



i-paye



**Guide to Contracting in
Iceland**



COUNTRY HIGHLIGHTS (2017)

Iceland – Individual

Currency	Icelandic Krona (ISK)
Tax Year	Starts 1 January Ends 31 December
Tax Rates	Personal Tax Credit ISK634,880 First ISK10,016,488 at 22.5% Balance at 31.8% Municipal Tax ranges between 12.44% and 14.52% (average 14.44%) Media Tax and Construction Fund Payment on earnings above ISK1,637,600 must pay ISK16,400 and ISK10,464 respectively.
Social Security	Employee's 7.35%

Tax Residency

An individual becomes Tax Resident in Iceland if they spend more than 183 days in Iceland over a twelve month period.

An individual who is Tax Resident is taxable on Worldwide Income except if exempt under a double taxation treaty.

An individual who is not Tax Resident is taxable in Iceland on Income earned or generated there.

Social Security

Social Security is payable in Iceland unless the individual is paying Social Security in the country in which their employer is based and they are habitually resident. A certificate of continuing liability to Social Security is required to exempt the individual from Irish Social Security.

Right to Work

EU and EEA Nationals have an unfettered right to work in Iceland without the need to hold a VISA or Work Permit.

Other Nationals, generally, need to have the relevant approval to work prior to their arrival in Iceland.

I-PAYE Service

I-PAYE is registered as an employer in Iceland and all individuals are engaged on contracts of employment.

All income is reported to the Icelandic Tax Authorities, with deduction for expenses allowed under Icelandic Law. Any expenses that are reimbursed that are not allowed or are above published rates will be subject to Icelandic Taxation and Social Security at the appropriate rates.

I-PAYE is happy to employ and supply UK Nationals that habitually reside in the UK and other Nationals that have a right to work in Iceland. I-PAYE will not normally seek to employ Icelandic or other Nationals that are habitually resident in Iceland.

As an employee of I-PAYE then you simply would register as working in Iceland and the rest is down to us.

Frequently Asked Questions

Q. I currently work on a project in the United Kingdom through a PSC and have an assignment in Iceland, is it true that I can operate the same model in Iceland?

A. Under Icelandic Domestic Law a UK PSC may be considered as having a Permanent Establishment in Iceland, which means that all income derived by the business will be subject to Icelandic Taxation. No matter the taxation position of the company any employment income paid in respect of duties performed in Iceland will be subject to Icelandic Taxation and Social Security from day 1.

In addition any dividends payable to shareholders will be subject to Icelandic Dividend Taxation either at resident or non-resident rates.

Q. What happens if I choose to ignore the rules?

A. Iceland as with all European Countries may seek to apply the Mutual Assistance Recovery Directive (MARD) to request the UK and other Tax Authorities to collect any unpaid moneys due.

From 1 October 2017 new legislation has been enacted in the United Kingdom that means that any entity engaging in or with business that evades taxation in a Foreign Country will be subject to an unlimited fine. Failing to report income to the Icelandic Authorities is Tax Evasion, not avoidance, and under Icelandic Law would generally lead to a criminal conviction.

Q. I want to do it correctly where should I seek advice?

A. Limited Information is available on the Ministry of Finance website, but specialist advice should always be sought before going on assignment in Iceland.

More information is available from I-PAYE on 0151 449 3500



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