

Regulation No. 667/1995, on Reporting and Remitting VAT^{*1)}

^{*1)} Cf. Regulations Nos. 588/1996, 375/1997, 134/1999, 741/2001, 69/2004, 1149/2006 and 590/2008.

General reporting period

Article 1

Each VAT reporting period shall be two months, January and February, March and April, May and June, July and August, September and October, November and December.

Farmers' reporting periods

Article 2

The reporting periods for parties on the agricultural registry, cf. Art. 30 of Act No. 50/1988, is six months, January to June and July to December inclusive. [The same applies to parties occupied in commercial forestry, provided that their sales of taxable goods and services is less than ISK 1,400,000 in a calendar year. If sales by a commercial forestry operator exceeds the limits set in [the second sentence]²⁾ the operator must, on the due date of the next general reporting period, cf. Article 1, settle the difference between the output tax and input tax on its sales and purchases during the reporting period concerned.]¹⁾

¹⁾ Cf. Art. 1 of Reg. No. 375/1997. ²⁾ Cf. Art. 1 of Reg. No. 1149/2006.

Annual reporting periods

[Article 3

(1) A party providing goods and services subject to VAT amounting to less than ISK 1,400,000^{*1)} during an entire calendar year, shall the following year use the calendar year as its reporting period.

(2) The provision of the first paragraph shall not apply to the following parties:

1. parties covered by Article 2, the first paragraph of Article 4 and Article 5;
2. parties registered as provided for in Regulation No. 577/1989, on Free and Special Registration for Rental or Sale of Real Estate;
3. parties who settle their VAT in accordance with Regulation No. 58/1991, on Collection of VAT on Dances and other Gatherings Subject to Entertainment Tax;

4. agents of foreign parties as referred to in Point 6 of the first paragraph of Art. 3 of Act No. 50/1988.

(3) Parties commencing their activities shall use the calendar year as their reporting period. This shall not apply however in the following instances:

1. if a party is covered by the second paragraph;
2. if a party has taken over operations, as provided for in the fourth paragraph of Art. 12 of Act No. 50/1988, provided the seller was not obliged to settle VAT as provided for in the first paragraph;
3. if a party is registered as provided for in Art. 4, or the first sentence of the first paragraph of Art. 6 of Reg. No. 515/1996, on Registration of Parties Subject to VAT;
4. if a party is recommencing activities, i.e. has previously been listed in the VAT registry for the same or same type of activity and settled as provided for in Article 1;
5. in the case of a public limited company as provided for in Act No. 2/1995, on Public Limited Companies, a private limited company, as provided for in Act No. 138/1994, on Private Limited Companies, a co-operative society, as provided for in Act No. 22/1991, on Co-operative Societies, or an unlimited partnership^{*2)};
6. in the case of an individual who requests to settle VAT using general reporting periods, cf. Article 1, if his/her summary of imputed remuneration from commercial operations indicates that the monthly imputed remuneration will be ISK 100,000 or more.

(4) The regional tax director shall notify a party settling VAT as provided for in Article 1 of changes to reporting periods if he/she has been on the VAT registry for an entire calendar year and his/her turnover subject to VAT during the previous calendar year was below the amounts specified in the first paragraph. A party shall not be moved to an annual reporting period, however, if his/her imputed remuneration or average wages paid according to withholding remittance forms is ISK 100,000 or more per month.

(5) The regional tax director shall notify a party settling VAT as provided for in the first paragraph of changes to reporting periods if it is established that his/her turnover during the calendar year has exceeded ISK 1,400,000.

(6) If the turnover of a party using the calendar year as a reporting period exceeds ISK 3,000,000 he/she must, on the next due date for general reporting periods, cf. Article 1, settle the difference between the output tax and input tax on sales and purchases by the taxable party during the calendar year. From that reporting period onward the party must settle VAT on the due dates for general reporting periods, as provided for in Article 1.

(7) Parties using the calendar year as reporting period may remit their VAT for the year in question on the due date of the general reporting period when their activities cease.

