

- research and activities;
- m) goods which prove to be defective or have suffered destruction, as provided in Point 8 of paragraph 1 of Article 7 of the Customs Act;
 - n) no-value samples of commercial goods and advertising materials, software data delivered free of charge, *inter alia* for the development of software, no-value papers, brochures et al., as provided in subsection 11 of paragraph 1 of Article 6 of the Customs Act;
 - o) postal consignments to parties authorised for postal transport services, as provided in Act No. 19/2002 on postal services;
 - p) automobiles with Icelandic registration plates which a party has taken abroad and is transporting back to the country, as provided in Point 6 of Article 6 of the Customs Act;
 - q) own works of art of artists shall be exempt from value added tax on importation pursuant to Point 4 of paragraph 1 of Article 36 of Act No. 50/1988 on value added tax.

If household effects pursuant to subparagraph (e) of paragraph 1 include television sets, apparatus for telecommunications, telephone sets, weapons and the like it is permitted, notwithstanding paragraph 1, to submit a simplified import declaration, provided that permission has been obtained from the competent agency.

Simplified customs declarations shall be supported by appropriate documentation, such as a cargo manifest, postal dispatch note, certificate of changed domicile etc.

The Director of Customs in Reykjavík may decide that simplified customs declarations should be used in other similar circumstances.

CHAPTER VI

Transit

Article 48

Transit

For the purpose of this Chapter "transit" means the transportation of goods within the country from an arriving vessel on board an exporting vessel under customs control, provided the original destination of the goods is a country other than Iceland.

Article 49

Notifications of transit

A carrier shall notify the director of customs of the transport and custody of goods before the transit takes place.

The Director of Customs in Reykjavík may issue further instructions on notifications of transit.

Article 50

Transfer of the responsibility of a custodian

The transit of a consignment is at the responsibility of the carrier who transported the consignment to the country. The carrier is permitted to deliver the consignment to another carrier for exportation against certification of its receipt. Responsibility for the export of the consignment is then transferred to that carrier.

Article 51

The custody of transit documents

Carriers and customs brokers shall keep in their accounts transit notifications and other documents relating to the transit, *inter alia* cargo manifests.

CHAPTER VII

Customs value of goods

Article 52

General

Customs value, determined pursuant to Articles 14 and 15 of the Customs Act and the provisions of this Chapter, is the value to be used in the customs treatment of goods on importation, transit and exportation.

The principal basis of customs value is the transaction value, cf. paragraph 1 of Article 14 of the Customs Act. If the customs value cannot be determined on the basis of the transaction value, it shall be determined in accordance with Articles 57 to 62. The same applies when no consideration is paid for goods or if the payment is *pro forma*.

Costs and charges referred to in paragraph 2 of Article 15 of the Customs Act, i.e. shipping costs, loading costs, unloading costs or other handling costs relating to transportation to the place of importation and insurance costs associated with the transport of the goods to the place of importation, shall be included in the customs value, regardless of whether the costs and charges were actually paid or not, provided that they can be determined on the basis of objective and quantifiable data.

Article 53

Definitions

For the determination of customs value pursuant to this chapter, the following definitions of words and terms shall apply:

- a. **Identical goods:** Goods which are the same in all respects, including physical characteristics, quality and reputation. Minor differences in appearance do not preclude goods from being regarded as identical.
- b. **Similar goods:** Goods which, although not alike in all respects, have like characteristics and like component materials which enable them to perform the same functions and to be commercially interchangeable. The quality of the goods, their reputation and the existence of a trademark are among the factors to be considered in determining whether goods are similar.
- c. **Goods of the same class or kind:** Goods which fall within a group or range of goods produced by a particular industry or industrial sector, and includes identical or similar goods.
- d. **Vehicle type:** Name of vehicle, determined by the manufacturer.
- e. **Vehicle subtype:** Words, letters or numbers attached to the exterior of a vehicle or presented as a part of the manufacturer's information. Words, letters or numbers forming a part of the type designation, are not considered to be a designation of subtype.

The terms specified in (b) and (c) do not include goods which incorporate or reflect engineering, development, artwork, design work, and plans and drawings for which no adjustment has been made under subsection (d) of paragraph 1 of Article 15 of the Customs Act because such elements were undertaken in the country.

Goods shall not be regarded as "identical goods" or "similar goods" unless they were produced in the same country as the goods being valued.

When determining the customs value, goods produced by a different person shall be taken into account only when there are no identical goods or similar goods available produced by the same person as the goods being valued.

