

Parliamentary document 836 – Item 484

Bill of Legislation

**on personal pension savings and their use for payment of housing mortgages
and for housing savings**

(Submitted to the 143rd legislative session of the Althingi, 2013-2014)

CHAPTER I

**Amendment to Act No. 129/1997,
on Mandatory Guarantee of Pension Rights and Operation of Pension Funds,
as subsequently amended**

Art. 1

Two new Temporary Provisions shall be added the Act, which shall read as follows:

a. (XVI)

Notwithstanding the provisions of Articles 11 and 12, the rightholder of personal pension savings may, during the period from 1 July 2014 until 30 June 2017, utilise supplementary contributions to make payment on the principal of loans taken to acquire residential housing for personal use. The requirement for doing so is that the loans are secured by a mortgage on residential property and that interest paid on the loans serves as a basis for the calculation of interest benefits.

The authorisation referred to in the first paragraph is limited to a contribution of up to 4% by the rightholder and 2% by the employer of the contribution base, to a maximum of ISK 500,000 per year in total per property, whether the party concerned is an individual, married couple or individuals who satisfy the requirements for joint taxation as provided for in the third paragraph of Art. 62 of Act No. 90/2003, or a sum total of ISK 1.5 million per property during the period from 1 July 2014 to 30 June 2017. Should individuals, who do not satisfy the requirements for joint taxation according to the third paragraph of Art. 62 of Act No. 90/2003, acquire residential housing jointly for their personal use, the maximum amount shall be divided between them in the proportion they decide upon. The amount of payment made towards a loan may never, however, be higher than the rightholder's total balance from contributions at any given time. It is a condition that contributions are paid regularly and that the rightholder's contribution is never less than that of the employer as referred to in the first sentence.

Application by a rightholder to make payment towards a loan as provided for in the first paragraph shall be submitted electronically to the Directorate of Internal Revenue in the format decided upon by the latter. The application shall be valid for contributions paid after receipt of the application, although an application may be valid from 1 July 2014 if received prior to the end of September the same year.

An applicant must inform the Directorate of Internal Revenue electronically of changes in the premises of an application, such as to his/her marital status, loans and

custodian of personal pension savings.

Custodians and lenders, as appropriate, shall at the request of the Directorate of Internal Revenue confirm whether the information provided by an applicant is correct.

The Directorate of Internal Revenue shall keep a record of information necessary for the implementation of this provision. The record shall be based on information including the following:

1. Information from the applicant which has been confirmed by custodians of personal pension savings and lenders, as appropriate.
2. Information from lenders on the payment terms of loans.
3. Information possessed by the Directorate of Internal Revenue based on tax assessment as necessary.

Once the information referred to in the sixth paragraph has been obtained, payment may be made.

Custodians shall have access to information on their clients from the record of the Directorate of Internal Revenue referred to in the sixth paragraph. Custodians shall then transfer paid contributions to those lenders selected by applicants no less frequently than four times each year, initially in November 2014 and thenceforth at least every three months. Custodians shall transfer payments to lenders before payment coupons for the loans are issued. Information on payments shall be sent electronically to the Directorate of Internal Revenue.

Lenders shall dispose of payments from custodians referred to in the eighth paragraph towards the principals of the selected loans. If loans are in arrears, the payment shall be disposed of in the customary order of priority under the terms of the loan. If an applicant has benefited from payment smoothing based on Act No. 63/1985, cf. Act No. 107/2009, any amount owed on an equalisation account shall be paid first.

Creditors may not demand that debtors dispose of contribution payments in accordance with this provision, cf. the second paragraph of Art. 8.

The Minister may, in a Regulation, lay down further details of the implementation of the provision, including the application process, payments, supervision and costs.

b. (XVII.)

Notwithstanding the provisions of Articles 11 and 12, the rightholder of personal pension savings may withdraw supplementary contributions, which have been paid during the period 1 July 2014 to 30 June 2017 and utilise this to acquire residential housing for personal use, but no later than 30 June 2019. The requirement is that the rightholder was not the owner of residential housing during the period stated in the first sentence or from 1 July 2014 until the time the authorisation is utilised.

