

III. TRADE POLICIES AND PRACTICES BY MEASURE

(1) INTRODUCTION

1. Iceland pursues a liberal trade policy except with respect to certain agricultural products. No major changes have been made to Iceland's import regime since its previous Review in 2000 notwithstanding the entry into force of a new customs law on 1 January 2006. Iceland's average MFN applied tariff is 5.9%. A high percentage of tariff lines (70%) benefit from duty free treatment. The average MFN applied tariff rate for agricultural products is 18.3% (WTO definition) compared with 2.5% for other goods. Most non-*ad valorem* tariffs apply to agricultural products. All agricultural tariffs lines as well as some 94% of manufactured lines are bound but the average bound rate is much higher than applied rates, which reduces the predictability otherwise injected by Iceland's comprehensive tariff bindings.

2. In practice, most of Iceland's trade and investment relations take place under preferential rules. Iceland offers preferential tariffs on imports from 37 WTO Members under various free-trade agreements. Regional liberalization has advanced the most within the framework of the European Economic Area (EEA); nevertheless, the average tariff on products from EEA partners is still 3.2%, reflecting the exclusion of several agricultural products from duty-free treatment. Iceland's growing number of preferential agreements has increased the complexity of its trade regime, although this may be lessened somewhat by Iceland's application of the Pan-European Cumulation System for rules of origin.

3. Other than tariffs, charges affecting imports include a value-added tax, excise taxes, and some other specific charges. As with other small economies, the burden of these charges is in many cases significantly heavier than that of the tariffs themselves, and falls mostly on imports as Iceland relies on imported products to meet most of its domestic needs.

4. Iceland has not used contingency measures since the WTO's establishment. Iceland notified the State Alcohol and Tobacco Monopoly (ATVR) as its only state trading enterprise. The ATVR has monopoly rights for the retail distribution of alcoholic beverages, and the importation and wholesale of tobacco and tobacco products.

5. Iceland notified the WTO of its measures to implement the TBT Agreement in 2000. It notified only one technical regulation under the TBT Agreement during the period under review. In contrast, during the same period it made 41 notifications to the EFTA Surveillance Authority concerning draft technical regulations. Iceland's EEA membership requires it to apply EU legislation on technical regulations, standards, testing, and certification.

6. Imports of a number of agricultural products are prohibited for sanitary and phytosanitary reasons, unless an exemption is granted by the Minister of Agriculture. Iceland has a wide derogation from EEA sanitary legislation and is only required to transpose EU sanitary measures relating to fishery products. Iceland has notified emergency import bans on certain foods from a number of countries because of avian influenza. It has yet to notify to WTO Members, however, at least one key SPS-related regulation.

7. Export restrictions or licensing are applied to protect human and animal health or for other non-commercial reasons. Among the other limited number of measures specific to exports is the requirement for producers of lamb meat to export a percentage of their production, in order to regulate the domestic supply. In addition, export goods made from agricultural raw materials benefit from a refund equal to the difference between the cost of raw materials in the international and domestic markets. The law authorizes the establishment of free zones but only one company has been

authorized to operate in a limited manner under this regime. Iceland has notified that WTO that it did not provide subsidies for agricultural products contingent upon exportation during the period 2000-02 (no more recent information has been notified).

8. Excluding agriculture, state aid is low and is generally of a horizontal nature, targeted mainly at research and development, promotion of small and medium-sized enterprises, training, and job creation.

9. In 2001, Iceland acceded to the WTO Government Procurement Agreement. The same year, it adopted new laws on public procurement and on public projects procedures. Limitations on the coverage of Iceland GPA commitments relate to, among others, various services sectors, certain services or utilities contracts, and the procurement of animal products. Up to early 2006, Iceland had not provided the statistical information mentioned in Article XIX:5 of the Government Procurement Agreement, however the authorities are in the process of establishing a system for the collection of statistics.

10. Iceland's national competition regime runs in parallel with EEA competition rules, and significant amendments were made to Iceland's legislative framework in 2000 and 2005, implementing structural changes, EEA legislation, and strengthening the powers of the competition authority. Iceland's programme of privatization has been under way over the last fifteen years; during the period under review, the programme has covered major government assets in telecommunications. Efforts have also been made to make the tax system simpler and reduce tax rates, notably by reducing the corporate income tax from 30% to 18% and abolishing the net wealth tax of 0.6% on net capital.

11. Iceland's intellectual property legislation was last reviewed in the Council for TRIPS in 2000. Since then, Iceland has adopted new laws on design protection, collective marks, and employees' inventions, while the Patents Trademark, Design and the Copyright Acts have been amended.

(2) MEASURES DIRECTLY AFFECTING IMPORTS

(i) Procedures and documentation

12. A new Customs Law came into force on 1 January 2006 (Act No. 88/2005). The most significant amendments made by this bill include: new provisions regarding the operations of customs brokers, which are subject to authorization by the Minister of Finance; amendments to provisions on storage of undeclared goods; simplified procedures for complaints; and amendments to penal provisions and rules procedures.

13. The Minister of Finance is the head of customs affairs. Iceland has 26 districts, which serve as both customs districts and administrative districts of magistrates. Directors of customs are: the Director of Customs in Reykjavík (for the administrative district of Reykjavík), and district magistrates in other administrative districts. The Directorate of Customs in Reykjavik also has a harmonizing role.

14. According to the authorities, customs clearance for all importation aspects is computerized; electronic data interchange (EDI) covers 98% of the declarations of import and export firms. Customs clearance using EDI takes a matter of minutes, or a few hours if processed manually. Importers must apply for a licence to use the EDI system or use the services of customs brokers, who also need to be licensed. When imported goods are cleared through customs using EDI, the importer does not need to submit the required documents to customs, but must have these to hand when the customs declaration is submitted electronically and for a certain period of time thereafter.

15. The new Customs Act sets out the documentation requirements for importers of goods; in this respect there are no significant changes to the previous Customs Act (Act No. 55/1987). Documents required by customs, as set out in the Customs Act, include: an import declaration; an invoice; a bill of lading or relevant transport document; a bill covering freight charges; a certificate of origin when preferential customs treatment is requested unless a declaration of origin has been entered on the invoice; other documents relevant to the customs treatment of the imports, e.g. an import licence when required, a confirmation authorization for special customs treatment, or other certificates required in special circumstances. Customs authorities may request accounting data if needed for customs surveillance.¹

16. In addition to the Customs Law, other statutes may impose requirements on importers in general, in particular to register. For example, importers of animal fodder, fertilizer, and seeds must be registered at the Agricultural Authority of Iceland (Table III.5) and imports of medicinal products must be licenced by the Ministry of Health and Social Security. There was no full list available concerning the registration of importers.

17. The new Customs Law has defined more clearly the respective responsibilities of the police and customs authorities. Customs enforcement officials are authorized to inspect and investigate all goods transported to the country (Article 156). They may request the goods to be moved to the premises of the Directorate of Customs, or to another specific place where customs control is carried out, and to be produced there for inspection. Customs inspections appear to be conducted randomly or based on a risk analysis.

18. Goods may be cleared directly through customs or stored in a tax-free zone or supervised warehouses until their release is authorized. This requires respective bills of lading to be signed and stamped by customs officials. Bonded warehouses operate in Akureyri, Hafnarfjörður, and Reykjavík.² The amendments introduced by the new Customs Act with respect to provisions on storage of undeclared goods include: obligatory notification of transfer of goods between places of storage; more concise rules on those responsible for storing undeclared goods; as well as rules on the payment of import charges on goods are missing from a place of storage and in cases where excess stores are detected in a place of storage.

19. Complaints must be submitted in writing to the relevant Director of Customs and supported by the necessary documents.³ The ruling of the Director of Customs can be appealed to the State Customs Board for a final decision. Under the previous Customs Act some rulings had to be appealed to the Minister of Finance.

20. A breach of the Customs Law can result in confiscation of goods, fines or imprisonment of up to six years.⁴

21. Iceland has notified the WTO that it does not have any laws or regulations relating to preshipment inspection.⁵

¹ Customs Law (Act No. 88/2005), Articles 28, 29.

² Dun & Bradstreet (2004).

³ Act No. 88/2005 Chapter XIV.

⁴ Act No. 88/2005 Chapter XXII.

⁵ WTO document G/PSI/N/1/Add.4, 9 October 1996.

(ii) Customs valuation

22. Iceland's rules and regulations with respect to customs valuation have not changed greatly since its last Review; they are contained in Chapter V of Iceland's Customs Act No. 88/2005 and in Regulation No. 374/1995. There have been no significant changes in this area as a result of the new law with the exception of simplified procedures on exchange rates for customs procedures.

23. The Minister of Finance is ultimately responsible for issuing rules regarding: the determination of customs value, taking into account Implementation of Article VII of the GATT 1994; instances where there is doubt over the truthfulness of invoices; and exchange rates used to convert the customs value of goods into Icelandic kronur.⁶ These rates of exchange must be based on an official adjustment rate of exchange registered by the Central Bank on the 28th of each month.

24. Iceland applies tariffs to the c.i.f. value of imports, based on the transaction value of the goods. Minimum prices or reference prices are not used for customs valuation. Average prices for tariff headings and the exporting country are sometimes used as guidance to uncover valuation discrepancies. If goods are unloaded at a customs port that is farther away than the first port at which they could have been unloaded then the additional transportation costs may be subtracted. Additional transportation costs related to poor conditions for unloading, or related to a vessel's unloading at more than one port, may also be subtracted.

25. When the price specified on an invoice is not the transaction value, the importer must submit together with the import declaration a special declaration of customs value for the determination of the customs value. If the truthfulness of the declared transaction value is in doubt the Director of Customs asks the importer to provide further explanations or data, before resorting to the other sequential methods of determining customs value set out in the Agreement on Implementation of Article VII of the GATT 1994 and mirrored in Regulation No. 374/1995.⁷

26. With respect to imported used vehicles, a special rule applies if it is not possible to use any of the other methods listed in Regulation No. 374/1995. This provides for a comparison of the transaction value stated on the import declaration to values of vehicles of the same model in the country where the vehicle was purchased. Depreciation allowances are calculated according to the age of the vehicle.

27. Assistance may be sought from customs authorities in the country of export. Where the determination of customs value of imported goods is delayed, customs may release the goods, against security for border charges. Upon written request, an importer has the right to a written communication from the Director of Customs explaining how the customs value of the imported goods was determined.

28. Iceland has notified to the WTO that the Interpretative Notes of the Agreement on Implementation of Article VII of the GATT 1994 have not been included in its respective laws and regulations; the provisions of the Decision on the Treatment of Interest Charges in the Customs Value of Imported Goods has not been implemented and nor have the provisions of paragraph 2 of the Decision on the Valuation of Carrier Media Bearing Software for Data Processing Equipment.⁸

⁶ Articles 10 and 13 respectively of Iceland's Customs Act No. 55/1987 (amended).

⁷ Articles 10 to 15 of Iceland's Regulation No. 374/1995 (amended).

⁸ WTO document G/VAL/N/2/ISL/1, 16 April 1999.

(iii) Rules of origin

29. Iceland does not maintain non-preferential rules of origin. The Minister of Finance has authority under Law No. 87/1995 to issue such rules, but will probably not exercise this authority until the Technical Committee on Rules of Origin completes its work on the harmonization of non-preferential rules of origin.⁹

30. Both bilaterally with the EU and in the context of its participation in the EEA, Iceland applies the Pan-European Cumulation System rules of preferential origin, which was created in 1997. In this context, its rules of origin are substantively the same as those of other participants in the system (the EU and EFTA countries, Bulgaria, Romania and, for industrial products only, Turkey), i.e. imports into Iceland from participating countries are eligible to receive preferential status if they are "wholly obtained" or if non-originating products are "sufficiently processed". Diagonal cumulation under the system allows products to be manufactured by more than one participating country to meet the "sufficient processing" criteria. The criteria for "sufficient processing" are outlined in Annex II of Protocol 4 of the EEA Agreement¹⁰, and vary across products. The pan-European cumulation of origin system is gradually being extended to the EU's Mediterranean partners (Turkey to include coal, steel and agricultural products as well as Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and the Palestinian Authority of the West Bank and Gaza Strip), and the Faroe Islands.¹¹

31. The rules of origin under the free-trade agreements between EFTA and other third countries are closely modelled on the EEA rules of origin. Originating status is conferred on wholly obtained products, or semi-manufactured or manufactured products that satisfy product-specific processing rules, based on minimum levels of value added. Tolerance rules exist, but they do not cover textiles and clothing.

32. The rules of origin for trade between Iceland and GSP countries are outlined in Regulation 119/2002. Products must be "wholly obtained" in individual GSP countries or sufficiently processed according to the rules on working or processing in Annex II to Protocol 4 of the EEA Agreement.

33. Exporters, importers or other persons may request an advance assessment of origin from the Icelandic authorities. If the enquirer disagrees with an assessment by a director of customs, this may be appealed to the State Customs Board.¹²

(iv) Tariffs

(a) Applied MFN tariff

34. Iceland grants at least MFN treatment to all trading partners. Iceland adopted the Harmonized Commodity Description and Coding System on 1 January 1988 through Law No. 96/1987, which amended Customs Law No. 55/1987. The Customs Law (Act No. 88/2005) contains the tariff.

35. The MFN tariff includes 8,167 lines at the eight-digit HS level (HS2002) in 2005, of which 95.3% are *ad valorem* duties (Table III.1). Some 70% of all tariff lines are duty free. The average

⁹ WTO document G/RO/N/5, 1 November 1995.

¹⁰ The latest update to this Protocol was through Decision No. 38/2003 (OJ No. L 137, 5.6.2003, p. 46 and EEA Supplement No. 29, p. 29).

¹¹ The decision to extend the pan-European cumulation of origin system to the EU's Mediterranean partners was taken at the Euro-med Trade Ministerial Meeting (Palermo, 7 July 2003), and to the Faroe Islands at the Faroe Islands/Denmark Joint Committee (28 November 2003).

¹² WTO document G/RO/W/26, 25 March 1998.

rate of dutiable lines is 19.7%. Non-*ad valorem* duties (specific and compound rates) apply to 382 items, representing 4.7% of total tariff lines. Tariff rate quotas are treated in Chapter IV (section 2).

Table III.1
Structure of tariff schedule in Iceland, 2005
(Per cent)

	2005
Total number of tariff lines	8,167
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	4.7
Non- <i>ad valorem</i> with no AVEs (% of all tariff lines)	2.0
Tariff quotas (% of all tariff lines)	1.0
Duty-free tariff lines (% of all tariff lines)	70.1
Dutiable lines average tariff rate (%)	19.7
Domestic tariff "peaks" (% of all tariff lines) ^a	7.8
International tariff "peaks" (% of all tariff lines) ^b	7.9
Bound tariff lines (% of all tariff lines) ^c	94.9

a Domestic tariff peaks are defined as those exceeding three times the overall average applied rate.

b International tariff peaks are defined as those exceeding 15%.

c Based on concession Schedule in HS96 classification, therefore there may be a difference between the number of lines included in the calculation.

Note Estimates based on Iceland's submission to the WTO Integrated Data Base. *Ad valorem* equivalents (AVEs) were estimated by the Secretariat using import unit values for 2004 and 2003 where no data for 2004 were available. For 185 tariff lines, AVEs were estimated as the *ad valorem* part of the compound duty. For nine tariff lines, no AVEs could be estimated; these nine lines were not taken into account for the calculation of averages.

Source: WTO Secretariat calculations, based on data provided by the authorities of Iceland.

36. The average MFN duty rate is 5.9% (including out of quota rates only) Table III.2. A distinctive feature of Iceland's trade regime is that tariff protection for agricultural products (WTO classification) remains significantly higher than for non-agricultural products (18.3% and 2.5% respectively).¹³ All tariff rates above 100% correspond to the AVEs of compound duties, they all apply to agricultural products. Amongst the product groups with the highest averages are animals and products thereof and dairy products. For non-agricultural products, the highest duty rate is 20%, applied to medicated sweets.

37. More than 90% of tariff lines have MFN duty rates below 15%; excluding duty-free rates, most rates are in the 5% to 10% range (Chart III.1). Slightly over 5% of lines are subject to rates above 25%; 0.7% of lines (56 products) have applied rates greater than 100%, of which 0.3% (24 products) are over 200% (all 56 lines correspond to agricultural products). Duty-free rates account for close to 60% of lines in the manufacturing sector but only 12% in the agriculture sector.

