

Taxation - Iceland

6.01.2025

Structure

Limited tax liability refers to the liability of parties without permanent residence in Iceland for income arising in Iceland.

The latest effective date of amended law of the *Act on Withholding Tax in Iceland, 45/1987*, is May 14th 2020 for the Depositary.

The latest effective date of amended law of the Income Act Tax in Iceland, 90/2003, is January 1st 2024 for the Depositary.

Income on securities issued by the Central Bank of Iceland in its own name and on behalf of the Treasury, financial institutions and power companies is not subject to taxation.

Basic rates

1. Dividends
 - Foreign legal entities 20%
 - Foreign individuals 22%
 - Icelandic legal entities 22% (no withholding at source between domestic companies with limited liability)
 - Icelandic individuals 22%
2. Capital gains (equity)
 - Foreign legal entities 20% (no withholding at source)
 - Foreign Individuals 22% (no withholding at source)
 - Icelandic legal entities 22% (no withholding at source)
 - Icelandic individuals 22% (no withholding at source)
3. Interests and capital gains (mutual funds)
 - Foreign legal entities 12%
 - Foreign individuals 12%
 - Icelandic legal entities 22%
 - Icelandic individuals 22%
4. Interests and capital gains (Icelandic bonds registered in a bond market in one of the OECD countries within the European Economic Area, the European Free Trade Association or the Faroe Islands)
 - Foreign legal entities 12% (no withholding at source)
 - Foreign individuals 12% (no withholding at source)
 - Icelandic legal entities 22%
 - Icelandic individuals 22%

Periods

Tax rates for interest bearing fixed income securities purchased by foreign investors, calculated on pro-rata temporise basis.

Purchase period:	Foreign institutions	Foreign individuals
– 31.08.2009	0%	0%
01.09.2009 – 31.12.2009	15%	10%
01.01.2010 – 31.12.2010	15%	18%
01.01.2011 – 31.12.2011	18%	20%
01.01.2012 – 31.12.2017	10%	10%
01.01.2018 – 31.12.2023	12%	12%
01.01.2024 – 31.12.2024	13%	12%
01.01.2025 –	12%	12%

Purchase period:	Icelandic individuals
– 31.12.1996	0%
01.01.1997 – 30.06.2009	10%
01.07.2009 – 31.12.2009	15%
01.01.2010 – 31.12.2010	18%
01.01.2011 – 31.12.2017	20%
01.01.2018 -	22%

Equities, funds and other noninterest-bearing securities are not subject to periods.

Calculation

Fixed income – AVERAGE

Mutual funds – LIFO (one amount where tax has been deducted)

Equity – AVERAGE FIFO

Trades between foreign investors, free of payment

Tax is not calculated and withheld on trades free of payment between two foreign investors.

Stamp duty

Not applicable

General exemptions

Clients (beneficial owners) that are residents of a country with which Iceland has entered into a double taxation agreement, can apply for exemption or reduced taxation based on that agreement. It is up to each beneficial owner to fill out the [RSK 5.42](#) application form and submit to the Icelandic tax authorities. Íslandsbanki will assist if needed. The exemption applies to tax on interest and capital gains.



Refund

A requirement for a refund is an approved exemption from Icelandic taxation based on Double Taxation Agreement. Refunds can be full or partial. Applicants need to fill out the [RSK 5.43](#) application form and submit to the Icelandic tax authorities. Íslandsbanki will assist if needed. It is possible to apply simultaneously for either exemption or reduced taxation and refund.