The authorisation referred to in Art. 1 is limited to a contribution of up to 4% by the rightholder and 2% by the employer of the contribution base, to a maximum, however, of ISK 500,000 annually per property whether the party concerned is an individual, a married couple or individuals who satisfy the requirements for joint taxation as referred to in the third paragraph of Art. 62 of Act No. 90/2003, or a sum total of ISK 1.5 million per property during the period from 1 July 2014 to 30 June 2017. Should individuals, who do not satisfy the requirements for joint taxation according to the third paragraph of Art. 62 of Act No. 90/2003, acquire residential housing jointly for their personal use, the maximum amount shall be divided between them in the proportion they decide upon. The amount of payment may never, however, be higher than the rightholder's total balance from contributions during the period from 1 July 2014 to 30 June 2017. It is a condition that contributions are paid regularly and that the rightholder's contribution is never less than that of the employer as referred to in the first sentence.

An application to utilise personal pension savings to acquire residential housing for personal use must be submitted electronically to the Directorate of Internal Revenue in such format as the latter decides. The applicant must in his/her application show documentation to prove that the condition of the first paragraph is satisfied. A registered purchase contract, deed or record of residential housing in the National Registry, together with confirmation from the National Registry that the rightholder is not the registered owner of other residential housing are among the documentation which can be considered as satisfactory with regard to the second sentence.

The Directorate of Internal Revenue shall communicate information from an application to the respective custodian who confirms the history of contributions and disburses the contributions.

Creditors may not demand that debtors dispose of personal pension savings in accordance with this provision, cf. the second paragraph of Art. 8.

The Directorate of Internal Revenue shall supervise disbursements of contribution as provided for in this provision.

The Minister may, in a Regulation, lay down further details of the implementation of the provision, including the application process, disbursements, supervision and costs.

CHAPTER II
Amendment to Act No. 90/2003, on Income Tax,
as subsequently amended
Art. 2

A new temporary provision shall be added the Act, which shall read as follows:

Notwithstanding the provisions of Point 1 of Part A of Art. 7, disbursement of supplementary contributions on a contribution base as referred to in Chapter II of Act No. 129/1997, on Mandatory Guarantee of Pension Rights and Operation of Pension Funds, during the period from 1 July 2014 to 30 June 2017 shall not be included in a person's income if all the conditions of Temporary Provision XVI of the same Act are satisfied. The tax-free disposition is limited to a contribution of up to 4% by the person and 2% by the employer of the contribution base, to a maximum, however, of ISK 500,000 annually per property whether the party concerned is an individual, a married couple or individuals who satisfy the requirements for joint taxation as referred to in the third paragraph of Art. 62 at year-end of the income year. This amount may be divided between individuals who jointly own residential housing for personal use but do not satisfy the requirements for joint taxation as provided for in the third paragraph of Art. 62

Notwithstanding the provisions of Point 1 of Part A of Art. 7, disbursement of supplementary contributions on a contribution base as referred to in Chapter II of Act No. 129/1997, on Mandatory Guarantee of Pension Rights and Operation of Pension Funds, during the period from 1 July 2014 to 30 June 2017 in connection with contributions during the period from 1 July 2014 to 30 June 2017 shall not be included in income provided all the conditions of Temporary Provision XVII of the same Act are satisfied. The tax-free disposition is limited to a contribution of up to 4% by the person and 2% by the employer of the contribution base, to a maximum, however, of ISK 1.5 million per property whether the party concerned is an individual, a married couple or individuals who satisfy the requirements for joint taxation, cf. the third paragraph of Art. 62. Should individuals, who do not satisfy the requirements for joint taxation, cf. the third paragraph of 62/2003, acquire residential housing jointly for their personal use, the maximum amount shall be divided between them in the proportions they decide upon.

The Minister may, in a Regulation, lay down further details of the implementation of the provision.

CHAPTER III
Amendment to Act No. 44/1998, on Housing Affairs,
as subsequently amended.

Art. 3.

A new temporary provision shall be added the Act, which shall read as follows:

Notwithstanding the provisions of the second and third paragraphs of Art. 23, additional instalments may be paid or a debt repaid in full on a HFF mortgage as provided for in detail in Temporary Provision XVI of Act No. 129/1997, on Mandatory Guarantee of Pension Rights and Operation of Pension Funds, without payment of a fee equalising in full or in part the difference between the prepayment price of the HFF mortgage and the market terms of a comparable HFF bond.

The Minister may, in a Regulation, lay down further details of the implementation of the provision.

CHAPTER IV.
Entry into force

Art. 4

This Act shall enter into force at once.