38. Tariff escalation is unusual in that average MFN applied tariff protection is high (10.7%) at the first stage of processing, very low for semi-processed products (0.8%) and high again for fully processed products (7.5%) (Table III.2).

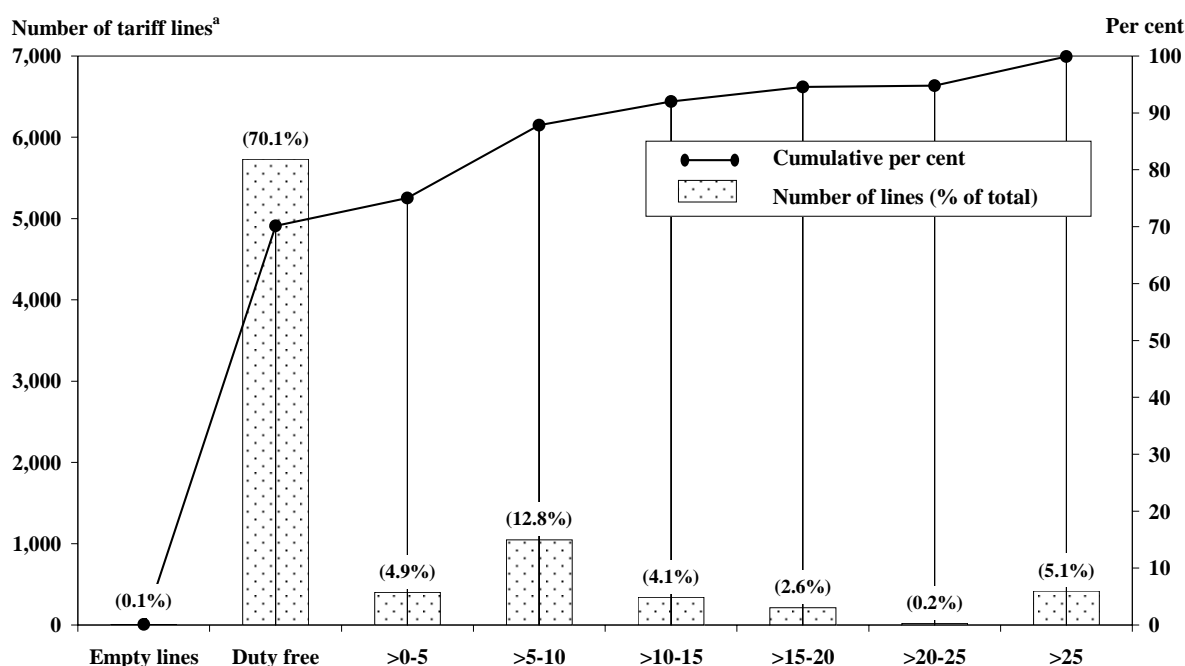
(b) Bound tariff

39. All agricultural tariff lines and some 95% of manufactured lines are bound (using Iceland's schedule based in the HS96 classification). The final average bound rate is 31.5%. For lines with

¹³ Based on the WTO classification of agricultural products.

strictly comparable HS codes between HS96 and HS2002, *ad valorem* applied rates appear to be higher than the corresponding *ad valorem* final bound rates for seven items.¹⁴

Chart III.1
Frequency distribution of MFN tariff rates, 2005



a The total number of lines is 8,167; 9 lines are empty (no AVEs could be estimated).

Source: WTO Secretariat calculations, based on data provided by the authorities of Iceland.

Table III.2
Summary analysis of Iceland's MFN tariff, 2005

Description	MFN				Final bound average ^a (%)
	No. of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
Total	8,167	5.9	0 - 547.7	3.6	31.5
HS 01-24	2,071	15.8	0 - 547.7	2.5	102.4
HS 25-97	6,096	2.5	0 - 20	1.8	10.3
By WTO category					
WTO Agriculture	1,755	18.3	0 - 547.7	2.3	120.5
- Animals and products thereof	196	48.3	0 - 306.3	1.2	408.7
- Dairy products	33	66.8	30 - 304.3	0.9	471.7
- Coffee and tea, cocoa, sugar, etc.	347	11.0	0 - 216.3	1.8	69.2
- Cut flowers, plants	65	13.1	0 - 30	1.1	90.5
- Fruit and vegetables	237	39.2	0 - 547.7	2.2	111.9
- Grains	31	19.5	0 - 55	1.4	87.5

Table III.2 (cont'd)

¹⁴ The HS codes concerned are (applied, bound rates between parentheses): 2106.09031 (20, 10), 3404.9001 (5, 0), 8518.2109 (7.5, 0), 8518.2209 (7.5, 0); 8518.2900 (7.5, 0); 8540.4000 (7.5, 0); 8540.5000 (7.5, 0).

Description	MFN			Coefficient of variation (CV)	Final bound average ^a (%)
	No. of lines	Average (%)	Range (%)		
- Oil seeds, fats and oils and their products	116	6.0	0 - 68.0	2.9	104.6
- Beverages and spirits	512	7.6	0 - 88.6	1.4	8.2
- Tobacco	24	2.5	0 - 10	1.8	16.9
- Other agricultural products, n.e.s.	194	6.3	0 - 55	2.5	41.6
WTO Non-agriculture (incl. petroleum)	6,412	2.5	0 - 20	1.8	10.1
- WTO Non-agriculture (excl. petroleum)	6,394	2.5	0 - 20	1.8	10.1
- Fish and fishery products	423	1.5	0 - 10	2.4	8.7
- Mineral products, precious stones and precious metals	397	2.1	0 - 10	1.8	12.8
- Metals	715	1.0	0 - 15	2.8	7.0
- Chemicals and photographic supplies	1,157	1.3	0 - 20	2.2	5.8
- Leather, rubber, footwear and travel goods	247	6.4	0 - 15	0.9	13.6
- Wood, pulp, paper and furniture	427	2.6	0 - 15	1.5	12.1
- Textile and clothing	1,188	4.4	0 - 15	1.4	10.4
- Transport equipment	258	1.2	0 - 15	2.5	10.2
- Non-electrical machinery	671	0.7	0 - 10	3.1	5.6
- Electrical machinery	313	2.4	0 - 10	1.5	15.7
- Non-agriculture articles, n.e.s.	598	4.6	0 - 15	1.0	20.5
- Petroleum	18	0.3	0 - 5	4.2	8.7
By ISIC sector^b					
Agriculture and fisheries	436	22.0	0 - 547.7	3.0	85.0
Mining	116	0.0	0 - 0	..	1.7
Manufacturing	7,614	5.1	0 - 306.3	3.0	28.9
By HS section					
01 Live animals & products	553	15.5	0 - 304.3	2.3	157.0
02 Vegetable products	407	27.6	0 - 547.7	2.4	94.3
03 Fats & oils	102	0.7	0 - 68.0	9.9	95.2
04 Prepared food, etc.	1,009	12.6	0 - 306.3	2.1	70.1
05 Minerals	179	0.0	0 - 5	13.4	2.6
06 Chemical & products	988	1.2	0 - 20	2.6	7.6
07 Plastics & rubber	368	2.4	0 - 15	1.5	5.9
08 Hides & skins	128	5.4	0 - 15	0.7	11.6
09 Wood & articles	206	1.8	0 - 10	1.7	11.2
10 Pulp, paper, etc.	187	2.1	0 - 15	1.8	10.1
11 Textile & articles	1,173	4.2	0 - 15	1.5	9.9
12 Footwear, headgear	82	12.7	0 - 15	0.3	22.3
13 Articles of stone	189	3.4	0 - 10	1.2	20.2
14 Precious stones, etc.	61	3.0	0 - 10	1.6	9.6
15 Base metals & products	698	1.2	0 - 15	2.6	7.3
16 Machinery	1,110	2.1	0 - 10	1.8	10.0
17 Transport equipment	269	1.2	0 - 15	2.6	10.4
18 Precision equipment	252	0.1	0 - 10	9.1	17.2
19 Arms and ammunition	27	6.1	0 - 15	0.6	29.5
20 Miscellaneous manufacturing	172	8.7	0 - 15	0.3	26.6
21 Works of art, etc.	7	1.4	0 - 10	2.6	3.9

Table III.2 (cont'd)

Description	MFN			Coefficient of variation (CV)	Final bound average ^a (%)
	No. of lines	Average (%)	Range (%)		
By stage of processing					
First stage of processing	974	10.7	0 - 547.7	4.3	46.7
Semi-processed products	2,387	0.8	0 - 55	6.4	7.0
Fully-processed products	4,806	7.5	0 - 306.3	2.4	41.5

.. Not available.

a Bound rates are provided in HS96 classification and applied rates in HS2002; therefore there may be a difference between the number of lines included in the calculation. Either the estimated AVE or the *ad valorem* part of the mixed duties, whichever was the highest, was considered for the calculation of averages.

b ISIC (Rev.2) classification, excluding electricity (1 line).

Source: WTO Secretariat estimates, based on data provided by the authorities of Iceland.

(c) Tariff preferences

40. Iceland grants tariff preferences to participants in the EEA. The overall simple average preferential tariff is 3.2% (2005).¹⁵ The average rate for agricultural products is 14.9% compared with 0.1% for other products. Tariff rates ranged from duty free up to 547.7%. Some 94% of total tariff lines are duty free; 99.5% of tariffs on manufactured products are duty free. In addition to the EEA Agreement, Iceland has several FTAs under which it offers preferential tariffs (Table II.2).

(v) Other charges affecting imports

41. Other charges affecting imports include a value-added tax (VAT), excise taxes, and some other specific charges. Internal taxes are applied equally to domestic products and imports. The burden of internal charges on imports is in many cases significantly heavier than that of the tariffs. Thus, official data for 2004 show that tariff collections amounted to ISK 3.1 billion, or around 1.3% of the total value of merchandise imports. In contrast, VAT collected on imported goods amounted to ISK 60 billion in 2004 (63% of total VAT revenue), while excise duties collected on imports in the same year amounted to nearly ISK 10.7 billion. Thus, VAT and excise duties collected on imports amounted to around almost 30% of the value of merchandise imports.

42. The VAT is Iceland's main source of government revenue. In 2004, revenue from VAT receipts on goods and services amounted to ISK 96 billion, equivalent to around one quarter of total tax revenue (direct and indirect taxes).¹⁶

43. VAT rules are set out in the Value Added Tax Act No. 50/1988; the main responsibility for administering VAT lies with the VAT office of the Inland Revenue.¹⁷ VAT is levied at all stages of production and trade on domestically produced and imported goods and services. Taxable persons selling goods and services are required to register for VAT, including non-residents without a fixed place of business who must appoint a local representative. The threshold for compulsory VAT registration is an annual turnover of ISK 220,000 (ex-VAT).¹⁸ The VAT is payable along with

¹⁵ When possible, AVEs were estimated by the WTO Secretariat using 2004 and 2003 unit values. The average also includes the MFN zero rate.

¹⁶ Ministry of Finance (2005), p. 20.

¹⁷ Director of Internal Revenue online information. Available at: www.rsk.is.

¹⁸ This figure will be raised to ISK 500,000 according to a bill of law submitted to Parliament in March 2006.

customs duties when goods are imported: it is calculated on the c.i.f. price plus the tariff and other imposts levied at customs. Those on the VAT-register are granted a credit period for taxable imported goods. Under the new Customs Act¹⁹ this credit period is two months under the old law it was one month (two months for certain products used for industrial production).

44. VAT rates have not changed since Iceland's last review. The standard VAT rate is 24.5%; a reduced rate of 14 % applies to certain goods and services and some exemptions are also provided for. As noted in the 2005 Budget Proposal, the VAT will be reviewed in 2007.²⁰

45. In 2003, revenue from excise and other indirect taxes, other than the VAT, amounted to around 18% of total tax revenue (on an accrual basis).²¹ Excise taxes are levied on imported and domestically produced or packaged goods as specified in the Icelandic Excise Tax Act (Act No. 97/1987). According to the authorities, excise taxes are applied equally to domestic production (if there is any) and imports regardless of their origin. The Customs and Taxation authorities are not authorized to exempt any categories of local taxable goods from excise duty.

Table III.3
VAT rates different from 24.5%, end 2005

VAT at 14% (Article 14)	The rental of hotel and guestrooms and other guest services; radio licence charges; sales of magazines, newspapers and countryside and district newspapers; sales of books; sales of hot water, electricity, and oil for space heating and swimming pool water; sales of foodstuffs and other goods for human consumption; admission tolls to land transportation projects.
Exemptions from VAT (Article 2)	<p>The services of hospitals, birth clinics, sanatoriums and other comparable institutions, medical and dental services, and other actual health services; social services, such as the operation of day-care centres, nurseries, after-school care centres, juvenile detention facilities and other similar services; the operation of schools and educational institutions, driver instruction, pilot instruction, and dance instruction; the operation of collections, such as libraries, art museums and natural history museums and similar cultural activity. Admission charges to concerts, Icelandic motion pictures, ballet and stage performances and theatres, provided such gatherings are in no manner associated with other gatherings or restaurant operations; athletic activity, the hire of athletic facilities, admission charges to swimming pools, ski lifts, athletic events, athletic exhibitions, and health facilities; passenger transportation. The transportation of vehicles by ferry that is directly connected to passenger transportation.</p> <p>Postal services for which a public entity has a monopoly pursuant to the Postal Act No. 33/1986; acceptance and distribution of other addressed letter mailings, including postcards, newspapers and magazines as well as general distribution mailings and open letters. The rental of real property and parking spaces.</p> <p>The rental of hotel and guestrooms and camping spaces is taxable as well as other overnight guest services for a period of less than one month. The same applies to sales of restaurant facilities and gatherings when the rental is for a period of less than one month; insurance activity; the services of banks, savings banks and other credit institutions as well as securities trading; lotteries and betting pools.</p> <p>The activities of authors and musical composers in their creation of intellectual property and comparable artistic activity; the services of travel agencies; funeral services and all services of ministers of the church; charity activity (as defined); the original sale of commemorative coins issued by the Central Bank of Iceland. These exemptions cover only the sales or delivery of labour and services listed therein, not the value-added tax (input tax) of purchases to the exempted activity.</p>
Exemptions from VAT (Article 36)	The import of certain goods, mostly listed in Article 6 of the Customs Law (88/2005) including gifts up to a certain value, temporary imports, and scientific equipment given to Icelandic research institutes; Regulation 165/2001 the Nordic Investment Bank can receive refunds on all VAT paid on goods and services necessary for the functioning of its offices in Iceland. This is based on an international agreement between the Nordic countries on the running of the Bank.

Source: The Value Added Tax Act No. 50/1988 (as amended by Act No. 64/2002).

¹⁹ Act No. 88/2005, Articles 121 and 122.

²⁰ Ministry of Finance (2005) p. 3.

²¹ Other indirect taxes include: general excise taxes; excise tax on motor vehicles; general excise tax on petrol; special excise tax on petrol; other turnover taxes; motor vehicle tax; diesel weight tax; and miscellaneous charges (Ministry of Finance 2005 p. 20).

46. Excise duty is levied only on the final product intended for domestic use. Hence, materials used in the production of other goods (whether imported or domestically produced), materials used in exports and exported goods themselves are not taxable. Goods exempted from customs duties as listed in the Customs Act (Act No. 88/2005) are also exempt from excise tax.²² These include imported gifts of a limited value and temporary imports.

47. The excise tax can be either specific or *ad valorem*. Specific commodity taxes on a range of agricultural products range between ISK 8 and ISK 60 per kg.; commodity taxes on beverages are ISK 8 per litre. *Ad valorem* charges are calculated on the customs-duty-added c.i.f. price of imported goods, and on the factory price for goods produced in Iceland. *Ad valorem* rates are 15% for chemicals, wood, textiles, metal products, machinery, furniture, and spare parts for automobiles²³; 20% for some metal products, machinery, and electrical equipment and appliances²⁴; and 25% for electric appliances and machinery (mainly telecommunications and radio broadcasting equipment, television receivers, and some other electrical appliances).

48. A special weight-distance tax for diesel fuelled cars was abolished on 1 July 2005 and was replaced by an excise tax on diesel fuel (Act No. 87/2004). Diesel fuel for certain uses is tax exempt (including marine use, space heating, industrial use, for earthmoving equipment, agricultural tractors, and special-purpose vehicles).

