

## Law

No. 97/1987, on commodity tax, as amended with laws Nos. 95/1988, 18/1993, 122/1993, 52/1994, 89/1996, 148/1996, 89/1998, 4/1999, 103/2000, 104/2000, 155/2000, 72/2005, 147/2008, 175/2008, 17/2009

### Article 1

#### Primary Provision

A commodity tax shall be paid to the State Treasury on imported goods and goods manufactured or having received some processing in this country, as further stipulated in this Law.

#### Taxable goods and manufacture

### Article 2

Taxability covers all goods, new as well as used, imported to the country or manufactured, processed or packaged in this country, which are classifiable within the tariff headings listed in Annex I to this Law. Goods sold from the country are not taxable. The sale of taxable goods to the defence force at Keflavik Airport, cf. law No. 110/1951, shall be deemed to be sale abroad for the purposes of this Law.

Classification with regard to taxability in accordance with this Law shall be based on the rules for classification in the Customs Law, No. 88/2005.

### Article 3

Commodity tax shall be calculated in two ways; on the one hand as a fixed amount for each kilogram or each litre of taxable goods (quantity tax), but on the other hand as a fixed ratio of the value of taxable goods (ad valorem tax).

Goods classified in tariff headings listed in section A of Annex I shall be subject to payment of a fixed amount for each kilogram of the goods excluding wrapping, as further specified in the Annex.

Goods classified in tariff headings listed in section B of Annex I shall be subject to payment of a fixed amount for each litre of the goods, as further specified in the Annex.

Goods classified in tariff headings listed in sections C-E of Annex I shall be subject to payment of a tax on the value of the goods as follows:

1. 15% on goods classified in tariff headings listed in section C.
2. 20% on goods classified in tariff headings listed in section D.
3. 25% on goods classified in tariff headings listed in section E.

#### Parties liable for the tax

### Article 4

Liability to pay commodity tax rests with the following parties:

1. All those who import to the country goods subject to commodity tax, regardless of whether the goods are for own use or for resale.

2. All those who manufacture, process or package in this country goods subject to commodity tax.
3. Parties subject to special registration in accordance with Article 5.

Parties liable for the tax according to paragraph 1, other than those importing goods to the country for their own use, must spontaneously and not later than 15 days prior to commencing an operation subject to commodity tax, submit a notification of the operation or enterprise for registration to the regional tax director where parties are domiciled. Any changes in an operation occurring subsequent to registration, must be notified not later than 15 days after the change took place.

#### Article 5

Parties importing or purchasing domestically taxable goods for wholesale, can obtain a special registration at the regional tax director. Such registration is subject to the following conditions:

1. That the party is in possession of a wholesale license.
2. That the party has a special stock accounting arrangement covering the goods which on account of the registration are subject to special rules on settlement of commodity tax in conformity with regulations issued by the Director of Internal Revenue.

A party who has obtained special registration is authorized to import taxable goods into the country or purchase taxable goods domestically from a manufacturer or other specially registered party without obligation being established to pay commodity tax, cf. Article 9, paragraph 4.

Domestic manufacturers and parties who have obtained a special registration are authorized to sell or deliver taxable goods without commodity tax to parties specially registered in accordance with this Article.

When a party, who has obtained a special registration, purchases taxable goods without commodity tax he shall specify in the sales invoice the quantity or the price comprising the object of taxation for commodity tax.

#### Object of ad valorem tax

#### Article 6

The object of taxation for commodity tax on imported goods, classified in tariff headings listed in sections C-E of Annex I, is their customs value as determined in accordance with Articles 8-10 of the Customs Law, with the addition of duties levied in accordance with that law.

#### Article 7

The object of taxation for commodity tax on domestic manufactured goods, classified in tariff headings listed in sections C-E of Annex I, is their factory price.

The factory price is the selling price of a product from its manufacturer, i.e. the price paid or payable by the buyer upon the purchase of a product from a manufacturer without any reduction for costs or service charges.

When the factory price does not equal the total value of a product, for example because the buyer or another manufacturer supplies raw materials, components or other items of value on which commodity tax has not already been paid, the total value of the product shall be considered to be the object of taxation for commodity tax.

