



# ENOR



## ***Establishing a Business in Iceland***

The Icelandic business environment is highly developed and presents international businesses with a wide range of opportunities. It's infrastructure meets the highest international standards with regard to efficiency and services.

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

## ***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 an advantage of this type of business. The owners liability is direct and unlimited, meaning that this form of company does not suit large businesses with high degrees of risk.

### ***Private Limited Company***

A type of company in which the shareholder's liability to creditors is limited to the capital originally invested. Limited liability, along with precise legal requirements, make this type of company an obvious choice for small and medium sized businesses with higher risk and emphasis on trust toward investors and creditors. Private Limited Companies are the most common business form in Iceland.

### ***Public Limited Company***

The Public Limited Company form is used by larger businesses which seek capital from a number of investors. The laws and regulations surrounding Public Limited Companies are similar to those of Private Limited Companies, but more strict in some respects.

### ***Partnerships***

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

### ***Fellowships***

This company form is a combination of a Partnership and a Private Limited Company, demanding that at least one owner has unlimited liability. Commitments of other owners can be limited. The Fellowship form has been rather popular due legislative changes in dividend taxation and the distribution of company funds.

### ***Private Foundations***

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 organizations or charities are established.



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	Individual	Partnership (Independent)	Private limited company	Public limited company	Fellowship (Independent)	Branch
<b>Number of Owners</b>	Individual	Two Minimum	One or More	Two Minimum	Two Minimum	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. Others may 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>	36,94% - 46,24% Income tax in stages	36%	20%	20%	36%	20%
<b>Registration Expense</b>	ISK 68.000	ISK 89.500	ISK 131.000	ISK 256.500	ISK 89.500	ISK 256.500

### **Branches of Foreign Companies**

Foreign companies with limited liability often use this form when conducting 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 confirming 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 When Establishing a Business in Iceland**

A business that is required to pay VAT must be registered by the tax authorities of Iceland (RSK). A business may also need 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 citizens residing in any other EEA or OECD country. An exemption may be granted by the Minister of Economic Affairs.

### **Contacts**

Enor ehf. is an Icelandic audit, tax and accounting firm. Our employees have both comprehensive experience and expertise in establishing firms in Iceland and can help you achieve your goals in Iceland.

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

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