



# ENOR



## ***Establishing a business in Iceland***

The Icelandic business environment is highly developed and presents international businesses with a wide range of opportunities. Its infrastructure meets the highest international standards with respect to efficiency and services rendered by educated people.

It is relatively simple to establish a company in Iceland. It is important that the legal form of the business suits the company's activities. Laws and regulations are different from one company form to the other. The laws and regulations give a guidance on the liability of owners, taxation, decision processing, establishment expenses and minimum equity contribution from owners.

Enor ehf. is an Icelandic audit and accounting firm, whose employees have both comprehensive experience and expertise in establishing a business in Iceland.

## ***What type of company form suits your business ?***

### ***Sole proprietorships***

A self-employed business which is operated through the individual. Requirements are rather simple and the independence of the owner is the advantage of this type of business. The owners liability is direct and unlimited and therefore this type of company form does not suit a large business with high degree of risk.

### ***Private limited company***

A type of company where the shareholders liability to creditors is limited to the capital originally invested. Limited liability along with precise requirements of laws and regulations make this type of company an obvious choice for small and medium sized businesses with higher risk and importance of trust towards investors and creditors. Private limited companies are the most common company types in Iceland.

### ***Public limited company***

Public limited company is used for larger businesses which are aimed to seek capital from a number of investors. The laws and regulation surrounding public limited companies are more strict than the private limited company laws but in most respect they are similar.

### ***Partnership***

A company with two or more owners. The liability of the owners to creditors is both direct and unlimited. The advantages of this type of company include simpler requirements and fewer restrictions on distribution of company funds to owners.

### ***Fellowship***

This type of company is a mixture of partnership and private limited company. This company form has to have two owners with at least one of them with unlimited liability to creditors. Commitments of other owners can be limited to a certain degree.

### ***Private foundation***

These foundations are not owned by participants. They are established with certain commitments and are used to serve a special purpose. This type of foundation is common when non-profit organisations or charities are established.

	Individual	Partnership (Independent)	Private limited company	Public limited company	Fellowship (Independent)	Branch
<b>Number of owners</b>	Individual	Minimum two	At least one	At least two	Minimum two	Foreign corporation
<b>Liability of owners</b>	Direct and unlimited	Direct and unlimited	Limited to equity contribution	Limited to equity contribution	At least one with direct unlimited liability and others can be limited.	Direct and unlimited liability of the foreign corporation
<b>Share capital</b>	-	No minimum requirement	Minimum ISK 500.000	Minimum ISK 4.000.000	No minimum requirement	No minimum requirement
<b>Income tax</b>	35,04% - 46,24%	37,6%	20%	20%	37,6%	20%
<b>Dividend tax</b>	Income tax in stages	22%	22%	22%	22%	
<b>Registration expense to the firm registry</b>	ISK 68.000	ISK 89.500	ISK 131.000	ISK 256.500	ISK 89.500	ISK 256.500

### **Branches of foreign companies**

Branches of foreign companies with limited liability are commonly used when doing business in Iceland. The following documents must be submitted to the firm registry of Iceland:

- A copy of the articles of association of the head office
- The incorporation certificate of the head office
- A letter of representation for the branch manager with documentation that the branch manager meets the requirements of residency, citizenship and solvency
- The Financial Statements of the head office for the preceding year

Documentation filed to the firm registry must be submitted in Icelandic.

### **Considerations regarding establishing a business in Iceland**

A business that includes value-added taxation needs to be reported to the tax authorities of Iceland (RSK). A business also needs to register employees in Iceland.

The managing director(s) and at least half of the members of the board of private and public limited companies must reside in Iceland or be residents and citizens of any other EEA or OECD country. An exemption may be granted by the Minister of Economic Affairs.

### **Contacts**

For more detailed information, please contact us. We at Enor welcome your enquiries.

Davíð Búi Halldórsson, Certified Public Accountant  
 Director of Advisory and Tax Services  
[david.bui@enor.is](mailto:david.bui@enor.is)  
 tel. +354 430-1810 / +354 851-1800

Björn Óli Guðmundsson, Certified Public Accountant  
 Director of Enor Reykjavík  
[bjorn@enor.is](mailto:bjorn@enor.is)  
 tel. +354 430-1808 / +354 851-1808

