

Act on the Withholding of Public Levies at Source

No. 45, 30 March 1987

Entered into force 1 January 1988.

Amended by Act No. 90/1987 (entered into force 31 December 1987, implemented as provided for in the instructions in Art. 20), Act No. 42/1988 (entered into force 1 Jan. 1989), Act No. 98/1988 (entered into force 30 Dec. 1988), Act No. 78/1989 (entered into force 14 June 1989), Act No. 111/1990 (entered into force 31 Dec. 1990, implemented as provided for in the instructions in Art. 4), Act No. 19/1991 (entered into force on 1 July 1992, with the exception of the first and third paragraphs of Article 29, which entered into force on 17 April 1991), Act No. 92/1991 (entered into force on 1 July 1992, with the exception of Article 103, which entered into force on 9 Jan. 1992), Act No. 46/1992 (entered into force 1 July 1992), Act No. 48/1992 (entered into force 10 June 1992, implemented as provided for in the instructions in Art. 5), Act No. 111/1992 (entered into force 1 April 1993), Act No. 30/1995 (entered into force 9 March 1995, implemented as provided for in the instructions in Art. 8), Act No. 31/1995 (entered into force 1 Jan. 1996), Act No. 42/1995 (entered into force 9 March 1995), Act No. 139/1995 (entered into force 29 Dec. 1995), Act No. 90/1996 (entered into force 1 July 1997), Act No. 102/1996 (entered into force 25 June 1996), Act No. 82/1998 (entered into force 1 Oct. 1998), Act No. 159/1998 (entered into force 1 Jan. 1999, except for Art. 2 which entered into force 30 Dec. 1998), Act No. 157/2000 (entered into force 29 Dec. 2000, implemented as provided for in the instructions in Art. 2), Act No. 133/2001 (entered into force 1 Jan. 2002, except for Article 1, subparagraphs a, b and c of Article 3, subparagraphs b and c of Article 17, subparagraph c of Article 19, Article 34, subparagraph a of Article 35, subparagraph b of Article 36, Article 37, Article 38, Article 39, Article 40, subparagraph a of Article 41, Article 42 and Article 52, which entered into force 31 Dec. 2001 and Article 44, which entered into force 1 Jan. 2003, implemented as provided for in the instructions in Art. 56), Act No. 65/2002 (entered into force 17 May 2002), Act No. 135/2002 (entered into force 1 Jan. 2003, implemented as provided for in the instructions in Art. 5), Act No. 129/2004 (entered into force 31 Dec. 2005), Act No. 134/2005 (entered into force 30 Dec. 2005), Act No. 65/2006 (entered into force 27 June 2006), Act No. 169/2007 (entered into force 29 Dec. 2007), Act No. 38/2008 (entered into force 29 May 2008 except for Article 8, which entered into force on 1 January 2008, implemented as provided for in the instructions in Art. 9), Act No. 88/2008 (entered into force 1 Jan. 2009 with the exception of Temporary Provision VII, which entered into force 21 June 2008) and Act No. 13/2009 (entered into force 14 March 2009).

Initial provision

Article 1

Withholding of public levies at source, as provided for in this Act, is a provisional payment of state and municipal income taxes by wage earners during the income year [and of the social security tax paid by employers during that year unless otherwise stated.]¹⁾

1) Act No. 111/1990, Art. 1.

CHAPTER I Scope and coverage

Scope

Article 2

Withholding as provided for in this Act shall apply to:

A. Income tax of persons liable to pay tax according to the provisions of Art. 1 and Point 1 of Article 3 of [Act No. 90/2003, on Income Tax],¹⁾ as subsequently amended, on taxable income as provided for in Point 1, the first and second sentences of Point 2, Point 3 and the first sentence of Point 4 of Section A of Article 7, without any deductions, cf. however [Points 2-5]²⁾ of Section A of the first paragraph of Article 30 of the same Act. Furthermore, to taxable income of individuals and other parties liable to taxation as provided for in the provisions of [Points 2, 3, 6, 7 and 8 of Article 3]³⁾ of the said Act on taxable income in Iceland as referred to there, cf. the provisions of Points 2 and 3 of [Article 70 of the same Act.]¹⁾

B. Municipal income tax as provided for in Chapter IV of Act No. 73/1980,⁴⁾ on Municipal Revenues, as subsequently amended.

[C. The social security tax provided for in the Act on a Social Security Tax.]⁵⁾

1) Act No. 129/2004, Art. 51. 2) Act No. 30/1995, Art. 7. 3) Act No. 70/2009, Art. 9. 4) Now Act No. 4 1995. 5) Act No. 111/1990, Art. 2.

Parties covered

Article 3

The provisions of this Act shall cover all parties, domestic and foreign, who are taxable in accordance with provisions of the Acts referred to in Article 2, and to all parties, domestic and foreign, who pay wages or handle mediation of payments which are taxable in accordance with provisions of the Acts referred to in Article 2.

Wage earner

Article 4

For the purposes of this Act, a wage earner shall mean:

1. a person receiving remuneration for work which he/she performs on the responsibility of a wage payer. In addition, a person receiving retirement or pension benefits;
2. a person who is to calculate his/her own remuneration for work performed for his/her commercial operations or independent business activity. In addition, the person's partner or child if they perform work for his/her commercial operations or business activity. [The same shall apply to a person, his/her partner or child who is to calculate his/her own remuneration for commercial operations or activities carried out in partnership with others or on behalf of the parties referred to in Article 2 of [Act No. 90/2003, on Income Tax].¹⁾²⁾
3. a person who receives social insurance benefits, grants or any type of damage compensation or insurance payments;
4. a person who enjoys payments from copyright;
5. a person enjoying awards or honoraria, or who receives a taxable winning in a lottery, wager or competition;
6. a person subject to limited tax liability in Iceland, as provided for in Article 3 of the Act on Income Tax [...] ¹⁾ who receives income as referred to in Point 6 of Article 5.

1)Act No. 129/2004, Art. 52. 2)Act No. 133/2001, Art. 45.

