

## VAT Standard rate

The standard VAT rate in Iceland in 2024 is 24%.

The reduced VAT rate – is 11%.

It applies to the sale of the following goods and services:

- Food and food sales;
- Alcohol;
- Books;
- Music recordings;
- Newspapers, magazines, and district newspapers;
- Condoms and reusable diapers.

## Threshold

Those who sell taxable goods without exceeding the threshold of 2,000,000 Icelandic crowns don't have obligation to register for VAT.

## Deductible VAT

VAT paid on the export of goods can be deducted.

## Registration procedure

To get a VAT number, you must fill out the application form «RSK 5.02» and send it to the Internal Revenue Department. The Tax Service may request additional documents.

## **Tax representative**

A mandatory requirement for foreign companies is the appointment of a tax representative.

## **VAT returns filing date and VAT payment date**

As rule, each VAT reporting period is two months. For example, January/February. VAT payment together with a VAT return must be filled and sent no later than the due date for payment which is one month and five days after the period has ended. For example, the deadline for the January/February payments is the 5th of April. If the due date falls on a day-off or public holiday the next work day is the due date.

## **Penalties**

For late payment of VAT, a fine of 1% is charged for each overdue day up to 10% (there is no minimum fine). The tax agency may, if the company provides sufficient reason, cancel the fine.

In exceptional cases, additional fines may be imposed.