

## BEPS Actions implementation by country

### Iceland



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On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

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OECD categorisation	Definition
Minimum standard	All G20/OECD members are committed to consistent implementation
Revision of existing standard	
Common approach	Common approaches to facilitate convergence of national practices
Best practice	Guidance drawing on best practices

It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in Iceland.

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Action	OECD categorisation	Notes on local country implementation	Expected timing
VAT on business to customers digital services (Action 1)	Common approach	Not yet known.	Not yet known
Hybrids (Action 2)	Common approach	Not yet known.	Not yet known
CFCs (Action 3)	Best practice	CFC rules were first introduced in 2010. On 13 December 2016, the parliament approved a bill that extended the statute of limitations regarding transactions with CFC entities to 10 years.	Not yet known
Interest deductions (Action 4)	Common approach	New restrictions on the deduction of interest expense have been introduced, under which deductions on intragroup interest expense is limited to 30% of the taxpayer's EBIDTA.	1 January 2017
Harmful tax practices (Action 5)	Minimum standard	Not yet known.	Not yet known
Prevent treaty abuse (Action 6)	Minimum standard	Not yet known.	Not yet known
Permanent establishment status (Action 7)	Revision of existing standard	The definition of a PE has been revised so that it is largely based on the OECD definition. Under the rules, the time period for a construction site to give rise to a PE is six months, and ownership of internet servers and related equipment located in Iceland will not, in itself, constitute a PE.	1 January 2017

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Transfer pricing (Actions 8-10)	Revision of existing standard	On 1 January 2014, three new articles were added to the Income Tax Act granting the tax authorities the right to evaluate and adjust pricing and terms of related party transactions if the pricing and terms are not in accordance with the arm's length principles as laid down in the OECD guidelines. No changes have been made to the rules to bring them in line with the final BEPS actions reports.	Not yet known
Disclosure of aggressive tax planning (Action 12)	Best practice	Not yet known.	Not yet known
Transfer pricing documentation (Action 13)	Common approach	In accordance to the new articles implemented on 1 January 2014, a regulation on transfer pricing documentation was published on 16 December 2014. The regulation stipulates the practical elements of the documentation, including specific information requirements, definitions, acceptable transfer pricing methods, exemptions for immaterial transactions and compilation and submission requirements.	Not yet known
CbC reporting (Action 13)	Minimum standard	CbC reporting rules have been introduced and apply to multi-national groups with revenue of ISK 100,000 million or more. The first CbC report must be submitted in 2018 for 2017.	1 January 2017
Dispute resolution (Action 14)	Minimum standard Complemented by best practice	Not yet known.	Not yet known
Multilateral Instrument (Action 15)	Applicable across all four categories	Iceland participated in the 'ad hoc group' for the creation of the multilateral instrument.	Not yet known

### Unilateral BEPS Actions

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Although Iceland is not an EU member state, it is a member of the EEA, so it must comply with EEA rules and avoid infringement of the free movement of capital and freedom of establishment principles.

### **Other Tax Developments**

No other tax developments to note.



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