49. Details on excise taxes and other charges, other than the VAT, are outlined in Table III.4.

Table III.4
Other taxes and charges on production and consumption (including imports), 2005

Tax	HS heading	Rate (% or ISK/kg. or/unit)
Excise tax on alcoholic beverages	2106, 2203-09	ISK 52.80, 58.70, or 70.78 per litre
Excise tax on motor vehicles	87	5, 10, 13, 30, and 45%
Waste charge:		
charge on containers	0401, 2009, 2201, 2202, 4811, 4819	Range 0.33 – 10 ISK/kg.
charge on oil products etc.	2207, 2710, 2900, 3811, 3819	Range 0.20 – 14.50 ISK/kg.
charge on tyres	4011, 8412, 8701-16	Range 20 – 18,000 ISK
charge on batteries etc.	8506, 8507, 8543, 8548	Range 2.50 – 279.50 ISK/kg.
charge on quicksilver solvent products	2805, 3006	900 ISK/kg.
charge on compounds with other nitrogen functions	2929	1.50 ISK/kg.
charge on colour laces, paints, pigments, artists colours, mastics, printing ink	3205, 3208, 3210-15	20 ISK/kg.
charge on photographic chemical products	3707	Range 51 – 408 ISK/kg.
charge on halogenated derivatives of hydrocarbons, some organic solvers	2903, 3814, 3824	Range 2.50 – 130 ISK/kg.
Derricks, cranes, bulldozers, and other moving machinery, motor vehicles, vessels, optical fibre	8426, 8427, 8429, 8430, chapter 87, chapter 89, 9001101	ISK 19 – 1,672
Intellectual property rights charge (equipment for audio and video recording)	8503-26	(See Table III.15)
Transportation equalization tax (petroleum products)	2710 (petroleum products)	ISK 12, 0.2 or 0.65 per litre
Deposit charge on disposable containers (waters, juices, alcoholic beverages)	2202-2209	ISK 6.43

Table III.4 (cont'd)

²² Regulation 436/1998.

²³ HS headings 39, 40, 44, 45, 56, 57, 58, 59, 67, 68, 69, 70, 73, 74, 76, 83, 84, 85, 87, 90 and 94.

²⁴ HS headings 73, 84 and 85.

Tax	HS heading	Rate (% or ISK/kg, or/unit)
Excise tax on petrol/diesel oil	2710	ISK 42, 23 or 44.2 (petrol) ISK 41 (diesel oil)
Surveillance fee on electrical materials subject to surveillance (plastics, electric blankets, articles of iron and steel, electrical machinery, motors, optical fibres, time switches with motors, lamps and lighting fittings)	3036, 4677,4677, 5450, 5526, 5603, 5849, 5851, 5865, 5868-75, 5878-81, 5883-85, 5892-5905, a number of headings under HS chapters 59, 60, 61, 62, 63, 64, 65, 66, 67, 84, 85, and 90; headings 7326, 7419, 7616, 9107 and 9405	..

.. Not available.

Source: Information provided by the authorities of Iceland.

(vi) Import restrictions, including licensing

50. Iceland applies few unconditional import prohibitions; these are generally for environmental, health or safety reasons or to follow United Nations Security Council resolutions. Thus, Iceland prohibits imports of rough diamonds from Liberia under Act No. 5/1969 implementing United Nations Security Council resolutions. Iceland also bans the importation of certain substances that deplete the ozone layer, including: halons; hydrobromfluorocarbons (HBFCs); methyl bromide; methyl chloroform; chlorofluorocarbons (CFCs), including aerosols containing CFC; and carbon tetrachloride. Imports of ozone-depleting substances from countries not signatory to the Montreal Protocol are also banned.

51. The import of a number of other products is restricted, conditional upon the obtention of a permit, licence, or other conditions. These products include live animals, feeds and fertilizers, plants and plant products, used machines for agricultural works, and health-related goods. Iceland maintains import licensing requirements for reasons including environmental protection, health, safety, and to ensure technical requirements are met. Imports subject to licensing or other requirements were notified to the WTO in October 2004 (Table III.5).²⁵

Table III.5
Goods subject to licensing or other import requirements, 2006

Product	Legislation	Type of restriction and conditions
Live animals; animal products, soil and other items of general concern ^a ; freshwater fish and other freshwater animals	Act No. 54/1990 on the importation of animals; Reg. No. 444/1982 on fur farming and the importation of fur-bearing animals; Reg. No. 431/2003 on the importation of pets and canine semen; Act No. 25/1993 on animal diseases and prevention thereof; Act No. 66/1998 on veterinary services; Reg. No. 509/2004 on measures to prevent the introduction of animal diseases and contaminated products in Iceland; Act No. 76/1970 on salmon and trout fishing; Act No. 54/1990 on the importation of live animals	Conditional prohibition on imports; exemptions to this ban may be granted by the Minister of Agriculture on the basis of a recommendation from the Chief Veterinary Officer, in which case import licences are required and granted by the Minister of Agriculture; licences are valid for one shipment only
Animal fodder fertilizers and seeds	Act No. 22/1994 on control of feeds, fertilizers and seeds	Import licence/notice to be obtained from The Agricultural Authority of Iceland in advance of arrival of goods; a veterinary certificate is required for feeds containing products of animal origin; inspection fees are charged
Plants, plant products, soil, and compost for mushroom growing	Act No. 51/1981 on protection against plant diseases and pests	Import licence to be obtained from the Agricultural Research Institute in advance of arrival of goods; licences are valid for one shipment only; inspection fees are charged

Table III.5 (cont'd)

²⁵ WTO document G/LIC/N/3/ISL/3, 28 October 2004.

Product	Legislation	Type of restriction and conditions
Narcotic drugs, psychotropic substances and related chemicals ^b	Act No. 65/1974 on controlled substances; Reg. No. 233/2001 on narcotic substances, psychotropic substances and other controlled substances (as amended); based on requirements of international conventions	Import licences are issued by the Ministry of Health and Social Security only to persons/firms licensed by the Ministry to handle, store or sell controlled substances; imports are subject to quantitative restrictions and licences allocated on first-come first-served basis; import licences are valid for 120 days from date of issue; the Icelandic Medicines Control Agency validates documents required for customs handling
HCFCs and manufactured products that may contain ozone-depleting substances	Reg. No. 586/2002 on substances that deplete the ozone layer	Import licensing takes the form of administrative approval for imports of non-prohibited substances; the Environment and Food Agency of Iceland considers applications for licences and licences are granted by the Ministry of Environment; imports are subject to quantitative restrictions; quotas to import virgin HCFC are allocated on a yearly basis, with quotas for importers based upon past performance of imports; fees are charged on importation
Radioactive goods ^c	Icelandic Radiation Protection Act no. 44/2002; Reg. No. 809/2003 relating to the use of unshielded radioactive sources; Reg. No. 811/2003 relating to the use of shielded radioactive source	Conditional prohibition on imports; imports may be allowed with the permission of the Icelandic Radiation Protection Institute
Weapons (semi-automatic weapons and other firearms as well as ammunition)	Weapons Act No. 16/1998; Firearms and Ammunition Reg. No. 787/1998 (as amended)	Permits for importation of semi-automatic weapons, and other firearms as well as ammunition are issued by the Commissioner of the Icelandic Police, which as a rule are valid for six months (extendable); immediately prior to actual importation the vendor must present customs clearing papers to the competent police officer along with a copy of the import permit; conditional ban on the importation of automatic firearms and all things manufactured for offensive purposes
Radio and non-radio communication equipment connected to public telecommunication networks	Act No. 81/2003 on Telecommunications; Reg. No. 589/1994 on CE marking	Goods may be imported without prior application for an individual licence; at importation the appropriate customs forms must be completed and invoices presented to verify equipment has the required CE marking
Machines for public works ^d	Act No. 46/1980 on Working Conditions and Occupational Health and Safety; Reg. No. 388/1989 on Registration and Inspection of Mobile and Other Construction Machinery; Reg. No. 761/2001 on Machinery and Technical Equipment	Prior to import, importers must apply to the Administration of Occupational Safety and Health for registration of each mobile and construction machinery which he/she intends to import, and present this application at customs. Following import, registered machines are inspected by the Administration to ensure they meet requirements; registration and inspection fees are charged
Hazardous and health-related goods ^e	Act No. 52/1988 on toxic and hazardous chemical substances (amended) and its numerous implementing regulations, Act No. 7/1998 on hygiene and environmental control and Act No. 134/1995 on product safety	Conditional prohibition on imports. Imports may be permitted under certain conditions and require administrative approval or licensing from the Ministry for the Environment, and approval by the Environmental and Food Agency; in some cases, approval or licensing is required prior to each import, in other cases unlimited administrative approval is given; there may also be requirements on labelling, marketing, sale and use

Table III.5 (cont'd)

Product	Legislation	Type of restriction and conditions
Ships, boats and floating structures	Act No. 47/2003 on control of ships	Importers must apply to the Icelandic Maritime Administration for permission to import; after a survey of drawings and other documents and an inspection on board, permission to import is granted or not; associated fees include a survey fee and a stamp fee of 0.4 % of the price of the import; registration fees are also charged; only Icelandic citizens or companies with a legal residence in Iceland may register vessels of 6 meters in length and over

- a Includes; certain meat and meat products, wool, eggs, milk, hay, blood serum and other biological products from the animal kingdom, used riding gear, used agricultural machinery and used fishing gear.
- b Designation of products subject to licensing is at administrative discretion. The drugs covered are substances listed in Addendum I to Reg. No. 233/2001.
- c Coverage does not include radio luminous watches, pocket compasses, meters and other equipment of that nature containing a slight quantity of radioactive material.
- d The procedure concerns the categories of machinery listed in Annex to Reg. No. 388/1989. These include: tower cranes; mobile cranes bigger than 18 MT; overhead cranes; cranes smaller than 18MT; excavators heavier than 4,000 kg.; wheel loaders; bulldozers; motor grades; industrial tractors; forklift trucks; compactors; asphalt pavers; drilling rigs; grinding and screening installations; mobile work platforms.
- e These regulations relate, among others to: asbestos; chrome in cement; toys containing lead; chemicals that contain mercury, arsenic and organic tin compounds; PCBs; PCTs; cadmium; batteries and accumulators containing certain dangerous substances; insecticides; herbicides; rodenticides; nickel in certain products; and short-chain chlorinated paraffins.

Source: WTO document G/LIC/N/3/ISL/3, 28 October 2004.

(vii) Contingency measures

52. There have been no significant changes to the legal framework for safeguards, anti-dumping and countervailing measures since Iceland's last Trade Policy Review. Iceland does not use safeguard measures, nor does it have any safeguard legislation. Iceland did not retain the right to use the transitional safeguard mechanism under the Agreement on Textiles and Clothing²⁶, but it did reserve the right to make use of the special safeguards provisions under the Agreement on Agriculture. To date it has not availed itself of this right.²⁷

53. Iceland has never applied anti-dumping or countervailing measures. According to the authorities two complaints, relating to dumping, have been lodged over the review period, but no investigations have been initiated. Under the EEA Agreement (Article 26), anti-dumping and countervailing measures may not be used against imports from other EEA States.

54. Iceland's anti-dumping and countervailing legislation is contained in Chapter XVIII of Customs Law No. 88/2005 (Articles 133-139). There are no substantial changes to the previous Customs Law (No. 55/1987 as amended by Law No. 66/1994). Regulation No. 351/1994 on the preparation and application of the imposition and the collection of anti-dumping and countervailing duties remains in force. The 1994 amendment to the Customs Law extended the coverage of anti-dumping and countervailing duties to include trade in services, on the same conditions as applicable to trade in goods.

55. In 1995, Iceland notified its anti-dumping and countervailing legislation to the WTO, stating that this legislation was under review in light of the relevant provisions of the WTO Agreements.²⁸ In

²⁶ WTO document G/TMB/N/201, 2 December 1996.

²⁷ As notified to the WTO Secretariat in WTO documents G/AG/N/ISL/3; G/AG/N/ISL/7; G/AG/N/ISL/13; G/AG/N/ISL/18; G/AG/N/ISL/21; G/AG/N/ISL/23.

²⁸ WTO document G/ADP/N/1/ISL/1, 23 May 1995.

1995 and 1996, questions were posed by Australia; Canada; Hong Kong, China; Korea; and the United States regarding the notification, and Iceland provided responses.²⁹

56. Complaints regarding anti-dumping and subsidy practices on imports are examined by an Advisory Committee appointed by the Minister of Finance for a period of four years, and consisting of seven experts. Complaints regarding dumped or subsidized imports, with the requisite evidence, must be addressed to the Ministry of Finance; within five days of the complaint being lodged, the Committee must meet. It is charged with undertaking a preliminary examination to determine whether an investigation is justified. Investigations launched are announced in the *Lögbirtingabladid* (the Legal Bulletin), which provides information on the product under investigation, the country of export or of origin, a summary of information received, and the timeframe within which views may be submitted in writing. During the investigation, parties may be given the opportunity to meet before the Committee. Investigations should normally be concluded within a year.

57. As noted in Iceland's previous Trade Policy Review, anti-dumping and countervailing duties may be imposed on products assembled or produced in Iceland containing imported materials.³⁰ For this, the products must be assembled or produced by a party related or associated to a foreign manufacturer on which anti-dumping or countervailing duties will be imposed; the assembly or production must have started or substantially increased after the opening of the anti-dumping investigation; and the value of parts or materials used in the assembly or production and originating in the country of exportation of the product subject to the anti-dumping or countervailing duty must exceed the value of all other parts or materials used by at least 50%. The applicable duty is proportional to the import content of the product.

58. Provisional anti-dumping and countervailing measures may be put in place, upon decision by the Minister of Finance, for a maximum period of 12 months. Final duties may be in place for an additional five years from the day of their entry into force, and may be imposed retroactively. There is also provision for a review of the measures if an interested party can show that expiry of the duty would lead to injury, which may result in them being maintained.

59. Anti-dumping duties may not exceed the margin of dumping, and countervailing duties may not exceed the subsidies granted directly or indirectly for the manufacturing, processing, exportation or transportation of the goods. No product may be subject to both anti-dumping and countervailing duties for the purpose of dealing with the same situation. Icelandic anti-dumping legislation allows the retroactive application of an additional duty in the case of duty absorption by the exporter. If an interested party shows that the expiry of the measure would lead again to injury, measures may be maintained beyond the five-year period following a determination by the Advisory Committee. Requests for reviews of decisions to impose anti-dumping or countervailing duties and to accept undertakings are addressed to the Ministry of Finance.

60. Within the DDA Negotiating Group on Rules, Iceland has made two submissions on fisheries subsidies in conjunction with other Members. One submission looks at specific problems arising out of fisheries sector subsidies and issues and shortcomings relating to the application of WTO

²⁹ The questions concerning Iceland's legislation are in WTO documents G/ADP/W/167-G/SCM/W/167 submitted by Korea; G/ADP/W/189-G/SCM/W/196 submitted by Hong Kong, China; G/ADP/W/213-G/SCM/W/223 submitted by the United States; G/ADP/W/222-G/SCM/W/232 submitted by Australia; G/ADP/W/230-G/SCM/W/240 submitted by Canada; and G/ADP/W/249-G/SCM/W/259 submitted by the United States. Answers are in WTO documents G/ADP/W/312-G/SCM/W/320 to Korea; G/ADP/W/311-G/SCM/W/319 to Hong Kong, China; G/ADP/W/313-G/SCM/W/321 to the United States; G/ADP/W/309-G/SCM/W/317 to Australia; and G/ADP/W/310-G/SCM/W/318 to Canada.

³⁰ Article 39 of Regulation 351/1994 (amended).

disciplines in this area.³¹ The other describes different approaches to classification of fisheries programmes recently proposed by other organizations.³²

(viii) Standards and technical regulations

61. In July 2000, Iceland notified the Committee on Technical Barriers to Trade³³ that it had implemented the technical regulations and conformity assessment part of the TBT Agreement (Article 15.2) by Law No. 57/2000 concerning the exchange of information on technical regulations regarding products and information society services.³⁴ The standards part of the TBT Agreement is implemented by Regulation 534/1995.³⁵ As noted in Iceland's notification, technical regulations are published in the *Icelandic Law and Ministerial Gazette (Stjórnartíðindi)*.³⁶ Notices of draft and adopted standards are published in the *Standards Bulletin (Stadlatíðindi)*. Iceland generally allows 90 days for written comments on technical regulations and at least 60 days on standards.

62. Iceland's enquiry point under the TBT Agreement is the Consumer Agency for technical regulations. Its enquiry point for standards is Icelandic Standards. The External Trade Department in the Ministry for Foreign Affairs has also been notified as an enquiry point.