Wages

Article 5

For the purposes of this Act, wages shall mean:

1. Remuneration for any type of work, employment or service, without regard to what it is based upon, which is performed for another party. This shall include, for instance, any sort of employment termination allowance, artists' support, committee allowance, directors' fees, retirement and pension benefits, clothing, board, lodging, hospitality, tools allowance, vehicle allowance, per diem, moving allowance and other similar work-related payments, discounts and fringe benefits, such as contributions and gifts clearly given as a bonus. It makes no difference who receives the payment nor in what currency it is paid, whether it is made in cash, in kind or in work provided in exchange.
2. [Remuneration of a person, his/her partner or child for work for his/her own commercial operations or business activity, or for a legal entity as referred to in the second paragraph of Point 1 of Section A of Article 7 of [Act No. 90/2003, on Income Tax].¹⁾²⁾
3. Social insurance benefits and grants. Damage compensation and insurance payments due to illness, accident, absence from work or loss of income and any other type of compensation or insurance benefits, cf. however Point 2 of Article 28 of [Act No. 90/2003, on Income Tax].¹⁾
4. Remuneration to authors and rightholders for any type of intellectual property, literature and art or artistic work, whether for use or sale.
5. Awards and honoraria, taxable winnings in a lottery, wager or competition.

Payments to parties with limited tax liability in Iceland who are listed in [Points 2, 3, 6, 7 and 8 of Article 3]³⁾ of [Act No. 90/2003, on Income Tax].¹⁾

[7. [Any type of payment in accordance with Points 1-6 of this Article made following a ruling by a public authority, court verdict, court settlement or other agreement after the actual wage period was concluded.]³⁾

1)Act No. 129/2004, Art. 53. 2)Act No. 133/2001, Art. 46. 3)Act 70/2009, Article 10. 4)Act No. 159/1998, Art. 1.

Imputed remuneration

Article 6

[A person who is to calculate his/her own remuneration, cf. Point 2 of Article 4, should notify the regional tax director of his/her estimated income during the withholding year in accordance with the rules of the Director of Internal Revenue on imputed remuneration, cf. [Article 58 of Act No. 90/2003, on Income Tax]¹⁾ prior to 20 January each year in the form specified by the Director of Internal Revenue. An employer, who employs a worker for whom remuneration is to be determined, in accordance with the second paragraph of Point 1 of Section A of Article 7 of [Act No. 90/2003, on Income Tax],¹⁾ must in withholding levies calculate remuneration for the worker as provided for in the rules of the Director of Internal Revenue, cf. [Article 58 of the same Act].¹⁾

If the regional tax director is of the opinion that remuneration, cf. Point 2 of Article 4 and Point 2 of Article 5, during the withholding year is lower than accords with the rules of the Director of Internal Revenue in accordance with [Article 58 of Act No. 90/2003]¹⁾, he/she shall determine the remuneration in accordance with those rules. The director may, however, deviate from the minimum remuneration provided for in the rules of the Director of Internal Revenue in the decision on the basis of written explanations and the necessary documentation.]²⁾

[The regional tax director shall notify a wage payer, who provides an estimate of his/her income in accordance with the deadline in the first paragraph or the first paragraph of Article 19, of the determination of imputed remuneration no later than 15 days prior to the final date for payment, cf. the third paragraph of Article 20. A decision by the regional tax director as provided for in 1. the first sentence or estimate of the Director as provided for in Article 21, on the amount liable for payment, cf. the first paragraph, may be appealed to the regional tax director within 15 days of the date the notification was posted. The regional tax director shall rule on appeals within 15 days from the end of the time limit for appeals.

A ruling by regional tax director on an appeal as provided for in the third paragraph may be appealed within 15 days of the date of the ruling to the Director of Internal Revenue, who will make a final decision on the amount of remuneration during the withholding year.]³⁾

1)Act No. 129/2004, Art. 54. 2)Act No. 133/2001, Art. 47. 3)Act No. 65/2002, Art. 2.

Wage payer

Article 7

For the purposes of this Act, a wage payer is any party who provides wages or makes payments which are considered as wages in accordance with Article 5.

If an intermediary party, cf. Article 3, handles payments of wages, it must fulfil the obligations of a wage payer with regard to remittance and payments provided for in this Act. The same shall apply to an agent of parties referred to in the second paragraph of Point 2 of [Article 70 of Act No. 90/2003, on Income Tax].¹⁾

[The employer of workers hired to work on the basis of a contract for temporary personnel is regarded as their wage payer for the purposes of this Act, if the temporary personnel agency is not domiciled for taxation purposes in Iceland.

A temporary personnel agency established in another state of the European Economic Area, another EFTA member state or the Faroe Islands, however, shall be considered the wage payer unless an agreement has been reached otherwise with the contracting company. The contracting company shall be responsible as wage payer if the temporary personnel agency has not properly remitted withholding, cf. Article 20. The Minister of Finance may set further conditions restricting withholding by temporary employment agencies.]²⁾

1)Act No. 129/2004, Art. 55. 2)Act No. 169/2007, Art. 1.

Withholding from a wage earner

Article 8

Withholding from a wage earner, cf. Article 4, of wages, cf. Article 5, shall include income tax as provided for in the Income Tax Act [...] ¹⁾ and municipal income tax as provided for in the Act on Municipal Revenues.

The Minister of Finance may decide in a Regulation²⁾ that certain wages or types of wages covered by Article 5 shall not be subject to withholding. [Furthermore, the Minister of Finance may decide that wages, including imputed remuneration, below a specified amount shall not be subject to withholding.]³⁾

The wage payer, cf. Article 7, shall see to withholding on behalf of the wage earner, as provided for in provisions of Article 15, cf. Article 20.

1)Act No. 129/2004, Art. 56. 2) Reg. 591/1987, cf. 564/1988, 330/1990, 70/1991, 490/1992, 677/1998, 500/2001, 914/2006 and 44/2007. 3)Act No. 90/1987, Art. 1.

Difference between withholding and assessment

Article 9

[The withholding rate shall be the combined income tax rate, as provided for in the Income Tax Act [...] ¹⁾ and the municipal tax rate; it shall be the same everywhere in Iceland and determined in accordance with decisions by municipalities as provided for in the second paragraph of Art. 26 of Act No. 73/1980,²⁾ on Municipal Revenues, as subsequently amended. Hafsi sveitarfélag ekki tilkynnt ákvörðun sína í tæka tíð skv. 2.-mgr. 26.-gr. laga nr. 73/1980²⁾ skal miða við fyrra árs ákvörðun þess.]³⁾

[Following the conclusion of the income year, a decision on and levying of income tax shall be made as provided for in the Income Tax Act [...] ¹⁾, of municipal income tax as provided for in the Act on Municipal Revenues, and of the social security tax in accordance with the Act on a Social Security Tax.]⁴⁾

Any difference which may arise between withholding and assessment, shall be collected or reimbursed, as appropriate, as provided for in Chapter VIII.

