

Law

No. 29/1993, on commodity tax on vehicles, fuel, et al., as amended with laws Nos. 122/1993, 41/1995, 48/1996, 47/1997, 140/1997, 83/1998, 151/1998, 159/1998, 86/1999, 8/2000, 38/2000, 104/2000, 56/2001, 22/2002, 19/2003, 119/2003, 29/2004, 87/2004, 72/2005 and 147/2008

CHAPTER I

General provisions and taxability

Article 1

A commodity tax shall be paid to the State Treasury on vehicles which are subject to registration in accordance with the Traffic Law, No. 50/1987, et al., as further stipulated in this Law, cf. Chapter 87 of Annex I to the Customs Law, No. 88/2005, and fuel, cf. Chapter 27 of Annex I to the Customs Law, No. 88/2005, as stipulated in this Law.

Taxability

Article 2

Taxability covers all goods, cf. Article 1, new as well as used, which are imported to the country, or manufactured, processed or assembled in this country. Goods sold from the country are, however, not taxable.

Classification with regard to taxability in accordance with this Law shall be based on the rules for classification in the Customs Law, No. 88/2005, and the provisions of the Customs Law regarding the authority of ruling in matters of dispute on the classification of goods shall also apply to commodity tax.

CHAPTER II

Commodity tax on vehicles et al.

Tax categories for vehicles

Article 3

Passenger automobiles and other motorized vehicles, not directly specified in Article 4, shall be subject to commodity tax in the following three tax categories based on the cylinder capacity of the engine measured in cubic centimetres:

Category	Cylinder capacity of engine	Tax %
I	0-2,000	30
II	Over 2,000	45

Article 4

Commodity tax on the following goods shall be as stipulated below:

1. The following vehicles shall be exempt from commodity tax:

a. Buses, i.e. vehicles primarily intended for the transport of persons, registered for 18 persons or more, including the driver.

- b. Tractors for trailers, principally designed for hauling another vehicle, of a gross weight exceeding 5 tonnes.
 - c. Vehicles principally designed for the transport of goods, of a gross weight exceeding 5 tonnes.
 - d. Special purpose motor vehicles, breakdown lorries, crane lorries, et al., not principally designed for the transport of persons or goods, and not elsewhere specified in this Article, of a gross weight exceeding 5 tonnes.
 - e. Trailers and semi-trailers for the transport of goods, of a permitted gross weight exceeding 5 tonnes.
2. 10% commodity tax: Tractors.
3. 13% commodity tax:
- a. Crane lorries and mobile drilling derricks, of a permitted gross weight not exceeding 5 tonnes.
 - b. Chassis fitted with engines for motor vehicles.
 - c. Bodies, including cabs, for motor vehicles.
 - d. Trailers and semi-trailers for the transport of goods, of a permitted gross weight not exceeding 5 tonnes, other trailers and semi-trailers.
 - e. Tractors for trailers, principally designed for hauling another vehicle, of a gross weight not exceeding 5 tonnes.
 - f. Vehicles principally designed for the transport of goods, of a gross weight not exceeding 5 tonnes.
 - g. Special purpose motor vehicles, breakdown lorries, et al., not principally designed for the transport of persons or goods, and not elsewhere specified in this Article, of a gross weight not exceeding 5 tonnes.
 - h. Passenger automobiles and other motor vehicles 40 years or older.
5. 30% commodity tax: Buses registered for 10-17 persons, including the driver.
6. 30% commodity tax:
- a. Motorcycles (including mopeds) and cycles fitted with an auxiliary motor.
 - b. Motorcycles on tracks (snowmobiles).
 - c. Four-wheeled cycles.
 - d. Other motor vehicles which are not specifically enumerated in this Article.

Article 5

Vehicles owned by embassies, consulates and career consuls of foreign countries are exempt from taxability according to this Chapter when obligatory in accordance with international agreements to which Iceland is a party. The same applies to international associations and institutions which are here.