When determining customs value under Article 62, the terms "identical goods" and "similar goods" may be applied with a reasonable flexibility for the purpose of achieving the aims of the Article.

Relations between buyer and seller

Article 54

In determining whether the transaction value is acceptable for the purposes of paragraph 1 of Article 14 of the Customs Act, the fact that the buyer and the seller are related within the meaning of paragraph 2 of the same Article shall not in itself be grounds for regarding the transaction value as unacceptable. In such case the circumstances surrounding the sale shall be examined and the transaction value accepted by the director of customs, provided that the relationship did not influence the price.

Article 55

In a sale between related persons the transaction value shall be accepted and the customs value determined in accordance with the provisions of the paragraph 1 of Article 14 of the Customs Act, provided that the importer demonstrates, when so requested by the director of customs, that such value closely approximates to one of the following prices occurring at or about the same time:

- a. the transaction value in sales of identical or similar goods to unrelated buyers in the country;
- b. the customs value of identical or similar goods as determined according to Article 60;
- c. the customs value of identical or similar goods as determined according to Article 61.

In applying the foregoing tests, due account shall be taken of demonstrated differences in commercial levels, quantity levels, the elements enumerated in Article 15 of the Customs Act and costs incurred by the seller in sales where the seller and the buyer are not related which are not incurred by a seller in sales where the seller and the buyer are related.

The tests set forth in this Article are to be used on the initiative of the importer and only for comparison purposes. Substitute values may not be established under the provisions of this Article.

Article 56

Contesting a transaction value

If a director of customs sees reason to doubt or verify the veracity of information contained in a customs declaration or accompanying documents concerning the transaction value of goods and other matters referred to in Article 14 of the Customs Act, and the items to be added to the customs value pursuant to the provisions of Article 15 of the Act, the director may require the person responsible for the information in question, cf. Chapter VIII of the Customs Act, to supply further clarification or documents in proof that the transaction value is correctly stated. If the director of customs doubts the veracity of information concerning the transaction value, notwithstanding the clarifications or documents supplied, or if further clarifications or documents are not supplied to the director of customs within a reasonable time limit, the transaction value cannot be used as a basis for the determination of the customs value. The decision on the customs value will then be subject to the provisions of Articles 57 to 62 of the Regulation, cf. also Article 115 of the Customs Act.

The customs value of goods when the transaction value cannot be used as a basis therefore

Article 57

If the customs value of goods cannot be determined under the provisions of Article 14 of the Customs Act, the customs value shall be the transaction value of identical goods sold and imported to the country at or about the same time.

In applying the provisions of this Article, the transaction value of identical goods in a sale at the same commercial level and in substantially the same quantity as the goods being valued shall be used to determine the customs value. Where no such sale is found, the transaction value of identical goods sold at a different commercial level or in different quantities, adjusted to take account of differences attributable to commercial level or to quantity, shall be used, provided that such adjustments can be made on the basis of demonstrated evidence which clearly establishes the reasonableness and accuracy of the adjustment, whether the adjustment leads to an increase or a decrease in the value.

Where the costs and charges referred to in Article 15 of the Customs Act are included in the transaction value, an adjustment shall be made to take account of significant differences in such costs and charges between the imported goods and the identical goods in question arising from differences in distances and modes of transport.

If, in applying this article, more than one transaction value of identical goods is found, the lowest such value shall be used to determine the customs value of the imported goods.

Article 58

If the customs value of imported goods cannot be determined under the provisions of Articles 14 of the Customs Act or Article 57 of this Regulation, the customs value shall be the transaction value of similar goods sold and imported to the country at or about the same time as the goods being valued.

The provisions of paragraphs 2 to 4 of Article 57 shall apply, as applicable, when customs value is determined according to this Article.

Article 59

If the customs value of goods cannot be determined under the provisions of Article 14 of the Customs Act or Articles 57 or 58 of this Regulation, the customs value shall be determined under the provisions of Article 60 or, when the customs value cannot be determined under that Article, under the provisions of Article 61; however, the order of application of Articles 60 and 61 shall be reversed at the request of the importer.

Article 60

If imported goods or identical or similar goods are sold in the country in the condition that they were imported, the customs value of the imported goods under the provisions of this Article shall be based on the unit price at which the imported goods or identical or similar imported goods are sold in the greatest aggregate quantity, at or about the time of the importation of the goods being valued, to persons who are not related to the persons from whom they buy such goods, subject to deduction for the following items:

- a. either the commissions usually paid or agreed to be paid or the additions usually made for profit and general expenses in connection with sales in the country of imported goods of the same class or kind;
- b. the usual costs of transport and insurance and associated costs incurred within the country;
- c. where appropriate, the costs and charges referred to in paragraph 2 of Article 15 of the Customs Act; and

- d. the customs duties and other charges payable in the country in respect of importation or sale of the goods.