Properly determined and paid up withholding of income tax and municipal income tax of the parties referred to in [Points 2, 3, 7 and 8 of Article 3]⁵⁾, cf. Point 2 of [Article 70 of Act No. 90/2003, on Income Tax]¹⁾, represents final payment of the above-mentioned levies of these parties in Iceland, and further determination or assessment for these parties shall not be required unless the party is in addition liable to tax as provided for in Point 4 of Article 3 of the Income Tax Act [...] ¹⁾.

1)Act No. 129/2004, Art. 57. 2) Now Act No. 4 1995. 3)Act No. 42/1988, Art. 1. 4)Act No. 111/1990, Art. 3. 5)Act No. 70/2009, Art. 11.

CHAPTER II Arrangements for withholding

Wage earners' tax liability

Article 10

The tax liability of wage earners during the year of withholding shall be determined as of the end of the calendar year immediately preceding the withholding year. The same shall apply to a wage earner who reaches the age of 16 years during the withholding year, as well as to wage earners who

become domiciled in Iceland during the withholding year and to those who are liable for tax during the withholding year in accordance with Point 1 of Article 3 of the Income Tax Act [...]¹).

1)Act No. 129/2004, Art. 58.

Income tax card

Article 11

Prior to the commencement of the withholding year, the Director of Internal Revenue shall have a tax card prepared for each wage earner, providing the information deemed necessary to determine his/her withholding during the withholding year. [This income tax card shall be prepared according to the information available when the updated National Registry is made ready on 1 November of the year immediately preceding the year of withholding.]¹) The income tax cards of persons who become domiciled in Iceland during the withholding year, as well as those persons liable for tax in accordance with Point 1 of Article 3 of the Income Tax Act [...]²), shall be prepared on the basis of information on their notice of change of residence or by other satisfactory means in the opinion of the Director of Internal Revenue.

Those persons and parties, liable for tax in Iceland in accordance with Points 2, 3, 6 and 7 of Article 3 of the Income Tax Act [...]²), cf. the provisions of Points 2 and 3 of [Article 70 of the same Act]²), cf. also Point 6 of Article 4 and Point 6 of Article 5, may request a special income tax card, prepared in accordance with information included in their requests submitted to the Director of Internal Revenue. Requests must be submitted before the end of the year immediately preceding the withholding year or no later than one month before the first payment or provision of value takes place during the withholding year.

[The income tax card shall, in addition to the details referred to in the first and second paragraphs, include information on the proportion of the personal tax credit applicable. The Director of Internal Revenue shall advertise the tax rate and the amount of the personal tax credit prior to the commencement of each withholding year, and any changes made during the withholding year. The Minister may, in a Regulation³), lay down provisions for the proportion of the personal tax credit applied to withholding during each payment period.]⁴)

Immediately upon receiving his/her income tax card, the wage earner shall check the information it contains. If the wage earner is of the opinion that this is incorrect, he/she should return the income tax card immediately to the regional tax director with a written explanation in support of the request for a new income tax card. If the wage earner's claims prove legitimate, the regional tax director shall immediately issue him/her with a new income tax card. If the regional tax director completely refuses a wage earner's request, the income tax card must be returned to the wage earner with the reasons for the rejection.

[If a wage earner, who receives payment from or on behalf of the State Social Security Institute, does not specifically request otherwise, the Director of Internal Revenue may deliver his/her income tax card to the State Social Security Institute prior to the commencement of a withholding year. The Institute is then considered to be the principal wage payer of the wage earner in question. In such instances the Director of Internal Revenue may, furthermore, issue an additional income tax card to a wage earner for the portion of the personal tax credit which clearly will not be used to offset tax on payment received by the wage earner concerned from the State Social Security Institute. The Minister may set detailed rules on the implementation of this paragraph.]⁵)

[The Director of Internal Revenue may decide that the issuance of income tax cards, as provided for in the first paragraph, be cancelled, provided that previously issued income tax cards remain valid for the year that tax card issuance is cancelled, but not income tax cards referred to in the fifth and sixth paragraphs of Article 12. Income tax cards shall be issued, however, to those parties who have not previously received income tax cards but have become entitled to them.]⁴)

1)Act No. 90/1987, Art. 3. 2)Act No. 129/2004, Art. 59. 3) Reg. 10/1992, cf. 499/2001 and 50/2008. 4)Act No. 98/1988, Art. 2. 5)Act No. 90/1987, Art. 5.

Delivery of income tax cards, additional income tax cards

Article 12

[Prior to the commencement of the withholding year, a wage earner must deliver his/her income tax card to the custody of the wage payer who is then considered his/her primary wage payer.]¹⁾ The primary wage payer is responsible for preserving the wage earner's income tax card while the wage earner is in its employ or until the wage earner demands its return. If the wage earner changes jobs or selects another primary wage payer during the withholding year, his/her previous primary wage payer must return the income tax card and the wage earner must deliver it to the wage payer for whom he/she has begun new employment or whom he/she has selected to replace the previous wage payer as primary wage payer.

If a wage earner works for or on behalf of more than one wage payer, the wage earner should select a primary wage payer to whom he/she delivers the income tax card. The income tax card will then be in the custody of the primary wage payer. The same shall apply to a wage earner who works at a single job if there are two or more wage payers for the job.

If the wage earner is of the opinion that provisions in the second paragraph of this Article will result in his/her withholding being considerably higher than would have been the case had there been only a single wage payer, cf. the first paragraph of this Article, he/she shall be entitled to request the issuance of an additional income tax card from the regional tax director. If the wage earner's request proves legitimate, the regional tax director shall issue him/her an additional income tax card, specifying the personal tax credit which the secondary wage payer shall have regard for in calculating taxes rather than the maximum deduction, cf. [Article 67 of Act No. 90/2003, on Income Tax],²⁾ and the third paragraph of Article 11 of this Act. Furthermore, the personal tax credit specified on the main income tax card shall be reduced to accord with the deduction indicated on the additional income tax card.

[If a wage earner, who is married or cohabiting with a partner, cf. the first paragraph of Article 13, as a rule does not utilise his/her personal tax credit in full, the person is entitled to request the issuance of an additional income tax card from the regional tax director. If the wage earner's request is legitimate, the regional tax director shall issue him/her with an additional income tax card specifying the personal tax credit which the wage earner will foreseeably not utilise.

