



MERGERS AND ACQUISITIONS

# Iceland

Taxation of Cross-Border  
Mergers and Acquisitions

2010 Edition

TAX

# Iceland

## Introduction

An Icelandic business enterprise may be organized as a limited liability company; either a public limited liability company (hf.) or a private limited liability company (ehf.). Iceland has incorporated European Union (EU) corporate law directives in its domestic legislation, so Icelandic corporate laws are, to a significant extent, based on EU directives.

As Iceland is not a member of the EU the tax merger directive 90/434/EEC is not applicable in Iceland.

Other forms of business enterprises are sole proprietorships, partnerships and co-operative societies. Partnerships can be registered as separate taxable entities and if so registered they are subject to the payment of income tax. When partnerships are not so registered, each partner is subject to tax on his or her respective profit. A partner may be a limited liability company. A co-operative society is liable for income tax.

The discussion below covers limited liability companies only.

## Recent Developments

Icelandic legislation regarding mergers and acquisitions (M&A) has not changed recently, but the tax authorities made it clear in a binding ruling 1/08 that a tax-exempt merger is only possible when both parties are Icelandic.

The following discussions of Icelandic tax are based on the current tax legislation.

## Asset Purchase or Share Purchase

A foreign purchaser may acquire an Icelandic company (the target company) by purchasing either its assets or its shares.

A foreign company that acquires the (Icelandic) assets of an Icelandic company and carries on the business through an Icelandic branch will normally be regarded as having a permanent establishment in Iceland and will be taxable in Iceland in accordance with domestic Icelandic tax legislation as well as any double-taxation treaty with the country in which the foreign company is resident.

Alternatively, a foreign purchaser may acquire the underlying business through an Icelandic subsidiary. It takes only a few days to establish a company in Iceland.

A number of matters related to asset acquisitions are discussed below, followed by a discussion of share acquisitions.

### **Purchase of Assets**

A purchase of assets will usually result in an increase on the base cost of those assets; such an increase is likely to be taxable in the hands of the seller.

#### *Purchase Price*

- For tax purposes, it will be necessary to apportion the total consideration among the assets acquired. It is generally required that the purchase agreement specify at what price each asset is bought.
- For tax purposes the purchase price is the price paid converted into ISK on the date of purchase.
- Assets transferred between associated parties must be transferred at fair market value.
- Gains or losses on receivables and debts in foreign currency must be included in the seller's taxable income.

#### *Goodwill*

- Goodwill paid for a business can be depreciated for tax purposes 10 percent to 20 percent each year using the straight-line method. If the allocation of the sale proceeds has not been agreed to, the tax authorities will allocate the sale proceeds on an estimated basis.
- Patents, copyrights, and other similar rights can be depreciated for tax purposes 15 percent to 20 percent each year using the straight-line method. The rights in question may be written off over their economic life if the economic life is shorter than five years.

#### *Depreciation*

Depreciation for income tax purposes is calculated using the straight-line method for immovable property, non-sustainable natural resources, acquired intellectual

property rights, and acquired goodwill, whereas gradual depreciation is employed for movable property.

Assets subject to ordinary depreciation are divided into various categories, with different annual depreciation rates for each. The rates within a category are optional and can be changed from one year to another.

### Depreciation Categories

#### Movable Property

Ships, equipment for ships and passenger cars	10% – 20%
Aircraft and flight equipment	10% – 20%
Industrial machinery and equipment	10% – 30%
Office equipment	20% – 35%
Other machinery, equipment and cars	20% – 35%

#### Other Assets

Buildings and other structures; e.g. office and commercial buildings	1% – 3%
Industrial plants, storage facilities, etc.	3% – 6%
Quays and greenhouses	6% – 8%
Wells, electric transmission lines, work camps	7.5% – 10%
Acquired goodwill	10% – 20%
Patents, copyrights, and other similar rights	15% – 20%

When an asset is purchased there is a step-up in the cost base of the asset for tax purposes.

The depreciation base of movable property is its book value at the beginning of each year, whereas the depreciation base of other depreciable assets is cost price.

