

ICELAND – THE COMPETITIVE LOCATION FOR BUSINESSES

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

| | Iceland | Denmark | India | Japan | Luxembourg | Netherlands | U.K. | U.S.A |
|---|---------|------------|--------|---------|------------|-------------|------------|---------|
| Corporate taxes: | | | | | | | | |
| National | 18% | 28% | 33.66% | 22%-30% | 22.88% | 27%/31.5% | 0%-30% | 15%-35% |
| Local | None | None | None* | Y | 6.75%* | None | None | 0-12% |
| ATM | None | None | Y* | None | None | None | None | Y |
| Capital Gains | | | | | | | | |
| Taxable | Y | Y | Y | Y | Y* | Y* | Y* | Y |
| Treated as ordinary income | Y | Y* | N* | Y | Y | Y | Y | Y* |
| Tax on Dividends received: | | | | | | | | |
| Domestic | N | Y/N* | N* | Y* | Y | Y | N | N* |
| Foreign | N | Y/N* | N | Y | Y | Y | Y | Y |
| Participation Exemption | N* | Y | N | N | Y | Y | Y | N |
| Deductions | | | | | | | | |
| Royalties | Y | Y | Y* | Y | Y | Y | Y | Y |
| Dividends | N | N | N | N | N | N | N | N |
| Interest payable: | | | | | | | | |
| Debt/Equity Ratios | N | Y | N* | Y | Y* | 3:1* | Y | N |
| Bad debt provisions: | | | | | | | | |
| General | Y | N | N | Y* | Y | Y | N | Y |
| Specific | N | Y | N | Y | Y | Y | Y | N |
| Losses | | | | | | | | |
| Carry forward | Y | Y | Y | Y | Y | Y | Y | Y |
| Time limit | 10 yrs | Indefinite | 8 yrs | 7 yrs | Indefinite | Indefinite | Indefinite | 20 yrs |
| Restricted offset | N | Y* | Y | N | N | N | Y | N |
| Carry back | N | N | N | N | N | 3 yrs | 1 yr | 2 yrs |
| Consolidated | | | | | | | | |
| Tax Returns | | | | | | | | |
| Available | Y | Y | N | Y | Y | Y* | N | Y |
| Requirement of common control | 90% | 100% | N/A | 100% | 95% | 95% | N/A | 80% |
| Foreign Currency Fluctuations | | | | | | | | |
| Full/partial Recognition | Full | Full | Full | Partial | Full | Full | Full | Full |
| Capital Investment Tax | N | N | N | N | 1%* | 0.55%* | N | N |
| Net Wealth Tax | N | N | Y* | N | 0,5%* | N | N | Y |
| Tax on Repatriation of Branch Profits | N | N | N | N | N | N | N | Y |
| CFC Legislation | N | Y | Y | Y | N | N | Y | Y |
| Thin Capitalization Rules | N | Y | N | Y | Y | Y | Y | Y* |
| Tax Treaties available | 27 | 73 | 80 | 56 | 46 | 86 | 108 | 60 |
| Tax Credit available in the Absence of Tax Treaties | Y | Y | Y | Y | Y | Y | Y | Y |

ICELAND: Instead of participation exemption, a company may defer taxation of the realized capital gain by reinvesting in shares within two years from the date of sale.

DENMARK: Received dividends in Denmark are not taxed if the recipient owns more than 20% of

the corporate payor more than 12 months. Capital gains or losses on the disposal of shares are only included in taxable income if the disposal takes place w/in the first 3 yrs of ownership. The gross proceeds from the sale of shares to the issuing company and liquidation proceeds are in some cases taxed as dividends.

NETHERLANDS: Proposed abolition of the capital investment tax in January 2006. Group treatment Companies may upon joint request apply to be treated as fiscal unity.

LUXEMBOURG
7,5% local tax for Luxembourg
0,5% Net worth tax. Resident

companies are subject to net worth tax on their worldwide net worth. The tax rate is 0.5%. The taxable base is determined as assets less liabilities. However, the value of a qualifying participation is exempt from net worth tax under the same conditions that apply to the participation exemption for

dividends, except that there is no holding period condition. A reduction of net worth tax is given under certain conditions.

UNITED STATES
There exists Thin Capitalization statute, however it provides for a facts and circumstance test.