



Effective since 1 November 2011.

## **VAT Standard rate**

The standard VAT rate in Iceland in 2023 is 24%.

## **VAT Reduced rate**

E-books are currently subject to a reduced VAT rate of 11%. Electronic books will be zero-rated from 1 January 2019.

## **Threshold**

The VAT registration threshold in Iceland for digital services is 2.000.000 ISK in any twelve-month period.

## **E-services list**

Icelandic legislation defines the supply of electronic services in the same manner as the EU VAT Directive (Appendix II):

- The supply of digitized products generally, including software and changes to or upgrades of software;
- Services providing or supporting a business or personal presence on an electronic network such as a website or a webpage;
- Services are automatically generated from a computer via the Internet or an electronic network, in response to specific data input by the recipient;
- The transfer for consideration of the right to put goods or services up for sale on an Internet site operating as an online market on which potential buyers make their bids by an automated procedure and on which the parties are notified of a sale by electronic mail automatically generated from a computer;
- Internet Service Packages (ISP) of information in which the telecommunications component forms an ancillary and subordinate part (i.e. packages going beyond here);
- Internet access and including other elements such as content pages giving access to news, weather, or travel reports; playgrounds; website hosting; access to online debates, etc.);

- Website hosting and webpage hosting;
- Automated, online, and distance maintenance of programs;
- Remote systems administration;
- Online data warehousing where specific data is stored and retrieved electronically;
- Online supply of on-demand disc space;
- Accessing or downloading software (including programs and anti-virus software) plus updates;
- Software to block banner adverts showing, otherwise known as Bannerblockers;
- Download drivers, such as software that interfaces computers with peripheral equipment (such as printers);
- Online automated installation of filters on websites;
- Online automated installation of firewalls;
- Accessing or downloading desktop themes;
- Accessing or downloading photographic or pictorial images or screensavers;
- The digitized content of books and other electronic publications;
- Subscription to online newspapers and journals;
- Weblogs and website statistics;
- Online news, traffic information, and weather reports;
- Online information is generated automatically by software from specific data input by the customer, such as legal and financial data, (in particular such data as continually updated stock market data, in real-time);
- The provision of advertising space including banner ads on a website/web page;
- Use of search engines and Internet directories;
- Accessing or downloading music onto computers and mobile phones;
- Accessing or downloading jingles, excerpts, ringtones, or other sounds;
- Accessing or downloading films;
- Downloading games onto computers and mobile phones;
- Accessing automated online games which are dependent on the Internet, or other similar electronic networks, where players are geographically remote from one another;
- Automated distance teaching is dependent on the Internet or similar electronic network to function and the supply of which requires limited or no human intervention, including virtual classrooms, except where the Internet or similar electronic network is used as a tool simply for communication between the teacher and student;
- Workbooks are completed by pupils online and marked automatically, without human intervention.

## **Registration procedure**

If a foreign company selling taxable services in Iceland does not have a permanent establishment in Iceland, it must entrust an agent domiciled in Iceland to serve as its representative, including sending notification of its activities to the RSK (Directorate of Internal Revenue), collecting VAT on taxable services and remitting it to the Treasury. The foreign taxable company and its representative are both responsible for the collection and payment of VAT. It is not necessary for the payment from an Icelandic customer to be made

through the foreign company's representative in Iceland. Payment may be made directly to the foreign business.

Registration is not required when the buyer is registered according to Art. 5 of the VAT Act and can account for the VAT on the electronically supplied services as part of the input tax (B2B).

## **VAT returns filing date**

In general, each VAT reporting period is two months, January/February, March/April, May/June, July/August, September/October, and November/December. VAT payment together with a VAT statement must be submitted no later than the due date for payment which is one month and five days after the period has ended. For example, the due date for the January/February payments is the 5th of April. If the due date falls on a weekend or public holiday the next business day is the due date.

## **VAT payment date**

The same day as the VAT returns filling date (see above).

Payment is possible through online banking once the VAT statement has been filed.

Those who do not have access to online banking in Iceland can pay from a foreign bank account. In that case, it is necessary to use the following IBAN and SWIFT codes. It is important to state the VAT registration number, year, and period.

## **Penalties**

If a VAT statement is not filed for the period RSK will estimate sales and output tax. An additional surcharge of 5.000 ISK will be added when a VAT statement has been filed instead of an estimate.

## **Keeping records**

The representative shall keep complete VAT accounts for the foreign company's supply in Iceland (both purchases and sales), and is obliged to keep these accounts, sales documents, vouchers, etc. In Iceland for at least seven years after the end of the accounting year in question.