If a manufacturer is also the wholesaler or retailer of a product, or if the factory price of a product is not available for other reasons, the object of taxation shall be the market value for an identical or similar product when sold from manufacturers. If such a market value going price is not available, the object of taxation shall be the factory price of a manufacturer of an identical or similar product in comparable trade between unrelated parties.

If a manufacturer and a buyer are related within the meaning of Article 8, paragraph 2, of the Customs Law, the tax authorities are authorised to determine the object of taxation according to the provisions of paragraph 4. The Director of Internal Revenue shall issue regulations on the assessment of prices according to this paragraph.

Collection, period of settlement, date of payment, et al.

#### Article 8

The director of customs shall calculate commodity tax on taxable goods imported by parties, other than those registered in accordance with Article 5. The regional tax director administers to the levy of commodity tax on domestic manufacture and importation by parties registered in accordance with Article 5. The Minister of Finance can decide to entrust to individual regional tax directors to carry out control, execution and levy of commodity tax in other tax districts.

The regional tax directors and manufacturers of goods can request from the director of customs a ruling on the classification of goods according to the provisions of Article 142 of the Customs Law. The regional tax director and the manufacturer can appeal the ruling of the director of customs on the classification of goods to the State Customs Board, cf. Article 101 of the Customs Law. Rulings by customs authorities on the classification of goods are binding for the manufacturer and the tax authorities.

#### Article 9

Each period of settlement for parties registered according to Article 4, paragraph 2, shall be two months, January and February, March and April, May and June, July and August September and October, November and December. The date of payment for each period of settlement is the twenty eighth day of the second month after the end of that period.

Importers, importing goods to the country for resale, other than parties also registered according to Article 5, shall not later than on the date of payment for each period of settlement spontaneously pay to the collector of the State Treasury commodity tax on taxable goods which were cleared through customs during the period of settlement. Parties importing taxable goods to the country for own use shall pay commodity tax upon customs clearance.

Domestic manufacturers shall not later than on the date of payment for each period of settlement spontaneously pay to the collector of the State Treasury commodity tax on taxable goods which were sold or delivered during that period . However, commodity tax shall not be paid in respect of goods sold without commodity tax to parties registered according to Article 5 or to manufacturers according to authorization in Article 10.

Parties, registered according to Article 5, shall not later than on the date of payment for each period of settlement spontaneously pay to the collector of the State Treasury commodity tax on goods which they have purchased or cleared through customs during the period or were kept in stock in the beginning of the period of settlement but are not in stock in the end of the period of settlement according to stock accounting. However, commodity tax shall neither be paid in respect of goods on which commodity tax has already been paid nor on goods sold without commodity tax to other parties registered according to Article 5 or to manufacturers according to authorization in Article 10.

Parties liable for the tax according to Article 4, paragraph 1, points 2 and 3, shall not later than on the date of payment for each period of settlement submit a commodity tax declaration in the form determined by the Director of Internal Revenue covering goods subject to payment of commodity tax during that period of settlement . Furthermore the sale of taxable goods without commodity tax to parties registered according to Article 5 or to manufacturers according to authorization in Article 10 shall be stated in the declaration. The regional tax director shall assess commodity tax on the trade of parties who do not submit a declaration within the due date, submit no declaration, or if a declaration or accompanying data are defective. The regional tax director shall notify the collector and the party liable for the tax about assessments and corrections made. Procedure shall be governed by the provisions of law No. 50/1988, on value added tax, as subsequently amended.

If commodity tax is not paid on the due date, the party shall be subject to the payment of a surcharge in addition to the commodity tax which he is liable to pay. The same applies if a commodity tax declaration has not been submitted or if it has been defective, and the commodity tax has therefore been assessed, unless the party has prior to the due date of payment paid an amount equal to the assessment, or has submitted satisfactory explanation on doubtful items prior to the end of the time limit for complaints. A surcharge shall be 1% of the amount which has not been paid, for each day or part of a day after the due date, however not exceeding 10%.