[If a wage earner or his/her partner has not utilised all of the wage earner's personal tax credit and has not had income which is exempt from withholding equivalent to this, the wage earner may apply for the issuance of an income tax card with the accrued personal tax credit from the beginning of the withholding year to the month immediately preceding the date of issue. The Director of Internal Revenue shall see to the issuance of income tax cards with accrued personal tax credits. The conditions for issuing the income tax card may be waived if unequivocal information is available on the accrued amount, e.g. the recording by a previous wage payer on the card of the utilisation of the deduction.]³⁾

If a wage earner has not utilised over [50%]⁴⁾ of his/her personal tax credit after the middle of the withholding year has passed, or transferred it to his/her partner, cf. the first paragraph of Article 13, he/she may apply for the issuance of an income tax card indicating the accrued personal tax credit since the beginning of the withholding year until the month preceding the date of issuance. The Director of Internal Revenue shall see to the issuance of income tax cards with accrued personal tax credits.]⁵⁾

1)Act No. 90/1987, Art. 6. 2)Act No. 129/2004, Art. 60. 3)Act No. 102/1996, Art. 1. 4)Act No. 98/1988, Art. 3. 5)Act No. 90/1987, Art. 7.

Partner's income tax card

Article 13

If one person of a married couple, sharing the same domicile, has no income during a withholding year, as referred to in Point 1 of Section A of Article 7 of [Act No. 90/2003, on Income Tax],¹⁾ the couple are entitled to deliver the income tax card of the partner without income to the

primary wage payer of the partner earning income. In such case the partner earning income also benefits from the personal tax credit of his/her partner, which is transferable as provided for in [Article 67 of Act No. 90/2003, on Income Tax]¹⁾ The same shall apply to a cohabiting man and woman [or two individuals of the same gender]²⁾ who have been authorised to enjoy the same rights concerning taxation as a married couple sharing the same domicile, cf. the third paragraph of [Article 62 of Act No. 90/2003, on Income Tax].¹⁾ [The provisions of this Article shall also apply to additional income tax cards of partners issued in accordance with the the fourth, fifth and sixth paragraphs of Article 12.]³⁾

If the partner without income commences paid work during the withholding year, he/she shall be entitled to his/her income tax card and the other partner's situation with regard to his/her primary wage payer is altered accordingly. A partner who has earned income during the withholding year but ceases employment as a wage earner during that year, however, is entitled to deliver his/her income tax card to his/her partner's primary wage payer, and that partner's situation is altered accordingly.

1)Act No. 129/2004, Art. 61. 2)Act No. 65/2006, Art. 2. 3)Act No. 90/1987, Art. 8.

Pay period

Article 14

The period for which a wage earner is paid wages, cf. Article 4, is determined with reference to provisions in collective bargaining contracts. No pay period, however, may be longer than one month.

[A pay period for imputed remuneration, cf. Point 2 of Article 5, of a wage earner, cf. the provisions of Point 2 of Article 4, shall be each single calendar month of the withholding year, cf. however the authorisation of the regional tax director as provided for in the final sentence of the second paragraph of Article 20.]¹⁾The wages of each calendar month are calculated as 1/12 of the annual imputed remuneration which the wage earner is to calculate for him-/herself within the limits referred to in Article 6. [A regional tax director may decide that the wages for a single calendar month shall be higher than 1/12 of the annual remuneration, provided that an approved explanation has been obtained from the wage earner.]²⁾

1)Act No. 90/1987, Art. 9. 2)Act No. 98/1988, Art. 4.

Determination of wages and amount deducted

Article 15

[When a wage earner's wages, including vacation pay, have been determined for each pay period, taxable benefits shall be added to them in accordance with the assessment of the Director of Internal Revenue, cf. [Article 118 of Act No. 90/2003, on Income Tax].¹⁾

The wage payer shall calculate the wage earner's withholding for the pay period from the resulting wage amount for the pay period, having regard for the personal tax credit as provided for in Section A of [Article 67 of Act No. 90/2003, on Income Tax]¹⁾ and the seamen's tax credit, as provided for in the second paragraph of Section B of the same Article as appropriate. Withholding shall be deducted from the wage earner's wages and remitted to the collection party, cf. the second paragraph of Article 20.

Amounts to be deducted from wages for withholding shall take precedence over deductions for older taxes owed and levies collected in accordance with Article 35.

If the wage earner does not provide the wage payer with his/her income tax card, no regard shall be had for the personal tax credit in determining withholding, cf. [Article 67 of Act No. 90/2003, on Income Tax].¹⁾²⁾

1)Act No. 129/2004, Art. 62. 2)Act No. 90/1987, Art. 10.

When deductions are made

Article 16

[Deductions of public levies from wages shall be made when wages are paid or credited to a wage earner for a specific pay period, cf. Article 14.

When wages or part of wages, such as payment for overtime, piece work, catch shares and catch bonuses, are not settled until after the end of the pay period when entitlement to these wages arose, in part or in full, they shall be included with the wages for this pay period, provided settlement is made within 14 days of its conclusion. If settlement is made later these payments are included in the pay period when settlement is made and deductions based on that period.]¹⁾

The Minister of Finance may, in a Regulation, lay down special rules as to when deductions are made and in which income year payments are taxable in the case of payments which, in accordance with law or the provisions of collective bargaining contracts, are made after the conclusion of the period when they were earned.

1)Act No. 90/1987, Art. 11.

Children

Article 17

If a wage earner will not reach the age of 16 years during the withholding year, the wage payer shall deduct from wages, cf. Article 5, an amount equivalent to a specific percentage of the wages, cf. [Article 64 and the second paragraph of Article 66 of Act No. 90/2003, on Income Tax]¹⁾ and the second paragraph of Article 25 of the Act on Municipal Revenues, without deducting the personal tax credit, cf. [Article 67 of Act No. 90/2003, on Income Tax].¹⁾

1)Act No. 129/2004, Art. 63.

Authorisation for reimbursement

Article 18

The Director of Internal Revenue may take into consideration written application by a wage earner for reimbursement, in part or in full, of his/her withholding if an illness, an accident or a death, or a change in employment due to these factors or age, will reduce his/her income substantially during the remainder of the withholding year, with the result that his/her total withholding during the withholding year would result in payment at least 20% higher than expected taxes and levies for this income year would amount to in accordance with the provisions of Article 9 of this Act.

Furthermore, the Director of Internal Revenue may take into consideration an application by a wage earner for reimbursement, in part or in full, of his/her withholding in the withholding year if the wage earner has or will pursue studies for at least [four]¹⁾ months during the withholding year and his/her total withholding during the withholding year would result in payment at least 20% higher than expected taxes and levies for this income year would amount to, in accordance with the provisions of Article 9 of this Act.

The application, which is submitted on a special application form prepared by the Director of Internal Revenue, shall include the grounds for claims pursuant to this Article. The application must be accompanied by satisfactory documentation to substantiate the claim.