Without prejudice to the provisions of Article 3, commodity tax on the following vehicles shall be as stipulated below:

- 1. The following vehicles shall be exempt from commodity tax:
 - a. Tractors of a gross weight 4 tonnes or more, designed for use off highways.

- b. Snow-ploughs.
 - c. Fire fighting vehicles owned by the state, communities or institutions thereof.
 - d. Ambulances owned by the state, communities or institutions thereof.
 - e. Self-loading or self-unloading trailers and semi-trailers for agricultural purposes.
 - f. Automobiles owned by the state, communities or institutions thereof, specially equipped for the transport of disabled persons, included fitted with a wheelchair lift and approved by the State Social Security Institute.
 - g. Tractors for use on officially registered farms.
 - h. Automobiles on tracks (snow cars), exceeding 700 kg own weight, specially designed for driving in snow.
 - i. Navigable vehicles on wheels designed to travel over both land and water.
 - j. Vehicles powered by an electric motor and imported or built for research purposes.
 - k. Specially built automobiles for competitions, which are registered as such and only used in organized competitions and in exercises under the auspices of the federation of sports drivers, as well as for driving to and from such events. The registration plates of the automobiles shall be specially marked. The Minister issues further rules on their type and equipment, as well as which events are covered by the driving permit. If such rules are broken the commodity tax shall be collected in full.
 - l. Automobiles of handicapped persons specially equipped for transporting them, included fitted with a wheelchair lift and approved by the State Social Security Institute.
 - m. Vehicles intended for the activities of rescue societies provided that there is on hand confirmation by the national association of rescue societies that the vehicle in question will be used solely for the purposes of the rescue societies.
2. 10% commodity tax shall be paid on buses which are registered for 10-17 persons, including the driver, and which are owned by licensed operators of tour buses or exclusive bus routes, or which are subject to a financial lease covered by a financial leasing contract with an operator of tour buses or exclusive bus routes. The tax shall be reduced to 5% as of 1 January 2000.

4. Commodity tax on taxis for the transport of persons shall be levied in accordance with the following table based on the cylinder capacity of the engine measured in cubic centimetres:

Category	Cylinder capacity of engine	Tax %
I	0-2,000	10
II	Over 2,000	13

A condition for the reduction of commodity tax on a taxi is that its buyer must have a permit for driving a taxi for the transport of persons and that such driving is his principal occupation.]13

5. Commodity tax on automobiles intended for lease by car rental services shall be:

Category	Cylinder capacity of engine	Tax %
I	0-2,000	10
II	Over 2,000	13

An automobile bearing reduced commodity tax according to this point shall be registered to a car rental service licensed by the Ministry of Communications to lease automobiles or be subject to a financial lease covered by a financial leasing contract to a car rental service. It is solely permitted to use an automobile specified in this point for leasing by the car rental service to which the automobile is registered. A car rental service shall arrange its accounting in such a way that it can at any given time reveal the driving record of the automobiles bearing reduced commodity tax according to this point. The director of customs can without prior notice request data thereupon. If an automobile is used for other purposes the director of customs is authorized to collect the commodity tax in full in accordance with Article 3 of the Law, with a 50% mark-up. When assessing whether an automobile has been used solely for leasing, the basis shall be to make it possible to account for at least 90% of its driving record by producing rental agreements or by other means deemed by the director of customs to be satisfactory.

In regulations the Minister can issue further rules concerning automobiles benefiting from exemption according to this point. Breaking these provisions the car rental service concerned shall forfeit the right to exemptions for three years from the last offence.]14

6. Commodity tax on automobiles intended for driver's instruction shall be levied in accordance with the following table based on the cylinder capacity of the engine measured in cubic centimetres:

Category	Cylinder capacity of engine	Tax %
I	0-2,000	10
II	Over 2,000	13

A condition for an automobile intended for driver's instruction to bear commodity tax according to this point is that its buyer must be a licensed driving instructor and that such driving is his principal occupation.

