. Iceland's pension system rests on three pillars: the pension paid by the social security system, occupational pension funds and private pension plans. While not a part of the social security system proper, occupational pension funds have been compulsory for wage-earners as well as the self-employed since 1972. In many ways, social security pensions take account of those paid by the pension funds, so the three systems are closely interlinked. The monthly state old-age pension is ISK 25,700 (USD 410). The pension is reduced if a person's income in a year is in excess of ISK 2,296,111 (USD 36,656). In addition to this pension, support may be obtained for general costs of living, but is income-related.

State pensions are financed through taxes, while all wage-earners and self-employed are also obliged to contribute to an occupation-related pension fund. Wage-earners must pay 4% of pre-tax earnings to the pension fund, matched by a 8% contribution from the employer (11.5% from the State).

The 4% contribution to a pension fund by an employee is deductible from tax. An additional deduction up to 4% is deductible from taxable income if the employee chooses to pay it either into an occupation-related pension fund or private pension plan provided that the contribution is paid regularly. Most pay agreements on the labour market require employers to pay extra 2% to a pension fund, if the employee chooses to pay additional 2-4% contribution.

The old-age pension is fully subject to income tax, which is deducted when it is paid out.

# G. Taxation

## G.1 Principal Taxes

### Introduction

Indirect taxes are the main taxation form in Iceland, accounting for 53.1% of the total tax burden in 2006. The total tax burden as a percentage of GDP was 29.7% in 2006, and is estimated to be 30% in 2007 and 33% in 2008. Compared to tax systems of other countries the Icelandic tax system is relatively simple and effective. In the last few years the emphasis has been to simplify it further, reduce tax rates, broaden the tax base and conclude more double taxation conventions, which will increase competitiveness of Icelandic corporations and attract foreign investors. Corporate income is 15% which is one of the lowest tax rates within the OECD member countries.

### Direct Taxes

The principal direct taxes are individual income tax (the regular rate being 35.72% in 2006 after deduction of personal allowance) and corporate income tax (15%). Individual income tax is divided between a national tax of 22.75% for the income year 2008 and municipal income tax at an average rate of 12.97%. Capital gains are taxed according to special rules for financial income for individuals, but treated as ordinary income for companies. Inheritance tax is also levied.

### Indirect Taxes

The principal indirect taxes are value-added tax – levied at a standard rate of 24.5% but with a 7% category for food, newspapers and certain other items – and various excise duties, including car tax.

### Other Taxes

#### *Industrial Fee*

This is assessed on all industrial activities carried on by individuals, corporations and other taxable entities. The rate is 0.08% on all operating income.

#### *Property Fee*

Land and property fee at nominal rates is paid to the municipal authorities; rates vary between municipalities and also with regard to use. The principal fees and rates are those on property, use of cold water, waste disposal and other such basic services provided by the municipalities.

### ***Capital Taxes (Net Worth Taxes)***

From December 31st 2005 no capital taxes are levied on net capital in Iceland, neither for individuals nor businesses.

## **G.2 Administration of Taxes**

### **Sources of Tax Law**

Taxation is governed by tax laws enacted by Parliament. Court decisions, rulings by the tax authorities and guidelines issued by the tax authorities are integral parts of the interpretation of these laws.

Iceland has valid tax treaties with 29 countries as of January, 2008. (see chapter G.3).

In practice these treaties are considered to be integral parts of tax law.

The central tax authorities publish important tax rulings and results of appeals in anonymous form.

### **Filing**

Tax returns must be filed with the local tax authority in the year following the year of income. There are different deadlines for legal entities and individuals depending on whether the tax return is filed on the Internet or filed the conventional way on paper. Individuals, whether or not self-employed must file by around March 21th . The deadline may be extended on application if filed on the Internet. Companies and branches must file by the end of May. Accountants and audit firms usually obtain longer extensions.

Business entities are required to file information with the tax authorities. This information, which includes details of salaries paid and withholding tax deducted at source on wages, must be reported to the tax authorities no later than January 28th (February 8th if filed on the Internet) of the following calendar year.

### **Tax Administration**

Tax is assessed on the basis of income during the previous year. Income tax is calculated and levied by the tax authorities on August 1 in the year following the income year.

### **Tax Audits**

Tax audits are carried out by local tax authorities, which may request additional information and documentation.

## Assessment and Appeal

Taxpayers are sent an assessment and calculation of their tax for the previous year on Aug 1.

For individuals any difference between the official tax assessment and tax paid in advance is refunded in August of the year following the year of income, increased by 2.5% of the difference. Outstanding tax is payable in five equal instalments from August to December, increased by 2.5%.

An appeal may be lodged against an assessment within 30 days from its announcement. Further recourse for appeal is available through a National Tax Board (Yfirkattanevnd) and, ultimately, the courts. Complaints may also be lodged with the Office of the Althing Ombudsman about decisions, procedures and conduct exercised by the tax authorities.

In general, the authorities and the courts issue decisions on treatment of tax accounting entries after they have been made. However, under new legislation taxpayers may apply for an advance ruling concerning the tax consequences of actions being contemplated. Such advance rulings are binding on the tax authorities, but taxpayers that disagree with rulings may appeal against them.

## Penalties

If tax due is not paid on time, penalty interest is levied on the outstanding amount.

Failure to file a tax return on time results in an estimated assessment made by the tax authorities. When the tax return is filed it is considered to be an appeal to the tax authorities. If the taxpayer has a substantiated reason to have filed too late and has a track record of having returned his previous tax returns on time, the tax authorities levy tax according to it without any consequences to the taxpayer. If not, the tax authorities levy the tax according to the tax return with a penalty.

## G.3 Liability for Tax

### Residents and Non-Residents

Individuals are deemed to be residents of Iceland for tax purposes if they reside in the country and are registered in the national registry of persons or remain in the country for a period of six months or more out of a 12-month period.

### Taxation of Residents

Resident individuals are subject to Icelandic tax on their worldwide income. Capital taxes were abolished on December 31st, 2005, on individuals and business entities. Resident corporations are subject to Icelandic corporate income tax on their worldwide profits.

## **Taxation of Non-Residents**

Non-resident persons are subject to tax on income from Icelandic sources, including but not limited to salaries, wages and pensions paid from Icelandic sources, income derived from business carried out in Iceland and from real property, shares and other financial income. However, interest income of non-residents in Iceland is not taxable.

According to domestic rules, non-resident individuals staying in Iceland for longer than 183 days out of a 12-month period are subject to tax on their worldwide income. Individuals who are in Iceland for a temporary stay, i.e., less than 183 days, are taxed on Icelandic-source income.

Tax rates are the same as for resident individuals, with a standard deduction granted for the period stayed in the country.

Exemptions from the above rules may be provided for in double taxation treaties.

## **Non-Resident Companies**

Non-resident companies and other entities are subject to tax on their income from Icelandic sources at the normal rate, after consideration of relief if available under double taxation treaties. They are taxed in conformity with the rules applicable to companies domiciled in Iceland on income derived from business activities or participation in business activities with a permanent establishment in Iceland.

## **Withholding Taxes for Non-Residents**

Withholding tax rates on payments to non-residents are 15% on dividends paid to companies and 10% on dividends paid to individuals, 18% on royalty payments to companies and 22.75% national tax on royalty payments to individuals. In addition, municipal income tax is levied on royalties paid to non-resident individuals at the average rate for the income year 2008 of 12.97%. No annual personal deduction is granted. There is no withholding tax in Iceland on interest payments to non-residents. In cases where such a tax is withheld, for example by banks, a non-resident can apply to the Internal Revenue Directorate for a refund.

## **Double Taxation Treaties**

The rates of withholding tax in the chart below apply to dividends, royalties and interest paid to a recipient resident in a country with which Iceland has a tax treaty in force. Upon application, there is no withholding tax on interest paid to non-residents.