(8) If a party using the calendar year as its reporting period has not submitted the mandatory VAT return for the previous calendar year, a regional tax director may require that he/she settle VAT during the following calendar year in accordance with general reporting periods, cf. Article 1. The regional tax director shall inform the party of changes to reporting periods as provided for in this provision.]¹⁾

¹⁾ Cf. Art. 2 of Reg. No. 1149/2006. ^{*1)} According to provisions on entry into force in Article 7 of Regulation No. 1149/2006, those parties with turnover from activities subject to VAT in 2006 ranging from ISK 800,000 to ISK 1,399,999 may choose whether they use the 2007 calendar year as reporting period or general reporting periods, cf. Article 1. ^{*2)} See Act No. 50/2007.

Shorter reporting periods

Article 4

(1) Companies may be authorised by the regional tax director to use each calendar month as their reporting period if their output tax is generally lower than their input tax because a major portion of their turnover is exempt, as provided for in the first paragraph of Art. 12 of Act No. 50/1988. If the output tax of such a company is generally less than half of its input tax, the regional tax director may authorise it to use a shorter reporting period than one month, but never shorter than one week.

(2) Notwithstanding the provisions of Article 2, parties on the agricultural registry may obtain authorisation from the regional tax director to use general reporting periods, as provided for in Article 1.

(3) Reporting periods may only be changed effective as of the beginning of a two- or six-month period, as provided for in Article 1 or 2. Reporting periods of less than one month shall be arranged so that each calendar month is divided up into two or four roughly equal reporting periods. A request to change reporting periods must be received by the regional tax director at least one month prior to the anticipated change taking effect. If a party is authorised to change its reporting period such change shall be valid for at least two years.

Temporary reporting periods

Article 5

A party who carries out activities [subject to VAT]¹⁾ temporarily may be authorised by the regional tax director to use a special reporting period covering the period these activities last. A temporary reporting period may not be shorter than one-quarter of a calendar month and no longer than two calendar months.

¹⁾ Cf. Art. 3 of Reg. No. 1149/2006.

VAT returns

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(1) [Parties subject to VAT must on own initiative provide an account of the VAT which they are to remit or to receive reimbursed on special VAT return forms which the Director of Internal

Revenue has prepared. The Director of Internal Revenue shall decide what information is to be provided on these forms. The Director of Internal Revenue may, upon written request by a taxable party, authorise the party to submit its return in electronic format. The Director of Internal Revenue may make such authorisation subject to use of a website key (a special electronic identification number) which he/she provides to taxable parties. The Director of Internal Revenue may revoke the authorisation if the taxable party fails to comply with general conditions set by the Director of Internal Revenue for electronic remittance, in the case of repeated failure to remit or changes to the premises for electronic remittance. Returns for use by parties with [two-month, six-month or annual remittance]⁵⁾ shall be in the format of a giro coupon or electronic format enabling the electronic transmission of payment details to a commercial bank or savings bank.]³⁾

(2) In the case of [[settlement as provided for in [the sixth paragraph]⁶⁾ of Article 3, settlement as referred to in the final sentence of Article 2]¹⁾²⁾ or a correction to previously determined VAT, an account of this shall be submitted on correction reports in the format determined by the Director of Internal Revenue. [Such reports may be in electronic format, cf. the first paragraph.]¹⁾

(3) VAT returns must also be submitted to a collection agent or regional tax director for each reporting period, even if no [activities subject to VAT]⁵⁾ have been carried out.

¹⁾ Cf. Art. 2 of Reg. No. 588/1996. ²⁾ Cf. Art. 2 of Reg. No. 134/1999. ³⁾ Cf. Art. 1 of Reg. No. 741/2001. ⁴⁾ Cf. Art. 2 of Reg. No. 741/2001. ⁵⁾ Cf. Art. 4 of Reg. No. 1149/2006. ⁶⁾ Cf. Art. 1 of Reg. No. 590/2008.

Other information of parties subject to VAT

Article 7

In addition to what is indicated on tax return forms referred to in Article 6, taxable parties must provide information on other aspects which may be of significance for their VAT remittance. Parties subject to VAT must also provide tax authorities, in such format as requested, a further breakdown of the amounts entered on VAT returns, as well as documentation to support them if so requested.