The depreciation period of an asset starts at the beginning of the year that the asset is put into use. Residual value equal to 10 percent of the asset's original value remains on account until the asset is scrapped or sold. Accelerated and/or extraordinary depreciation or write-offs are deductible from income in certain limited and specific cases. No depreciation is expensed on an asset in the year of sale.

The cost of acquiring production rights in agriculture can be amortized in full over a period of five years with equal annual amounts.

The following assets can be fully expensed in the year of acquisition or amortized with equal annual amounts over a period of five years:

- start-up cost, such as registration cost and the cost of acquiring necessary official permits and licenses; and
- expenses relating to trial runs, marketing, research, patents, and trademarks.

When the cost of an asset or a group of assets is less than ISK 250,000 such assets may be expensed in full in the year of acquisition.

### Tax Attributes

Tax losses are not transferred on an asset acquisition. They remain with the company and are not extinguished. No previous liabilities of the selling company are inherited. There is also no acquisition of a tax liability on retained earnings.

On purchase of the asset a step-up of the cost base for tax purposes is obtained.

It is possible to acquire a part of a business with an asset purchase. Profitable operations can be absorbed by loss-making companies in the acquirer's group, thereby effectively gaining the ability to use the losses of the group members.

### Value-Added Tax (VAT)

VAT is generally levied at the rate of 24.5 percent. A reduced rate of 7 percent is applied to a number of goods and services.

The disposal of operating assets from a tax-registered business will trigger VAT if the sale covers only operating assets and not the sale of the business or an independent part thereof. A sale of the business or an independent part thereof can take place tax-free if the buyer is registered for VAT purposes.

In tax practice, a series of criteria have been formed to determine what is considered to be all or part of the business. A merger normally has no consequences with regard to VAT, provided the conditions for VAT exemption exist.

Some consideration has to be given to VAT if the absorbed company owned real estate used for a VAT-registered business and whether there is input tax encumbrance.

Article 12 of the VAT Act provides for exempted taxable turnover. If one of the exemptions mentioned therein is applicable, the transaction is not subject to VAT (zero rate). However, entities involved in exempt transactions

can still claim input tax. The Article 12 exemptions are the following:

- Exported goods as well as labor and services provided abroad.
- Sales of services to parties neither domiciled nor having a place of operations in Iceland, provided that the services are wholly used abroad. For example, services of consultants, engineers, lawyers, accountants, and other similar specialized services, except for labor or services related to assets or real property in Iceland.
- A service of refunding VAT to parties domiciled abroad.
- Shipbuilding and repair and maintenance work on ships and aircraft and their fixed equipment, as well as materials and goods used or provided by the company providing the repair work (does not cover boats less than six meters in length, pleasure boats, or private aircraft).
- Rental of ships and aircraft (does not cover boats less than six meters in length, pleasure boats, or private aircraft).

#### *Transfer Taxes*

- Stamp duty is levied on the instruments transferring ownership of a number of assets.
- Deeds and purchase agreements on the transfer of real estate and land are taxed a 0.4 percent of the officially registered value of the real estate (the government issues the valuation for each real estate).
- Deeds and purchase agreement on the transfer of ships is taxed at 0.4 percent of the purchase price.
- Lease agreements are subject to a 2-percent stamp duty of the rental price.

#### ***Purchase of Shares***

There are no immediate Icelandic tax consequences for a foreign company, when it acquires the shares of an Icelandic company. This means that where goodwill is included in the value of shares, depreciation for tax purposes would not be permitted.

There is no possibility for a tax-free step-up in the tax basis of the assets of the acquired company.

It is not possible to obtain clearance from the tax authorities giving assurances that a potential target

company has no tax liabilities or advice as to whether or not it is involved in a tax dispute.

A distinction must be made between taxable and tax-exempt mergers.

#### *Taxable Mergers*

If a merger is carried out according to corporate law, but the conditions for a tax-exempt merger are not met, the absorbed company is deemed to be liquidated for tax purposes, and the assets are deemed to be transferred at market price to the absorbing company. Any gain is taxed in the hands of the absorbed company.