## Double Taxation Treaties

Country	Dividends		Royalties	Interest
	Individuals, companies	Qualifying companies		
	(%)	(%)	(%)	(%)
Belgium	15 <sup>9</sup>	5 <sup>1</sup>	0	0 <sup>6</sup>
Canada	15 <sup>9</sup>	5 <sup>1</sup>	0 <sup>2</sup> /10	0 <sup>6</sup>
China	10 <sup>9</sup>	5 <sup>3</sup>	10	0 <sup>6</sup>
Czech Republic	15 <sup>9</sup>	5 <sup>3</sup>	10	0
Denmark <sup>4</sup>	15 <sup>9</sup>	0 <sup>1</sup>	0	0
Estonia	15 <sup>9</sup>	5 <sup>3</sup>	5 <sup>5</sup> /10	0 <sup>6</sup>
Faroe Islands <sup>4</sup>	15 <sup>9</sup>	0 <sup>1</sup>	0	0
Finland <sup>4</sup>	15 <sup>9</sup>	0 <sup>1</sup>	0	0
France	15 <sup>9</sup>	5 <sup>1</sup>	0	0
Germany	15 <sup>9</sup>	5 <sup>3</sup>	0	0
Greenland	15 <sup>9</sup>	5 <sup>3</sup>	15	0
Hungary	10	5 <sup>3</sup>	10	0
Ireland	15 <sup>9</sup>	5 <sup>1</sup>	0 <sup>2</sup> /10	0 <sup>6</sup>
Latvia	15 <sup>9</sup>	5 <sup>3</sup>	5 <sup>5</sup> /10	0 <sup>6</sup>
Lithuania	15 <sup>9</sup>	5 <sup>3</sup>	5 <sup>5</sup> /10	0 <sup>6</sup>
Luxembourg	15 <sup>9</sup>	5 <sup>3</sup>	0	0
Malta	15 <sup>9</sup>	5 <sup>1</sup>	5	0
The Netherlands	15 <sup>9</sup>	0 <sup>1</sup>	0	0
Norway <sup>4</sup>	15 <sup>9</sup>	0 <sup>1</sup>	0	0
Poland	15 <sup>9</sup>	5 <sup>3</sup>	10	0 <sup>6</sup>
Portugal	15 <sup>9</sup>	10 <sup>3</sup>	10	0 <sup>6</sup>
Russia	15 <sup>9</sup>	5 <sup>3</sup>	0	0
The Slovak Republic	15 <sup>9</sup>	5 <sup>3</sup>	10	0
Spain	15 <sup>9</sup>	5 <sup>3</sup>	5	0 <sup>7</sup>
Sweden <sup>4</sup>	15 <sup>9</sup>	0 <sup>1</sup>	0	0
Switzerland	15 <sup>9</sup>	5 <sup>3</sup>	0	0
United Kingdom	15 <sup>9</sup>	5 <sup>1</sup>	0	0
United States	15 <sup>9</sup>	5 <sup>1</sup>	0	0
Vietnam	15 <sup>9</sup>	10 <sup>3</sup>	10	0 <sup>6</sup>
Non treaty countries	10/15 <sup>9</sup>	15	18/26/35.72 <sup>8</sup>	0

### Notes:

1. This rate applies to corporate shareholders with a minimum ownership of 10%.
2. The zero rate applies to copyright royalties (except films, etc.), and to royalties for computer software or patent, or for information concerning industrial, commercial or scientific experience (except information provided in connection with a rental or franchise agreement).



3. This rate applies to corporate shareholders with a minimum ownership of 25%.
4. The Nordic Convention.
5. The 5% rate applies to royalties paid for the use of industrial, commercial or scientific equipment.
6. According to Icelandic tax legislation interest paid to non-residents is not taxed. However, according to the Double Taxation Conventions concluded between Iceland and Belgium, Iceland and Canada, Iceland and China, Iceland and Estonia, Iceland and Latvia, Iceland and Lithuania, Iceland and Poland, Iceland and Portugal and Iceland and Vietnam, the source state has the right to levy a 10% tax on interest.
7. According to Icelandic tax legislation interest paid to non-residents is not taxed. However, according to the Double Taxation Conventions concluded between Iceland and Spain the source state has the right to levy a 5% tax on interest.
8. The 15% rate applies to corporations, the 26% rate applies to partnerships registered as taxable entities and the 35.72% rate applies to individuals.
9. According to the Icelandic tax legislation dividends paid by resident companies to resident and non-resident individual shareholders are subject to a final 10% withholding tax.

Iceland has concluded tax treaties with Italy, India and the United States (revised), which are pending ratification. Tax treaties with Austria, Greece, Croatia, Mexico, South-Korea and Ukraine are finalized and are pending signature. Negotiations on tax treaties with Slovenia and Cyprus have started.

## **G.4 Resident Corporations**

### **Administration of Corporate Tax**

#### ***Tax Periods***

The calendar year is mandatory for all taxpayers, but on application, a corporate taxpayer may be granted a different fiscal year if this can be justified on special grounds.

#### ***Determination of Taxable Income***

Taxable profits are based on the financial accounts of companies, after the adjustments required by tax law.

#### ***Pre-Payment of Taxes***

All taxes are paid in the assessment year, which is the year after the year of operations. Taxes are due in ten payments on the first day of each month except January and July.

Until the tax has been calculated, which is usually no later than July 31 each year, a

corporation must pay a proportion of the amount of income tax it paid during the previous year. The proportion for 2007 (assessment year 2008) will be 8.5%.

### **Consolidation of Income**

Each entity is taxed separately. However, tax consolidation of a parent with a subsidiary can be applied for, if one company owns at least 90% in another company, and this will be binding for the following five years. Consolidation means, inter alia, that losses of one company can be set off against profits of the other companies. Such an application shall be made in writing and sent to the relevant tax commissioner. Consolidation may not be extended to non-resident companies.

### **Tax Rate**

Limited liability companies pay 15% income tax.

Registered partnerships for tax purposes with unlimited liability pay 26% income tax.

Individuals with business income pay 22.75% but since the regular tax credit is applicable, the effective rate is lower.

### **Municipal Income Taxes**

Municipal income tax is only levied on the income of individuals. No personal tax credit is deducted when this tax is assessed, unless the personal tax credit exceeds the taxpayer's computed national income tax. The rate may range from 11.24% to 13.03%; the average is 12.97% for the income year 2008.

### **Capital Gains Taxes**

Capital gains are added to other taxable income and taxed at the regular corporate rate.

### **Interest Income**

Interest income is treated as ordinary income and included in taxable income of companies.

### **Dividends**

When a resident company receives dividends from shares it owns in another company, the dividends are not taxed in the hands of the recipient company. There are no requirements relating to percentage of stock ownership in the corporate payer. However, a 10% withholding tax is withheld at source for dividend payments both to individuals and corporations, and as regards corporations it is considered a prepayment for regular income tax payable after assessment.

An individual shareholder who is resident in Iceland and receives dividends pays 10% withholding tax, which is withheld at source by the company paying out the dividends.

The tax liability of a non-resident shareholder depends on whether he is treaty-protected or not; 29 tax treaties are applicable (see G.3, Double Taxation Treaties). In the absence of tax treaties, the domestic tax rules apply.

## Shares

Capital gains on disposals of shares are considered taxable income. However, business entities are authorized to defer taxation of realized capital gain of the sales of shares, including other changes of ownership, for two years. If the relevant business entity reinvests the capital gain in shares within the two years time limits, the taxation will be further deferred. If the purchase price of the new shares is lower than the capital gain, the difference will be subject to 15% corporate tax for a corporate shareholder and 10% for a partnership shareholder, given the partnership is registered as a taxable entity. If the capital gain is not used to reinvest in other shares within two years, it will be subject to tax on the second year from the time it was realized with 10% additional tax.

Capital losses from the sale of shares can only be deducted from realized gain from other shares in the same tax year.

A bill on participation exemption has been proposed on the Althing 2007-2008.

## Operating Expenses

Operating expenses are fully deductible in the year in which they are incurred. In general, allowable expenses are those incurred for the purpose of earning income, including salaries and all other staff expenses, rent, advertising expenses and maintenance. Most current expenses are deductible as operating expenses.