The Director of Internal Revenue shall rule on the wage earner's application; such ruling shall be a final decision in the case.

[To reimbursement as provided for in 1. the first and second paragraphs shall be added a surcharge equal to 0.2% of the amount reimbursed for each month which has commenced since the withholding was remitted until reimbursement is made.]¹⁾

1)Act No. 139/1995, Art. 1.

Registry of wage payers, notifications

Article 19

[Any party considered to be a wage payer, as referred to in Article 7, shall on own initiative and no later than 8 days prior to commencing activities, notify the Director of Internal Revenue of its activities, specifying the wage payer's name, address and Id./Reg. No.]¹⁾

Should a party which, in the assessment of the Director of Internal Revenue, should have given notification of itself as wage payer, as provided for in the first paragraph, fail to fulfil the said obligation to send notification the Director of Internal Revenue shall declare it to be a wage payer in accordance with the provisions of Article 7 and send the party notice thereof.

Those parties referred to in the first and second paragraphs shall be listed in a special registry, the registry of wage payers, maintained by the Director of Internal Revenue. Each wage payer receives a special number which it must indicate on the withholding remittance form, cf. the provisions of Article 20.

A wage payer listed in the registry of wage payers who ceases to make wage payments during a withholding year, must send the Director of Internal Revenue notification to this effect within eight days.

Notifications as provided for in the first paragraph must be sent on forms prepared by the Director of Internal Revenue for this purpose. The Director of Internal Revenue shall decide what information is to be provided on this form.

1)Act No. 65/2002, Art. 3.

CHAPTER III Remittance of withholding

Payments, locations for payment, remittance forms

Article 20

A wage payer must, on own initiative, remit monthly the monies it has retained or should have retained for the pay period of the previous month in accordance with provisions of Articles 15-17.

[Payments as referred to in the first paragraph shall be made to the local tax collection office or other collection party, cf. [Article 111 of Act No. 90/2003, on Income Tax]¹⁾, in the district where the wage payer has its legal domicile. Payment must be accompanied by a breakdown from the wage payer on the form intended for this purpose. [The Director of Internal Revenue may adopt rules on electronic reporting and remittance of withholding of public levies at source.]²⁾ The wage payer must submit a remittance form monthly, even if no payment accompanies it. The regional tax director may authorise parties who calculate imputed remuneration for their partners and children, cf. Point 2 of Article 4, to remit once a year, provided the imputed wages are below the minimum prescribed in specific rules adopted by the Director of Internal Revenue.]³⁾

The due date for payment as referred to in the first paragraph shall be the first day of each month and the final date for payment 14 days later. If a wage payer has not made payment by the final date for payment it shall be subject to a surcharge as provided for in Article 28.

The Director of Internal Revenue shall determine what information must be provided on the remittance form and payment documents and their type.

The Minister of Finance shall set detailed rules⁴⁾ implementing the second paragraph after consulting with the Minister of Social Affairs.

The Treasury shall pay municipalities the portion of the personal tax credit used to pay each wage earner's municipal income tax in a withholding year, cf. Section A of [Article 67 of Act No.

90/2003, on Income Tax],¹⁾ and Article 15 of this Act, no later than by the end of the next month following the final date for payment of withholding of public levies at source, cf. the third paragraph.

1)Act No. 129/2004, Art. 64. 2)Act No. 133/2001, Art. 48. 3)Act No. 90/1987, Art. 12. 4) Reg. 13/2003, cf. 589/2008.

Regional tax director's review, estimate and notifications

Article 21

The regional tax director shall review the remittance forms of all wage payers, cf. Article 20, and make corrections to them if necessary. The regional tax director shall estimate the amount of withholding of wage payers who have not submitted satisfactory remittance forms within the prescribed time limits of Article 20 and notify the wage payer of the estimate within 14 working days of the prescribed time limit.

[Article 25a

Enforcement as provided for in Article 21 and other tax administration of legal entities covered by the fifth paragraph of Art. 89 of Act No. 90/2003, on Income Tax, shall be the responsibility of the Reykjavík district.]¹⁾

1)Act No. 38/2008, Art. 4.

Liability

Article 22

The wage payer shall be liable for public levies which it has retained or should have retained in accordance with this Act. A wage earner is not liable for payment of public levies which he/she can prove that a wage payer has retained from his/her salary. The wage payer and wage earner, however, are responsible *in solidum* for any shortfall in public levies retained.

CHAPTER IV Administration of withholding

Ultimate responsibility

Article 23

The Director of Internal Revenue is ultimately responsible for withholding.

Director of Internal Revenue

Article 24

In addition to tasks entrusted to him/her under other provisions of this Act, the Director of Internal Revenue shall:

1. maintain a record showing the payment balance of wage earners [...] ¹⁾ during the withholding year;
2. issue rules and guidelines for wage earners and wage payers on the use of documentation and forms for withholding of public levies at source;
3. prepare the necessary forms for wage payers. These forms shall be available from tax authorities and those parties authorised to receive payment as provided for in Article 20.

The Director of Internal Revenue shall lay down implementing and procedural rules for regional tax directors, together with instructions and guidelines, as necessary.

The Director of Internal Revenue may, on own initiative, examine all aspects of payment and remittance obligations and alter decisions of regional tax directors if warranted, and examine any other matters concerning the implementation of this Act. He/She may, for this purpose, request any information and documentation deemed necessary, for instance, from regional tax directors, state tax collectors, tax collection offices, commercial banks, savings banks and post offices.

¹⁾Act No. 135/2002, Art. 1.

[Financial Management Agency]¹⁾

¹⁾Act No. 135/2002, Art. 2.

[Article 24a

The Financial Management Agency shall maintain a record showing wage payers' payment balance for the withholding year. To perform this function, the Financial Management Agency shall hold the same authorisations as referred to in the third paragraph of Article 24.]¹⁾

¹⁾Act No. 135/2002, Art. 2.

CHAPTER V Disclosure obligations, enforcement etc.