If neither the imported goods nor identical nor similar imported goods are sold at or about the time of importation of the goods being valued, the customs value shall, subject otherwise to the provisions of paragraph 1, be based on the unit price at which the imported goods or identical or similar imported goods are sold in the country in the condition as imported at the earliest date after the importation of the goods being valued but before expiration of 90 days after such importation.

If neither the imported goods nor identical nor similar imported goods are sold in the country in their condition as imported, then, if the importer so requests, the customs value shall be based on the unit price at which the imported goods, after further processing, are sold in the greatest aggregate quantity to persons in the country who are unrelated to the persons from whom they buy such goods, due allowance being made for the value added by such processing and the deductions provided for in paragraph 1.

Article 61

The customs value of imported goods under the provisions of this Article shall be based on a computed value. Computed value shall consist of the sum of:

- a. the cost price or value of materials and fabrication or other processing employed in producing the imported goods;
- b. an amount for profit and general expenses equal to that normally reflected in sales of goods of the same class or kind as the goods being valued which are made by producers in the country of exportation for export to the country;
- c. the cost or value of all other expenses necessary to reflect the customs value chosen under Articles 14 and 15 of the Customs Act, such as expenses according to paragraph 2 of Article 15 of the Customs Act.

Article 62

If the customs value of imported goods cannot be determined under the provisions of Article 14 of the Customs Act or Articles 57 to 61 of the Regulation, the customs value shall be determined using reasonable means consistent with the principles and general provisions of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 and on the basis of data available in the country.

No customs value shall be determined under the provisions of this Article on the basis of:

- a. the selling price of goods produced in this country;
- b. a system which provides for the acceptance for customs purposes of the higher of two alternative values;
- c. the price of goods on the domestic market of the country of exportation;
- d. the cost of production other than computed values which have been determined for identical or similar goods in accordance with the provisions of Article 61;
- e. the price of the goods for export to a country other than Iceland;
- f. minimum customs value; or
- g. arbitrary or fabricated values.

Special provisions on the importation of vehicles

Article 63

The provisions of this Chapter apply to the determination of the customs value of vehicles classified under headings Nos. 8701 to 8706 and 8711 of the Customs Tariff.

Article 64

The Director of Customs in Reykjavík shall gather information from neutral parties abroad on comparable values of vehicles in the countries from which importation is considered most likely and make such information available to directors of customs.

In the course of customs clearance of a vehicle the vehicle's transaction value as stated in the import declaration or supporting documents shall be compared to the reference value of vehicles of the same type, subtype and model year in the country where the vehicle was purchased. An examination shall be made of whether the transaction value of the vehicle in question is abnormally low, taking into account the vehicle's condition, the import price of an identical vehicle which is or has been imported to the country at the same time, or the market price of comparable vehicles abroad.

If there are reasonable grounds to doubt the veracity of the customs declaration or accompanying documents, the procedure shall be subject to the provisions of Article 56.

Article 65

In determining customs value according to Article 62, when the customs value of a vehicle cannot be determined on the basis of Article 14 of the Customs Act or Articles 57 to 61 of the Regulation, the customs value shall be the reference value of a new vehicle of the same type and subtype as specified in the List of Vehicles prepared by the Director of Internal Revenue, computed in accordance with the provisions of Article 66.

Article 66

In computing customs value according to Article 65, the probable FOB-value of a new vehicle of the same type and subtype shall be assessed first in such a way that from the retail price of the vehicle as specified in the List of Vehicles prepared by the Director of Internal Revenue there shall be deducted value added tax, an estimated 12% seller's mark-up, commodity tax, as well as an estimated amount covering the charges included in the customs value according to paragraph 2 of Article 15 of the Customs Act.

When the probable FOB-value has been computed according to paragraph 1, the value shall be depreciated based on the age of the imported vehicle as follows:

- a. On vehicles of total weight 5 tons or more and on a chassis fitted with engines for such vehicles: 1.2% per each started month for 12 months and 1% per each subsequent month until a depreciation of 90% has been reached, which is the maximum depreciation.
- b. On all other vehicles falling within the tariff headings listed in Article 63: 1.5% per each started month for 12 months, 1% for the next 24 months and 0.5% per each month after that until a depreciation of 90% has been reached, which is the maximum depreciation.