Research and development costs, including market research costs, may be deducted in full in the year they are incurred, or depreciated over a five-year period. The same applies to lawyers' and accountants' fees incurred in establishing or expanding an enterprise.

## Depreciation and Depletion

Annual depreciation is calculated as a percentage of the acquisition cost.

Allowances for buildings and other structures are defined by the tax legislation, for example office buildings 1-3%, industrial plants 3-6%, storage tanks 3-6%, quays 6-8%, and boreholes and electric transmission lines 7.5-10%.

<b>DEPRECIATION RATES</b>	<b>ANNUAL PERCENTAGE</b>	
	<b>MINIMUM</b>	<b>MAXIMUM</b>
Ships and aircraft	10.0%	20.0%
Industrial machinery and equipment	10.0%	30.0%
Office equipment	20.0%	35.0%
Machinery and equipment for building and construction, automobiles and other transport conveyances, and other movable property not included above	20.0%	35.0%
Buildings as defined by the Income Tax Act	1.0%	6.0%
Purchased Intangibles	15.0%	20.0%
Purchased goodwill	10.0%	20.0%

## Interest Expenses

In general, interest paid is deductible, whether due to foreign or resident creditors.

## Loss Carryovers

Operating loss carry-forwards may be carried forward to the succeeding ten years. Carry-backs are not permitted.

## Transfer pricing

According to a general provision of Icelandic tax law, if financial transactions take place between taxpayers under terms that differ substantially from those generally applicable to such transactions, any financial benefit or advantage which would, in the absence of such terms, have accrued to one of the parties, but did not accrue to that party by reason of such terms, may be added to that party's taxable income. Tax authorities may also determine a reasonable purchase or sales price if property is bought at an abnormally high price or sold at an abnormally low price. This also applies to possible adjustments of taxable profits where an Icelandic business entity controlled by a foreign enterprise is subject to trade terms different from those which would apply between independent business entities.

The tax authorities may reassess such transactions at fair market value.

## Controlled Foreign Corporations

There is no CFC legislation in Iceland. Accordingly, Icelandic resident corporations and individuals that own stock in a foreign personal holding company must not include in gross income their pro rata share of the company's undistributed income.

## Thin Capitalization

Icelandic tax law does not include specific rules concerning thin capitalization of corporations.

# G.5 Taxation of Foreign-Source Income

## Foreign Subsidiaries

Dividends received by an Icelandic company from another company (Icelandic or overseas) are not subject to tax, if the company paying out the dividends is subject to similar taxation in its home country and the income tax rate applicable to the profits of the foreign company is not lower than the income tax rate of any member country of the OECD. No credit is granted for underlying company tax paid in an overseas entity.

## Branches

Because Icelandic resident companies are taxable on their worldwide income, profits and losses derived from their foreign branches are included in their taxable income. However, treaty relief or credit relief under Icelandic tax law may be available.

## Foreign Tax Credit and Exemption

Icelandic tax law provides for unilateral relief for foreign taxes paid, but such relief may not exceed the part of the total Icelandic liability that relates to the foreign income. No other limitations apply and the foreign tax credit must not be calculated separately for each type of foreign-source income since Iceland does not apply the “basket” system (the United States system).

Alternatively, taxpayers may claim relief under applicable tax treaties. Relief may be in the form of an exemption or credit, depending on the particular treaty.

## G.6 Non-Resident Companies

Non-resident companies are subject to Icelandic income tax on Icelandic dividends, royalties and profits from Icelandic permanent establishments (branches), and from real estate unless they are treaty-protected. Dividends paid to non-resident companies are subject to a withholding tax of 15% and royalties 18%. Profits from branches are subject to corporate income tax at the rate of 15%. No withholding tax or “branch profits tax” is imposed on the remittance of profits by an Icelandic branch of a foreign corporation. Branch after-tax profits can be repatriated with no tax consequences.

## Branches

Branches of foreign companies are taxed on income derived from their activities in Iceland. Tax is calculated at the regular corporate tax rate of 15%.

Branches must file tax returns providing information concerning their taxable income and expenses as well as their capital and debts.

For tax purposes, Icelandic branches of foreign companies are generally treated like Icelandic incorporated companies except that they are only taxed for Icelandic-sourced income and not worldwide income as Icelandic companies are. A branch can deduct against its taxable income in Iceland a part of the overhead costs of the non-resident company.

## Portfolio Income

Non-residents are subject to Icelandic withholding tax on Icelandic dividends (15% for companies, 10% for individuals) and royalties (18% for companies and 35.72% for individuals), but under most tax treaties this rate is lower and gives a credit against taxes in the resident country.

Icelandic interest payments to a non-resident are not subject to any withholding tax or other Icelandic tax liability.

## Capital Gains

According to domestic income tax legislation, capital gains on disposals of the assets of an Icelandic permanent establishment are taxable in Iceland. Capital gains derived by non-residents from disposals of Icelandic shares or bonds are also subject to Icelandic income tax. This also applies to real estate located in Iceland.

## G.7 Partnerships

There are two kinds of partnerships for tax purposes: Partnerships, which are registered as taxable entities for tax purposes and pay 26% income tax, and “flow-through” partnerships, where profits and losses are allocated to the partners in proportion to their shares in the enterprise, and the partners are subject to corporate or individual income tax on such allocations.

## G.8 Taxation of Individuals

### Taxable Income

Taxable income is divided into ordinary income and capital income, and different rates apply. A standard tax credit is used against ordinary and capital income, and the employee’s 4-8% pension fund contribution is deductible. Other tax benefits are in the form of compensation for interest incurred on loans taken to purchase a residence for private use, and child support, both of which are income-related. However, a part of child support paid for children under the age of 7 is not income-related.

Seamen enjoy a special tax credit of ISK 874 (USD 14) per day.

Deductions are permitted against an individual’s business income.

Personal income includes wages and salaries, allowances received, fringe benefits and net business profits. Fringe benefits are generally included in taxable income at market value, while private use of a company car and company-provided accommodation is assessed and taxed according to standard values compiled by the tax authorities.

A standard deduction is granted against per diem allowances for business travel. Capital income includes interest income, rental income, capital gains and dividends.

Dividend and interest income received from companies resident in Iceland is subject to a 10% withholding tax.

Non-residents are not subject to taxation on interest and can obtain confirmation from the tax authorities that they are not tax residents in Iceland, and will thus be exempted from the withholding tax on interest income.

Residents of countries with double taxation treaties with Iceland can obtain the same type of confirmation in order to avoid the withholding tax for their dividend income.

## **Tax Period**

The tax period for individuals is the calendar year.

## **Income Tax on Individuals**

The national income tax rate for 2008 is 22.75% and the municipal income tax rate may vary from 11.24% to 13.03% between municipalities, the average rate in 2008 being 12.97%, which makes a total rate of 35.72%. Income tax is paid as the income is earned and is withheld at source by the employer. A monthly tax deduction of ISK 34,034 (USD 543) is available, meaning that income up to ISK 95,280 (USD 1,521) per month is tax-free.

A charge of ISK 7,103 (USD 113) is levied on individuals 16-69 years old, who have income above ISK 1,143,362 (USD 18,253) for Construction Fund for the Elderly.

## **Capital Income Tax**

Capital income earned by individuals, such as interest, dividends, rental income and capital gains, is subject to a withholding tax at a flat rate of 10%.

Capital gains are not taxed on the sale of residential housing if owned and used by the owners for more than 2 years.

It should be noted that individuals are granted tax benefits in the form of compensation for interest incurred on loans taken to purchase a residence for personal use, and child allowance. However, these benefits are income- and net worth-related.

## **Business Income of an Individual**

Business income is taxed as ordinary income of the business owner. Expenses are deductible to the extent required to obtain, secure and maintain business income.