Due dates for payment

Article 8

(1) VAT together with a VAT return must be submitted not later than the due date for payment. In the case of general reporting periods, cf. Article 1, the due date is the fifth day of the second calendar month following the end of the reporting period for transactions during that period. However, the due date for parties on the agricultural registry [and parties in commercial forestry, as referred to in the second sentence of Article 2]¹⁾ shall be 1 September each year for

transactions during the first half of that year and 1 March each year for transactions during the latter half of the previous year.

(2) The due date for shorter reporting periods, cf. the first paragraph of Article 4, or temporary reporting periods, cf. Article 5, shall be one month and five days after the end of the reporting period for transactions during that period. The due date for annual settlement, cf. Article 3, shall be [5 February]^{1)*1)} each year for transactions during the previous year.

(3) If the due date falls on a weekend or public holiday it shall be moved to the next working day.

¹⁾ Cf. Art. 3 of Reg. No. 134/1999. ^{*1)} Does not apply to annual settlement of VAT in 1999 for transactions during 1998, i.e. takes effect in 2000 for transactions in 1999, cf. Art. 6 of Reg. No. 134/1999.

Satisfactory remittance of VAT

Article 9

(1) It is considered satisfactory remittance of VAT if:

1. [payment is made to a commercial bank or savings bank no later than on the due date;]³⁾
2. [payment on the basis of electronic transfer order is only considered to have been made on the due date if the transfer order is received by the commercial bank or savings bank within the time limits set by the commercial bank or savings bank concerned for payment to be considered to have been made on that date]¹⁾ payment is made to a collection agent no later than on the due date. The collection agent for VAT in Reykjavík is the Director of Customs and District Commissioners outside of Reykjavík;
3. payment made by mail is received by a collection agent no later than on the due date.

(2) Remittance is not satisfactory unless all of the required information is included on the return and it is signed by the taxable party or its authorised employee. [Use of a website key for electronic reporting, cf. the first and second paragraphs of Article 6, shall be equivalent to signing a return.]²⁾

¹⁾ Cf. Art. 3 of Reg. No. 741/2001. ²⁾ Cf. Art. 4 of Reg. No. 741/2001. ³⁾ Cf. Art. 1 of Reg. No. 69/2004.

Reimbursement of VAT

Article 10

(1) If the input tax is higher than the output tax in any reporting period, the return for this period shall be sent to the regional tax director in the district where the taxable party is legally domiciled. The regional tax director shall examine such returns especially. If he/she accepts the report, the regional tax director will inform the collection agent of the National Treasury of his/her approval for the reimbursement.

(2) If the return has been submitted at the prescribed time, reimbursement shall be made within 15 days from the end of the deadline for submission as referred to in Article 8. If a return is received after the deadline, repayment shall be made within 15 days of the date the regional tax director issues a ruling on the return submitted. If a taxable party has been authorised by the regional tax director to use a shorter reporting period, cf. Article 4, reimbursement shall be made within 15 days of the receipt of the return by the regional tax director.

(3) If the regional tax director is unable, due to a taxable party's circumstances, to make the necessary examination of the documentation upon which the tax return is based, the time limit referred to in the second paragraph shall be lengthened by the length of time these circumstances prevail.

(4) [The regional tax director may only approve reimbursement to taxable parties who [use the calendar year as their reporting period, cf. Article 3,]²⁾ if the tax return is accompanied by a copy of the annual financial statements or list of movements of input and output tax, or a copy of the accounting ledger as referred to in Art. 28 of Reg. No. 50/1993, on Account-keeping and Recording of Revenues of Parties Subject to VAT.]¹⁾

(5) The regional tax director may only approve reimbursement as provided for in this Article if tax has been determined for previous reporting periods. Claims for unpaid public levies and taxes to the Treasury, together with indexation, surcharge and penalty interest, shall be netted against reimbursement. Unpaid VAT from previous periods may also be netted together with surcharge and penalty interest even if not yet due.

¹⁾ Cf. Art. 4 of Reg. No. 134/1999. ²⁾ Cf. Art. 5 of Reg. No. 1149/2006.