63. Icelandic Standards (IST) is an independent association.³⁷ Its role, by law, is to publish Icelandic standards and to represent Iceland in international and regional standards bodies. Three sectoral committees operate under its auspices: BSTR in the building sector, FUT for information technology and RST in the electrotechnical sector. IST is a full member of the European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC); an NSO (National Standards Organization) in the European Telecommunications Standards Institute (ETSI); a full member of the International Organization for Standardization (ISO) and an associate member of the International Electrotechnical Commission (IEC). Icelandic Standards has accepted the TBT Agreement Code of Good Practice for the Preparation, Adoption and Application of Standards.³⁸

64. The Consumer Agency was created in 2005 (Act. No. 62/2005).³⁹ It took over all of the activities of the Icelandic Metrology, Accreditation and Electrical Safety Authority (*Löggildingarstofan*) as well as two departments of the former Competition and Fair Trade Authority (CFTA) in the area of unfair trade practices (such as unfair contract terms and misleading advertisements) as well as market transparency issues. The Consumer Agency is an independent government agency, whose role is to ensure protection of consumer rights, market surveillance,

³¹ WTO document TN/RL/W/3, 24 April 2002, submission from Australia, Chile, Ecuador, Iceland, New Zealand, Peru, Philippines and the United States on "The Doha Mandate to Address Fisheries Subsidies: Issues".

³² WTO document TN/RL/W/58, 10 February 2003, submission from Argentina, Chile, Iceland, New Zealand, Norway and Peru on "Subsidies in the Fisheries Sector: Possible Categorizations".

³³ WTO document G/TBT/2/Add.55/Suppl.1, 11 July 2000.

³⁴ Regulation 733/2000 implements law 57/2000. Information society services are defined as "fee based and provided (a) from a distance, i.e. without the parties being present at the same place and the same time, (b) electronically, i.e. the service is sent and received with the help of electronic equipment that is intended for processing and storing data and is entirely sent, transported and received through wire, wireless, fibre optic cable or through electromagnet cable, (c) on request of the receiver, i.e. the service is provided in such a way that data is sent at the request of the receiver."

³⁵ Published in the *Law and Ministerial Gazette*, B series, 1995.

³⁶ The Iceland Law and Ministerial Gazette, online information. Available at: <http://stjornartidindi.is>.

³⁷ Icelandic Standards online information. Available at: <http://www.stadlar.is>.

³⁸ WTO document G/TBT/CS/2/Rev.11, 4 March 2005.

³⁹ The Consumer Agency online information. Available at: <http://neytendastofa.is>.

consumer safety (general and electrical safety) as well as safe and correct measurements (legal and industrial metrology). Icelandic legislation in these areas is largely based on joint rules applying throughout the European Economic Area.

65. As at early 2006, The Consumer Agency was organized into four different departments: Safety Department (electrical and general product safety); Consumer Rights Department (which deals with the work taken over from the CFTA); Metrological Department as well as Accreditation Services. It represents Iceland internationally in its area of competence and is involved in the harmonization of requirements between EEA member states.

66. The Consumer Agency also houses the Consumer Spokesperson, an independent post established by Act No. 62/2005. The Consumer Spokesperson may take up any issue relating to consumer interests but has no enforcement powers.

67. Since its last Review, Iceland has made two notifications under Article 10.7 of the TBT Agreement (on international agreements). One concerns a mutual recognition agreement relating to conformity assessment between Canada and the EFTA participants in the EEA⁴⁰, which entered into force in 1 January 2001. The products covered include telecommunications terminal equipment, recreational craft, and medical devices. The other concerns an Agreement on Mutual Acceptance of Test Reports and Calibration Certificates between the signatories to the European Co-operation for Accreditation Multilateral Agreement and the Instituto Nacional de Metrologia, Normalização e Qualidade Industrial of Brazil. This entered into force on 30 January, 2001. These two new agreements add to the mutual recognition agreement with Australia notified to the WTO and mentioned in Iceland's previous Review. A MRA between EEA-EFTA States and the U.S. entered into force on 1 March 2006 which includes sectoral annexes on telecommunications equipment, electromagnetic compatibility and recreational craft.

68. Also since its last Review, Iceland has circulated one notification under Article 2.9 of the TBT Agreement, concerning the amendment of Regulation 398/1995 on Fertilizers and Soil Improvers.⁴¹ The authorities noted that, with respect to non-EEA and non-EFTA technical regulations, individual ministries preparing technical regulations are responsible for notifying these to the Consumer Agency, which in turn is responsible for forwarding such regulations to the WTO.⁴² The authorities also indicated that Iceland does not have a system in place for notifying EEA technical regulations to WTO Members but that they are considering how to address this. The majority of Iceland's standards and technical regulations follow EU norms.

69. EEA membership requires Iceland to apply the EU's legislation on technical regulations, standards, testing, and certification. EEA technical regulations are found in Annex II to the EEA agreement. Under the EEA Agreement, all signatories must notify draft technical regulations prior to their adoption through a procedure known as the DTR procedure. Under the DTR procedure, Iceland has made 41 notifications to the EFTA Surveillance Authority since the beginning of 2000 (see Table AIII.1). A "standstill" period of three months is provided for before technical regulations may be adopted, giving the opportunity for other EEA signatories, the EFTA Surveillance Authority and the European Commission to ensure that they do not create new barriers to trade or conflict with secondary EEA legislation in force.

⁴⁰ WTO documents G/TBT/10.7/N/31, 28 May 2005; G/TBT/10.7/N/39, 12 December 2002. Prior to the last review, EEA/EFTA States notified a mutual recognition agreement with Australia to the WTO.

⁴¹ WTO document G/TBT/Notif.00/71, 15 February 2000.

⁴² Act No. 57/2000 and Regulation 733/2000.

70. Conformity assessment services can be obtained from Icelandic conformity assessment bodies or foreign/EEA bodies. The Icelandic Accreditation Service evaluates the competence of and designates these bodies but respective ministries notify them to the EU Commission.

71. A bill on accreditation services was being put forward in November 2005 for adoption in early 2006. Under the proposed legislation, responsibility for providing accreditations would be separated from the Consumer Agency and an independent Accreditation Department would operate within the Icelandic Patent Office. According to the authorities, the main purpose is to ensure that the Accreditation Department is fully independent of public and private bodies that use or may use its services.

72. When a European standard has been approved by the members of CEN, CENELEC or ETSI, it is formally adopted by IST and any conflicting standards are withdrawn, usually within six months of approval of the European standard. According to the authorities, 99.75% of Icelandic standards are European standards, valid in all EEA countries. The authorities have reported that, of the few standards that are purely Icelandic, most are in areas of high importance to Iceland where European standards are lacking. Some 32.3% of Icelandic standards are equivalent to international standards. In certain sectors, such as the electrotechnical sector, the percentage is up to 60%.

73. All draft European standards are submitted to a public enquiry in Iceland. This is done by means of an announcement on the website of IST, with a notification by email to those who have expressed a wish to be notified of new drafts. Anyone can send in a comment on a draft European standard. The time limit for submitting comments on the drafts is usually five to six months. A formal vote on final drafts also takes place by the same means, but with a time limit of two months.

(ix) Sanitary and phytosanitary measures

74. Iceland has traditionally applied strict border controls with a view to maintaining high animal and plant health standards. The Chief Veterinary Officer at the Ministry of Agriculture is Iceland's enquiry point under the SPS Agreement and the Ministry of Agriculture is Iceland's national notification authority.⁴³ Iceland is a member of the FAO/WHO Codex Alimentarius, the World Organisation for Animal Health, and the International Plant Protection Convention.

75. Since its last Review, Iceland has notified emergency bans on imports of live poultry and birds, fertile eggs, and raw poultry and bird products that can carry avian influenza from a number of countries.⁴⁴ Iceland's notification in December 1999, on meat and meat products⁴⁵, was discussed in the Committee on Sanitary and Phytosanitary Measures in March 2000.⁴⁶ The representative of Argentina requested further clarification on the notification and the possibility, under the regulation of exporting meat without heat treatment to Iceland. The representative of Iceland responded that this was the case, provided the necessary certificates and documents were submitted. The representative of Canada expressed the view that Iceland's regulation was unclear.

76. The authorities indicated that the Ministry of Agriculture is responsible for SPS measures as provided for in Act No. 25/1993 on Animal Diseases and their Prevention (as amended), Act No. 66/1998 (as amended) on Veterinarians Health Services for Animals and Regulation 509/2004 on

⁴³ WTO documents G/SPSENQ/17, 20 October 2004 and G/SPS/NAA/8, 20 December 2004.

⁴⁴ See WTO documents: G/SPS/N/ISL/2; G/SPS/N/ISL/2/Add.1; G/SPS/N/ISL/2/Add.2; G/SPS/N/ISL/3; G/SPS/N/ISL/4/Rev.1; G/SPS/N/ISL/5; G/SPS/N/ISL/5/Add.1; G/SPS/N/ISL/6; G/SPS/N/ISL/7.

⁴⁵ WTO document G/SPS/N/ISL/1, 16 December 1999.

⁴⁶ WTO document G/SPS/R/18, 18 April 2000.

measures to prevent the introduction of animal diseases and contaminated products in Iceland. As outlined in the Foodstuffs Act (Act No. 92/1995), responsibility for the quality and safety of food is with the Minister of Environment who is advised by the Environmental and Food Agency. The Agency was created in 2003 combining the functions of the State Health and Safety Authority (*Hollustuvernd Ríkisins*), and the State Nature Protection Authority (*Natturuvernd Ríkisins*) as well as the Chief of Hunting and the Committees on Reindeer and Animal Protection (Act No. 90/2002).

77. There are, however, two exceptions to the above. The Minister of Agriculture, advised by the Chief Veterinary Officer, is responsible for matters concerning the supervisory tasks of veterinarians which include: the import and export of livestock products; communicable livestock diseases; the handling, inspection and classification of slaughterhouse products; and health inspection of farmed freshwater fish. The Minister of Fisheries holds responsibility for handling, transport, storage, and processing of marine products for export and for farmed marine species; the Minister is advised by the Directorate of Fisheries. The Food Stuffs Committee (*Matvaelarad*) made up of representatives from all three advisory bodies has the role of coordinating the different rules and regulations concerning the quality and safety of food.

78. According to the authorities, Iceland bases its analysis process on the SPS Agreement, and other internationally recognized standards, guidelines, and recommendations. Importers of feedingstuffs have to be registered with the Feed, Seed and Fertilizer Authority according to the EU legislation. Iceland accepts certificates signed by the competent authority of the country of origin.

79. Iceland has a wide derogation from EEA sanitary legislation and is only required to transpose EU sanitary measures relating to fishery products.⁴⁷ According to the authorities, in practice many of Iceland's SPS regulations have been harmonized with those in the EU, and Iceland's derogation is currently under review.

80. The EFTA Surveillance Authority is empowered to carry out inspections in the EFTA states in order to control the application of food and veterinary legislation incorporated into the EEA Agreement. In the case of Iceland, the EFTA authority carries out inspections in the areas of fish production, disease and border control, hygiene control systems, and animal nutrition. During the review period, seven such inspections have been carried out in Iceland.⁴⁸ The EFTA Surveillance Authority is also involved in the running of the Rapid Alert System for Food and Feed (RASFF), a notification system for risks to human health resulting from food or feed.

81. Under Regulation 509/2004, in principle the import of specified agricultural products are banned (Table III.6). However, the Minister of Agriculture with the recommendation of the Chief Veterinary Officer may permit the importation of these products provided it is proven that they will not carry any contaminant capable of causing animal or human diseases and that the conditions applicable to the importation have been met. The recommendation must be grounded on a risk evaluation based on OIE and CODEX standards as well as the provisions laid out in the WTO SPS Agreement. This Regulation has not been notified to WTO Members.

82. According to Regulation 509/2004 the conditions to obtain a permit for the importation of the specified agricultural products include: (a) for boiled, pasteurized and processed products, official

⁴⁷ As a result of its commitments under the EEA, Iceland is obliged to transpose EU phytosanitary legislation (Annex I, Chapter III of the EEA Agreement) as well as legislation on feedingstuffs (Annex I, Chapter II of the EEA Agreement) and foodstuffs (Annex II, Chapter XII). Iceland's derogation relates to Veterinary Issues (Annex I, Chapter I of the EEA Agreement).

⁴⁸ For detailed information on the outcomes of these inspections see EFTA Surveillance Authority online information. Available at: <http://www.eftasurv.int/information/reportsdocuments/vetcontrolmatters/>.

certification of origin and health and official certification that those processes have taken place in certified processing plants, and (b) for raw and unpasteurized products, official certification of origin and health; that products have been stored at a temperature of at least -18°C for one month prior to customs clearance; that products were slaughtered in certified slaughterhouses and processed in certified processing plants; and that the products are free from salmonella bacteria.

83. Regulation 509/2004 also requires that processing plants and slaughterhouses must be certified for sale/export purposes either by the European Union, member states of the European Economic Area or the United States.

84. Animal and plant products that have been given growth promoting agents and hormones are banned in Iceland (Act No. 99/1993 on the production, pricing and sale of agricultural products, as changed by Act No. 87/1995). This applies equally to imports and domestically produced products. Regulation 509/2004 requires certification that source animals of the products have not been given growth-promoting substances during their breeding period.

Table III.6
Products subject to conditional import ban under Regulation 509/2004

A.	Raw meat, processed or unprocessed, as well as offal and animal by-products
B.	Animal feeding-stuffs having as constituents: (1) Fallen stock, including stillborn or unborn animals (animal foetuses); (2) animals slaughtered to prevent the spread of animal diseases; (3) animal by-products, including blood from animals whose meat on inspection has proven to be unfit for human consumption because of contagious diseases; (4) parts of an animal slaughtered in a normal manner that are not examined during meat inspection. However, this does not apply to hides, blood and similar products; (5) meat, domestic poultry, fish, wild game and foods made from animal products that have been spoiled; (6) animals, fresh meat and domestic poultry, fish, wild game, meat and dairy products that generally would not meet the requirements of veterinary authorities for importation; (7) animal products and animal by-products that contain traces of contaminants which are dangerous for animal and human health; (8) fish or fish by-products that have been deemed unsuitable for human consumption because of contagious diseases; (9) products from specified risk material, including the spinal cord, brain, head, and spleen of ruminants; (10) products that have been contaminated after heat treatment
C.	Meat meal, bone meal, feed products processed from products or by-products from mammals and fowl
D.	Wool, used bags or other packaging or wrapping materials, fluff, feathers, down, straw mats, straw baskets, and unprocessed animal hair. Exempted are sterilized raw skins, hides, hunting and fishing trophies and dead mammals/birds intended to be stuffed, provided they are accompanied by a certificate attesting adequate disinfection accepted by the Chief Veterinary Officer
E.	Untreated eggs, eggshells and egg products
F.	Unpasteurized milk and dairy products processed from unpasteurized milk
G.	Hay, straw, manure, potting soil, peat, and compost mixed with manure
H.	Blood, serum, and other biological products from the animal kingdom, including bacteria, viruses, and specimens of blood, blood serum, cells, tissues, and animal proteins
I.	Used riding gear and unsterilized riding outfits, soiled clothing and rags, as well as equipment that has been used for the storage and transport of animals and animal by-products
J.	Used agricultural machinery and tools, including horse-trailers and other equipment that has been used in agriculture
K.	Used fishing gear for angling, unless it has been disinfected

Source: Regulation 509/2004, on measures to prevent the introduction of animal diseases and contaminated products in Iceland.

85. The Genetically Modified Organisms Act No. 18/1996 regulates the contained use and deliberate release of genetically modified organisms (GMOs). According to the Act, GMOs approved in the EU do not require approval in Iceland. GMOs may, however, be prohibited in Iceland by the Minister of the Environment, even if they are approved in the EU, if they are deemed to be of danger to human health and the environment by the Environmental and Food Agency. No restrictions,

however, have been put in place on GMOs. A Specialist Advisory Committee on GMOs was created by the Minister of the Environment in 1997. The role of the Committee is to advise the executive authorities on GMO issues and provide information to the public.

86. According to Act No. 54/1990, and its numerous implementing regulations, the import of live animals requires a permit from the Ministry of Agriculture and compliance with quarantine requirements. Importers of animal fodder, fertilizer, and seeds need to be registered at the Agricultural Authority of Iceland.