## **Personal Deductions and Allowances**

The following personal deductions are provided:

- Premiums paid to approved pension schemes may be deducted from personal income, providing tax relief of 4-8% of an individual's income. For non-residents, the qualification for deductions is to pay either to a pension scheme operating according to an Act passed in Iceland or to a pension fund officially approved by the Icelandic Ministry of Finance;
- A standard tax credit of ISK 408,409 (USD 6,520) from the calculated income tax figure for the year. Furthermore, up to 100% of a spouse's tax credit may be transferred to the other spouse if not fully used; and
- A tax credit for registered seamen of an extra ISK 874 (USD 14) per day.

## **Expatriates**

No special provisions for expatriates apply under Icelandic tax law.

## G.9 Estate and Gift Taxes

The donee is taxed for gifts on the same basis as ordinary income. Inheritances are taxed as follows:

RELATIONSHIP TO DESCENDENT	RATE
<b>Spouses</b>	<b>0%</b>
<b>All other heirs</b>	<b>5%</b>

However, the first ISK 1.000.000 (USD 15,964) are tax-free.





## **G.10 Capital Tax (Net Worth Tax)**

From December 31st 2005 no capital taxes are levied on net capital in Iceland, neither for individuals nor businesses.

## **G.11 Indirect Taxes**

### **Value-Added Tax**

A 24.5% value-added tax is levied on any sale of goods, power or services with various exceptions. Among the exempted categories are the following:

- All export sales.
- Public health-care services.
- Schools and other educational institutions.
- Domestic and international passenger transportation and cargo transport between Iceland and foreign countries.
- Postal services.
- House rentals and sales and rentals of trade aircraft and vessels.
- Insurance services.
- Banking and the operation of other financial institutions and sales of bonds.
- Services to foreign entities if the services are rendered outside Iceland, or if the operations of the non-resident company would be liable for VAT under the Icelandic VAT Act.

A 7% value-added tax is levied on the sale of the following goods and services:

- Hotels and other accommodation.
- Licences for television and radio stations.
- Sales of books.
- Hot water, electricity and fuel oil used for domestic and commercial heating.
- Road tolls.

All corporations, individuals and state and municipal entities that sell or grant any kind of taxable goods or services in Iceland are assessable for VAT.

The regular VAT assessment period is two months, and the tax is due within 35 days from the end of each period.

VAT must be paid along with customs duties when goods are imported.

Foreign enterprises must be registered through an Icelandic-resident representative that is jointly responsible for collection and payment of VAT. The threshold for compulsory VAT registration is a turnover of ISK 500,000 ex-VAT (USD 7,982) per year.

Consolidated registration for VAT is available for corporations under 90% common control.

## Social Security Fees and Payroll Tax

The employer pays a social security fee that is assessed on all salaries and wages on a monthly basis. It is also calculated on taxable fringe benefits in kind such as a company car and housing. This tax includes a contribution to the Icelandic National Insurance scheme as well as a contribution to the Unemployment Insurance Fund and the Maternity/Paternity Leave Fund. One flat rate is in operation for the tax year 2008 and is 5,34%. An extra 0.65% insurance contribution is paid on wages of seamen and added to the applicable rate.

## Excise Duty

Excise duties are levied on goods, new and second-hand, which are imported from abroad or manufactured, processed or packed in Iceland. There is no excise duty on exports.

## Stamp Duty

Stamp duties are levied on the following documents:

<b>Deeds for real estate, vessels etc</b>	<b>0.4%</b>
<b>Loan documents, bonds, etc.</b>	<b>1.5%</b>
<b>Issued shares for public limited companies</b>	<b>0.5%</b>
<b>Bills of exchange</b>	<b>0.25%</b>
<b>Formation fund of a limited partnership</b>	<b>0.5%</b>
<b>Formation fund of a partnership</b>	<b>2.0%</b>

Stamp duties are generally not levied on loans from non-residents.

## G.12 Local Taxes

### Property Tax (Property Fee)

Land and property tax at nominal rates is paid to the municipal authorities; the rates vary between municipalities and also in regard to use. The principal fees are those on property, use of cold water, waste disposal and other such basic services provided by the municipalities.

### Pollution Tax

No special taxes are levied on production or consumption of pollutants in Iceland, although charges are made for recycling of certain types of waste at public collection stations.



# H. Financial Reporting and Auditing

## H.1 Statutory Requirements

### Required Books and Records

Under general Icelandic legislation on business and commerce, an enterprise must keep books of accounts and records that reflect its rights and obligations in Icelandic currency. The text of the books must be in Icelandic, Danish or English. However, business enterprises registered in Iceland, with the main part of their income from foreign sources, can apply to keep their books of accounts and records in a foreign currency by meeting one or more of the following requirements:

- Enterprises whose main activities are abroad or which form part of a foreign corporate group;
- Enterprises, which own foreign subsidiaries or stock or a part in foreign enterprises and whose main business is with these subsidiaries and foreign enterprises;
- Enterprises whose main activities are in Iceland but conduct a considerable part of their business in another currency than the Icelandic currency;
- Enterprises, which have the majority of their investments and related debts in foreign currencies.

The relevant currency must be registered with the Central Bank of Iceland or with the commercial bank of the respective business enterprise.

Annual accounts should be prepared for most entities and consolidated groups and filed for official purposes within eight months from the end of the year accounted for. The books of accounts and records, including source documents and incoming and outgoing correspondence, should be retained in Iceland for at least seven years and annual accounts for twenty-five years. However, the documents may be retained at a foreign permanent establishment for up to six months and must be available to Icelandic authorities upon request. The books may be kept in any form, including mechanised and electronic systems, and all methods of tracing transactions between accounts and documentation should be retained.

### Share capital

Publicly traded companies are allowed to issue their share capital in a foreign currency. Other limited liability companies with the main part of their income from foreign sources will be able to issue their share capital in a foreign currency on meeting certain requirements. Permission to issue the share capital in a foreign currency and keep books and records in a foreign currency will be handled by the Register of Annual Accounts, which is hosted within the Internal Revenue Directorate.

## Entities Required to Be Audited

The audit requirements are set out in the Annual Accounts Act. Entities subject to the Annual Accounts Act must appoint at least one state authorised public accountant, an audit firm or two accountants. Entities, which meet all the following conditions do not have to meet the audit requirements except those included in the requirements of other laws regarding points such as travelling, insurance, pension, finance, etc.:

- Staff members are less than 50.
  - Annual turnover is less than 240 million ISK (USD 3,831,417).
  - Equity capital is less than 120 million ISK (USD 1,915,709).
- Banks, securities companies, insurance companies, pension funds, travel agencies and entities listed on the Iceland Stock Exchange have mandatory audit requirements.

From January 1st, 2005, publicly traded Icelandic consolidated companies must prepare their financial statements in accordance with international accounting standards. This is in line with the EU directive No. 1606-2002.

## H.2 Sources of Accounting Principles

Accounting principles in Iceland are set out by legal and professional frameworks. Corporate law, and legislation on annual accounts and on banks and finance, insurance and pension funds, etc., include mandatory provisions on the accounting framework. The Icelandic Association of State Authorised Public Accountants (Félag löggiltra endurskoðenda, FLE) also provides guidelines for and opinions on accounting principles, and since 1992 standards have been set by The Accounting Standards Board (Reikningsskilaráð) a body set up for this purpose by law. Tax legislation also plays a considerable role in forming accounting principles, although mainly for smaller businesses. FLE is a member of the International Accounting Standards Board, IASB, which publishes and distributes its standards to members as a source of technical and guiding information.

In 1994, Icelandic legislation on financial statements and consolidated financial statements was brought broadly into line with EU directives on preparation and presentation of annual accounts for companies.

## H.3 Accounting Principles and Practices

### Valuation Principles

In general, financial statements are prepared on principles, which include the concepts of going concern, consistency, prudence, accruals and prohibition of the inclusion of net amounts. Provided that notes are fully disclosed, it is permissible to deviate from these principles if applying them would lead to unfair presentation of the financial statements.

The cost principle is a fundamental accounting principle in Iceland. Due to high inflation rates in the seventies and eighties, inflation methods of accounting used to be applied when preparing the financial statements and for tax purposes. Profit or loss resulting from these inflation calculations was presented in the income statement at average price level for each accounting year and in the balance sheet at year-end price level. Inflation accounting for tax purposes was abolished with the Government tax reforms from December 2001.