Depreciation according to paragraph 2 of this Article shall commence in the month of the vehicle's first official registration abroad, but the end of depreciation shall be the month of arrival of the transport vessel in the country. If the date of the first registration abroad does not appear in the vehicle's certificate of registration and an official confirmation of the first date of registration is unobtainable, the start of depreciation may be fixed as the 1st of July of the year specified by the manufacturer as the model year.

When the value of a vehicle has been computed and depreciated according to this provision, an addition shall be made to the value covering the charges which shall be included in the customs value according to paragraph 2 of Article 15 of the Customs Act.

Article 67

When it is considered that the determination of customs value on the basis of Articles 65 and 66 do not give a correct idea of the value of a vehicle owing to worse condition of the vehicle than would result from normal wear, the director of customs may decide on a reduction of the customs value, provided that the importer demonstrates that the value of the vehicle is less than that of normal vehicles of the same type and subtype, e.g. as a result of damage or extensive driving. In the assessment, the director of customs may take account of prospective repair costs.

Article 68

If the price of a vehicle of the same type and subtype as the vehicle being imported to the country is not to be found in the List of Vehicles of the Director of Internal Revenue, a probable retail price of a new vehicle of the type being imported shall be determined and the customs value computed in accordance with the provisions of Article 66.

Article 69

If a person who has been resident abroad immigrates to the country and brings along a vehicle such person shall be permitted to depreciate the value of the vehicle, in accordance with an invoice produced, for each started month from the date of the goods invoice until the month of arrival of the transport vessel. The rate of depreciation per month shall be governed by the age of the vehicle, in accordance with the provisions of subsection (b) of paragraph 2 of Article 66. This authorisation does not, however, apply to vehicles of a total weight of three tons or more.

If a person referred to in paragraph 1 does not produce an invoice upon the customs clearance of a vehicle, the determination of the customs value shall be governed by the provisions of Articles 54 to 62, cf. Articles 65 and 66. If the customs value of a used vehicle is determined according to Article 66, a probable

FOB-value may be depreciated by 1.5% per each started month for 12 months and 1% per each subsequent month, until a depreciation of 90% has been reached, which is the maximum depreciation.

Article 70

The Director of Customs in Reykjavík may issue further instructions on the conduct of assessments of vehicles pursuant to this Regulation.

CHAPTER VIII

Rate of exchange for customs clearance

Article 71

When the customs value or any part of it, on the importation or exportation of goods, is denoted in a foreign currency, the value, or part of it, shall be converted into Icelandic krónur based on the rate of exchange for customs clearance as determined at any time pursuant to this Article.

[On the customs clearance of consignments on each day the determination of customs value shall be based on the mid rate of the currency in question posted by the Central Bank of Iceland on the immediately preceding working day.

The exchange rate for customs clearance for currencies which are not officially posted by the Central Bank of Iceland shall be determined by the Director of Customs in Reykjavík in consultation with the Central Bank of Iceland.]¹

1) Cf. Regulation No. 172/2008, Article 5.

CHAPTER IX

Various provisions on payment of import charges

Article 72

General

Import charges on goods registered under one consignment number shall be paid in a single payment, unless the consignment is split up pursuant to Articles 8 or 9 or the goods have been placed in a customs warehouse, a duty free shop, a warehouse for duty free supplies or a free zone.

If goods have been placed in a customs warehouse, import charges may be paid based on withdrawal of goods at any time pursuant to a withdrawal request.

Article 73

Means of payment of import charges

Import charges may be paid pursuant to a giro order sent to the importer at the end of the settlement period.

The payment of import charges is regarded as satisfactory if:

1. payment is made in a commercial bank, savings bank or post office on the due date, at the latest;
2. a mailed payment has been received by the director of customs on the due date, at the latest;
3. an online transfer is effected on the due date.

If a due date falls on a week-end or a public holiday the due date is postponed to the next working day thereafter.

CHAPTER X

Miscellaneous provisions

Article 74

Tariff Classification

Tariff classification is subject to the general rules on the interpretation of the Customs Tariff, cf. Annex I to the Customs Act.

The first six digits in the eight-digit tariff heading number of the Customs Tariff are in accordance with the Nomenclature of the World Customs Organisation, which Iceland has undertaken to observe, as posted in Notice No. 25/1987. The explanatory notes and advisory opinions of the World Customs Organisation on tariff classification are intended to promote a harmonised interpretation of the Organisation's classification system and may provide guidance on tariff classification pursuant to the Icelandic Customs Tariff, even though they are not binding under domestic law.