Driver's schools can also benefit from reduction according to this point. A condition for this is that the driver's school must keep records of the use of an automobile bearing reduced commodity tax in such a way that at any given time it is possible to reveal the driving record of the automobile in driver's instruction. The director of customs can without prior notice request data thereupon. If an automobile is used for other purposes the director of customs is authorized to collect the commodity tax in full in accordance with Article 3 of the Law, with a 50% mark-up. When assessing whether an automobile has been used solely for driver's instruction, the basis shall be to make it possible to account for at least 80% of its driving record for driver's instruction by producing a special driving log or by other means deemed by the director of customs to be satisfactory. In regulations the Minister can issue further rules concerning automobiles benefiting from exemption according to this point.

Breaking the conditions stipulated in this point the guilty person concerned, whether an individual or a legal person, shall forfeit the right to exemptions for three years from the last offence.

7. Commodity tax on automobiles used for driver's instruction and taxi driving shall be levied in accordance with the following table based on the cylinder capacity of the engine measured in cubic centimetres:

Category	Cylinder capacity of engine	Tax %
I	0-2,000	10
II	Over 2,000	13

A condition for an automobile used for driver's instruction and taxi driving to bear commodity tax according to this point is that its buyer must have a permit for driving a taxi for the transport of persons and be a licensed driving instructor and that the aggregate of such work is his principal occupation.]15

8. Commodity tax on automobiles which are specially equipped and used for transporting corpses shall be:

Category	Cylinder capacity of engine	Tax %
I	0-2,000	10
II	Over 2,000	13]16

In regulations the Minister is authorized to stipulate further conditions regarding the vehicles falling within paragraph 2, such as the use of the vehicle, its equipment and what shall be considered to be principal occupation according to point 4 of paragraph 2, and furthermore provisions concerning the refund of the difference of commodity tax according to Article 3 on the one hand and paragraph 2 on the other hand if the conditions are not followed.

Imported vehicles

Article 6

When a vehicle is imported the importer shall submit to the director of customs together with the import declaration a confirmation of preregistration of the vehicle which states among other things the volume of its engine.

When it is not possible to submit documentation on preregistration at customs clearance, other documentation deemed by the director of customs to be satisfactory may be submitted on the volume of the engine.

Article 7

The provisions of Article 4, point 6 of paragraph 1 of Article 6 and points 2, 4-8 and 13 of paragraph 1 of Article 7 of the Customs Law, No. 88/2005, shall as far as applicable cover commodity tax on vehicles according to this Law.

Domestic manufacture and processing

Article 8

A party manufacturing or working on alterations of a vehicle before it is registered according to the Traffic Law, No. 50/1987, shall pay tax on the vehicle corresponding to its value at the time of registration and according to the rate category applicable to it at that time according to this Law.

From a payment according to paragraph 1 may be subtracted the commodity tax previously paid on the vehicle or on components therefor.

Article 9

If a vehicle which has been registered according to the Traffic Law, No. 50/1987, is altered to the extent that it falls within a higher rate category than when originally registered, the registered owner of the vehicle shall pay an additional commodity tax if the alteration is made within five years from the date of the original registration.

Additional commodity tax according to paragraph 1 shall be determined as follows:

- a. On the updated and depreciated original object of taxation shall be calculated additional commodity tax amounting to the difference between the new rate category according to paragraph 1 and the rate category on which the original payment was based.
- b. On an increased value due to processing or alterations of the vehicle shall be paid commodity tax according to the new rate category, cf. paragraph 1.
- c. From the commodity tax levied according to points a and b may be subtracted commodity tax paid on materials used in the processing or alteration.

Miscellaneous provisions

Article 10

The director of customs can request taxable parties to produce information from the manufacturer of a vehicle about the volume of its engine and corresponding information from a domestic party who has carried out processing or alteration of the vehicle.

Article 11

It is prohibited to register a taxable vehicle until the tax provided for in this Law has been paid.