## **Summary of Significant Accounting Policies**

### ***Property, Plant and Equipment***

Property, plant and equipment are normally stated at historical cost, less depreciation, which is calculated from the amount on the basis of the estimated useful economic life of the asset. Estimated salvage value is not generally taken into account. During a period of capitalization, interest is normally not part of the cost value.

### ***Leases***

Under generally accepted accounting practice, financial leases are those under which the lessee acquires all the substantial rights and obligations of an owner. All other leases are considered operational leases. The accounting treatment for the two types of lease differs and the FLE guidelines recommend that financial lease is shown as an asset and a liability, while operating lease is treated as a current contracted charge supplemented by disclosure of the commitment over the term of the lease. In fact, these guidelines are in close harmony with IASB standard No. 17, "Accounting for Leases."

### ***Research and Development Costs***

Research and development costs are normally accounted for when incurred. However, they may be capitalized insofar as they represent a material investment of permanent value. As a rule, capitalized research and development cost should be depreciated over a period of no more than five years unless this would result in unfair presentation of the financial statements. In such cases it should be depreciated over a period not exceeding the useful life of the asset, with full note disclosure to explain why the depreciation period has been extended.

### ***Goodwill***

No legal requirements apply to capitalization of goodwill. According to professional guidelines and generally accepted accounting principles, goodwill is only reflected in the financial statements if acquired and paid for. Capitalized goodwill is depreciated over a maximum period of five years or alternatively written off immediately. Should goodwill, for any particular reason, be depreciated over a period exceeding five years, full note disclosure must be made.

### ***Marketable Securities***

When held as current assets, marketable securities are stated in the balance sheet at cost, net realisable value or any other appropriate lower value. Publicly listed securities are normally restated to reflect their market value. Such an increase or decrease in value is reflected in the income statement.

Long-term monetary assets, such as notes and bonds, are also accounted for at cost, net realisable value or any other appropriate lower value and, if publicly listed, they can be shown at market value. If the market value is shown, it should be stated in the notes accompanying the financial statements.

Long-term shares in public and private companies are normally stated in the balance sheet at net realisable value or any other appropriate lower. Any increase in the value of a publicly listed share from revalued cost to its market value, as permitted under the Annual Accounts Act, is transferred to a separated equity account. A decrease in the value of shares is reflected as loss in the income statement.

Iceland has adopted the EU-directive No. 65-2001 regarding marketable securities being valued on fair value if certain requirements are met.

### ***Inventories***

Inventories should be stated at the lower of cost or net realisable value. Both the first-in, first-out (FIFO) method and the weighted average method of determining inventory cost are acceptable. Production overhead cost is accepted as a part of the production cost value.

### ***Income Taxes***

The minimum requirement under generally accepted accounting principles is to provide only for current income taxes payable and give a full note disclosure of the deferred tax liability. However, reporting entities now tend to recognise deferred income taxes in full in their financial statements using the liability method of accounting.

### ***Pension Cost***

Unfunded pension obligations are very rare, since virtually all pension arrangements are on the basis of contracts with institutions for this purpose, which are governed by separate legislation. However, entities may have additional obligations towards their management through pay contracts and these should be accounted for and shown in the financial statements.

### ***Equity Accounting***

Investments in subsidiaries and associates may be shown either at cost of acquisition or at net asset value by the equity method. A subsidiary is defined as a company in which a parent company:

- Directly or indirectly owns a majority of the voting shares.
- Can exercise control as a result of significant contracts or business arrangements.
- Is able to influence the financial and operating policies of the entity invested in, directly or together with another subsidiary.

The reporting entity should use the same valuation principles to determine net asset value that it uses for its own assets, provisions and debts.

The equity accounting method is not allowed for investments in other companies that do not meet the criteria of a subsidiary or an associate. The minimum voting power to meet the definition of an associate is 20%.

### ***Foreign Currency Translation***

There is no official definition in law of the accounting principles to be used for foreign currency translation. The most common method for translating a foreign enterprise's financial statements into local currency is a legacy from the inflationary era of the eighties, and involves using the average exchange rate for the year for the statements of profit and loss and cash flow, and the closing exchange rate for the year for the balance sheet translation.

The IASB standard for accounting for changes in foreign exchange is commonly used as a guideline in cases where the above method is not adopted.

### ***Legal reserves***

In general, the equity in a limited liability company consists of the share capital, appropriated non-distributable reserves and inappropriate earnings. Icelandic law recognises the following types of legal non-distributable reserves:

- Share premium reserve.
- Income related reserve.
- Other reserves.



## H.4 Financial Reporting

### Form and Content of Financial Statements

Annual financial reports must include a report by the board of directors, the auditor's report, an income statement, a balance sheet, a cash flow statement or a statement showing application of funds, and explanatory notes.

A parent company must prepare and present consolidated financial statements, which meet similar requirements to those governing ordinary financial statements.

Act No. 3/2006 and regulation No. 694/1996 on annual accounts specify the form, layout and content of financial statements. The regulation permits few alternatives for the layout of the balance sheet and income statement; the guiding principle is consistency, with appropriate disclosure of a change and its effect on the financial statements. Comparative figures must be included in the balance sheet, the income statement and the cash flow statement.

Annual accounts must be presented fairly and information must be added if the presentation would be made unfair by omitting it. If compliance with strict legal requirements would limit fair presentation, then a deviation from the law must be made. Any such deviations must be disclosed in the accompanying notes and show the effect on assets and liabilities, the financial position and results for the period in question. The formal statement of annual accounts must be expressed in Icelandic krónur. However, corporations can apply to keep their books of accounts and records and express their statement of annual accounts in a foreign currency (see H.1). The text of the statement of annual accounts must be in Icelandic, Danish or English.

### Types of Statements Prepared

In general, the same requirements apply to the information to be included in the annual accounts of all entities obliged to follow the instructions laid down under Act No. 3/2006. However, an entity, which is not registered on the Stock Exchange and is under certain size limits may file abbreviated statements at the Register of Enterprises, consisting of an abridged income statement, a balance sheet and abridged explanatory notes. To qualify for this, the company must fulfil at least two of the three conditions listed below:

- Total assets amount to ISK 230 million (USD 3,671,775) or less.
- Operating income amounts to ISK 460 million (USD 7,343,550) or less.
- Total man-years within each fiscal year are 50 or less.

A parent company may be exempt from preparing consolidated financial statements if its shares, or the shares of its subsidiaries, are not listed on a stock market within the EEA and certain requirements are met.

## Report and Endorsement by the Board of Directors (and Managing Director)

The following information is demanded by law to be included in the report or endorsements given by the board of directors of a company:

- Every important issue that might affect the financial position of the company and is not included in the income statement, balance sheet or accompanying notes.
- Proposed appropriation of the result for the year, if this is not disclosed in the accounts themselves.
- If the company is registered on the Stock Exchange and has issued a business plan for the year, the operating result should be compared to that plan and major variances explained.
- The number of shareholders at the beginning and the end of the year, and names of single holders of 10% or more of the shares.  
Numbers of partners or associates should also be stated if the entity is not a corporation.
- Important post-balance sheet events.
- Financial prospects for the future.
- Research and development activities.
- Branches in other countries.

## Notes

The following are the most important disclosures to be made in explanatory notes to the financial statements of any type of company:

- The accounting principles applied in the preparation of the financial statements.
- Increase or decrease in fixed assets, methods and amounts of depreciation.  
Insurance value, official real estate evaluation or other important values of all major assets should be stated.
- Names of subsidiaries and associates, the proportion of shares held, and the amounts of investments and operating results, which are included in the accounts.
- Names, investments, financial position and other important issues of entities outside the category of limited liability companies.
- Investments with priority features should be explained.
- Details of loans secured by the issue of convertible securities, bonds or other securities. The same applies if interest rates are abnormal, for example when linked to operating results, etc.
- Annual installments of long-term debt, which are due over the following five years.
- The amount and extent of any pledges and securities.
- Material guarantees and commitments.
- Details of loans to, or securities and guarantees given on behalf of, members of the board, directors and shareholders of the company or its parent company.