Disclosure obligations and enforcement authority

Article 25

All parties, whether obliged to submit tax returns or not, must provide the tax authorities, without charge and in such form as prescribed, all necessary information and data which they may request and with which they can be provided. [It makes no difference in this connection whether the information concerns the party to whom the request is directed or dealings of other parties with it, about which it can provide information and which concerns those parties' obligations to pay and remit levies. Tax authorities as referred to in this Article shall include regional tax directors, the Directorate of Tax Investigations in Iceland, and the Director of Internal Revenue.]¹⁾

For the purpose of tax enforcement as provided for in this Act, a regional tax director, [...] ¹⁾ the Director of Internal Revenue and persons entrusted by them with tax enforcement duties, may demand that parties required to submit tax returns provide access to their accounts and accounting documentation for inspection, together with other documentation concerning their operations, including correspondence and contracts. Furthermore, these parties shall have access to the above-mentioned documentation and access to establishments and storage facilities of parties obliged to submit tax returns, and authorisation to question any party who can be expected to be able to provide information of significance. The [Directorate of Tax Investigations in Iceland]¹⁾ shall hold the same authorisations for investigations as provided for in Article 26.

[Taxation authorities]¹⁾ shall furthermore hold the authorisations provided for in the second paragraph of this Article with regard to parties who are not obliged to submit tax returns, together with all institutions, commercial and savings banks and other financial institutions.

Should a dispute arise as to the obligations of parties pursuant to this Article, the Director of Internal Revenue [or Directorate of Tax Investigations in Iceland]¹⁾ may seek a ruling from [a district court, in accordance with the rules of the [Criminal]²⁾ Proceedings Act as appropriate.]³⁾

Should any party fail to fulfil its disclosure obligation, the case may be referred for [police investigation]²⁾.

¹⁾Act No. 111/1992, Art. 25. ²⁾Act No. 88/2008, Art. 234. ³⁾Act No. 92/1991, Art. 93.

[Tax enforcement, tax investigations]¹⁾

¹⁾Act No. 111/1992, Art. 26.

Article 26

[Each regional tax director is responsible for tax enforcement in his/her district. The Director of Internal Revenue shall monitor the enforcement work of regional tax directors and gather information thereupon, instruct regional tax directors on enforcement actions and provide them with information on industrial sectors, industries and other factors of significance for tax enforcement.

The Directorate of Tax Investigations in Iceland may undertake an investigation of any aspect of tax and remittance obligations pursuant to this Act. He/She shall investigate cases referred to him/her by a regional tax director or the Director of Internal Revenue, cf. the fifth paragraph of Article 96 and the [fifth paragraph of Article 101]¹⁾ of [Act No. 90/2003, on Income Tax].²⁾

When actions of the Directorate of Tax Investigations in Iceland give cause to assess or re-assess tax and remittance obligations pursuant to this Act, the Director of Internal Revenue shall look after such assessment or re-assessment, unless the latter entrusts this to the regional tax director, cf. the third paragraph of Article 101 of [Act No. 90/2003, on Income Tax].²⁾³⁾

1) Act No. 133/2001, Art. 49. 2) Act No. 129/2004, Art. 65. 3) Act No. 111/1992, Art. 26.

Payroll accounting

Article 27

The Minister of Finance shall be authorised to lay down rules¹⁾ on specific payroll accounting by wage payers.

1) Reg. 539/1987,

CHAPTER VI Penalties and procedures

Surcharge, penalty interest and estimate

Article 28

If payments by a wage payer in accordance with Article 20 are not remitted at the prescribed time, it shall be assessed a surcharge in addition to the amount of the funds remitted or in addition to the funds which it should have remitted. The same shall apply if a remittance form has not been submitted or if it has been inadequate and the amount of levies due has been estimated as referred to in Article 21, unless the wage payer has paid by the final date for payment an amount equivalent to the estimate.

The surcharge on unremitted funds as referred to in the first paragraph shall be as follows:

1. one percent (1%) of the amount of funds unremitted for each day past the final due date for payment, to a maximum of ten percent (10%);
2. [an additional surcharge on the amount of funds unremitted, calculated from the due date, if payment has not been made on the first day of the month following the final date for payment. This surcharge shall be equivalent to penalty interest as determined by the Central Bank of Iceland and published as provided for in Act No. 38/2001 on interest and price indexation.]¹⁾

For calculating the surcharge on the estimated amount of levies, the final date for payment shall be deemed to be the final date for payment of the month for which the estimate was made. The same shall apply concerning the surcharge on all unpaid payments due from earlier periods.

If the wage payer sends a satisfactory remittance form [within 15 days of the date of a notification]²⁾ from a regional tax director as referred to in Article 21, it shall pay the amount of remittance funds according to the remittance form plus a surcharge as provided for in the second paragraph. The regional tax director may alter the previous estimate after this time limit has elapsed if special circumstances so warrant.

In the eventuality that no estimate was made for a wage payer, who was to pay remittance funds, or that the estimate was lower than the remittance funds it should have paid, the wage payer shall pay the remittance funds due plus a surcharge as provided for in the second paragraph.

A surcharge as referred to in the second paragraph may be cancelled if a wage payer can provide valid reasons to excuse him-/herself; the regional tax director shall decide in each individual case what should be considered as valid reasons in this connection. [...] ³⁾

The amount of remittance due from a wage payer may be estimated if it turns out that its remittance form is not supported by the prescribed accounts pursuant to Act No. 51/1968 ⁴⁾ or provisions of the rules on special payroll accounting set by the Minister of Finance based on an authorisation in Article 27. Furthermore, the amount of remittance due from a wage payer may be estimated if it turns out that entries in its payroll or other factors upon which the remittance form is to be based, are not supported by the data which provisions of the rules adopted as referred to in Article 27 provide for, or if the accounts and the data available on the amount of remittance due according to the remittance form cannot be considered sufficiently reliable. Furthermore, the amount of remittance due from a wage payer may be estimated if it fails to submit accounts or any documentation which the taxation authorities may request to verify remittance forms, cf. Article 25. The provisions of the second paragraph shall also apply to estimates in accordance with this paragraph.

[If remittance funds have been undercalculated or wages not reported, a wage payer may be obliged to pay any unremitted funds for the previous six years, calculated from the beginning of the year when recalculation takes place. If an investigation is made by the Director of Internal Revenue or the [police] ⁵⁾ of a wage payer's remittance, the authorisation to recalculate funds shall extend to the previous six years, calculated from the beginning of the year when the investigation began.] ⁶⁾

1)Act No. 135/2002, Art. 3. 2)Act No. 98/1988, Art. 5. 3)Act No. 139/1995, Art. 2. 4) Now Act No. 145 1994. 5)Act No. 90/1996, Art. 43. 6)Act No. 90/1987, Art.

13.

Collection of unremitted funds etc.

Article 29

[Unremitted funds, surcharge and fines provided for in this Chapter shall be collected by a collection party, cf. Article 20, in the district where the debtor is legally domiciled.