Consequently, the absorbing company may use the market value of the assets received as its depreciation basis for tax purposes.

Usually the absorbed company is paid for with shares in the absorbing company and the shares are paid to the shareholders when the absorbed company is dissolved. The difference between the purchase price of the shares in the absorbed company and the market value of the shares in the absorbing company (or the market value of any other payment) is taxed as dividends in the hands of the shareholder.

The absorbing company cannot carry forward the losses of the absorbed company. The absorbing company can carry forward its own realized losses for 10 years under the normal rule, irrespective of the merger.

The transfer of assets from the absorbed to the absorbing company is exempt from stamp duties, whether the merger is taxable or tax exempt. A stamp duty (capital duty) of 0.5 percent is levied on the nominal value of all new share certificates issued to shareholders in the absorbed company by the absorbing company if it is a public limited liability company. Private limited liability companies are not required to issue share certificates.

#### *Tax-Exempt Mergers*

A tax-exempt merger can be performed by two or more Icelandic companies. They can be held by a foreign holding company or foreign investors. A tax-exempt merger is not possible if one of the merging companies is foreign.

A merger is tax-exempt if the following condition is met:

- The absorbed company must be totally absorbed by the absorbing company, including all assets, liabilities, and stockholder's equity, and the shares in the absorbed company must be paid for only

with shares in the absorbing company. No cash payment is allowed.

- When the absorbing company buys shares in a company and does pay for them with something other than shares in the absorbing company with the intention to absorb the company, and does so in the near future, it has been interpreted that the above condition is not met. The absorbing company (the purchaser) is not considered to be the shareholder of the absorbed company in this situation. The former shareholder/shareholders (the sellers) remain the shareholders and the consideration is deemed to have been cash.

The tax-exempt merger provisions have the following consequences:

- the absorbed company will be taxed under the normal rules up to the merger date;
- the transfer of assets to the absorbing company will not be treated as a sale;
- the tax position of the absorbed company, such as depreciation balances on fixed assets, etc., is taken over by the absorbing company; and
- the shareholders of the absorbed company are deemed to have acquired their shares in the absorbing company at the same time and at the same price as their (cancelled) shares in the absorbed company.

The transfer of assets from the absorbed to the absorbing company is exempt from stamp duties, whether the merger is taxable or tax exempt. A stamp duty (capital duty) of 0.5 percent is levied on the nominal value of all new share certificates issued to shareholders in the absorbed company by the absorbing company if it is a public limited liability company. Private limited liability companies are not required to issue share certificates.

#### *Tax Indemnities and Warranties*

In the case of negotiated acquisitions, it is usual for the purchaser to request, and the seller to provide, indemnities and/or warranties with respect to any undisclosed taxation liabilities of the company to be acquired. The extent of the indemnities or warranties is a matter for negotiation.

With negotiated acquisitions, it is usual for the seller to make the books of the target company available for a due diligence review by the prospective purchaser. A

normal part of the due diligence process involves an in-depth review of the tax affairs of the potential target company by the advisers to the purchaser.

#### *Tax Losses*

In general, losses may be carried forward for 10 years. No carry-back is allowed.

If the foreign company absorbs the underlying business, rather than the shares of an Icelandic company, the absorbing company cannot use pre-acquisition losses. If the business that created the loss has ceased, the right to use the loss lapses.

When a tax-exempt merger is performed, the acquiring company can only carry forward losses of the absorbed company if the following conditions are met:

- the absorbing company shall run a business related to the business of the absorbed company;
- the absorbed company shall have some assets at the time it is dissolved;
- the absorbed company shall run some business at the time it is dissolved;
- the merger must have a business purpose; a tax planning purpose is allowed, but there has to be some other business purpose as well; and
- the carried-forward losses must have been realized in a business of the absorbed company that is related to the business of the absorbing company.

#### *Pre-Sale Dividend*

As the tax treatment of dividends and capital gains are the same there is little benefit in a pre-sale dividend for Icelandic tax purposes.

