



商業信託
Commercial Trust



Country Profile: Iceland

The Facts

Location	Northern Europe, island between the Greenland Sea and the North Atlantic Ocean, northwest of the United Kingdom
Languages	Official – Icelandic Spoken - English, Nordic languages and German
Nationality	Icelandic or Icelander
Religions	Lutheran Church of Iceland (official) – 80.7% Roman Catholic – 2.5% Reykjavik Free Church – 2.4% Hafnarfjorour Free Church – 1.6% Others – 12.8%
Government	Constitutional Republic
Head of Government	Prime Minister
Legislature	Unicameral Parliament
Constitutional Document	Constitution of the Republic of Iceland
Economy	The basic sectors in the Icelandic economy are various services (accounting for 56% of GDP in 2011), manufacturing industries, construction and utilities (22.8% of GDP), and fisheries (7.1% of GDP). Public ownership is being systematically phased down by privatization and the main role of the public sector is in energy, health, education and social welfare. The export base is relatively narrow and largely based on natural resources, namely fisheries, energy intensive industries, and tourism and these industries are predominantly occupied by small and medium-sized businesses.
Currency	Icelandic Króna (ISK)
GDP (2012)	Total – ISK 1,754.76 billion Per capita – ISK 5,327,475 Real GDP growth – 2.7%
Population	315,300 (approx.)
Percentage of population	Homogeneous mixture of descendants of Norse and Celts – 94% Foreigners – 6%
Area	103,000 km ²
Time zone	UTC
Public Holidays	13
Climate	Temperate; moderated by North Atlantic Current; mild, windy winters; damp, cool summers



Sources: Central Intelligence Agency, International Monetary Fund, Invest in Iceland

Iceland

Iceland's Scandinavian-type social-market economy combines a capitalist structure and free-market principles with an extensive welfare system. Prior to the 2008 crisis, Iceland had achieved high growth, low unemployment, and a remarkably even distribution of income. The economy depends heavily on the fishing industry, which provides 40% of export earnings, more than 12% of GDP, and employs 7% of the work force. It remains sensitive to declining fish stocks as well as to fluctuations in world prices for its main exports: fish and fish products, aluminum, and ferrosilicon. Iceland's economy has been diversifying into manufacturing and service industries in the last decade, particularly within the fields of software production, biotechnology, and tourism. Abundant geothermal and hydropower sources have attracted substantial foreign investment in the aluminum sector, boosted economic growth, and sparked some interest from high-tech firms looking to establish data centers using cheap green energy, although the financial crisis has put several investment projects on hold.

Much of Iceland's economic growth in recent years came as the result of a boom in domestic demand following the rapid expansion of the country's financial sector. Domestic banks expanded aggressively in foreign markets, and consumers and businesses borrowed heavily in foreign currencies, following the privatization of the banking sector in the early 2000s. Worsening global financial conditions throughout 2008 resulted in a sharp depreciation of the krona vis-a-vis other major currencies. Since the collapse of Iceland's financial sector, government economic priorities have included: stabilizing the krona, implementing capital controls, reducing Iceland's high budget deficit, containing inflation, addressing high household debt, restructuring the financial sector, and diversifying the economy.

The Iceland Business Climate

Foreign investment in Iceland is mainly concentrated in export-orientated sectors, with possibilities in new and exciting sectors in the field of information technology, environmentally friendly energy dependent industries, agriculture, water based industries and tourism which has grown increasingly in the last few years. Industrial investment in Iceland has grown considerably since 1995 and is likely to increase substantially in the coming years as new aluminum investments go on stream. The new Alcoa Fjardaral smelter in Reydarfjordur, Iceland, has a capacity of 360,000 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 29,97 billion (USD 244,812.92 million) by the end of 2009. Main sources of investment have been the Netherlands, Luxembourg, Belgium, United States of America, Sweden, Denmark, Switzerland and Norway. Over the past few years non-resident funds have been investing in companies which are listed on NASDAQ OMX Iceland. The labor force is relatively young compared with neighboring countries, with 66.4% of the population aged between 15 and 64. Here are the reasons for investing in Iceland:

- Compact society
- One of the lowest corporate income tax in Europe
- Tariff-free access for most products to the single market of the European Union
- Expanding finance sector and a dedication to become a new International financial centre
- A strategic location half-way between Europe and North America
- Educated labor force, open for innovation
- Flexible labor market
- Competitively priced green energy



- Political stability
- 20% reimbursement of film and TV production costs incurred in Iceland
- European and Scandinavian regulatory framework and quality standards
- High rankings in business flexibility and entrepreneurship

Setting up a Business in Iceland

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government. Procedures to legally start and operate a company as below:

