Iceland

Effective since 1 of November 2011.

VAT Standard rate
24 %

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

Threshold
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 ofdigitizedproducts 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 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 mere
- 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 programmes
- 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 programmes 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 digitised 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 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 of music on to computers and mobile phones
- Accessing or downloading of jingles, excerpts, ringtones, or other sounds
- Accessing or downloading of films
- Downloading of games on to 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 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 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 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 an 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 code. 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.