The parties engaged in registering and inspecting vehicles shall ascertain at the registration of a vehicle that the tax according to Chapter II has been paid on the relevant vehicle. If it is revealed that the tax has not been paid in full, the registration and/or inspection shall be refused and the director of customs immediately notified accordingly.

Article 12

In regulations it may be stipulated that vehicles to which this Law applies and which are not intended for private use or exempt from the tax according to this law, may be specially marked.

Article 13

In regulations the Minister can authorize refund of commodity tax on vehicles which are sold or leased from the country. The amount of refund shall be relative to the depreciation base and depreciation ratio according to further stipulations in the regulations.

CHAPTER III

Commodity taxes on fuel

General commodity tax on fuel

Article 14

Commodity tax amounting to ISK 20.44 shall be paid on each litre of petroleum.

Special commodity tax on fuel

Article 15

In addition to the commodity tax provided for in Article 14 a special commodity tax, petroleum tax, shall be paid on petroleum. On each litre of unleaded petroleum shall be paid ISK 37.07 and on each litre of other petroleum shall be paid ISK 39.28.

The revenue from the petroleum tax shall be exclusively used for road construction according to planned road construction, with the subtraction of 0.5% which reverts to the State Treasury to cover the cost of the levy and collection of the tax.

Article 17

Petroleum which will be used or has provably been used in aircraft shall be exempt from commodity tax.

CHAPTER IV

Parties liable for the tax, object of taxation and dates of payment

Article 18

Liability to pay tax according to this Law rests with the following:

1. All those who import to the country goods which are taxable in accordance with this Law, whether they are for resale or own use.
2. All those who manufacture in this country goods which are taxable in accordance with this law, process them or assemble them, whether they are for resale or own use.

Those who are liable for the tax according to point 2 of paragraph 1 shall spontaneously submit a commodity tax declaration for vehicles et al. to the collector of the State Treasury in the district where they are domiciled and pay the tax which they are liable for.

Object of taxation

Article 19

The object of taxation for commodity tax according to this Law on imported goods is their customs value as determined in accordance with Articles 8-12 of the Customs Law, No. 88/2005, with the addition of duties levied in accordance with that law.

Article 20

The object of taxation for commodity tax according to this Law on taxable goods manufactured, processed or assembled in this country is their factory price, i. e. the selling price from their manufacturer to an unrelated party, cf. Article 14 of the Customs Law. If it proves to be difficult to determine the production price, it shall be assessed by the director of customs. In the assessment consideration shall be given to the customs value of comparable imported goods or the production price of comparable goods manufactured in this country.

Article 21

The object of taxation for commodity tax on vehicles which have been altered or processed, cf. Articles 8 and 9, shall be the value of the vehicle after alteration or processing.

If it proves to be difficult to determine the value of a vehicle according to paragraph 1, it shall be assessed by the director of customs, cf. Article 20.

Dates of payment

Article 22

Commodity tax on imported taxable goods shall be collected upon customs clearance. Commodity tax on domestic manufactured goods or on goods which have received processing in this country shall be calculated upon sale or delivery of taxable goods from a manufacturer or a wholesaler and it does not matter when or how the payment by the buyer is carried out.

Article 23

Without prejudice to the provisions of Article 22 commodity tax on vehicles subject to registration shall be paid before their registration is completed, however not later than twelve months after customs clearance.

Article 24

In regulations it may be stipulated that importers can defer payment of commodity tax on fuel based on the sale of stock.

CHAPTER V

Levy, collection, control, et al.

Article 25

Taxes levied in accordance with this Law form the object of taxation for value added tax.

The director of customs carries out the levy and collection of commodity tax and is in charge of control.

Article 26

It is authorized to stop a vehicle and move it for inspection if there is reason to suspect that an infringement of this Law has been committed. When an infringement has been committed the registration plates of the vehicle may be removed for storage.

Article 27

As far as there are no provisions regarding taxability, levy, ruling on classification for taxability, harmonizing of taxes, control, collection, distraint, lien, auction, fines, penalties, punishment and other implementation with regard to the tax according to Article 1, the provisions of the Customs Law, No. 88/2005 and law No. 97/1987, on commodity tax, shall apply as far as applicable, as well as regulations and other instructions issued according to them.