87. According to Regulation 189/1990 (stemming from Act No. 51/1981 on disease prevention and vermin on plants) the import of plants and plant products is subject to certificate requirements and may be restricted by the Minister of Agriculture to protect Icelandic flora against new diseases and pests. The import of harmful organisms and plants (as listed in Appendices I and III of Regulation No. 189/1990), plant consignments rejected for import into Denmark, Finland, Norway or Sweden for phytosanitary reasons, coniferous trees from countries outside the European continent, and most soil, compost, raw or cut tree bark and manure, is prohibited. Plants and plant products from countries where the New Zealand flatworm (*Artioposthia triangulate*) is found must be free of soil unless there is an additional declaration on the phytosanitary certificate stating that the plants come from a place of cultivation where the flatworm is not found. Iceland has implemented the IPPC Guidelines for regulating wood packaging material in international trade as provided for in Regulation No. 343/2004 on Wood Packaging for exported products in accordance with Act No. 51/1981 on protection against plant diseases and pests.

88. A new law on the aquaculture of exploitable marine stocks (Act No. 33/2002) was introduced during the review period. According to Regulation 238/2003, imports of live fish for aquaculture are subject to an initial permit from the Minister of Fisheries and a confirmation from the Chief Veterinary Officer that the necessary official certificates of health and origin have been provided.

(3) MEASURES DIRECTLY AFFECTING EXPORTS

(i) Procedures and charges

89. Exporters must provide a cargo manifest (containing the same information as on the bill of lading or airway bill) to customs in order for goods to be cleared for export.⁴⁹ Fishing vessels taking fish directly to ports abroad are required to provide a report on their catch to the relevant customs office in Iceland. The new Customs Law allows exporters selling small goods by mail order to send a simplified export report to the Customs Office after the export has taken place.⁵⁰ According to the authorities there are no registration requirements applied to exporters.

90. According to Act 66/2002, a fee of ISK 500 should be paid for every horse exported into a fund established with the purpose of protecting the species. The authorities stressed that this fee is not collected by the Directorate of Customs.

⁴⁹ Customs Law No. 55/1987, Chapter 8 and Customs Law No. 88/2005, Chapter 19.

⁵⁰ Customs Law No. 88/2005, Chapter 19, article 141.

(ii) Export quotas, prohibitions, restrictions, and licensing

91. Export restrictions, prohibitions, and licensing apply in a number of cases (Table III.7). In addition, Iceland is a participant in the Australia Group.⁵¹

Table III.7
Export prohibitions and export licensing requirements, March 2006

Product	Legislation	Nature of restriction
Narcotics	Narcotics Act No. 65/1974	Export prohibition
Ozone-depleting substances	Regulation No. 586/2002 on Ozone Depleting Substances	Export prohibition (with some exceptions, for example, export for the purposes of waste disposal or recycling. Export to non-signatories of the Montreal Protocol (1987) is prohibited in all cases)
Consumer goods that are a danger to health	Act on Product Safety No. 134/1995	Export prohibition
Wild animals and parts of wild animals, as well as eggs	Act on Protection and Hunting of Wild Birds and Animals, No. 64/1994	Minister for the Environment shall in a regulation stipulate on the import and export of wild animals and their parts, as well as eggs
Live horses	Law on the Export of Horses No. 55/2002	Exports require a special certificate to be granted from an official veterinarian and from the Farmer's Association.
Antiques and objects of historical value	Law on Export of Cultural Goods, No. 105/2001	Exports require a special licence to be granted from the Museum's Committee
Natural artefacts, micro-organisms and their DNA	Law on the National Institute for National History, No. 60/1992	Exports require a special licence from the Icelandic Institute for Natural History
Arms and related equipment	Weapons Act No. 16/1998	Exports require a licence from the National Commissioner of the Police
Exports of importance for warfare or necessary for the production of weapons (both substances and equipment)	Regulation No. 070/1993 on Export Licences	Exports require a licence from the Ministry of Foreign Affairs
Plants and plant products	Regulation No. 189/1990	Exports require a special health certificate from the Agricultural Research Institute

Source: Icelandic legislation.

(iii) Duty and tax concessions

92. Iceland does not provide income tax deductions to businesses contingent on exports. The VAT is zero-rated on exports of goods and defined services.

93. The Minister of Agriculture may authorize the duty on imported agricultural goods to be waived or refunded if such goods are being imported for processing and export, although the authorities indicate that this scheme is no longer in use.⁵² Iceland maintains no general drawback mechanism.

94. Under Regulation 535/2003, on price equalization for export goods made from agricultural raw materials, the Ministry of Agriculture can authorize the Customs Office to refund the exporter the difference between the cost of raw materials in the international and domestic market. The exporter must apply to the Ministry for such an authorization. The refunds for different categories of

⁵¹ The Australia Group aims to allow exporting or transshipping countries to minimize the risk of assisting chemical and biological weapon proliferation. The Australia Group online information. Available at: www.australiagroup.net.

⁵² Customs Law No. 1987/55, Article 6.3 (as amended by Act No. 134/2003), and Customs Law No. 88/2005, Article 7.3.

agricultural goods are set out in the regulation. According to the authorities, in 2005 just over ISK 3 billion was refunded. Producers of lamb meat are obliged to export a certain percentage of their annual production (Chapter IV(2)).

95. Under the Customs Law the establishment of free zones may be authorized.⁵³ Only one company has been authorized to operate in a limited manner under this regime.

(iv) Export promotion, finance, insurance, and guarantees

96. In its latest notification to the WTO, Iceland indicated that for the years 2000-02, it did not provide subsidies in agriculture contingent upon exportation.⁵⁴

97. According to the authorities, in practice there is very little by way of government export finance available to Icelandic businesses, the only source being the New Business Venture Fund. New Business Venture Fund⁵⁵, which runs an Export Credit Guarantee Department. According to the Act No. 60/1997, on the New Business Venture Fund the role of the Department is to, among other things: insure loans granted by credit institutions to domestic manufacturers or service providers for export loans granted to foreign purchasers; to sell insurance guarantees for services provided by Icelandic parties abroad, and to underwrite project guarantees made by domestic parties in connection with certain projects; and to insure investments by domestic investors abroad or equipment sent abroad against political risk. The scheme is run on a cost-recovery basis.

98. The operation of the Export Credit Guarantee Department was strengthened in 2002 by a contract it signed with the New Business Venture Fund, and its Product Development and Marketing Department, the Federation of Icelandic Industries, and the Ministry of Industry. Under this agreement, each of the signatory parties agreed to deliver an annual ISK 2 million contribution to the cooperative venture, with a provision that if premiums are higher than operating expenses, then parties' contributions would be reduced. The agreement was renewed for three years in 2005. The value of this agreement is ISK 26.25 million (during the three years) and is to cover the cost of running the department.⁵⁶

99. The Trade Council of Iceland⁵⁷ helps Icelandic companies to sell their products, services, and know-how in the international marketplace. The Council has a seven-member executive board appointed by the Minister for Foreign Affairs, comprising business leaders from all sectors of the economy. The Council employs a total of 20 staff and hires independent project managers overseas. The Trade Council is organized into five main service areas: information services, consultancy services, training, trade fairs and market development. In 2005 the Invest in Iceland Agency became a part of the Trade Council. The Overseas Business Services Office⁵⁸, a dependency of the Ministry of Foreign Affairs, in close cooperation with the Trade Council, assists Icelandic exporters, generally charging a fee. Assistance is mainly focused on providing information on a target market. The OBS maintains seven trade representatives, in the United States, Denmark, Germany, France, Japan, China, and Russia.

⁵³ Customs Law No. 1987/55, Articles 90 to 96, and Customs Law No. 88/2005, Articles 105 to 108.

⁵⁴ WTO document G/AG/N/ISL/22, 29 April 2003.

⁵⁵ New Business Venture Fund online information. Available at: www.nsa.is.

⁵⁶ The value of guarantees issued per year has been (in ISK): (i) for political risk, 44,949,894 in 2002, 46,251,202 in 2003, 0 in 2004, and 57,512,000 in 2005; for commercial risk, 44,949,894 in 2002, 1,057,067,509 in 2003, 20,962,313 in 2004 and 60,154,703 in 2005.

⁵⁷ Trade Council of Iceland online information. Available at: www.icetrade.is

⁵⁸ The Overseas Business Services Office online information. Available at: (www.obs.is) www.vur.is.

100. Law No. 3/2003 on Public Support to Scientific Research established the Innovation Centre (IMPRA), which is operationally linked to IceTech.⁵⁹ This centre, *inter alia*, provides advice to SMEs on export planning. IMPRA cooperates with other parties such as the New Business Venture Fund.

101. An export market promotion programme called Iceland Naturally has been developed to promote Icelandic tourism and products in the United States and Canada.⁶⁰ The Icelandic Government pays 70% of the costs of the promotional activities the rest is paid by the participating Icelandic companies.

(4) MEASURES AFFECTING PRODUCTION AND TRADE

(i) Legal framework for businesses

(a) Types of business

102. The main types of business structure in Iceland as well as fees and selected requirements are outlined in Table III.8. According to the Icelandic authorities, the most common and economically significant business structure is the limited liability company.⁶¹ Information on Iceland's foreign direct investment regime can be found in Chapter II.

103. According to the authorities, Icelandic company law is in line with the relevant provisions of the EEA Agreement.⁶² An application to establish a company is generally handled in a day.⁶³

Table III.8
Principal business structures, responsible agencies, and selected requirements, 2006

Type of business	Agency of registration	Registration fee	Selected rules and requirements	Taxation
Private limited company ^a	Register of Limited Companies ^b (hlutafélagaskrá)	ISK 82,500 registration fee ISK 5,000 (for identity number from Director of Internal Revenue) ISK 4,980 (inc. VAT) for publication of notification of registration in <i>Legal Gazette</i>	Governed by Act No. 138/1994 respecting private limited companies A single party may establish a private limited company and be a shareholder Minimum share capital requirement of ISK 500,000; liability is limited to share capital Limitations apply to payment of dividends; granting of loans to shareholders is prohibited	Income tax 18%

Table III.8 (cont'd)

⁵⁹ Ictec online information. Available at: www.iti.is.

⁶⁰ Iceland Naturally online information. Available at: www.icelandnaturally.org.

⁶¹ Invest in Iceland Agency (2004).

⁶² Ministries of Industry and Commerce "Company Law General Rules for Business Formation in Iceland". Available at: <http://eng.idnadarraduneyti.is/laws-and-regulations/nr/1189>.

⁶³ Invest in Iceland Agency (2004).

Type of business	Agency of registration	Registration fee	Selected rules and requirements	Taxation
Public limited company ^a	Register of Limited Companies ^b (hlutafélagaskrá)	ISK 165,000 registration fee ISK 5,000 (for identity number from Director of Internal Revenue) ISK 4,980 (inc. VAT) for publication of notification of registration in <i>Legal Gazette</i>	Governed by Act No. 2/1995 respecting public limited companies Minimum of two founders, two shareholders, one manager and three persons on board of directors Minimum share capital requirement of ISK 4 million; liability is limited to share capital	Income tax 18%
Co-operative society	Register of Co-operative Societies ^b (samvinnufélagaskrá)	ISK 165,000 registration fee ISK 5,000 (for identity number from Director of Internal Revenue)	Minimum 15 founders Liability of members limited to the payment of a membership fee and share of ownership of society's funds	Income tax 18%
Partnership	District Commissioner (sýslumanour)	ISK 55,000 fee ISK 5,000 (for identity number from Director of Internal Revenue) ISK 1,868 (inc. VAT) for publication of notification of registration in <i>Legal Gazette</i>	Liability of members of partnerships is generally unlimited	Income tax on the company 26%
Individual firm	District Commissioner (sýslumanour)	ISK 44,000 registration fee ISK 5,000 (for identity number from Director of Internal Revenue) ISK 1,868 (inc. VAT) for publication of notification of registration in <i>Legal Gazette</i>	Individual's liability is unlimited	Individual income tax total of 37.73% in 2005 (24.75% (for income in 2004) plus municipal tax of 12.98%) ^c

a Provisions on branches are similar for both types of company except that disclosure requirements are stricter for the public limited companies, and private limited companies have to inform, upon establishment, whether there are one or more shareholders.

b Both the Register of Limited Companies and the Register of Cooperative Societies are operated by the Director of Internal Revenue.

c A phased 4% reduction of the personal income tax is being implemented over the period 2005 to 2007.

Source: Ministries of Industry and Commerce, Iceland.

104. Operating licences are required for a number of industries and services and are issued on the basis of different acts and regulations, many of which have been adopted to implement EU regulations. Operating licences for polluting activities are based on the Public Health and Control Act (Act No. 7/1998 and Regulation 785/1999) and various regulations, while operating licences for sanitary and health practices are based on Act No. 7/1998 and Regulation 941/2002. Services requiring such licences include public baths, sports halls, schools, kindergartens, guesthouses, bars and night clubs, salons, social and health institutions, and both public institutions and private companies. The Foodstuffs Act (93/1995) requires operating licences for the production and distribution of foodstuffs.

(b) Taxation

105. According to Invest in Iceland Agency, over the last few years efforts have been made to make the Icelandic tax system simpler, to reduce tax rates, broaden the tax base and conclude more double taxation treaties with a view to increasing the competitiveness of Icelandic corporations and attract foreign investors. Taxes on the main types of company structure are outlined in Table III.8.

106. Significant changes to fiscal policy over the review period include the reduction of corporate income tax from 30% to 18%, which came into effect on 1 January 2002. In addition the net wealth tax of 0.6% on net capital (for both business and individuals) was abolished on 31 December 2005.

107. Corporations resident in Iceland are subject to Icelandic corporate income tax (18%) on their worldwide profits. Interest income is taxable and capital gains taxes are levied at the corporate rate, including on disposal of shares. A deduction enjoyed by Icelandic corporations paying out dividends has been abolished. Dividend payments by a resident limited company to another resident limited company are now subject to a 10% withholding tax, withheld at source. Taxes withheld are credited against the assessed income tax.

108. Corporations not resident in Iceland are taxed on their income from Icelandic sources at the corporate income tax rate (18%). Withholding taxes on dividend payments and royalty payments to non-resident companies are levied at 15% and 18% respectively.

109. Companies may be subject to an industrial fee of 0.08%, on all operating income; it is assessed on all industrial activities carried out by individuals, corporations, and other taxable entities.

(ii) Competition policy

110. Iceland has a national competition regime and must also apply the EEA Agreement competition rules. EEA and national competition legislation run in parallel. The EEA competition rules apply where restrictive practices may affect trade between EEA Contracting Parties, and national decisions should not jeopardise the proper functioning of the EEA Agreement. This, however, does not preclude Iceland from adopting stricter national laws within its own territory. Iceland has also subscribed to competition provisions within the context of the EFTA Convention and in each of EFTA's free-trade agreements with third countries.

111. Iceland has undertaken a number of pro-competitive reforms in the banking, telecommunications, and energy sectors since the early 1990s. As reported by the OECD, these reforms were largely stimulated by dissatisfaction with economic performance and obligations under the EEA and the WTO.⁶⁴

112. Iceland's competition regime is under the authority of the Minister of Commerce. There have been several changes to the regime over the review period, chiefly in 2000 and 2005, following on from a comprehensive overhaul of the system in 1993 (Law 8/1993).

113. In December 2000, amendments were made to the Competition Law with a view to bringing Iceland's national competition rules into greater conformity with those of the EU. As noted by the OECD, the main changes included: clarifying procedures on merger cases and extending the period for handling them; new powers vested in the Competition and Fair Trade Authority (CFTA) to temporarily postpone a notified merger during an investigation; bolstering of the CFTA's powers with

⁶⁴ OECD (2005a).

respect to public sector undertakings; and further clarification on the provision on fines, which allowed the CFTA to take into account the guilty undertaking's will, or lack thereof, to cooperate.⁶⁵

114. A new Competition Act came into force in 2005 (Act No. 44/2005) to strengthen the competition authority and its supervision responsibilities. The Act established a new Competition Authority (CA); the CFTA and the Competition Council were dissolved. The CA now focuses on competition cases; unfair trade practices and market transparency are now the responsibility of the Consumer Agency (see Chapter III(viii)). The CA Board, appointed by the Minister of Commerce, is responsible for supervising the Authority's activities and operations and major decisions are submitted to the Board for approval or rejection. Under the new Competition Act the Minister of Commerce appoints only the Board of the CA, which in turn appoints its Director-General. Other changes brought about by the new Act were: clearer permission to the CA to evaluate whether cases submitted to it give adequate grounds for investigation; a clearer focus on management and ownership links between undertakings; clearer permission to demand structural changes of a company or public entity; and revocation of a provision that permitted the Competition Council to take measures against circumstances detrimental to competition. In addition, the CA may now apply both Icelandic Law and Articles 53 and 54 of the EEA Agreement.