- **Search for company name:** The company name database can be accessed at the Internal Revenue.
- Deposit initial capital in bank account
- **Apply for registration with Register of Limited Companies:** To apply for registration with the Register of Limited Companies, the company must provide five documents:
 1. notification of incorporation form
 2. agreement of incorporation
 3. record of the meeting of incorporation
 4. articles of association
 5. affidavit on payment of share capital, issued by a certified public account

The register is also in charge of advertising the incorporation notice in the Official Gazette, the official journal. The total registration fee is ISK 130,500, which includes the the company identification number (ISK 5,000), and the fee for publishing the notification in the Official Gazette (ISK 1,000 including VAT). Model incorporation documents and forms (in Icelandic) can be found on the Ministry of Industry and Commerce Web site (www.ivr.is).

- **Obtain VAT number from Director of Taxes:** Companies that plan to sell goods or services valued at more than ISK 1,000,000 a year are required to collect and report VAT.

Types of Business Structures in Iceland

The most common and economically important type of business in Iceland as the followings:

- **Sole Proprietorships:** Sole proprietorships are mainly confined to self-employed in Iceland and the form is rare for large enterprises. Sole proprietors are taxed on business income and any other additional income. Iceland traditionally has a higher level of self-employed persons than in neighboring countries.

- **Partnerships:** A partnership is an association of two or more persons, including individuals, corporations or other legal entities, who operate a business as co-owners for profit. Many professions operate as partnerships. No specific legislation 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. The tax percentage on those partnerships that pay income tax (some partnerships divide the income and assets between the partners) is 36% instead of 20% for companies, but then distribution of profit to the owners is not taxed. 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.
- **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. Other minimum requirements are that the company has two founders, two shareholders, 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 Enterprises are somewhat stricter with respect to public limited companies.
- **Publicly Listed Companies:** For companies quoted on Iceland Stock Exchange, a number of specific rules apply 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. Two independent auditors must be appointed and at least one must be a state-authorized public accountant.
- **Private Limited Companies:** Rules for private limited companies are simpler than for the public ones. The minimum stock required is ISK 500,000. 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 company must be domiciled in Iceland or in a country within the European Economic Area or OECD.
- **Branches of Foreign Companies:** Branches of limited companies are registered with the Internal Revenue in the Register of Enterprises department and the head office must file the following documents:
 1. A copy of the articles of association of the head office.
 2. The incorporation certificate of the head office.
 3. A written commitment from the head office to abide by Icelandic law and Icelandic jurisdiction.
 4. A letter of representation for the branch manager together with documentation that the branch manager meets the requirements as to residency, citizenship and solvency.
 5. 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 limited company. Note that the documentation filed with the Icelandic authorities must be submitted in certified Icelandic translation. The registration fee is ISK 256,000.

Taxation

Indirect taxes are the main taxation form in Iceland, accounting for 45.5% of the total tax burden in 2010. The total tax burden as a percentage of GDP was 27.1% in 2010, and is estimated to be 26.4% in 2011. 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 tax is 20% which is one of the lowest tax rates within the OECD member countries. Common taxes as the followings:

- **Direct taxes:** The principal direct taxes are individual income tax and corporate income tax (20%). Individuals are subject to income tax at the following rates after deduction of personal allowance:
 1. Up to ISK 230,000 - 37.34%

2. ISK 230,001 to ISK 704,367 – 40.24%
3. Over ISK 704,367 – 46.24%

Individual income tax is divided between a national tax of 22.9%, 25.8% and 31.8% for the income year 2012 and municipal income tax at an average rate of 14.44%. 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 25.5% but with a 7% category for food, newspapers and certain other items – and various excise duties, including car tax.
- **Wealth tax (Auðlegðarskattur):** A special 1.5% wealth tax will be levied on individuals with net capital above ISK 75,000,000 (USD 612,645) and married couples with net capital above ISK 100,000,000 (USD 816,860). However, the tax is not levied on net capital above ISK 150,000,000 (USD 1,225,290) regarding individuals and not above net capital of ISK 200,000,000 (USD 1,633,720) when married couples are concerned. The tax is supposed to be temporary.
- **Tax on financial companies:** Financial companies are liable for a specific tax on their total liabilities. The rate is 0.041% and is levied on total liabilities of a financial company as the liabilities are in the end of the accounting year. In the assessment of years 2012 and 2013 an additional specific tax in the rate of 0.0814% will be levied on the total liabilities of financial companies. This tax is not deductible from taxable income.
- **Financial activity tax:** The financial activity tax is levied on all kinds of salaries and fees paid by financial companies, securities firms, insurance companies and the State Housing Fund. The tax was adopted in 2012 and is paid monthly. The tax rate is 5.45%. A special 6% financial activity tax will be levied in the assessment 2013 on the tax base above ISK 1 billion (USD 8,168,560) on those that are subject to the financial activity tax.