#### *Transfer Taxes*

A stamp duty (capital duty) of 0.5 percent is levied on the nominal value of share certificates issued by private and public limited liability companies. Private limited liability companies are not required to issue share certificates.

A stamp duty is levied on the issue of securities and transfer of real property when it is not related to a merger. The stamp duty is 0.4 percent to 2 percent of the issued stock or the purchase price.

### *Tax Clearances*

It is possible to apply to the Internal Revenue for a binding ruling before a merger is executed to get an assurance on whether or not the merger will qualify as a tax-exempt merger.

## **Choice of Acquisition Vehicle**

The following vehicles may all be used to acquire the shares or assets of the target:

- Branch of a foreign company
- Subsidiary of a foreign company
- Treaty country intermediary
- Local holding company
- Joint venture

Generally the advantages and disadvantages of the different vehicles must be considered on a case-by-case basis.

### **Local Holding Company**

Profits and losses within an Icelandic group of companies may be equalized by means of consolidated taxation. Group consolidated taxation is possible between a parent company and subsidiaries in which it holds more than 90 percent of the shares, either directly or indirectly, subject to certain other conditions.

### **Foreign Parent Company**

The foreign purchaser may choose to make the acquisition itself. This might cause future tax problems in Iceland, as Iceland taxes the gains of non-residents disposing of Icelandic assets at the standard rate and levies withholding tax (WHT) on dividends and interest (unless a tax treaty reduces or eliminates such taxation).

However, if the parent company is a limited liability company within the European Economic Area (EEA), capital gains from the sale of shares in Icelandic companies and dividends received from Icelandic companies can be deducted in full with a final 0-percent tax effect.

### **Non-Resident Intermediate Holding Company**

If the foreign country taxes capital gains and dividends received from overseas, an intermediate holding company resident in another territory could be used to defer this tax and perhaps take advantage of a more favorable tax treaty with Iceland. However, the purchaser should be aware that certain Icelandic treaties contain treaty shopping provisions that may restrict the

ability to structure a deal in a way designed solely to obtain tax benefits. Iceland has tax treaties with about 30 countries (see full list later in the chapter).

### **Local Branch**

A non-resident company would normally carry on business in Iceland through an Icelandic corporation (subsidiary) or through a registered branch. The tax rate of the branch in Iceland depends on the corporate form of the head quarters. If the head quarters are in a form corresponding to the form of limited liability companies in Iceland the tax rate is 15 percent.

According to current practice Icelandic branches are not allowed to benefit from the same deductions for received dividends and capital gains as Icelandic companies. In addition, Icelandic branches cannot be consolidated with other Icelandic companies. This might be a breach of the non-discrimination Article in a relevant tax treaty as well of Iceland's obligation under the EEA Agreement.

### **Joint Ventures**

No special tax legislation applies to joint ventures.

## **Choice of Acquisition Funding**

A purchaser using an Icelandic acquisition vehicle to carry out an acquisition for cash will need to decide whether to fund the vehicle with debt or equity, or even a hybrid instrument which combines the characteristics of debt and equity. The principles underlying these approaches are discussed below.

### **Debt**

- Interest on loans assumed for the purpose of acquiring shares is deductible. The deduction is made on an accrual basis. Iceland has no specific thin-capitalization rules.
- Companies must account for interest accrued and paid in the period to which it applies.
- Interest paid to non-residents is subject to WHT.
- Company law prohibits a company from lending or giving security for the purchase of its own shares or shares in its parent company.
- If a loan is made between associated companies at below-market rate, a commercial rate of interest will be imputed, the difference being subject to corporate tax in the hands of the lender.

- Gains or losses on receivables and debts in foreign currency must be converted into ISK and included in a company's taxable income.

### **Deductibility of Interest**

Usually interest payments are deductible from the company's income base.

If a loan is made between associated companies at below-market rate, a commercial rate (arms length) of interest will be imputed, the difference being subject to corporate tax in the hands of the lender.