Unremitted funds, surcharge and fines shall be enforceable by attachment of a debtor's assets. [...] ¹⁾

A collection party can have the police suspend a wage payer's business operations if it fails to make satisfactory payment of remittance funds or surcharge as provided for in Article 28 within 15 days, calculated from the final due date for payment or date of the ruling by the taxation authorities on unremitted funds and surcharge, for instance, by having establishments, offices, branches, equipment and goods sealed until full payment is made.

The collection party must send a remittance form to the regional tax director for funds which it has received pursuant to provisions of this Chapter. Collected unremitted funds and surcharge shall be kept separate in a special account until a remittance form with a breakdown is received from the wage payer.] ²⁾

1)Act No. 78/1989, Art. 1. 2)Act No. 90/1987, Art. 14.

Penalties

Article 30

[If a person obliged to pay levies deliberately or through gross negligence provides incorrect or misleading information on anything of significance for remittance of his/her withholding, the person shall pay a fine of up to ten times the amount of the levy for which payment was not made and never less than the equivalent of double that amount. An egregious violation against this provision is liable to the first paragraph of Article 262 of the General Penal Code.

Any wage payer which intentionally or through gross negligence provides incorrect or misleading information on anything of significance for remittance of its withholding, has failed to

retain funds as obliged to do from wage payments, has not submitted remittance forms at the time prescribed by law or has failed to remit payments of wage earners which it has retained or should have retained, shall pay a fine of up to ten times the amount of the levy which it failed to retain or to remit and never less than the equivalent of double the amount of tax, unless the violation is liable to more severe punishment pursuant to Article 247 of the General Penal Code. [The minimum fine provided for in this paragraph shall not apply if a violation is limited to failing to submit properly reported withholding on the withholding remittance form, provided a substantial portion of the withholding amount has been remitted or there are significant extenuating circumstances.]¹⁾ The surcharge as provided for in Point 1 of the second paragraph of Article 28 shall be deducted from the amount of the fine. An egregious violation against this provision is liable to the first paragraph of Article 262 of the General Penal Code.

If a wage payer deliberately or through gross negligence has failed to keep prescribed payroll accounts, this violation is liable to penalties under the Act on Accounting, or to the second paragraph of Article 262 of the General Penal Code if the violation is egregious.

If a person deliberately or through gross negligence fails to fulfil obligations to give notification as referred to in Article 19, fails to fulfil disclosure obligations as referred to in Article 25, misuses an income tax card, or fails to provide information or assistance, remittance forms, reports or documentation, as prescribed in this Act, he/she shall be liable to fines or imprisonment of up to 2 years duration.]²⁾

If a person obliged to remit levies deliberately or through gross negligence provides incorrect or misleading information on anything of significance for his/her withholding, the person may be liable to a fine even if the information cannot affect his/her levies or payment of them. The same penalty shall apply to a wage earner who accepts wages paid to him/her, knowing that the wage payer has not deducted from the wages the amount of public levies prescribed by this Act, or who provides incorrect or misleading information on anything concerning the levies or payment of them, even if the information cannot affect this remittance.

If a violation of the first or second paragraph is discovered when an estate is probated, the estate shall pay a fine of up to four times the amount of the levy for which payment was not made and never less than the equivalent of one and one-half times that amount. The surcharge as provided for in Point 1 the second paragraph. Article 28 shall be deducted from the amount of the fine. If a situation as described in the fifth paragraph exists, a fine may be levied against the estate.

Any person who deliberately or through gross negligence provides the taxation authorities with incorrect or misleading information or documentation concerning the levies due by another party, or assists in providing incorrect or misleading information to the taxation authorities, shall be liable to punishment as provided for in the first or second paragraphs of this Article.

An attempt to commit or complicity in a violation of this Act is punishable as provided for in Chapter III of the General Penal Code and is liable to fines with a maximum as determined in other provisions of this Article.

Fines for violations against this Act may be levied against legal entities regardless of whether the violation can be attributed to a punishable action by a leader or employee of the legal entity. If a leader of a legal entity or its employee has committed a violation against this Act, in addition to the penalty imposed against him/her, the legal entity may be fined or deprived of its operating authorisation, provided the violation has brought financial advantage for the legal entity or it has profited from the violation.]³⁾

1)Act No. 134/2005, Art. 1. 2)Act No. 82/1998, Art. 185. 3)Act No. 42/1995, Art. 2.

Procedure and [...] investigation. Rules on limitations

1)Act No. 88/2008, Art. 234.

Article 31

[[Fines in accordance with Article 30 shall be determined by the State Internal Revenue Board, unless a case is referred for [...] ¹⁾ investigation and prosecution as referred to in [the fourth paragraph.] ²⁾ The Directorate of Tax Investigations in Iceland shall refer cases to the State Internal Revenue Board for a ruling. When dealing with cases, the State Internal Revenue Board shall provide the accused with an opportunity to speak in his/her defence. Rulings of the State Internal Revenue Board are final and do not include reserve penalties.

[Notwithstanding the provisions of the first paragraph, the Directorate of Tax Investigations in Iceland or its legally qualified employee may offer a party the option of settlement of a case under prosecution by paying a fine to the Treasury, provided the violation is deemed to be proven beyond doubt, in which case the matter will not be referred for [a police investigation] ¹⁾ nor the levying of a fine by the State Internal Revenue Board. In levying a fine, regard shall be had for the nature and scope of violations. The amount of penalties may be ISK 100,000 to ISK 6 million. A party shall be provided with information on the amount of the proposed fine before agreeing to a settlement in this manner. Determination of a fine pursuant to this provision shall be concluded within six months of the conclusion of the investigation by the Directorate of Tax Investigations in Iceland.

A reserve penalty is not included in a decision by the Directorate of Tax Investigations in Iceland. The same rules shall apply to collection of fines determined by the Directorate of Tax Investigations in Iceland as apply to collection of unremitted funds and surcharge pursuant to this Act. Provisions of the third paragraph of Article 29 may also be applied, as appropriate. A list of cases concluded in this manner shall be sent to the State Prosecutor. If the State Prosecutor is of the opinion that an innocent person has been subjected to fines determined in accordance with the second paragraph, or the conclusion was in other respects preposterous, he/she may refer the case to a judge to have the decision of the Directorate of Tax Investigations in Iceland invalidated.] ²⁾

[...] ³⁾ The Directorate of Tax Investigations in Iceland may refer the case for public investigation on its own initiative or at the request of the accused if he/she does not wish to accept having the case decided by the State Internal Revenue Board as provided for in the first paragraph.] ¹⁾

[Claims for payment may be made and awarded in a criminal case for violations of the Act.] ¹⁾

Fines for violations of this Act shall accrue to the National Treasury. The same rules shall apply to collection of fines pursuant to rulings by the [State Internal Revenue Board] ⁵⁾ as apply to collection of unremitted funds and surcharge pursuant to this Act. Provisions of the third paragraph of Article 29 may also be applied, as appropriate.