A change in the obligation of registration from what at present is stipulated in the Traffic Law, No. 50/1987, has no effect on taxability according to this Law.

Article 28

In regulations the Minister can issue further instructions regarding the implementation of this Law.

CHAPTER VI

Entry into force, abrogated legal provisions et al.

Article 29

This Law shall enter into force on 1 July 1993.

Transient provisions

I

Provisions of this Law shall apply to all goods which are uncleared at the time of its entry into force.

VII

Commodity tax on automobiles which are taxable in accordance with Article 3 of the Law and fitted with engines which run on methane gas or electricity to a considerable extent instead of petroleum or diesel oil shall be ISK 240,000 lower than otherwise provided for in the Article.

The authorization for reduction according to paragraph 1 shall be in force until 31 December 2009.

The Minister can issue further rules on the reduction of commodity tax according to this provision, such as concerning the technical equipment of the automobile, a definition of "to a considerable extent" according to paragraph 1, and the documentation which must be submitted with the application for reduction of commodity tax on the basis of this provision.

IX

Vehicles which emit minimal pollution and which are powered by untraditional means, such as an electric motor or hydrogen, are exempt from taxability according to this Law. This exemption shall be in force until 31 December 2009.

X

Vehicles subject to commodity tax according to Article 3 of the Act and fitted with engines and other equipment specially designed for the significant use of methane fuel gas instead of petrol or diesel oil, shall be exempt from excise duty in accordance with this act until 31 December 2009.

In the event that excise duty has been lifted in accordance with Paragraph 1, this is to be indicated in the vehicle record together with the volume of the fuel tanks.

It is not permitted to alter vehicles specified in Article 1, by removing the methane fuel equipment or by making changes to the fuel tanks.

In the event of a violation of Paragraph 3, the registered owner of a vehicle which has been entitled to the cancellation of excise duty shall disburse the full amount of excise duty to the Directorate of Customs and Excise, together with a surcharge of 50%.

The Director of Customs supervises the implementation of this provision and is authorised to carry out such investigations as are deemed necessary to determine whether alterations have been made to a vehicle in breach of Article 3; this includes the examination of the fuel tanks and engine of a vehicle.

The Minister of Finance may, in a regulation, lay down further specifications with regard to the implementation of this provision, e.g. a more detailed definition of the conditions that need to be fulfilled with respect to the engine and other equipment of a vehicle for it to be considered to use methane fuel gas to a significant extent instead of petrol or diesel oil, in accordance with Paragraph 1, and also relating to documentation which must accompany an application on the basis of that provision, as well as relating to the supervision process.

XI

It is permitted to refund commodity tax on a previously registered motor vehicle which has been deregistered and transported out of the country, provided the condition of the vehicle is consistent with normal usage and years of active service in the opinion of the Director of Customs. The refund shall be based on the commodity tax paid when the vehicle was imported. This amount is to be reduced by 2% for each begun month during the first 12 months after the first registration of the vehicle and by 1.5% for each begun month after that, until a depreciation of 100% has been reached. The total refunding of the commodity tax, in accordance with this provision as well as value added tax according to transitional provision XIII in the Act on Value Added Tax must not exceed ISK 2,000,000 per vehicle.

The Director of Customs is authorised to charge a fee relating to the inspection of used vehicles to be transported out of Iceland, in accordance with Paragraph 1. This fee shall meet the salary costs of customs officers as well as driving expenses with regard to the inspection.

The authorisation for the refunding of excise duty in accordance with Paragraph 1 is valid up to, and including, 31 December 2009. The Director of Customs in Reykjavík is in charge of the refunding process.

The Minister shall, in a regulation, impose further specifications on the implementation of this provision, such as additional criteria relating to the refunding, the condition of vehicles, documentation which must accompany a refund application as well as regulations on supervision and the authorisation to file a charge.