### **Withholding Tax on Debt and Methods to Reduce or Eliminate**

Payments of interest by a Icelandic company to a non-resident are subject to a 15-percent WHT rate to individuals and limited liability companies and 23.5-percent WHT to others. The rate of WHT may be reduced or eliminated under a tax treaty.

### **Checklist for Debt Funding**

Interest payments might be subject to WHT. A double tax treaty might reduce or eliminate such taxation. An application to the Internal Revenue must be made before any interest payment is made, to benefit from a tax treaty. It is not necessary to apply each time a payment is made; one application per year is sufficient.

### **Equity**

A purchaser may use equity to fund its acquisition.

Dividends are subject to WHT of 10 percent to 15 percent when paid from Icelandic companies to foreign shareholders. This rate might be reduced by a tax treaty. If the parent company is a limited liability company within the EEA, capital gains from the sale of shares in Icelandic companies and dividends received from Icelandic companies can be deducted in full with a final 0-percent tax effect.

A stamp duty (capital duty) of 0.5 percent is levied on the nominal value of all new share certificates issued to shareholders in the target company by the acquiring company if it is a public limited liability company. Private limited companies are not required to issue share certificates.

### **Hybrids**

The tax treatment of a financial instrument is usually determined by the instrument's substance rather than its form and is judged on a case-by-case analysis of the characteristics of the instrument.

Redeemable preference shares are deemed to be equity if they are registered with the Register of Enterprises. The yield is taxed as dividends.

Convertible notes are regarded as loans until conversion. Payments made before conversion are taxed as interest. After conversion the yield is taxed as dividends.

### **Discounted Securities**

Transactions with securities between associated parties must be at fair market value.

## **Other Considerations**

### **Concerns of the Seller**

Tax exempt mergers cannot take place unless all merging companies are Icelandic. The effect for the shareholders if there is not a tax free merger is that the merger is treated as a sale in the hands of the shareholder.

### **Company Law and Accounting**

An Icelandic business enterprise may be organized as a limited liability company; either a public limited liability company (hf.) or a private limited liability company (ehf.). Icelandic corporate laws are to a significant extent based on EU directives.

Other forms of business enterprises are sole proprietorships, partnerships, and co-operative societies. Partnerships can be registered as separate taxable entities and, if so registered, they are subject to income tax (there is no net worth tax in Iceland). When partnerships are not so registered, each partner (which may be a limited liability company) is subject to tax on his/her/its respective profit. A co-operative society is also subject income tax.

A common issue on transaction structuring is the provisions concerning financial assistance. Broadly, these say that it is illegal for a limited liability company (or one of its subsidiaries) to give financial assistance, directly or indirectly, for the purpose of the acquisition of that company's shares. The scope of the prohibition is very unclear in Icelandic corporate law.

### **Group Relief/Consolidation**

Companies may opt for consolidated taxation if a company owns at least 90 percent of another company. Consolidated taxation means, among other things, that losses of one company can be offset against profits of other companies. Consolidated taxation cannot be extended to non-resident companies or permanent establishment of foreign companies.

## **Transfer Pricing**

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There are no official transfer pricing rules in Iceland. However, according to a general provision of Icelandic tax law, if financial transactions between taxpayers differ substantially from those generally applicable to such transactions (not at arm's length), any financial benefit or advantage that would have accrued to one of the parties, but did not accrue to that party, may be added to that party's taxable income. The Internal Revenue Directorate (Ríkisskattstjóri) may also determine a reasonable purchase or sale price if property is acquired at an abnormally high price or sold at an abnormally low price.

The above considerations also apply to possible adjustments of taxable profits where an Icelandic business entity controlled by a foreign enterprise is subject to trade terms different from those that would normally apply between independent business entities.

## **Dual Residency**

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Under Icelandic tax law, an Icelandic-registered company is resident in Iceland and fully taxable in Iceland. Such a company may also be taxed as a resident of a foreign country, because the foreign country uses the place of actual management criterion to determine residence. This criterion also applies under Icelandic tax law. If a tax treaty has been concluded with the country in question, the treaty will normally define the company as being resident in the country where the place of management is located.