Investment Incentives in Iceland

Incentives are offered to companies that are investing in commercial operations in Iceland. The Investment projects need to meet requirements, such as being beneficial for the Icelandic economy and society, in terms of job creation, rural development, export and tax revenues and knowledge.

Approved investment projects will receive benefits in return, including derogations from taxes and charges. In addition, authorization to fix the rate of income tax, in line with the current rate of income tax, for 10 years can be granted, as well as exemption from customs and excise duties on importation or domestic purchase of construction materials, machinery and equipment for the building and operation of the investment project. The government authorities are permitted to grant both general and regional incentives for new investments in Iceland up to a defined ceiling, in line with EU legislation. The regional incentives apply to areas outside the capital area. Regional incentives may include:

- Certain derogations from certain taxes and charges
- Fixed ceiling on the rate of income tax for 10 years
- Security clauses in terms of new taxation
- Favorable depreciation rules
- Direct cash grant
- Authorization to lease sites from the state or municipalities below market price

General incentives may include:

- Training aid
- Aid to SMEs
- Aid to R&D investment
- Aid to environmental investment projects

Incentives are subject to a defined ceiling. Incentives do not apply to the financial sector.



Immigration and Visa Requirements

Iceland belongs to the Schengen region. This allows citizens of the EU/EEA to travel to Iceland without securing a visa before. However, you should keep in mind that this is only possible for short-term visits, like business trips, vacations, or fact-finding trips. If you are not an EU/EEA citizen or are moving to Iceland to work, you will need a valid residence- and work permit, as well as a visa. Generally, there are two types of visa for nationals of non-EU/EEA countries who do not fall under a special agreement: C-visa apply to tourists who visit Iceland for up to 90 days, while D-visa apply to expats who are permitted to apply for a residence permit.

Before you can apply for a visa to work and reside legally in Iceland, you need to secure a work contract. In order to apply for a permit for qualified professionals, your future position has to require specialized skills and cannot be a short-term project. You need to apply for this type of permit before moving to Iceland and are not permitted to enter the country before the visa is approved. It may take up to 90 days for your permit to be processed and approved. Once your permit has been approved you may apply for a D-visa, if necessary. In order to apply for a work- and residence permit for qualified professionals, you need to submit the following documents:

- An application form, completed and signed by you
- An application form for a qualified-professional work permit, completed and signed by you and your employer
- An employment contract
- One passport-size picture
- A copy of your passport
- A criminal record check, issued by the country in which you have resided in the past 5 years
- Proof of medical insurance
- Authorization for an individual in Iceland to follow up on your application
- An address proof, proving that you have secured a place to live

The work- and residence permit for qualified professionals can be renewed and is the basis on which you can apply for a permanent residence. Make sure to apply for a renewal no later than one month before your permit expires. Otherwise you will be forced to leave the country while your application is processed.

Banking Requirements

In order to open a bank account in Iceland, they must have a locally issued ID number (kennitala). This can be applied for at the National Registry offices. Expats will also need to have their passports available to show the bank and proof of address. This can mean either a utility bill or a copy of a tenancy agreement. It is important to have a bank account in Iceland as salaries are paid directly into accounts, although it is possible to maintain your existing bank account in your home country. However, having monies transferred in and out of a foreign bank account can prove to be costly and this is best avoided. Most banks will require a deposit when the account is first opened. This amount will vary depending upon the bank you have chosen and the type of account you have. Deposits for savings accounts are generally higher than those for current accounts and some accounts may require a minimum balance being maintained for the duration of the account's life. This will also vary from bank to bank, but could be the equivalent of a few hundred US dollars.

Reference

Invest in Iceland	www.invest.is/doing-business
Expafocus	www.expafocus.com/expatriate-iceland-banking
Central Intelligence Agency	www.cia.gov
Doing Business	www.doingbusiness.org/~media/fpdkm/doing%20business/documents/profiles/country/ISL.pdf www.doingbusiness.org/data/exploreconomies/iceland/starting-a-business
International Monetary Fund	www.imf.org
PWC	www.pwc.com/is/en/about-us/establishing-business-in-iceland.jhtml
Ministry of Industries and Innovation	eng.atvinnuvegaraduneyti.is/laws-and-regulations/act-on-incentives
InterNations	www.internations.org/iceland-expats/guide/moving-to-iceland-15711/iceland-s-visa-requirements-2

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