- Details of insurance value or other official appraisals of fixed assets.
- Net sales analysed by activity and geographical area unless disclosure is considered to be seriously prejudicial to the company's interests or of little value to interest groups.
- Details of taxes accounted for or paid within the underlying year, tax deferrals if not accounted for, and tax effects resulting from irregular items in the income statement.
- The average number of employees, and employee costs divided into main categories. Salaries and bonuses paid to members of the board of directors must also be disclosed.
- Number and amount of a company's own shares and details of how they have changed within the year.

## **Procedures for Preparation and Filing of Reports**

The financial statements should be presented with the audit report at the annual general meeting, which normally is held within three to five months after the balance sheet date and no later than eight months after that date according to corporate law requirements. A certified copy of the annual accounts, including reports signed by the board of directors and the auditor, must be submitted to the Register of Limited Companies within one month after its approval or no later than eight months after the balance sheet date. Audited financial statements and the annual report of a publicly traded company must be sent to The Financial Supervisory Authority within three months from the end of the accounting period and a copy of the annual accounts must be submitted to the Register of Annual Accounts (Ársreikningaskrá) immediately after its approval and no later than six months after the balance sheet date. Financial statements are available to the public at the Register of Annual Accounts.

## **H.5 Auditors' Responsibilities and Audit Requirements**

The financial statements of Icelandic companies exceeding the size limits stated under section H.1 are audited to meet statutory requirements. Audits, assessments or reviews may also be required for other specific situations such as a merger, acquisitions or granting of credit.

### **Appointment and Qualifications of Auditors**

One or more auditors, or an audit firm, are appointed at the annual general meeting. At least one of the auditors appointed shall have a permanent address in Iceland or be a resident of an EEA country. The auditor must be independent of the company's board of directors and management and may be appointed for a specified period of time, one year or more.

In cases where no auditor has been appointed, or the appointed auditor does not fulfil the requirements laid down by law or by the articles of association, the Register of Limited Companies appoints an auditor if a request to this effect is made by a board member, chief executive officer or a shareholder.

The Ministry of Finance is responsible for authorising persons who may act as auditors. Their professional title is State Authorised Public Accountant (löggitur endurskoðandi). In certain cases the ministry may grant permission for a foreign certified public accountant to undertake audits to the same degree as an Icelandic auditor.

## **Auditing and Reporting Responsibilities**

The board of directors must ensure that the company maintains proper accounting records and that the annual accounts give an adequate representation of the assets and liabilities, financial position, profit or loss for the accounting period, and application of funds (cash flow). In the obligatory report prefacing the financial statements, the auditor must state whether, in his or her opinion, this obligation has been fulfilled.

The auditor's report must contain an opinion as to whether the financial statements provide a true and fair view of the company's affairs and results, and whether the statements have been prepared properly in accordance with the law and the company's articles of association. Additional information must be included in the report if the auditor considers that it is essential for a full understanding of the financial statements and that omitting it would result in an unfair presentation of them.

Other financial information such as highlights or comparisons with past performance may be included in the financial statements; if so, it shall be stated in the auditor's report as well. The report by the board of directors must be consistent with the financial statements and, unless specifically stating otherwise, the auditor's report must implicitly confirm that the directors' report contains the legally mandatory information and is consistent with the accounts.

The auditor's report forms an integral part of the financial statements and must be filed with them in all cases. If the auditor has made any qualifications to his or her report, or has been unable to form an opinion, this should be clearly stated.

## **H.6 Accounting Profession**

Iceland's accounting profession operates within a legal framework and only State Authorised Public Accountants may give an opinion on published financial statements of companies that exceed the size limits stated in H.1 above, on financial statements of companies quoted on the Stock Exchange, and on other financial

statements that are legally obliged to be audited. Opinions on financial statements of other small entities may be given by persons who meet certain requirements concerning business knowledge.

To be licensed as a State Authorised Public Accountant, an individual must have finished four years study of audits, accounting, tax and business administration at the University of Iceland, have three years' relevant work experience, and have passed a national examination conducted by the University, the Ministry of Finance and the Icelandic professional body (FLE).

The Icelandic Association of State Authorised Public Accountants (FLE) is the only professional body of auditors in the country and is responsible for professional ethics and issuing of auditing guidelines.

A large number of accounting firms operate in Iceland, and most of the major international accounting firms are represented by offices there.

Other related professional services include engineering consulting firms, which work in connection with international corporations involved in projects in Iceland, and law firms with international contacts.



# Appendices

## Appendix 1: General Information

### Entry Visas, Residence Permits and Work Permits

Nationals of the other European Economic Area states (European Union and EFTA) do not need entry visas to visit Iceland. Furthermore, special agreements with about 100 countries – including all OECD countries – permit their residents to enter without visas, provided they have a valid passport. Iceland adopted the Schengen Convention on March 25th, 2001.

Entry visas are typically granted for a three-month stay in Iceland.

Citizens from outside the EEA require a work permit to work or operate a business in Iceland. Approval by the local labour union is often required under employment contracts for various unskilled jobs.

### Time and Dates

Iceland is on Greenwich Mean Time all year round, and does not introduce summer time. During the course of an 8 hour working day the working hours of an office in Icelandic overlap with general working hours all over Europe and the Americas. From mid-May to mid-August the sun only sets for around 3 hours a day, and it is effectively light for the whole 24-hour period. In midwinter, there are around 5 hours of effective daylight.

Time differences between Iceland and major world cities:

#### AT 12 NOON IN ICELAND THE TIME IS:

CITY	SUMMER	WINTER
Chicago	07.00	06.00
Copenhagen	14.00	13.00
London	13.00	12.00
Los Angeles	05.00	04.00
New York	08.00	07.00
São Paulo	09.00	10.00*
Sydney	22.00	23.00*
Tokyo	21.00	21.00*

\*Daylight savings time on the southern hemisphere during winter in Iceland

## **Business Hours**

Standard office hours are from 9.00 a.m. to 5.00 a.m. Many public offices are open from 8.00 a.m. to 4.00 p.m. in summer. Banks are open from 9.15 a.m. to 4.00 p.m., Monday to Friday. Some banks may have extended opening hours on Thursdays and Saturdays. Shop opening hours vary considerably, but are often from 9-10.00 a.m. to 6-7.00 p.m. and sometimes longer, especially in the bigger shopping malls. Many convenience stores are open 24 hours.

## **Public Holidays**

Iceland has the following statutory public holidays:

**New Year's Day**

**Maundy Thursday**

**Good Friday**

**Easter Sunday**

**Easter Monday**

**Ascension Day**

**Labour Day (May 1)**

**Whit Sunday**

**Whit Monday**

**National Seamen's Day (first Sunday in June)**

**National Day (June 17)**

**Bank Holiday (Monday after first weekend in August)**

**Christmas Eve (half)**

**Christmas Day**

**Boxing Day**

**New Year's Eve (half)**

Three of these public holidays are Sundays. When other holidays fall on a weekend, no day in lieu is given on a weekday.

## **Transportation and Communications**

### ***International***

Iceland maintains highly efficient and regular air and sea links with both Europe and North America. Icelandair offers passenger and cargo services to and from more than twenty gateways year-round on either side of the Atlantic, and several other international carriers operate a number of services for at least part of the year. Three Icelandic shipping lines operate regular cargo schedules serving ports in North America, Scandinavia, the UK, continental Europe and the Baltic, and have highly developed international freight forwarding systems. Furthermore,

these lines operate bulk charter transportation for specific imports and exports, for example industrial raw materials and finished products. Iceland's harbours are ice-free all year.

Flight duration is 2.5-5 hours to Europe and 5-6 hours to the United States (East Coast) and Canada. Shipping: Europe 3-4 days, the United States 7-8 days.