## **Foreign Investments of a Local Target Company**

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Iceland has implemented a type of controlled foreign companies (CFC) legislation into its tax law, effective for the first time for income earned in 2010. According to the legislation, if a non-resident company, fund, institution, or other type of entity in a low-tax country is owned or controlled, directly or indirectly, at least 50 percent by resident taxpayers (corporate or individual), its profits, whether distributed or not, are attributed proportionately to its resident shareholders and taxed in the normal manner (corporate or individual income tax, respectively). All that is needed is for the parties owning directly or indirectly 50 percent or more of the low tax entity to be Icelandic tax residents. There is no need for the Icelandic parties to be related or connected in any way.

The term low-tax country is defined as a country where the general income tax rate on corporate profits is less than two thirds of the Icelandic rate that would apply if the company were resident in Iceland.

This does not apply if the controlled company, fund, institution, or other type of entity is:

- resident in a treaty country that has a sufficient exchange of information article and its income is not mainly financial income; or
- resident in a country within the EEA and is engaged in business activities there, and the Icelandic tax authorities are able to request all necessary information according to an international treaty.

Companies that fall under the CFC legislation could possibly be subject to double taxation, since the legislation does not take into consideration possible taxation that the foreign company could be subject to.

The legislation states that the Minister of Finance has the authority to issue regulations on how to apply the CFC legislation, but no such rules and no list of the countries where the CFC legislation will be applicable have so far been issued.

## **Comparison of Asset and Share Purchases**

### **Advantages of Asset Purchases**

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- A step-up in the cost base for tax purposes is obtained.
- No previous liabilities of the company are inherited.
- There is no acquisition of a tax liability on retained earnings.
- It is possible to acquire only part of a business.
- There is greater flexibility in funding options.
- Profitable operations can be absorbed by loss-making companies in the acquirer's group, thereby effectively gaining the ability to use the losses.

### **Disadvantages of Asset Purchases**

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- There may be a need to renegotiate supply, employment, and technology agreements, and change stationery.
- A higher capital outlay is usually involved (unless the debts of the business are also assumed).
- It may be unattractive to the seller, thereby increasing the price.
- Accounting profits may be affected by the creation of acquisition goodwill.

- The benefit of any losses incurred by the target company remains with the seller.

### ***Advantages of Share Purchases***

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- There is a lower capital outlay (purchase net assets only).
- It is likely to be more attractive to the seller; therefore, the price is likely to be lower.
- The purchaser may benefit from tax losses of the target company.
- The purchaser may gain the benefit of existing supply or technology contracts.

### ***Disadvantages of Share Purchases***

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- The purchaser acquires unrealized tax liabilities for depreciation recovery on the difference between market and tax book value of assets.
- There is no deduction for the purchase price or for underlying goodwill.
- There is less flexibility in funding options.
- Losses incurred by any companies in the acquirer's group in years prior to the acquisition of the target cannot be offset against any profits made by the target company.

## Withholding Tax Rate Chart

The rate information and footnotes contained in this table are from the 2009 IBFD/KPMG Global Corporate Tax Handbook.

Withholding tax on dividends is 15 percent in case of individuals and 10 percent in case of legal entities. Dividends received by one resident company from another are deductible from taxable income of the recipient company irrelevant if the initial operation results are positive or negative. If the balance is negative, it rolls over to the next year with no limitation of the dividend-received deduction.

The deduction also applies to received foreign dividends if the resident recipient company can demonstrate:

- that the dividends are received from companies whose profits have been taxed abroad under provisions that do not substantially deviate from those prevailing in Iceland; and
- that the profits of the foreign companies have been subject to taxation at a rate that is not lower than the general tax rate in any OECD, EEA (European Economic Area), EFTA (European Free Trade Association) country or Faroe Islands.