115. The CA coordinates its work with sectoral supervisors. There is a division of tasks between the CA and the Financial Services Authority; a cooperation agreement has been reached between the Competition Authority and the Post and Telecoms Administration, and one is envisaged with the authorities in the energy sector.

116. Iceland prohibits anticompetitive agreements and practices by undertakings⁶⁶, where the aggregate market share of participants exceeds certain percentage thresholds. It also prohibits associations of undertakings⁶⁷ from deciding to impose restrictions on competition or advocating restrictions prohibited under the Law. Exemptions to these prohibitions may be granted by the CA, however, no exemptions have been granted recently. Iceland also prohibits the abuse of dominant market position. As observed by the OECD, preventing abuse of market dominance is a challenging task for Iceland given the size of the economy, which, for efficiency reasons, may lead to high concentrations in many markets.⁶⁸

117. The CA must be notified of mergers whereby the total turnover of the undertakings in question is ISK 1,000 million or more. The CA must notify undertakings, within a set deadline, if it has reason to investigate the merger's competitive effects. The CA has the authority to set conditions for mergers, and, under certain conditions, may also annul mergers after they have been concluded if it is deemed that they obstruct effective competition.

118. Icelandic legislation provides certain exemptions for agricultural producers, whereby dairy production centres may cooperate to bring down the costs of production, storage, and distribution. In addition, mergers are not subject to scrutiny of the CA as other sectors. The CA participated in a joint

⁶⁵ OECD (2000).

⁶⁶ Undertakings are defined as "individuals, companies, public parties or other entities engaged in economic operations".

⁶⁷ A group of undertakings is defined as "undertakings connected by an ownership structure characterized by one undertaking owning a share in another undertaking or undertakings large enough to confer on it the majority of voting rights" as well as "an undertaking where the parent company and subsidiary, or one or more subsidiaries, together have enough shares or holdings to control the majority of voting rights".

⁶⁸ OECD (2005b), p. 7.

report with other Nordic competition authorities on Nordic food markets, which was issued in 2005.⁶⁹ In addition, the Prime Minister recently appointed a committee to look into high prices in the Icelandic food market. According to the authorities, this committee is expected to provide a report in June 2006 in order that a bill of law may be presented to Parliament in the autumn.

119. Between 2000 and 2005, approximately 300 cases were handled annually by the former CFTA and former Competition Council; around half concerned competition matters, and the other half concerned unfair trade practices. Of the 194 decisions taken by the Competition Council, 105 led to interventions; in other cases the claims were rejected or the case was overruled. In addition, the Council addressed 15 decisions to public authorities, requesting them to reveal restrictions on competition. During the period, the Competition Appeals Committee took an average of 15 decisions annually. Cartels, abuse of dominant position, and public restriction on competition have constituted the most important cases in recent years. Fines have been imposed and orders issued in relation to cartel cases. In some cases concerning abuse of dominant position fines have been imposed. In other cases, orders have been issued to undertakings and public authorities.

120. In October 2004, the Competition Council imposed administrative fines of ISK 2.6 billion on four petroleum companies; the case has now been taken to the district court. The Council also took action against cartel agreements in professional services, insurance, and distribution of fruits and vegetables. The latter case resulted in a fine of ISK 47 million. The Competition Council issued an opinion (2/2001) on the competition-hindering provisions in laws and regulations on the import of vegetables, following which a decision was taken to reduce tariffs on some imported vegetables.⁷⁰

121. The competition rules within the EEA are to ensure equal competitive conditions within participating member states and as such EEA competition rules reflect the Community *acquis* in this area. The cornerstones of the EEA competition regime are: Article 53, which prohibits agreements and practices that may distort or restrict competition; Article 54, which prohibits the abuse of dominant market position; and Article 57, which relates to control of large mergers and other concentrations of undertakings that may create or strengthen a dominant position and consequently impede effective competition.

122. Authority for dealing with competition investigations is with the CA, the European Commission or the EFTA Surveillance Authority, depending on the case, but the "one stop shop" principle means that a case is never considered by both the European Commission and the EFTA Surveillance Authority, although there is close cooperation between the two bodies. Cooperation includes, *inter alia*, certain access rights to documents and the right to comment formally at various stages in the process as well as consultations on attribution of jurisdiction. The basic rule is that the European Commission has responsibility for cases falling under EU competition rules affecting trade between EU States; the EFTA Surveillance Authority has responsibility for cases where there is only an effect on trade between participating EFTA states. In cases affecting trade between the EU and one or more participating EFTA State responsibility is allocated according to the relative importance of the turnover of the undertakings concerned.

123. The EFTA Convention and the FTAs negotiated between the EFTA and third parties contain competition policy provisions. Parties to these agreements recognise that anticompetitive agreements and practices as well as abuse of dominant position are incompatible with the respective agreements.

⁶⁹ Report from the Nordic competition authorities (2005), "*Nordic Food Markets: A taste for competition*" (No. 1/2005) (ISBN: 87-7029-345-7). Available at: <http://www.ks.dk/english/publications/2005/foodmarket>.

⁷⁰ Laubach and Wise (2005).

In most cases, consultations are provided for, which may be followed by safeguard actions. There have been no such cases involving Iceland or Icelandic companies since 2000.

124. Cooperation on competition policy also exists between Nordic countries. A joint report on the retail banking sector will be issued in late 2006 as this is an area where there are oligopoly issues in all Nordic countries as well as some entry difficulties. An annual meeting is held between the Nordic competition authorities (Denmark, Finland, the Faroes, Greenland, Iceland, Norway, and Sweden) to discuss experiences matters of common interest. In addition, in 2000, the competition authorities of Iceland, Norway and Denmark signed an agreement on exchange of confidential competition-related information, to facilitate the identification of cartels and merger enquiries. Sweden signed the agreement in 2003. Iceland is also a member of the International Competition Network.

(iii) Incentives and other government assistance

(a) Tax deductions and incentives

125. While there has been a trend towards reducing taxation rates on both individuals and businesses, various tax incentives still exist in Iceland.

126. Deductions for resident companies include: operating expenses, research and development costs (including market research costs and lawyers and accountants fees relating to the establishment or expansion of an enterprise). There are a number of depreciation allowances for buildings and other structures, defined by tax regulations. Capital gains from the sale of shares may be deferred if others are purchased. Operating losses may be carried forward for ten years, although carry backs are not permitted. There are certain provisions for unilateral relief of foreign taxes paid. Additional relief of various kinds may be provided through the terms of double taxation treaties.

127. Iceland has concluded double taxation treaties with: Belgium (2004); Canada (1998); China (1998); the Czech Republic (2001); Denmark (1998); Estonia (1996); Faroe Islands (1998); Finland (1998); France (1992); Germany (1968); Greenland (2003); Ireland (2005), Latvia (1996); Lithuania (2000); Luxembourg (2002); the Netherlands (1998); Norway (1998); Poland (2000); Portugal (2003); Russia (2004); the Slovak Republic (2004); Spain (2003); Sweden (1998); Switzerland (1990); the United Kingdom (1992); the United States (1976) and Viet Nam (2003). In addition a joint treaty is in force between the Nordic countries. In 2005, double taxation treaties were completed with Greece, Croatia, Mexico, and the Ukraine; these are being translated and finalized. Treaties with Austria and Korea await signature; treaties with Italy and Malta await ratification. A treaty with Hungary will take effect at the beginning of 2007. Negotiations on tax treaties are under way with India, Slovenia, and Romania.⁷¹

(b) Support programmes

128. Since the previous Review of Iceland, there have been few changes to its main support programmes provided and notified to the WTO, although levels of funding to certain programmes have changed (Table III.9).

⁷¹ Ministry of Finance web release of February 16th 2006. Available at: <http://eng.fjarmalaraduneyti.is/edia/wwr2006/wwr-160206.pdf>.

Table III.9
Support programmes (excluding agriculture), 2006

Programme	Administering Agency	Objective	Subsidy provided (data for most recent year)
Research Fund	RANNÍS	Support scientific research in Iceland based on the policy direction laid out every three years by the Science and Technology Policy Council	ISK 254.2 million new projects in 2005, and ISK 229.1 million continuation of projects in 2005
Equipment Fund	RANNÍS	Supports the purchase of expensive research equipment based on the policy direction laid out every three years by the Science and Technology Policy Council	ISK 166 million in 2004
Graduate Training Fund	RANNÍS	Supports post-graduate studies in science and technology based on the policy direction laid out every three years by the Science and Technology Policy Council	ISK 58 million in 2005
Technology Development Fund	RANNÍS	Under the auspices of the Minister of Industry and Commerce, the main objective is to strengthen development work and research in the field of technological development that aims at innovation in the Icelandic economy. The Technology Development Fund finances innovation projects in accordance with the policy of the Science and Technology Policy Council	ISK 340 million in 2005
Specific Programme on Nanotechnology & Nanoscience & Post-genomic Biomedicine	RANNÍS	The main objective is to strengthen Icelandic research, to group available knowledge in the respective fields and to find new ways of application. Collaboration between companies, research institutes and universities, nationally and internationally, is aimed at. The programme was initiated by the STPC and operates according to its policies	ISK 90 million in 2005
Fisheries Project Fund	Ministry of Fisheries	Supports research innovation and monitoring in the area of fisheries	ISK 140 million estimate 2005
Research Fund to Increase the Value of Sea Produce	Ministry of Fisheries	Supports applied research projects that aim to increase the value of sea produce and the competitiveness of the fishing industry. Grants are given to all areas of fisheries and fish farming	ISK 200 million in 2005
Vocational Training Fund	Directorate of Labour under the Ministry of Social Affairs	Maintain and develop vocational skills	ISK 58.1 million in 2004
Employment Opportunities for Women in Rural Areas	Directorate of Labour under Ministry of Social Affairs	Create new jobs among women, particularly where there is high female unemployment	ISK 23.3 million in 2004
Vocational Rehabilitation & Employment of Disabled Persons	Ministry of Social Affairs	Rehabilitation of disabled persons through gross wage subsidies to rehabilitation centers	ISK 227.3 million in 2004
Job Creation Initiative	IceTec, under the Ministry of Industry and Commerce	Foster knowledge and competence of entrepreneurs and small and medium-sized enterprises in areas such as management, finance, product development, marketing, and innovation. Through the IMPRA programme, the IceTech supports and provides grants to innovative projects	ISK 162 million in 2004
Vocational Training in the Fishing Industry	Ministry of Fisheries	Promotion of quality awareness and quality of working life	ISK 12 million in 2005

Table III.9 (cont'd)

Programme	Administering Agency	Objective	Subsidy provided (data for most recent year)
Assistance to Development Projects Programme	Institute of Regional Development ^a	Assisting regional development through small project grants covering up to 40% of their costs (mostly product development, marketing, training, and feasibility studies)	ISK 54.3 million in 2005
Assistance to Local Economic Development Programme	Institute of Regional Development ^a	Assisting local economic development companies in providing counselling for small businesses in their area through grants of up to 50% of specified running costs of counselling operations	ISK 122.3 million in 2005
New Business Venture Fund (NBVF)	NBVF is an independent state-owned agency overseen by the Minister of Commerce	It is aimed at investing in innovative and pioneering firms from which it can expect substantial added value, profitability, and a good return. This is provided through equity contributions, loans, credit or guarantees. It covers investment projects in Iceland by Icelanders or foreigners, and investment made by Icelandic parties abroad. It has four main areas of activity: The Core fund represents the NBVFs equity as maintained and invested at any time and handles all general operation of the NBVF, its departments and funds. The Product Development and Marketing Department contributes to product development and marketing projects and the Export Credit Guarantee Department guarantees loans, claims, services, investments and equipment related to exports and activities by Icelandic parties overseas and participation in larger domestic projects	Government funds provided to the NBVF since its establishment in 1998 have amounted to around ISK 5.3 billion

a The Institute of Regional Development stopped taking in new applications for grants and loans at the end of November because of financial difficulties. The Government's decision on the future of the Institute is awaited.

Source: WTO Secretariat document G/SCM/N/95/ISL, 14 August 2003; New Business Venture Fund *Annual Report 2004*. Available at: <http://www.nsa.is>; and information provided by the Icelandic authorities.

129. With the exception of agriculture and fisheries, state aid and support programmes are generally not sector specific, but are applied across sectors to address market failure, build comparative advantage, tackle diseconomies of scale or problems in the labour market. Support is provided in areas such as research and development, development of small and medium-sized enterprises, training, market promotion, and job creation. State aid has been low, except for agriculture.

130. In 2003, there was an overhaul of the government focus on research and development with the overall objective of strengthening scientific research, scientific training, and technology development in Iceland in support of Icelandic cultural development and to increase economic competitiveness. New legislation adopted in this connection includes Law No. 2/2003 on the Science and Technology Policy Council; Law No. 3/2003 on Public Support to Scientific Research, and Law No. 4/2003 on Public Support to Technology Development and Innovation in the Economy. The STPC issues declarations for public policy on science and technology.

131. The Icelandic Center for Research (RANNÍS), reporting to the Ministry of Education, Science and Culture, provides operational support to the committees and funding bodies, to manage international connections, monitor the effects and impact of policies, and to provide advice to the STPC. The RANNÍS administers the Research Fund, the Technology Development Fund, the Instrument Fund, the Graduate Training Fund.

(iv) State trading, state-owned enterprises, and privatization**(a) State trading**

132. The State Alcohol and Tobacco Monopoly (ATVR) is the only enterprise in Iceland considered to be a state-trading enterprise in accordance with the provisions of GATT Article XVII.⁷²

133. The ATVR is governed by Act No. 63/1969 on the Sale of Tobacco and Alcoholic Beverages as amended. It is managed by a three-person Board of Directors appointed by the Minister of Finance and remains under the supervision of the Ministry of Finance. The ATVR imports, procures and distributes tobacco and tobacco products, manufactures snuff, and sells ethyl alcohol. It also operates retail outlets. ATVR does not import or export alcoholic beverages or sell them at wholesale level and it does not export tobacco products.

134. As reported in Iceland's previous Review, since 1995 the ATVR's monopoly rights have been limited to the retail distribution of alcoholic beverages, and wholesale of tobacco and tobacco products.

(b) State-owned enterprises and privatization

135. Central administration of privatization is in the hands of the Government and a Ministerial Committee on Privatization composed of the Prime Minister, the Minister of Foreign Affairs, the Minister of Finance and the Minister of Industries and Commerce. An Executive Committee on Privatization⁷³ which reports to the Ministerial Committee, prepares and coordinates privatization projects.

136. In February 1996, the Government agreed upon rules and procedures for the implementation of privatization.⁷⁴ These rules apply to enterprises sold, or intended to be sold, entirely or partly, by the Treasury, as well as shares in enterprises. Procedural requirements, *inter alia*, include: coordination with respect to employees rights; the conduct of a detailed review of potential effects of privatization and an assessment of its economic value; public announcement of intended sale; and a decision by the Ministry on the selling procedure to be applied. With respect to the sale of an enterprise, the rules stipulate that the offer that secures the best payment and the highest cash price shall be accepted, although offers liable to reduce competition may be rejected. Brokerage services must be tendered. Before state-owned enterprises are sold, all the special rights accruing to them must be abolished. The Ministry concerned may grant exceptions from these rules provided they are reported to the Government and thereafter to the public. It must also provide information to the media and other parties on the state of privatization projects in their field.

137. The Executive Committee on Privatization is involved, either directly or in providing advice, at all stages of the procedures. In addition, it is required to conduct surveys of state assets and submit proposals on government policy regarding their sale.

138. An extensive programme of privatization of state enterprises has been under way over the last fifteen years.⁷⁵ Previously, The Central Government's involvement in the business sector was extensive, and considered necessary given the small size of Iceland's economy. It included

⁷² WTO document G/STR/N/5/ISL, 1 October 1999.

⁷³ Also known as Task Force on Privatization.

⁷⁴ Prime Minister's Office Press Release No. 801 12 February 1996. Available at: <http://eng.forsaetisraduneyti.is/ministry/privatisation/mr/801>. These rules replace the rules of 12 October 1993.