Offences as referred to in Article 30 will be statute barred after six years from the commencement of an investigation by the Directorate of Tax Investigations in Iceland or [police] ³⁾ provided there have been no abnormal delays to the investigation of the case or decision on penalty.] ⁶⁾

1)Act No. 88/2008, Art. 234. 2)Act No. 134/2005, Art. 2. 3)Act No. 90/1996, Art. 43. 4)Act No. 46/1992, Art. 1. 5)Act No. 46/1992, Art. 2. 6)Act No. 90/1987, Art. 15.

CHAPTER VII Division of withholding remittances

Article 32

The Minister of Finance shall, in consultation with the Minister of Social Affairs, lay down rules concerning the settlement, forwarding and division of provisional payments of levies pursuant to this Act. [Despite the fact that the municipal tax percentage of withholding is the same for the entire country, cf. the first paragraph of Article 9, dividing and forwarding of temporary remittances of municipal income taxes shall be based on the percentage tax rate decided upon by each municipal council for its municipality, cf. Art. 26 of Act No. 73/1980, ¹⁾ as subsequently amended.] ²⁾

Municipalities shall pay the Treasury 0.5% of municipal income taxes collected pursuant to this Act to cover the Treasury's cost of tax collection.

1) Now Act No. 4 1995. 2) Act No. 42/1988, Art. 2.

CHAPTER VIII Assessment of taxes and levies, settlement of withholding and collection

Assessment

Article 33

Levying of income tax and municipal income tax, cf. Article 9, shall be done by regional tax directors, cf. [Article 85 of Act No. 90/2003, on Income Tax],¹⁾ and Article 24 of the Act on Municipal Revenues.

1) Act No. 129/2004, Art. 66.

Assessment registry

Article 34

Once the regional tax directors have determined and assessed income tax and municipal income tax, as provided for in Article 9, they shall send the Director of Internal Revenue a record of the taxes and levies as assessed, which shall be referred to as the assessment registry.

[Upon receiving the assessment registry as referred to in the first paragraph, the Director of Internal Revenue shall determine the payment balance of each taxpayer by comparing the assessment registry with the record of withholding during the withholding year, having regard for a surcharge as provided for in [Article 122 of Act No. 90/2003, on Income Tax],¹⁾ as subsequently amended.]²⁾

[Remittances of a wage earner's withholding during the income year can only offset the assessment of income tax and municipal income tax covered by the withholding, cf. Article 1, independent of the wage earner's payment balance in other respects with the state, municipalities or others with claims for payment, cf. however, the second paragraph of Article 36.]³⁾

1) Act No. 129/2004, Art. 67. 2) Act No. 139/1995, Art. 3. 3) Act No. 90/1987, Art. 16.

Collection registries, state taxes and municipal levies

Article 35

[The Director of Internal Revenue shall prepare a collection registry for taxpayers who prove to owe public levies after assessment by regional tax directors is complete. The record shall show their taxes and levies after consideration of equalisation of payment balance between couples, as provided for in [Article 116 of Act No. 90/2003, on Income Tax],¹⁾ cf. in addition Article 32 of the Act on Municipal Revenues. The collection registry shall be sent to the collection parties concerned.

Taxes which accrue to the National Treasury are called state taxes while taxes which go to municipal coffers are called municipal levies. The collection registry shall include both the state taxes and municipal levies assessed by the regional tax director.]²⁾

1) Act No. 129/2004, Art. 68. 2) Act No. 90/1987, Art. 17.

Reimbursement registry, equalisation and penalty interest

Article 36

[The Director of Internal Revenue shall prepare a reimbursement registry, listing those taxpayers with a positive balance on their withholding after assessment and equalisation of the payment balance between couples, as provided for in [Article 116 of Act No. 90/2003, on Income Tax],¹⁾ cf. in addition Article 32 of the Act on Municipal Revenues.

[The reimbursement registry shall be sent to the Financial Management Agency, which looks after reimbursement on behalf of the National Treasury and municipalities after netting against taxes due to the state and municipalities has been carried out.]²⁾]³⁾

Collection of state taxes and municipal levies

Article 37

Collection of municipal levies, cf. the second paragraph of Article 35, and liability shall be subject to the provisions of Chapter XIII of the Act on Income Tax [...]¹⁾, *mutatis mutandis*, unless otherwise provided for in this Act.

Collection of municipal levies, cf. [the second paragraph of Article 35],²⁾ shall be subject to the provisions of Chapter VI of the Act on Municipal Revenues, *mutatis mutandis*, unless otherwise provided for in this Act.

CHAPTER IX Miscellaneous provisions

Article 38

Those persons who enjoy other income than wage income and wish to avoid payment of a [surcharge]¹⁾ on income tax and municipal income tax on this income, cf. [Article 122 of Act No. 90/2003, on Income Tax]²⁾, must pay an amount estimated as sufficient to cover their expected assessment of income tax and municipal tax on this income. This payment must be made no later than 31 January following the withholding year. The payment shall be added to withholding which the person has remitted or which has been remitted on his/her behalf, during the withholding year and shall be entered on the withholding record before his/her payment balance is determined as provided for in Article 34.

Further instructions on payments, payment locations, remittance forms and other implementation in accordance with this Article shall be set in a Regulation³⁾ by the Minister of Finance.

Article 39

All notifications, remittance forms and reports, which are to be prepared in accordance with this Act, must be provided by the party concerned without charge and in such form as determined by the Director of Internal Revenue. Wage payers must fulfil all their obligations as provided for in this Act without remuneration.

Article 40

Provisions of other Acts, which may imply that public levies may not be collected on compensation and pension benefits, shall not apply to withholding pursuant to this Act.

Article 41

The Minister for the Environment shall in a Regulation¹⁾ lay down detailed provisions for the implementation of this Act.

Article 42

This Act shall not be implemented until Althingi has adopted a special Act on their entry into force.

[Temporary provision

Notwithstanding the provisions of Article 20, the due date for remittance of payment for withholding in cases covered by the provisions of Temporary Provision VIII of Act No. 129/1997, on Compulsory Insurance of Pension Rights and Activities of Pension Funds, shall be two months later than provided for in the third paragraph of Article 20 and the final date for payment 14 days after that.]¹⁾

1)Act No. 13/2009, Art. 4.