Farmers' additional settlement

Article 11

(1) The regional tax director may agree to a request by parties pursuing agriculture, cf. the [first sentence]¹⁾ of Article 2, for additional settlement of VAT if they turn out to have a claim for substantial reimbursement of VAT due to purchases of investment and operational goods.

(2) The condition for an additional settlement is that the output tax during the period covered by the request for an additional settlement must be less than 2/3 of the input tax during this period.

(3) Each additional settlement must cover two or four calendar months, calculated from the beginning of the current six-month reporting period or the end of the previous additional reporting period. The output tax and input tax on transactions during the additional reporting period shall be settled as if this were a regular settlement.

¹⁾ Cf. Art. 6 of Reg. No. 1149/2006.

Provisional settlement by holders of livestock slaughtering licenses

Article 12

(1) Holders of livestock slaughtering licenses as provided for in Act No. 30/1966^{*1)} may be authorised by the regional tax director to submit each year two special provisional returns for input tax on sheep products received. The reporting period of these returns shall be from 1 September to 15 October inclusive and from 1 November to 15 December inclusive.

(2) The regional tax director shall process the provisional returns without undue delay.

(3) When regular returns are submitted, holders of livestock slaughtering licenses shall submit returns for input tax other than that reported on the provisional returns.

**1) Now Act No. 96/1997, on Raising and Health of Slaughter Animals, Slaughtering, Processing, Health Inspection and Quality Grading of Slaughter Products.*

Handling of returns, remittances and settlement of other parties

Article 13

The Director of Internal Revenue may authorise parties to handle the returns, remittances and settlement of VAT on taxable sales of goods or services of other parties, if the parties have agreed to such arrangements in writing. Authorisation by the Director of Internal Revenue may be subject to a time limit or other conditions set by the Director.

Collection of unpaid VAT

Article 14

(1) To ensure as well as possible the Treasury's VAT claims, a collection agent shall begin collection actions, including actions to suspend operations, as provided for in the third paragraph of Art. 28 of Act No. 50/1988, no later than 30 days after the regional tax director, or the Director of Internal Revenue as the case may be, has determined the VAT for the reporting period concerned or re-determined the payer's applicable VAT from previous periods.

(2) If a dispute concerning the tax liability or amount of tax is being examined by the State Internal Revenue Board, the collection agent may postpone suspension actions, if the debtor provides surety from a commercial bank or savings bank which the collection agent deems satisfactory, to guarantee the VAT owed, surcharge, penalty interest and all collection costs.

(3) If the State Internal Revenue Board upholds the ruling of the regional tax director or Director of Internal Revenue in full or in part, the collection agent shall call the bank guarantee referred to in the second paragraph, unless the party pays the Treasury's tax claim in full. If the taxpayer refers the dispute to a court, the collection agent may, however, agree to a new bank guarantee until a final verdict has been pronounced in the case.

Surcharge

Article 15

(1) If VAT is not paid at the prescribed time, the party shall be subject to a surcharge on its tax as provided for on its VAT return or in addition to the tax it was required to remit. The same shall apply if a VAT return has not been submitted or if it was inadequate and VAT has therefore been estimated or reimbursement as referred to in Art. 26 of Act No. 50/1988, on Value Added Tax, as subsequently amended, was too high.

(2) A surcharge shall not be applied to remittance for previous reporting periods which was made properly as provided for in the [fourth [...] ²⁾ paragraph of Article 3.] ¹⁾

¹⁾ Cf. Art. 3 of Reg. No. 588/1996. ²⁾ Cf. Art. 5 of Reg. No. 134/1999.

Penalties

Article 16

A violation of the provisions of Article 5 or 6 shall be liable to punishment as provided for in Art. 40 of Act No. 50/1988, on Value Added Tax, as subsequently amended.

Entry into force

Article 17

This Regulation, which is set by authority of the first paragraph of Article 24, the first and second paragraphs of Article 33 and the first and third paragraphs of Art. 49 of Act No. 50/1988, on Value Added Tax, as subsequently amended, shall enter into force 1 January 1996. At the same time, Regulation No. 529/1989, on Reporting and Remitting VAT, as subsequently amended, shall be repealed.