⁷⁵ Central Bank of Iceland (2005a).

government ownership of factories producing fertilizer, cement, ferrosilicon, and pharmaceuticals as well as in shipping, airlines, energy production and distribution, financial services (responsible for more than 60% of domestic credit), broadcasting, telecommunications, and postal services. Privatizations over the last 15 years started with the Government disposing of some of its smaller assets, and more recently has covered major government assets in banking and telecommunications (Table III.10). The part or full privatization or divestiture of state assets in enterprises between 1992 and 2005 brought in a total of ISK 141.2 billion.⁷⁶ A comprehensive list of privatized enterprises is accessible on the website of the Prime Minister of Iceland.

Table III.10
Highlights of recent and prospective privatization, 2006

Year	Company sold	Share sold	Proceeds €million
1998 ^a	Icelandic Alloys Ltd (Ferro-silicon plant)	26.5%	13
	FBA Ltd. (Investment bank)	49%	58
1999	FBA Ltd (Investment bank)	Remaining 51%	126
	Búnadarbanki (Commercial bank)	13%	29
1999	Landsbanki (Commercial bank)	13%	43
2001	Iceland Telecom	2.7%	11
2002	Landsbanki (Commercial bank)	20% and 45.8%	200
2003	Búnadarbanki (Commercial bank)	45.8% and remaining 9.1%	170
	Landsbanki (Commercial bank)	remaining 2.5%	8
	IAV (contractors)	remaining 40%	24
2005 ^b	Iceland Telecom	98.8%	Approx. 921.5
2005	Agricultural Loan Fund	100%	36.6

a In addition in 1998 stock of 15% in both Landsbanki and Bunadarbanki was issued, raising €21 million and €14 million respectively.

b Updated information.

Source: Executive Committee on Privatization, cited in Central Bank of Iceland (2005a), *The Economy of Iceland 2004*.

139. As reported by the Central Bank of Iceland, the major state-owned enterprises remaining are: the postal service, large stakes in the production and distribution of electricity; the Housing Finance Fund; the Student Loan Fund and a few smaller financial institutions.

(v) Government procurement

140. Iceland acceded to the WTO Government Procurement Agreement in 2001⁷⁷, and in the same year it adopted a new law on Public Procurement⁷⁸, and a law on Public Projects Procedures. Subsequently, several implementing Regulations were issued (Table III.11). Up to early 2006, Iceland had not provided the statistical information mentioned in Article XIX:5 of the Government Procurement Agreement. In the context of this Review, the authorities indicated that they were setting up a system to collect the required data. The authorities indicated that the total value of government procurement in Iceland in 2005 was around ISK 85 billion.

⁷⁶ Prime Minister's Office online information. Available at: www.forsaetisraduneyti.is.

⁷⁷ GPA/43, 9 October 2000. The Agreement entered into force on 28 April, 2001 (WTO document GPA/48, 27 April 2001).

⁷⁸ The Public Procurement Act No. 94/2001.

Table III.11
National legislation on government procurement, 2006

Act No. 65/1993	On execution of tenders
Act No. 84/2001	On public projects procedures
Act No. 94/2001	On public procurement
Regulation No. 705/2001	On procurement procedures of entities operating in the water, energy, transport, and telecommunications sectors (amended by Regulation No. 654/2003)
Regulation No. 715/2001	On public projects procedures
Regulation No. 239/2003	On the use of standard forms in the publication of contract notices
Regulation No. 655/2003	On public procurement in the EEA
Regulation No. 1012/2003	On threshold figures in the field of public procurement
Parliamentary resolution	Membership to the WTO Government Procurement Agreement

Source: EFTA Surveillance Authority implementation status database; and WTO document GPA/69, 7 October 2002.

141. Public procurement in Iceland falls under the jurisdiction of the Minister of Finance. The State Trading Center (*Ríkiskaup*) is responsible for procurement of supplies and services in domestic and foreign markets for state institutions and corporations. Other entities responsible for government procurement are: Government Construction Contracts (*Framkvaemdasyðslan*); Public Road Administration (*Vegagerd ríkisins*) and the Icelandic Maritime Administration (*Siglingastofnun*).

142. According to the authorities, Public Procurement Act No. 94/2001 is designed to ensure a fair and competitive environment for procurement of goods and services and brings Iceland into conformity with its EEA and WTO obligations. The Act provides for equal treatment of bidders. Rights accrue to individuals and legal entities domiciled in any of the states of the EEA and individuals and legal entities who have such rights on the basis of international treaties to which the Icelandic Government is a party.

143. The Public Procurement Act applies to contracts made by public authorities⁷⁹, for the purchase of supplies, services and works. Certain types of service contracts listed in Annex 1B of the Public Procurement Act No. 94/2001 are exempted from the public-tender obligation. The provisions of the Act relating to complaints (Chapter XIII) and the validity of contracts and damages (Chapter XIV) apply to the contracts of institutions in charge of water supplies, power supplies, transport, and telecommunications.

144. Procurement above certain thresholds by the Icelandic Central Government must be put to tender. Title 2 of the Act No. 94/2001 outlines the rules, timeframes, and procedures for such tenders below the minimum thresholds for tendering in the EEA. There are various minimum thresholds for obligatory tendering applied at national level, and Iceland has committed to others in the context of its participation in the EEA and GPA (Table III.12).

145. Further conditions and limitations on the scope and coverage of Iceland's participation in the GPA are listed in the terms of Iceland's accession to the agreement.⁸⁰ These include: non-application of the Agreement to certain services sectors and subsectors, types of services contracts, and types of utilities contracts; non-application of certain benefits of the Agreement to specific parties to the GPA until such time as access conditions to these markets for Icelandic suppliers and service providers is improved; non-application of the Agreement to procurement of animal products made in furtherance of agricultural support programmes and human feeding programmes.

⁷⁹ Public authorities include state and local authorities, their institutions, and other public entities as defined in Article 3 of the Act.

⁸⁰ WTO document GPA/43, 9 October 2000.

Table III.12
Government procurement threshold values under national legislation and the EEA and GPA agreements, 2006

Legislation		Supplies	Services	Works
Iceland	State procurement by central government agencies	ISK 5,410,000	ISK 10,819,000	ISK 10,819,000
EEA	Procurement by central government agencies	ISK 13,422,320	ISK 17,430,000	ISK 435,750,000
	Procurement by local government agencies	ISK 17,430,000	ISK 17,430,000	ISK 435,750,000
	Procurement by utilities			
	- IT service and systems	ISK 47,481,612	ISK 47,481,612	ISK 396,680,100
	- Electricity, transportation, etc.	ISK 33,921,892	ISK 31,654,408	ISK 424,022,903
	Oil, gas, fuel, etc.	ISK 31,654,408	ISK 31,654,408	ISK 396,680,100
GPA	Procurement by central government agencies	130,000 SDR	130,000 SDR	5,000,000 SDR
	Procurement by local government agencies	200,000 SDR	200,000 SDR	5,000,000 SDR
	Procurement by utilities	400,000 SDR	400,000 SDR	5,000,000 SDR

a Certain services noted in Appendix 16 to the Public Procurement Act (No. 94/2001) are exempted.

b Work concession agreements are exempted.

Source: The authorities of Iceland.

146. Tenders may be open, restricted or, in certain circumstances, negotiated. The authorities indicate that in the vast majority of cases open tendering is used. In the case of restricted and negotiated tenders, a pre-qualification process must be applied to select parties invited to submit tenders, with a minimum of five participants in the case of the former and three in the latter. Tender documents must include all information necessary for the bidder to make a tender. Technical specifications must generally be in accordance with EEA standards, or the Icelandic standards that comply with these (Article 24). Tenders (whether open or restricted) must be advertised in a conspicuous manner, and time limits are stipulated (Table III.13). The State Trading Center advertises in Icelandic newspapers every Sunday.

Table III.13
Time periods for participating in government procurement tenders, 2006

Agreement	Time limit for submission of tenders in open procedures	Time limit for restricted or negotiated procedures
Public Procurement Act (applies to state procurement below EEA thresholds)	15 days (Article 36)	Receipt of request to participate: 15 days Submission of tenders: 10 days (7 days for accelerated process) (Articles 37 and 38)
GPA	40 days (may be reduced under certain circumstances) (Article XI)	Receipt of request to participate: 25 days Submission of tenders: 40 days (may be reduced under certain circumstances) (Article XI)
EEA	52 days (may be reduced under certain circumstances to 36 days or a minimum of 22 days) (Article 64)	Receipt of request to participate: 37 days Submission of tenders: 40 days (may be reduced to 26 days under certain circumstances) Shorter time periods apply for receipt of request to participate as well as for submission of tenders (may be reduced for urgent contracts: to 15 days and 10 days respectively)

Source: The Icelandic Public Procurement Act No. 94/2001; and WTO Agreement on Government Procurement.

147. As outlined in Article 50, the most advantageous tenderer should be selected, defined as the one with the lowest price (including taxes and tariffs) or that best fulfils the needs of the contracting party according to the criteria laid down in the tender documents. An evaluation model is used and is available to all suppliers. Tenderers must be notified of the results of a tender or prequalification as soon as possible.

148. For all tenders advertised at the EEA level, notices must be sent to the Publications Directorate of the European Communities for publication. Contracting authorities to the EEA Agreement are also required as early as possible during each financial year to estimate total procurement of relevant services, supplies or work for the ensuing 12 months. If contracting authorities are intending to publicly purchase in excess of threshold amounts they must indicate their intention at that time. When a contract has been concluded as a result of tender in the EEA, notification must be made of the results. Notifications of total procurement, individual procurements, and contract are published in the *Official Journal* of the European Union.

149. Complaints are handled by an independent Tender Complaints Committee, composed of three persons appointed by the Minister of Finance.⁸¹ Complaints must be sent, in writing, to the Committee within four weeks of the complainant having learned of a possible violation of his/her legal rights, along with the requisite documentation and information on the case. Further documentation or information may be requested by the Committee. The Committee must deliver its ruling no longer than one month after it receives the documents required to evaluate the case. The Committee may order a temporary suspension of contract procedures.

150. Among the remedies available, the Committee may invalidate or alter a decision by the contracting authority for public procurement, provided the contract has not already been concluded. If such a ruling is not complied with, the Committee may levy fines of up to ISK 500,000 per day. The Committee may instruct the contracting authority to tender certain procurement, advertise a tender again or alter a tender or an aspect of tender documents. It may rule that the party against whom a complaint is directed shall pay the cost of lodging the complaint. Launching a challenge procedure is free of charge. If the Committee, however, finds the complaint is clearly unjustified or designed to delay implementation of public procurement, it may require the complainant to pay the legal costs of the case. Rulings and decisions of the Committee are subject to judicial review before the national district courts and the Supreme Court.

151. As reported by the EFTA Surveillance Authority, Iceland has implemented its EEA obligations in the area of government procurement.⁸²

152. Under the EEA Agreement, procurement above the given thresholds (see Table III.12) for all public bodies, including municipalities, their associations and bodies, enterprises or any public entity where the majority of the board is appointed by public sector bodies, must be put up for tender in the EEA. Exceptions to this requirement are made for bodies engaged in business or industry, provided they are not engaged in water supply, energy supply, transportation or telecommunications.

153. According to the authorities, while tenders are usually submitted in Icelandic, they are submitted in English for large procurements, for example within the EEA.⁸³

154. Between January 2000 and end 2005, over 1,200 tenders had been issued at the European level.⁸⁴

155. Each of EFTA's agreements with third countries contains provisions on government procurement. In many cases, these contain language to the effect that parties not already signatory to

⁸¹ The Public Procurement Act, No. 94/2001, Chapter XIII.

⁸² EFTA Surveillance Authority online information. Available at: www.eftasurv.int.

⁸³ WTO document GPA/69.

⁸⁴ Tenders Electronic Daily online information. Available at: <http://ted.publications.eu.int>.

the WTO Agreement on Government Procurement shall endeavour to accede to it.⁸⁵ In the meantime, some agreements specify that the respective parties will elaborate rules on and liberalization of government procurement within the framework of the Joint Committee. In addition, a number of the agreements provide that if a party grants to a non-party additional benefits with regard to the access to its procurement markets, it shall agree to enter into negotiations with a view to extending these benefits to another party on a reciprocal basis. In the respective agreements between EFTA and Croatia and Israel, parties agreed to work towards liberalization of public procurement markets beyond levels provided for in the WTO GPA.

(vi) Intellectual property rights

156. Iceland has notified its contact points under Article 69 of the TRIPS Agreement to the Council for Trade-Related Aspects of Intellectual Property. These are the Ministry of Education, Science and Culture for copyright and related rights, and the Icelandic Patent Office (Einkaleyfastofan) for industrial property (other TRIPS-related questions).⁸⁶ Iceland's legislation on intellectual property (IP) has been reviewed in the TRIPS Council.⁸⁷

157. Iceland is a member of the World Intellectual Property Organization (WIPO) and a signatory to a number of international agreements on intellectual property rights (Table AIII.2). Since its previous Review, Iceland has acceded to the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs.

158. According to the Icelandic authorities, Iceland has implemented all EU regulations and directives, as required by its membership of the EEA. Its legal framework for IPR is equivalent to that in other industrialized European countries.⁸⁸ On 1 November 2004, Iceland acceded to the European Patent Convention.

159. Iceland has made IPR commitments in the context of the EFTA Convention and through each of EFTA's free-trade agreements with third parties. While specific provisions vary between respective agreements, most include: agreement among parties to ratify or adhere to certain international conventions; certain substantive provisions, which include affording effective protection of geographical indications through national legislation; and provisions on acquisition, maintenance, and enforcement of intellectual property rights, *inter alia*, to ensure that procedures are not unnecessarily complicated and costly, and do not entail unreasonable time limits or unwarranted delays.⁸⁹

160. Ratification of the WIPO Copyright Treaty and WIPO Performances and Phonogram Treaty is coordinated throughout the EEA with the transposition of Directive 2001/29/EC. The Directive became law on 28 February 2006 and ratification of these treaties will soon follow. The International Convention for the Protection of New Varieties was scheduled to be ratified by Iceland in early 2006.

⁸⁵ This is the case for agreements between EFTA states and Bulgaria, Croatia, Jordan, Macedonia, Romania, and Turkey.

⁸⁶ WTO document IP/N/3/Rev.7, 19 August 2003.

⁸⁷ The relevant WTO documents are: copyright IP/Q/ISL/1, 21 November 1996; Designs IP/Q2/ISL/1, 21 January 1997 and IP/C/W/39, 14 October 1996; geographical indications (14 October 1996; IP/Q2/ISL/1, 21 January 1997; IP/C/W/117/Add.15, 10 March 1999; IP/C/W/117/Add.15/Suppl.1, 15 March 1999); Layout designs of integrated circuits IP/Q3/ISL/1, 5 December 1997; patents (IP/C/W/73, 3 July 1997; IP/Q3/ISL/1, 5 December 1997; IP/C/W/125/Add.19, 17 July 2000); trade marks IP/Q2/ISL/1, 21 January 1997; and IP/C/W/73, 3 July 1997.

⁸⁸ The Icelandic Patent Office.

⁸⁹ For the legal texts of these agreements see EFTA online information. Available at: <http://www.secretariat.efta.in/web/legaldocuments>.

161. Iceland has adopted three new IPR-related laws over the review period: the Design Protection Act (2001); the Act Respecting Collective Marks (2002) and the Act respecting Employees' Inventions (2004). In addition, the Patents Act has been amended six times, the Design Act twice, the Trademark Act twice (2000 and 2004), and the Copyright Act was amended in May 2000 (Table III.14).