If commodity tax has not been paid within one month from the due date, penal interest must be paid to the State Treasury on the amount due. The determination and calculation of penal interest shall be in accordance with the law on interest, No. 25/1987, as subsequently amended.

#### Article 10

The regional tax director shall give manufacturers of goods who use in their manufacture raw materials or components subject to commodity tax an authorization to purchase from importers, domestic manufacturers and parties registered according to Article 5 raw materials or components without commodity tax. Such an authorization also permits the manufacturer to receive a refund of commodity tax on raw materials and components which he himself has imported to the country according to provisions of paragraph 2. An application to the regional tax director shall inter alia specify the type of manufacture in question and the raw materials and components requested for the authorization to cover.

An importer can on the due date of payment for each period of settlement receive a refund of commodity tax on goods which he has imported to the country but which have during the period of settlement either been sold without commodity tax to a manufacturer or been used in the manufacture by the importer himself according to authorization in paragraph 1. The importer shall in a special declaration notify the regional tax director about such a sale or use, specifying the party the goods were sold to, quantity and type, as well as the amount of commodity tax. This declaration shall be submitted not later than 15 days prior to the due date. A refund shall be made on the due date provided that commodity tax for the relevant period of settlement has been paid.

The authorization provided for in this Article covers solely raw materials or components which become a part of the final manufactured product. The authorization covers neither the purchase or importation of materials for constructions or to the maintenance of real estate nor new construction or repairs of vehicles.

#### Article 11

The levy of commodity tax is subject to a complaint within thirty days from the due date of payment of the tax. A complaint shall be submitted to the director of customs or to the regional tax director who levied the tax. A complaint shall be accompanied by argumentation in writing. A submitted satisfactory commodity tax declaration shall be handled as a complaint in the case of the assessments provided for in Article 9, paragraph 5. The director of customs or the regional tax director must issue a written ruling on the complaint, supported by arguments, and send a notification thereof by registered mail within thirty days from the end of the time limit for complaints.

A party liable for the tax and the director of customs in Reykjavik can appeal the ruling by the director of customs cf. paragraph 1 to the State Customs Board which issues a definitive ruling. Time limits for appeals and procedure shall be governed by the provisions of Article 118 of the Customs Law.

A party liable for the tax and the Director of Internal Revenue can appeal the ruling by the regional tax director cf. paragraph 1 to the State Internal Revenue Board which issues a definitive ruling. Time limits for appeals and procedure shall be governed by the provisions of Article 29, paragraphs 2-7 of law No. 50/1988, on value added tax, as subsequently amended.

#### Article 12

As far as this Law does not include provisions on taxability, levy, accounting arrangements, control, penalties and other implementation relevant to commodity tax the provisions of the Customs Law [on

imported goods and the law on value added tax on domestic manufacture shall apply as far as applicable.

The provisions of Articles 4, 6, and points 2, 4-8 and 12-15 of paragraph 1 of Article 7 of the Customs Law, No. 88/2005, shall as far as applicable cover commodity tax according to this Law

#### Article 13

In regulations, the Minister of Finance issues further provisions on the obligation of notification, object of taxation, taxability, period of settlement, date of payment and other implementation of this Law.

#### Article 14

This Law shall enter into force on the 1st of January 1988. From that date the following shall be abrogated: law No. 107 30 December 1978, on special temporary commodity tax, law No. 33 29 May 1980, law No 80 28 December 1980, law No. 82 28 December 1981, Article 7 of law No. 2 28 February 1983, law No. 75 28 December 1983 and law No. 126 31 December 1984 amending that law, law No. 77 23 December 1980, on commodity tax, and Article 3 of law No. 12 30 April 1981 amending that law, Article 54 of law No. 64 21 May 1965 and Articles 1 and 2 of law No 5 27 February 1982, as subsequently amended. Regulations, notices and other instructions issued in accordance with said laws shall be abrogated from the same date.

#### Transient provision

IX. A waiver or refund of commodity tax is authorized for specialized spare parts for hydrogen automobiles imported for research purposes. This authorization shall be in effect until 31 December 2009. The Minister of Finance issues further regulations on the implementation of this exemption.