Country	Dividends		Interest <sup>1</sup> (%)	Royalties (%)
	Individuals, Companies (%)	Qualifying Companies <sup>2</sup> (%)		
Belgium	15	5 <sup>3</sup>	10	0
Canada	15	5 <sup>3</sup>	10	0/10 <sup>4</sup>
China (People's Rep.)	10	5	10	10
Czech Republic	15	5	0	10
Denmark <sup>5</sup>	15	0 <sup>3</sup>	0	0
Estonia	15	5	10	5/10 <sup>6</sup>
Faroe Islands <sup>5</sup>	15	0 <sup>3</sup>	0	0
Finland <sup>5</sup>	15	0 <sup>3</sup>	0	0
France	15	5 <sup>3</sup>	0	0
Germany	15	5	0	0
Greece	15	5	8	10
Greenland	15	5	0	15
Hungary	10	5	0	10
India	10	10	10	10
Ireland	15	5	0	0/10 <sup>7</sup>
Italy	15	5 <sup>8</sup>	0	5
Korea (Rep.)	15	5	10	10
Latvia	15	5	10	5/10 <sup>6</sup>
Lithuania	15	5	10	5/10 <sup>6</sup>
Luxembourg	15	5	0	0
Malta	15	5 <sup>3</sup>	0	5
Mexico	15	5 <sup>3</sup>	0/10 <sup>9</sup>	10
Netherlands	15	0 <sup>3</sup>	0	0
Norway <sup>5</sup>	15	0 <sup>3</sup>	0	0
Poland	15	5	10	10
Portugal	15	10	10	10
Romania	10	5	3	5
Russia	15	5 <sup>10</sup>	0	0
Slovak Republic	10	5	0	10
Spain	15	5	5	5
Sweden <sup>5</sup>	15	0 <sup>3</sup>	0	0
Switzerland	15	5	0	0
Ukraine	15	5	10	10
United Kingdom	15	5 <sup>3</sup>	0	0
United States	15	5 <sup>3</sup>	0	0
United States (new treaty) <sup>12</sup>	15	5 <sup>3</sup>	0	0/5 <sup>11</sup>
Vietnam	15	10	10	10

## Notes

1. Many treaties provide for an exemption for certain types of interest, such as interest paid to public bodies and institutions or in relation to sales on credit. These are not indicated in the column. There is no withholding tax on interest under domestic law.
2. Unless indicated otherwise, the rate applies to corporate shareholders with a minimum ownership of 25 percent.
3. The rate applies to corporate shareholders with a minimum ownership of 10 percent.
4. The lower rate applies to copyrights (except films, etc.), computer software, patents, and know-how.
5. The Nordic Convention.
6. The lower rate applies to equipment leasing.
7. The lower rate applies to computer software, patents and know-how.
8. The rate applies if the Italian company has owned at least 10 percent of the capital in the Icelandic company for at least 12 months.
9. The zero rate applies to interest paid by public bodies.
10. The rate applies if the Russian company owns directly at least 25 percent of the capital in the Icelandic company and the foreign capital invested exceeds USD 100,000.
11. The higher rate applies to royalties for the use of trademarks, know-how in relation to a trademark, and films, etc.
12. Effective from 1 January 2009. Any greater benefits under the old treaty could be enjoyed until 31 December 2009 (Art. 27(3)).

**KPMG in Iceland**

Anna Rós Sigmundsdóttir  
KPMG hf.  
Borgartun 27  
Reykjavik  
105  
Iceland

Tel. +354 545 6000  
Fax +354 545 6007  
e-Mail: [asigmundsdottir@kpmg.is](mailto:asigmundsdottir@kpmg.is)

Ágúst Karl Guðmundsson  
KPMG hf.  
Borgartun 27  
Reykjavik  
105  
Iceland

Tel. +354 545 6000  
Fax +354 545 6007  
e-Mail: [akgudmundsson@kpmg.is](mailto:akgudmundsson@kpmg.is)

Símon Þór Jónsson  
KPMG hf.  
Borgartun 27  
Reykjavik  
105  
Iceland

Tel. +354 545 6000  
Fax +354 545 6007  
e-Mail: [simonthorjonsson@kpmg.is](mailto:simonthorjonsson@kpmg.is)

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