Table III.14
Summary of main IPR legislation, 2006

National legislation	Responsible ministry/agency	Coverage	Term of protection
Patents			
The Patents Act No. 17/1991 (as amended by Acts No.: 67/1993; 36/1996; 91/1996; 132/1997; 28/2002; 72/2003; 22/2004; 53/2004; 54/2004 and 12/2005)	Icelandic Patent Office (under Minister of Industry)	Any inventions, in any field of technology, which are susceptible of industrial application (includes legal protection of biotechnical inventions) ^b	20 years from date of filing of application; a supplementary protection for pharmaceutical products and agrochemicals, extending patent protection up to 25 years ^a
Designs			
Design Protection Act No. 46/2001 (as amended by Acts No. 76/2002; 54/2004)	Icelandic Patent Office (under Minister of Industry)	New designs with an individual character	One or more five-year periods from the date of filing; renewable for five-year periods to a maximum of 25 years of protection
Copyright			
Copyright Act No. 73/1972 (as amended by Acts No. 78/1984; 57/1992; 145/1996; 60/2000)	Minister of Culture and Education (advised by Copyright Committee)	Literary and artistic works, maps, drawings, mouldings, models and other similar devices that present information or explanations on subjects (inc. computer programs)	Author's life plus 70 years from the end of the year of the authors death or last surviving author for a collective work; for anonymous works, 70 years from end of year in which they were publicly presented 50 years from the end of the year in which the performance was made Exclusive right to special protection for producers of lists, tables, forms, databases, or similar works that contain a substantial collection of information or are the result of considerable investment; protection is for 15 years from the end of the year in which the work was produced or from the end of the year in which the database is deemed to be made accessible to the public (applies to nationals of, or persons domiciled in, EEA countries) Under certain conditions, shorter periods for protection (five years) apply to certain composite works, consisting of selections from works by many authors and compiled for use in religious services, classroom instruction or educational broadcasting
Trade Marks			
Trade Marks Act No. 45/1997 Act Respecting Collective Marks (2002)	Icelandic Patent Office (under Minister of Industry)	Includes any visible sign to distinguish goods or services	From the moment the application for registration is submitted and for ten years from the date of registration; Renewable for periods of ten years, indefinitely

Table III.14 (cont'd)

National legislation	Responsible ministry/agency	Coverage	Term of protection
<p>Layout designs of integrated circuits Act No. 78/1993 concerning the protection of topographies of integrated circuits on semiconductors (amended by Act No. 19/1995 concerning the protection of topographies of integrated circuits on semi-conductor products)</p>	<p>Icelandic Patent Office (under Minister of Industry)</p>	<p>Design of topography of integrated circuits</p>	<p>Exclusive rights for the exploitation of topographies of integrated circuits of semiconductors for ten years from the calendar year when the topography was first commercially exploited anywhere in the world</p>

- a This stems from Iceland's participation in the EEA and its obligation to implement Council Regulation 92/1768 concerning the creation of a supplementary protection certificate for medicinal products and Regulation 96/1610 of the European Parliament and of the Council concerning the creation of a supplementary protection certificate for plant protection products.
- b Stems from Iceland's implementation of Directive 98/44 of the European Parliament and of the Council on the legal protection of biotechnical inventions. This was adopted.

Source: Icelandic national legislation.

(a) Copyright

162. The Minister for Education, Science and Culture is ultimately responsible for copyright issues. A Copyright Committee comprising five people is appointed by the Minister, for a four-year term. The Copyright Act also provides for the creation of a Copyright Council, which is to be informed of and discuss questions concerning copyright of current interest. This Council has not yet been appointed (as at February 2006).

163. Iceland notified the Copyright Act (with amendments up to 1992) to the WTO in July 1996⁹⁰, and an updated list of other laws and regulations pertaining to copyright and related rights in May 1997.⁹¹

164. Icelandic copyright legislation was amended in 2000. The changes included: clarification that databases are considered as composite works and hence subject to copyright protection (Article 6); a prohibition on the electronic reproduction of readable copies of databases and an extension and clarification of the rules regarding compensation to authors of works that have been issued on an audio or video recording (Article 11); a provision allowing for back-up and security copies to be made of computer programs, notwithstanding the general prohibition on copying of computer programs (Article 11a); a time-limit on claims for fees paid to the visual artists' copyright fund in the absence of an identified legal heir, and a requirement for parties handling the resale of works of art on a commercial basis to submit a summary of sales of art works during the preceding period attested to by a certified accountant (Article 25b); and provisions for the dissolution of the Icelandic Visual Art Fund (Article 63) (which has since been dissolved). Regulation 486/2001 replaces the Visual Artists' Copyright Fund with the Icelandic Visual Arts Copyright Association; which takes over the role of collection and distribution of royalties. A bill of law for the transposition of Directive 2001/84/EC of the European Parliament and of the Council on the resale rights benefiting the author of an original work of art has been introduced in the Althingi. The bill proposes to lower the current rate of 10% resale right royalty for works of art where the sale price exceeds €3,000.

⁹⁰ WTO document IP/N/1/ISL/C/1, 22 July 1996.

⁹¹ WTO document IP/N/1/ISL/1/Add.1, 28 May 1997.

165. Copyright is extended to the author of a literary or artistic work. Protection is extended to maps, drawings, casts, models, and other similar devices, presenting information or explanations on subjects (Article 1). Computer programs are protected as literary works under Article 1 of the Copyright Act. Right holders of computer programs and cinematographic works are granted the rental rights for their work (Article 24.2).

166. Authors of works broadcast or published in the form of an audio or video recording are entitled to special remuneration, which is levied through fees on equipment for audio and video recording whether imported into or produced in Iceland. Producers and importers are responsible for paying this levy, which is collected and distributed to beneficiaries through their member societies. For equipment, the charge is 4% of the import price or of the production price for domestic production. This has not changed since Iceland's last review. Other fees, however have increased slightly (Table III.15).⁹² Levies, which are due upon importation or manufacture of the relevant goods and equipment, are collected through the Customs Authorities. An umbrella organization formed of the relevant copyright collection societies, Innheimtumidstod Gjald, (IHM), receives all collected levies and distributes them to relevant right holders. In 2004, ISK 93 million was collected through Customs and IHM.

Table III.15
Fees on audio and video recording equipment, 2006

Product	Fee
Blank music tape	ISK 35 to ISK 175 depending on duration of tape
Blank video tape	ISK 100 to ISK 500 depending on duration of tape
Blank CD-R/DVD-/R	ISK 17 to ISK 50 depending on capacity
Tape recorders	4% on import price
Digital recording equipment, including CD/DVD burners, minidisc recorders, MP3	4% on import price
Video recorders	4% on import price
Combined radio receivers and cassette recorders	2% on import price
Radio receivers with CD players	1% on import price

Source: The authorities of Iceland.

167. The Copyright Act does not have a provision for compulsory licensing, however Article 23 provides for transfer of rights through extensions of agreed collective licenses for mass uses.

168. Article 24(2) of the current Copyright Act, as amended by transposition of Directive 92/100/ECE on rental and lending rights, provides that a right holder can oppose the parallel importation of cinematographic works. A recent amendment of the Copyright Act for transposition of Directive 2001/29/EC has introduced the general rule of regional exhaustion of distribution rights for work protected by copyright. This means that parallel importation from outside the EEA is no longer possible without the consent of the right holder.

(b) Patents

169. Icelandic legislation with respect to patents was notified to the WTO in March 1997, and includes the Patent Act No. 17/1991, a regulation on patent applications and a regulation on advertisement of instructions concerning patent applications.⁹³

⁹² Regulation 125/2001 (as amended), on the Collection of Copyright Levies according to Article 11(3) and 11(4) of the Copyright Act.

⁹³ WTO documents IP/N/1/ISL/P/1, 18 March 1997, and IP/N/1/ISL/P/2, 18 March 1997.

170. The most substantial changes to the Patents Act over the review period are to bring legislation into line with EEA requirements, the European Patent Convention, and WTO rules.

171. The Icelandic Patents Act contains a list of subject matter not considered to be inventions. These include: scientific theories and mathematical methods, aesthetic creations, mental acts, presentation of information, computer programs, and business methods. Excluded from patentability are: plant and animal varieties (with specified exceptions); diagnostic, therapeutic and surgical methods for the treatment of humans and animals, and inventions contrary to morality and public order.

172. Exceptions to the exclusive rights conferred by a patent are: private use; compulsory licences, research and/or experimental exception; preparation of medicines in accordance with medical prescriptions by physicians; prior users' right, and clinical trials for the purpose of obtaining a generic drug's regulatory approval (Bolar provision). The latter was introduced in March 2005 in order to implement Directive 2004/37/EC, and was approved through Act No. 12/2005.

173. Compulsory licensing (Part IV of Patents Act) may be granted if a patentable invention is not given commercial use within three years from the date the patent was granted, or four years from the filing of the application. Compulsory licensing may also be granted if it is required for the exploitation of a patent for an invention representing an important technical advance, with considerable economic significance; when required by important public interests; or when a person was already commercially exploiting an invention at the time when a patent was granted without knowledge of the application. Compulsory licences do not prevent the patent holder from commercially exploiting the invention, and may be granted only when the licence could not be obtained on reasonable terms and to a person deemed to be capable of using it commercially. Special provisions apply for the compulsory licensing of semi-conductor technology, which may take place only for public exploitation not of a commercial nature, or to prevent anti-competitive behaviour.⁹⁴ Compulsory licences are granted by the Reykjavik City Court, and are subject to compensation. An amendment to the Patents Act in 2004, allows the holder of a plant variety to request a compulsory licence, where acquisition or exploitation of a plant variety right would not be possible without infringing a prior patent. The plant variety holder must show that the variety involves technologically important progress and leads to considerable financial benefit compared with the invention in the patent. No compulsory licences have been granted over the review period.

174. The Icelandic Parliament adopted amendments to the Patents Act in December 2005 to give effect to provisions of Article 31(b) of the TRIPS Agreement allowing the otherwise mandatory negotiations with the patent holder to be waived in cases of national emergency or other circumstances of extreme emergency. The amendments also provide for the implementation of paragraph 6 of the Doha Declaration concerning public health.

175. Since 1 January 2002, it has been possible to file patent applications in Icelandic, Danish, Norwegian, Swedish or English; previously they had to be provided in Icelandic. An Icelandic translation of the claims and abstract must be provided before the application is made public, and, in their final form, if the patent is granted. The specification documents, however, may be furnished in Icelandic or English. Provisional applications may not be filed. Upon filing of an application, a search and examination system is initiated; consideration is given to the criteria of novelty, inventive step/non-obviousness, and industrial applicability/utility. The Danish Patent Office undertakes searches and examinations in the case of national applications; PCT applicants may choose between the European Patent Organization or the Swedish Patent Office.

⁹⁴ Act No. 36/1996, section 19.

176. Applicants who are not domiciled in Iceland, must have a representative domiciled in the European Economic Area. According to the Icelandic authorities, applications from abroad are mainly for pharmaceuticals.⁹⁵

177. Patents that have been granted, may be opposed within nine months from their publication in the IPO Gazette. Patents may also be challenged through the courts.

178. As reported in Iceland's previous review, the owner of an Icelandic patent has the right to preclude the importation of products protected by the patent, and the principle of regional exhaustion applies within the EEA.

(c) Designs

179. A new Design Protection Act was introduced in 2001. According to the authorities, the main impetus for this new legislation was to bring Iceland into compliance with EU Directive 98/71 and the Hague Agreement Concerning the International Registration of Industrial Designs.

180. Design rights do not include: certain specified features of the appearance of a product; acts done for private purposes; acts done for experimental purposes, and reproduction for use in citations or teaching, provided that such acts are compatible with fair trade practices, do not unduly prejudice the normal exploitation of the design, and that mention is made of the source; equipment on ships and aircraft registered in another country when these are temporarily located under Icelandic jurisdiction; the import into Iceland of spare parts and accessories for the purpose of repairing ships and aircraft; execution of repairs on ships and aircraft.

181. Registration applications must be filed with the Icelandic Patent Office in Icelandic. No examinations are conducted prior to registration, although an examination for novelty can be made upon request. Applications by non-residents must be conveyed through a representative domiciled in the EEA. Regional exhaustion applies with respect to parallel imports.

(d) Trade marks

182. Iceland's legislation on trade marks has been amended twice over the review period, in 2000 and in 2004. Iceland notified the Trade Marks Act No. 45/1997 to the WTO in October 1997. Trade mark rights in Iceland apply to goods and services: they grant the exclusive commercial use of a sign and the right to prevent its use in the same or similar goods and services or if there is danger of confusion. Trade mark protection is established by use or registration. Transfer and licensing (non-compulsory) of a trade mark are provided for. According to the Icelandic authorities, the Trade Mark Act is in compliance with EU Directive 89/104.

183. A registration application must be filed, in Icelandic, with the IPO, and the goods and services listed in the application must be classified in accordance with the Nice classification. Applications are subject to examination and, if granted, are announced in the IPO Gazette. Applications by non-residents must be conveyed through a representative domiciled in Iceland. The IPO maintains a Register of Trade Marks. This includes international trade marks according to the Madrid Protocol, which are entered in the register in English.

184. As outlined in Iceland's previous review, a registered trade mark may be invalidated if: it has been out of use for an uninterrupted period of five years; on a right of priority basis, an earlier trade mark application has been filed in another WTO Member (or party to the Paris Convention), or by a

⁹⁵ The Icelandic Patent Office.

national of a WTO Member; an application is made that is deemed to have right of priority and would have had the effect of preventing the original registration.

185. The Act Respecting Collective Marks entered into force on 18 December 2002 and at the same time Act No. 89/1935 respecting General Quality Marks (as amended) was repealed. The new legislation applies to applications for collective marks from the time of the Act's entry into force. Where not stipulated in the Act, the provisions of the Act respecting Trade Marks No. 45/1997 apply to Collective marks. Collective marks include joint marks for goods or services acquired by associations or unions for their members to use in business activities, as well as marks acquired that apply to the supervision or determination of standards for goods or services by authorities, establishments, associations or unions. Sole rights to use these marks accrue to owners of these marks. Collective marks may also include marks or information that in business indicate the geographical origin of goods or services, however, the owner of the mark may not forbid use of this mark or information for professional purpose, provided such use is in conformity with good business practices.

186. There is some uncertainty about whether parallel imports are allowed under current legislation.

(e) Geographical indications

187. There is no specific legislation concerning geographical indications in Iceland, but the Trade Marks Act and the Competition Act contain provisions that grant protection to such indications. The Trade Marks Act contains provisions that prohibit the use of deceptive trade marks, including geographical indications (although this is not explicitly stated). Article 14 prohibits the registration of a mark that causes confusion regarding its origin, or of a trade mark for wines and spirits that implies a geographical name unless the product originates at the location in question. Misleading use of geographical indications is also implicitly forbidden under Article 21 of the Competition Act.⁹⁶

188. Over the review period, Iceland has participated in joint submissions with a number of other WTO Members on issues related to geographical indications in the Council for TRIPS; all related to extension of additional protection for geographical indications to products other than wines and spirits.⁹⁷

(f) Complaints and enforcement

189. In October 1997, Iceland provided to the TRIPS Council, its response to the checklist of issues on enforcement⁹⁸; its legislation was discussed at a meeting of the Council in November 1997.⁹⁹

190. Civil lawsuits concerning intellectual property are governed by the Civil Procedure Act No. 91/1991. Criminal prosecution is governed by the Criminal Procedures Act No. 19/1991.

⁹⁶ See WTO documents IP/C/W/117/Add.15, 10 March 1999 and IP/C/W/117/Add.15/Suppl.1 for Iceland's response to the checklist of questions from the review under Article 24.2 of the application of the provisions of the section of the TRIPS Agreement on geographical indications.

⁹⁷ WTO documents IP/C/W/204/Rev.1, 2 October 2000; IP/C/W/247/Rev.1, 17 May 2001; IP/C/W/308/Rev.1, 2 October 2001; and IP/C/W/353, 24 June 2002.

⁹⁸ WTO document IP/N/6/ISL/1, 22 October 1997.

⁹⁹ WTO document IP/Q4/ISL/, 23 March 1998.

191. The Icelandic Customs Act No. 55/1987 was amended in 1995 to comply with the TRIPS Agreement.¹⁰⁰ Proceedings leading to a decision are primarily judicial; injunctions can be granted on the basis of administrative proceedings, but the plaintiff must initiate court proceedings in order to confirm the injunction before court. The district courts and the Icelandic Supreme Court handle both civil and criminal cases and have jurisdiction over intellectual property right infringement cases.

192. At the written request of the right holder, the Head of Customs is authorized to delay the release of imports suspected of infringing intellectual property rights. Action against the import of counterfeit or pirated goods may be requested by a right holder through an application in writing to Customs. Once the application is examined, Customs may delay the release of the goods or retain them for up to 14 days. The owner, importer or receiver may request the release of the goods against a security to protect the interests of the right holder. Customs must give the right holder an opportunity to inspect the goods. Such import delay does not apply to imports of goods put on the market in another country with the consent of the right holder or to goods destined for export (Article 50 A (5)).

¹⁰⁰ The relevant provisions in the new Customs Act No. 88/2005, which enter into force on 1 January 2006, are the same as the Act currently in force.