



ICELAND

Iceland - Civil Law (German)

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Click request a call for a free, no obligation consultation.
In a hurry? Click incorporate now, and startup your company immediately.

Incorporating a company in Iceland

Iceland taxes

If you want to do business in Iceland, you have to know about taxation for a LLC, which is the most common company type in Iceland.

Iceland taxes corporate income on a worldwide basis. The predominant approximate percentage for income earned abroad, from our research, and this is not personal tax advice, is 20%. IS doesn't have known exemptions to bring in foreign earned profits remitted back. Taxes are reasonable in Iceland because the income corporate tax rate is 20%. This ranks Iceland as 70th overall with regards to corporate tax rate worldwide.

The VAT rate in Iceland is 24.00%, that ranks Iceland as 168th when compared to value added tax rate worldwide. In terms of other taxation, an employer will contribute at least in 15.35% to the equivalent of a social security fund and an employee will contribute 4.00%. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 60 hours. Contributing to this is the number of yearly labor tax payments, which is 13 in IS.

Thin cap rules are not officially enacted. This refers to any type of restrictions on companies' debt-to-asset ratios. Dividends paid to residents are subject to a withholding tax of 20%. However, tax may be reimbursed under certain requirements. Dividends are payments of company profits, passed by the board, to shareholders. Dividends can be issued as stock, cash, or property. Capital Gains are treated as ordinary income and subject to 20% corporate income tax. However, gains derived by a corporation from the sales of shares are not taxable. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 10%. This means that the tax authorities expects legal entities to automatically withhold 10% of interest payments to non-residents. The dividends withholding tax rate is 18%. Which means that the relevant tax authorities expects legal entities to automatically withhold 18% of dividend payments offshore. Withholding tax on dividends paid to EEA resident companies may be reimbursed. The royalties withholding tax rate is 20%. Which means that the relevant tax authorities expects entities to pay tax on at least 20% of money remitted abroad on royalty payments. Withholding taxes may be reduced under a tax treaty. There is no known tax on wealth in Iceland. There are inheritance and real estate taxes in Iceland. We are aware of widely used research and development tax relief in this country.

The above is not tax or legal advice for your company situation. We are able to refer you to a tax advisor in Iceland who can properly advise you. Ready to get started? Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in Iceland is 24% which ranks 168 in the world.

- ✓ **Patent box**
- ✓ **RND credit**
- ✗ **Wealth tax**
- ✓ **Estate tax**
- ✗ **Transfer taxes**
- ✗ **Asset taxes**
- ✗ **Capital duties**

- 85 Tax treaties**
- 20% Offshore Tax**
- 20% Corp rate**
- Loss carryback years**
- 40 Corporate time**
- 24% VAT rate**
- 20% Capital gains**
- 2017 AEOI planned**

Iceland Legalese

When looking for a jurisdiction in which to incorporate, the first thing to look at is the legal code. The body of law in Iceland is civil law (german) law. You will want to get some local advice as to how to best structure a company in Iceland. E-signatures are allowed.

The country code IS is for Iceland and the most common legal entity structure in Iceland is a LLC.

The amount you'll have to wait is about 2 weeks to put together the paperwork and file a LLC in IS. The types of consideration you can use to setup your company is most commonly ISK, EUR, USD, and Any legal tender.

Yes, one is allowed to re-domicile a LLC from IS. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least 1 shareholder. This makes it possible for you to own a LLC in IS by yourself. Corporate Shareholders are allowed, meaning you could have a company as a shareholder. Foreign ownership is tolerated, up to 33% of the total shareholding.

A company is only required to have 1 director on the board. Moreover, corporate directors are permitted. Directors are disclosed publicly. There is a body of law which requires companies to hold an annual meetings of shareholders.

A registered legal firm must be retained for an address, paid by the company on an annual basis, for a legal services company which can receive litigation or other legal process on behalf of the registered legal entity. Furthermore, a company secretary is not a requirement.

There is an obligation to file yearly tax returns. However, there is oftentimes a requirement to have these accounts audited.

Overall we think Iceland is a ok option and have given it a score of 58 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✗ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✓ **Corporate director permitted**
- ✗ **Local Secretary not required**
- ✓ **Local Director not required**
- ✓ **Electronic signature**

- 1 Shareholders required**
- 1 Directors required**
- 2 weeks to form**



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Country Info



🚩 National Flag of

Ísland (isl)

\$ Currency

ISK

📞 Area Code

+354

🏛️ Capital

Reykjavik

📍 Region

Northern Europe

🌿 Native Languages

Icelandic