





Invest in Iceland Agency

ICELAND – THE COMPETITIVE LOCATION FOR BUSINESSES

Positive business environment with a simple and efficient tax system and low tax rates.

COMPARISON

 ICELAND	 JAPAN
Corporate income tax 18%	CORPORATE INCOME TAX: 1) 22% on profits upto YEN 8,000,000 2) 30% on profits in excess of YEN 8,000,000
No local taxes on corporate profits	Two classes of local tax paid by the corporation: 1) Inhabitant tax (non-deductible) 2) Enterprise tax (5%-9.6%, deductible)
No Alternative Minimum Tax	No Alternative Minimum Tax
No net wealth taxes	No net wealth taxes
Received domestic dividends are tax-free with a corporate shareholder (by being deductible). No requirements relating to percentage of stock ownership in the corporate payer apply	Dividend payment among consolidated companies is tax exempt. Dividend is also tax exempt when owning 25% or more of the corporate-payer for more than 6 months. In all other cases, 50% of dividends are excluded.
Received foreign dividends of corporations incorporated abroad are also deductible from tax if the recipient corporation can demonstrate that the relevant dividends are received from a corporation whose profits have been taxed under provisions, which do not substantially deviate from those prevailing in Iceland. Furthermore, it is required that the profits of the corporate-payer have been subject to income tax rate, which is not lower than the general income tax rate in some of the OECD countries.	Same taxation as of received domestic dividend income.
Distributed dividends by a domestic company are subject to 10% withholding tax. If the recipient is a domestic company, the tax is considered to be prepayment of taxes and may be refunded in the tax assignment. Non-resident corporations have to pay 5% tax in addition unless they enjoy treaty benefits.	Distributed dividends by a domestic company are subject to 20% withholding tax, which is the final tax regarding non-resident shareholders (unless treaty benefits apply). The withholding tax rate may be lower (10%) when the corporate-payer is a listed corporation and the recipient corporation holds a least 5% of the shares.
Taxation of realized capital gain deriving from the sales of shares may be deferred for two years and avoided by reinvesting in other shares within the two years period.	The sale of listed stock is taxed at 10% on the net gains.