### ***Domestic***

A 1,400 km Ring Road links virtually all major towns around Iceland. Extensive land transport services link towns and harbours.

Regular flights operate from Reykjavík Airport to major towns in all parts of the country, in many cases several times a day.

Good natural harbours are available for development at sites in many parts of the country which have been earmarked for industrial development.

## **Telecommunications**

The Icelandic infrastructure for telecommunications networks and services is highly advanced, and unique for such a small nation. The system ranks among the most sophisticated anywhere, and is the world's first fully digitalized telephone system, according to Iceland Telecom. Mobile phone penetration in Iceland is among the highest in the world, as well as Internet penetration – over 85% of Iceland's population has access to the Internet, either at home or work, if not both.

Iceland is linked with Europe and North America via Cantat-3 fibre-optic submarine cable, connecting to Europe and North America, has a capacity of 5 Gb/sec in both directions, with an extra 2.5 Gb/sec to spare. Farice Ltd., a company owned by the Icelandic State, private telecommunications companies in Iceland and the Faroe Islands, operates a new fibre-optic submarine system between Iceland and Scotland. It is a highly advanced, 1,400 km long, state-of-the-art, submarine, fibre-optics system. This system is based on DWDM (Dense Wavelength Division Multiplexing) submarine optical-transmission technology. It interconnects the Icelandic, Faroese and Scottish telecommunications networks, supporting the growth of Internet-based services and data networking in Iceland. The system has an ultimate transmission capacity of 720 Gb/sec, equivalent to more than 10 million simultaneous phone calls, and the standard equipped capacity is 20 Gb/sec, upgradeable in accordance with future traffic requirements. With the Farice cable in place, Iceland offers highly reliable telecommunications connections to other countries.

Other connections with the world as a whole are via satellite systems: Intelsat, Eutelsat, Iridium, Inmarsat and New Skies Satellites.



## **Other**

### ***Education***

Education in Iceland is free and compulsory for ten grades from the age of six. The secondary level takes the form of advanced general education or vocational training at a variety of specialised colleges. Tertiary education, free of charge after a small registration fee has been paid, is offered at several universities, the best-known of which are the University of Iceland and Reykjavík University, both in the capital, the University of Akureyri in north Iceland and the Bifröst School of Business.

Iceland has one of the highest levels of literacy in the world and very large participation in secondary and tertiary education, making for a highly skilled workforce. Many Icelanders have studied abroad in specialised fields.

### ***Medical Services***

Health care in Iceland is available to everyone who has been a registered resident for more than six months. Residents of the Nordic countries and EEA have a faster access to the health care system if relevant documentations (mainly E-104) are submitted. It is subsidised, so that only basic service charges are made.

### ***Leisure and Tourism***

Iceland has a very active and flourishing cultural, entertainment and leisure scene with a strong international flavour, especially in Reykjavík. Sightseeing of unique natural phenomena and outdoor activities, such as hiking, riding and river-rafting, are the main attraction outside the city. Details of activities and sightseeing can be obtained from the Icelandic Tourist Board, tourist information centres and a number of local publications, several of which are produced in English.

### ***Social and Business Customs***

Broadly speaking, social and business etiquette in Iceland is the same as elsewhere in the Western world, and people in general are well informed about international developments. Since Icelandic society is small and close-knit, access to key people is easy and often informal.

## Appendix 2: Useful Addresses and Telephone Numbers

All Icelandic telephone numbers are 7-digit, with no regional codes.  
The international code for Iceland is 354.

### INVEST IN ICELAND AGENCY

(Fjárfestingarstofan)

Borgartún 35

105 Reykjavík

Tel.: 561 5200

Fax: 511 4040

info@invest.is

www.invest.is

### TRADE COUNCIL OF ICELAND

(Útflutningsráð Íslands)

Borgartún 35

105 Reykjavík

Tel.: 511 4000

Fax: 511 4040

icetrade@icetrade.is

www.icetrade.is

### EURO INFO CENTRE

(Information Centre of the EU)

Borgartún 35

105 Reykjavík

Tel.: 511 4000

Fax: 511 4040

euroinfo@icetrade.is

www.icetrade.is

### THE CENTRAL BANK OF ICELAND

(Seðlabanki Íslands)

Kalkofnsvegur 1

150 Reykjavík

Tel.: 569 9600

Fax: 569 9605

sedlabanki@sedlabanki.is

www.sedlabanki.is

### ICELANDIC TOURIST BOARD

(Ferðamálaráð Íslands)

Gimli, Lækjargata 3

101 Reykjavík

Tel.: 535 5500

Fax: 535 5501

info@icetourist.is

www.visiticeland.is

### ICELAND CHAMBER OF COMMERCE

(Viðskiptaráð Íslands)

Kringlan 7

103 Reykjavík

Tel.: 510 7100

Fax: 568 6564

mottaka@chamber.is

www.chamber.is

### OMX NORDIC EXCHANGE

(Kauphöllin)

Laugavegur 182

105 Reykjavík

Tel.: 525 2800

Fax: 525 2888

www.omxgroup.com/nordicexchange

nordicexchange@omxgroup.com

### INTERNAL REVENUE DIRECTORATE

(Ríkisskattstjóri)

Laugavegur 166

150 Reykjavík

Tel.: 563 1100

Fax: 562 4440

rsk@rsk.is

www.rsk.is

**STATISTICS ICELAND**

(Hagstofa Íslands)  
Borgartún 21a  
150 Reykjavík  
Tel.: 528 1000  
Fax: 528 1099  
information@statice.is  
www.statice.is

**FEDERATION OF ICELANDIC INDUSTRIES**

(Samtök iðnaðarins)  
Borgartún 35  
105 Reykjavík  
Tel.: 591 0100  
Fax: 591 0101  
mottaka@si.is  
www.si.is

**ICELANDIC COMPETITION AUTHORITY**

(Samkeppniseftirlitið)  
Borgartún 26  
125 Reykjavík  
P.O. Box 5120  
Tel.: 585 0700  
Fax: 585 0701  
samkeppni@samkeppni.is  
www.samkeppni.is

**DIRECTORATE OF CUSTOMS**

(Tollstjóraembætti)  
Tollhúsid, Tryggvagata 19  
101 Reykjavík  
Tel.: 560 0300  
Fax: 562 5826  
tollur@tollur.is  
www.tollur.is

**RESEARCH COUNCIL**

(Rannsóknamidstod Íslands)  
Laugavegur 13  
101 Reykjavík  
Tel.: 515 5800  
Fax: 552 9814  
rannis@rannis.is  
www.rannis.is

**NEW BUSINESS VENTURE FUND**

(Nýsköpunarsjóður)  
Borgartún 35  
105 Reykjavík  
Tel.: 510 1800  
Fax: 510 1809  
nsa@nsa.is  
www.nsa.is

**REGIONAL DEVELOPMENT INSTITUTE**

(Byggðastofnun)  
Ártorg 1  
550 Saudarkrokur  
Tel.: 455 5400  
Fax: 455 5499  
byggdastofnun@byggdastofnun.is  
www.byggdastofnun.is

**CONFEDERATION OF ICELANDIC EMPLOYERS**

(Samtök atvinnulífsins)  
Borgartún 35  
105 Reykjavík  
Tel.: 591 0000  
Fax: 591 0050  
sa@sa.is  
www.sa.is

**FEDERATION OF ICELANDIC LABOUR**

(Alþýðusamband Íslands)  
Sættún 1  
105 Reykjavík  
Tel.: 535 5600  
Fax: 535 5601  
asi@asi.is  
www.asi.is

**THE ICELANDIC PATENT OFFICE**

(Einkaleyfastofan)  
Engjateigi 3  
105 Reykjavík  
Tel.: 580 9400  
Fax: 580 9401  
postur@els.is  
www.patent.is

**ASSOCIATION OF CONSULTING ENGINEERS**

(Félag ráðgjafarverkfræðinga)

Engjateigur 9  
105 Reykjavík  
Tel.: 553 4200  
Fax: 553 9480  
frv@frv.is  
www.frv.is

**MINISTRY OF INDUSTRY AND COMMERCE**

(Iðnaðar- og viðskiptaráðuneyti)

Arnarhvoll  
150 Reykjavík  
Tel.: 545 8500  
Fax: 562 1289  
postur@ivr.stjr.is  
eng.idnadarraduneyti.is

**MINISTRY FOR FOREIGN AFFAIRS**

(Utanríkisráðuneyti)

Raudarárstígur 25  
150 Reykjavík  
Tel.: 545 9900  
Fax: 562 2373, 562 2386  
external@utn.stjr.is  
www.mfa.is

**MINISTRY FOR THE ENVIRONMENT**

(Umhverfísráðuneyti)

Skuggasundi 1  
150 Reykjavík  
Tel.: 545 8600  
Fax: 562 4566  
postur@umh.stjr.is  
eng.umhverfisraduneyti.is

**MINISTRY OF FINANCE**

(Fjármálaráðuneyti)

Arnarhvoll  
150 Reykjavík  
Tel.: 545 9200  
Fax: 562 8280  
postur@fjr.stjr.is  
www.ministryoffinance.is

**MINISTRY OF JUSTICE**

(Dómsmálaráðuneyti)

Skuggasund  
150 Reykjavík  
Tel.: 545 9000  
Fax: 552 7340  
postur@dkm.stjr.is  
eng.domsmalaraduneyti.is

**REGISTER OF LIMITED COMPANIES**

(Hlutafélagaskrá)

Laugavegur 166  
150 Reykjavík  
Tel.: 563 1250  
Fax: 563 1279  
rsk@rsk.is  
www.rsk.is

**THE INSTITUTE OF STATE AUTHORIZED  
PUBLIC ACCOUNTANTS IN ICELAND**

(Félag löggiltra endurskoðenda)

Suðurlandsbraut 6  
108 Reykjavík  
Tel.: 568 8118  
Fax: 568 8139  
fle@fle.is  
www.fle.is

**ICELANDIC INTERNATIONAL  
DEVELOPMENT AGENCY**

(Próunarsamvinnustofnun Ísl.)

Pverholt 14  
125 Reykjavík  
P.O. Box 5330  
Tel.: 545 8980  
Fax: 545 8985  
iceida@iceida.is  
www.iceida.is

## Appendix 3: Economic Information

<b>KEY ECONOMIC INDICATORS</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Population	275.264	279.049	282.849	286.250
Population growth (%)	1,2	1,4	1,4	1,2
GDP, billion US\$	8.251	8.710	8.653	7.880
GDP per capita US\$, current exchange rate	29.974	31.211	30.591	27.528
GDP growth, (% change from prev, year)	6,3	4,1	4,3	3,9
Inflation, (% change in CPI)	1,7	3,4	5,0	6,7
Unemployment	2,8	1,9	1,3	1,4

### **GDP BY SECTORS %**

Agriculture	1,8	1,7	1,6	1,5
Fisheries and fish processing	12,0	10,7	10,5	12,1
Manufacturing, construction and utilities	21,8	21,0	22,0	21,6
Private services	44,0	46,1	44,7	43,8
Public services	19,1	19,6	19,9	19,6

### **MAIN EXPORT CATEGORIES (%)**

Marine products	48,7	45,9	40,8	40,1
Energy-intensive products	10,6	12,1	13,6	14,6
Tourist revenues	12,9	12,9	13,1	12,4
Other	27,8	29,1	32,5	32,9

### **EXPORT SHARES (%)**

United States of America	12,9	14,7	12,2	10,4
EEA	69,8	68,9	71,9	73,6
Other	17,3	16,4	15,9	16,0

### **Import Shares (%)**

United States of America	11,1	10,9	11,0	11,1
EEA	65,4	66,3	65,2	62,7
Other	23,5	22,8	23,8	26,2

1) Estimate

2) Forcast 2008

\*) Actual

2002	2003	2004	2005	2006	2007 <sup>1</sup>	2008 <sup>2</sup>	2009 <sup>2</sup>
288.201	290.490	293.291	299.404	307.261	312.872		
0,7	0,8	1,0	2,1	2,6	1,8		
8.891	10.937	10.937	16.244	16.628	19.218	20.608	21.735
30.850	37.649	45.082	54.254	54.115	61.423		
0,1	2,4	7,7	7,1	4,2	2,7	1,4	-0,4
4,8	2,1	3,2	4,0	6,8	5,6*	4,3	2,7
2,5	3,4	3,1	2,1	1,3	1	1,9	3,6
1,5	1,6	1,5	1,4	1,3	-	-	-
12,4	12,6	10,8	9,4	9,2	-	-	-
19,8	23,7	24,3	22,8	24,5	-	-	-
43,9	42,7	43,8	45,1	44,6	-	-	-
21,1	21,8	21,2	22,3	21,7	-	-	-
41,6	39,8	40,8	34,1	33,7	-	-	-
14,0	14,6	13,1	13,0	17,0	-	-	-
12,0	12,9	13,0	12,3	12,7	-	-	-
32,4	32,7	33,1	40,6	36,6	-	-	-
10,8	9,3	9,3	8,4	10,8	-	-	-
75,1	76,5	78,2	77,2	74,8	-	-	-
14,1	14,2	12,5	14,4	14,4	-	-	-
11,1	7,4	10,1	9,3	12,9	-	-	-
60,5	63,8	70,4	68,8	64,7	-	-	-
28,4	28,8	19,5	21,9	22,4	-	-	-

<b>FISCAL AND MONETARY INDICATORS</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Public sector balance (% of GDP)	-0,4	1,1	1,7	-0,7
Central Government financial balance (% of GDP)	0,4	1,4	1,8	-0,5
Central bank policy rate <sup>3</sup> (nominal)	7,2	8,6	10,8	9,6
Long-term interest rates <sup>3</sup> (5-year Treasury notes)	7,7	9,8	11,7	9,1
Effective exchange rate of the ISK (% change)	1,6	0,2	-0,1	-16,7

Source: Statistics Iceland and The Ministry of Finance.  
For updates see: [www.static.is](http://www.static.is) and [www.stjr.is/fjr](http://www.stjr.is/fjr)

- 1) Estimate
- 2) Forecast 2008
- 3) Yield in the end of each year

<b>EXCHANGE RATE</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
US\$	69,5	72,5	84,7	103,2
UK Pound	115,1	117,1	126,2	149,6
Yen	0,612	0,711	0,737	0,786
EUR		72,8	78,8	91,3

Source: Central Bank of Iceland  
For updates see: [www.sedlabanki.is](http://www.sedlabanki.is)

- a) Exchange Rate 29.12.2006
- b) Exchange Rate 31.12.2007

2002	2003	2004	2005	2006	2007 <sup>1</sup>	2008 <sup>2</sup>	2009 <sup>2</sup>
-2,6	-2,8	0,0	4,9	6,3	5,1	1,4	-0,7
-1,3	-1,8	1,0	4,5	5,3	3,7	1,3	-0,4
5,6	5,2	7,9	10,0	13,3	13,8	13,2	7,7
6,9	7,5	7,8	7,9	8,9	10,2	-	-
3,0	6,4	2,1	11,4	-10,5	2,5	-2,5	-4,4

2002	2003	2004	2005	2006 <sup>a</sup>	2007 <sup>b</sup>	2008	2009
80,8	71,2	61,2	63,1	71,8	62,0	-	-
130,1	126,7	118,2	108,8	141,0	124,3	-	-
0,681	0,666	0,597	0,538	0,604	0,553	-	-
84,7	89,8	83,5	74,7	94,6	91,2	-	-





1995



## Invest in Iceland Agency

[www.invest.is](http://www.invest.is)

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105 Reykjavík

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IS-121 Reykjavik  
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Tel.: +354 561 5200

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E-mail: [info@invest.is](mailto:info@invest.is)

Invest in Iceland Agency is run by the Trade Council of Iceland and the Ministries of Industry and Commerce.

The agency's experts provide information and confidential service on all aspects of investments, free-of-charge.

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