

## Unofficial translation & recasting

### REGULATION

on the Refund of Value Added Tax and Alcohol Tax to Foreign Diplomatic Agents, No. 957, from 31 October 2017 (which took effect on 14 November 2017), as amended by Regulation No. 466 from 6 May 2020 (which took effect on 20 May 2020, shown here in parentheses).

#### Article 1

When purchasing goods and services on domestic territory, Value Added Tax (VAT), alcohol tax and other indirect taxes under rules generally applied to such transactions in Iceland, shall be payable by foreign diplomatic agents.

[Envoys of foreign states, including foreign embassies and diplomatic agents, have a right to a refund of VAT and alcohol tax on goods and services purchased domestically with the exception of goods and services covered by Article 4 and of food products other than alcohol, in so far as it has been declared that the goods and services in question are either exclusively for the use of the foreign embassy or for the personal use of diplomatic agents and relatives who form part of their household, cf. Article 43(2) of Act No. 50/1988 on Value Added Tax. Goods and services shall be of normal quantity and volume in light of the purpose of each purchase and are intended to meet the real needs of embassies, their diplomatic agents and their relatives deemed to be part of their households and reside in Iceland.]

The VAT refund scheme applies to construction work carried out on-site on a new official residence of an ambassador or on an office building of a diplomatic mission, including work carried out on the grounds of such buildings, underground conduits around buildings, fences, garages and gazebos. The VAT refund scheme shall also apply to all work on improvements and maintenance of the above-mentioned housing. [The refund shall cover the installation and purchase of recharging points for electric vehicles at or near the official residence of an ambassador or the office building of an embassy, cf. Temporary provisions XXXII in Act No. 50/1988]. Furthermore, VAT shall be refunded for rent payments for housing serving as the official residence of an ambassador or the office building of an embassy. VAT shall not be refunded for service charges related to the operating costs of the property.

#### Article 2

[The Ministry for Foreign Affairs handles refund claims and claims shall be made in the form determined by the Ministry.

Claims shall be accompanied by copies of bills, printed copies of digital bills or as the case may be copies of other income registration data. Data provided as grounds for refund claims shall conform to the provisions of Articles 20 and 21 of Act No. 50/1988 and fulfil the conditions set in Chapter II, cf. also Article 15 of Regulation 50/1993 on Account-keeping and Recording of Revenues of Parties Subject to VAT. VAT to which refund claim refers shall be due to the purchase of products or services in this country. The vendor of products or services in this country shall be registered in the value added tax register at the time of transaction.

The Ministry for Foreign Affairs verifies that the refund claim along with its attachments conforms to criteria set forth in this regulation.

The Ministry for Foreign Affairs shall notify the applicant of its decision on the refund. A notification on a decision shall be sent by regular mail or in electronic form decided by the Ministry for Foreign Affairs. Eventual primary data provided with the refund claim shall be returned along with the ministry notification.

The Ministry for Foreign Affairs shall notify the Treasury of its decision which in turn handles reimbursement.

There will be no reimbursement unless the total amount of an individual invoice is at least ISK 13,000 including VAT and the amount is paid in one transaction. The provision regarding the minimum amount does not apply to invoices for telephones, internet connections, security systems, waste collection, sewerage dues and other direct operational costs of embassy, such as electricity and hot water. The Ministry for Foreign Affairs shall authorise the refunding of invoices submitted on account of fixed monthly transactions if the total amount of such invoices is at least ISK 13,000, including VAT, subject to point 2. The Ministry for Foreign Affairs shall annually review the minimum amount of each invoice, subject to point 1, and suggest changes to the Ministry of Finance and Economic Affairs of the minimum amount if needed.]

The Ministry for Foreign Affairs shall process refund claims on February 1, May 1, August 1 and November 1 each year. [The Ministry for Foreign Affairs only accepts a refund claim if it has been cleared by the relevant embassy or by an authorised representative of the embassy, empowered to clear a refund claim for VAT. The reimbursement shall be transferred to a domestic bank.] The right to a refund according to this Regulation shall be discontinued if the refund claim is received by the Ministry for Foreign Affairs later than six years after the right to refund was established, cf. Article 43(1)(A) of Act No. 50/1988.

The invoices on which a refund claim is based must be paid. Paid invoices shall be accompanied by receipts of payment, such as proof of payment or receipt for a bank transfer.

VAT and alcohol tax refund under this Regulation is subject to the requirement that the home country of the embassy or diplomatic agents in question provides reciprocal refund rights to Icelandic embassies or diplomatic agents.

### **Article 3**

The provisions of Article 4 of the Customs Act No. 88/2005 with subsequent amendments apply to importation.

### **Article 4**

Value added tax is not reimbursed of the following products and services:

- a. antiquities,
- b. auction items,
- c. gift cards and presents,
- d. access to transport facilities,

- e. products and services related to any form of entertainment, such as admission fees to cinemas and theatres, exhibitions, books etc.
- f. membership fees to clubs and associations,
- g. drugs,
- h. construction costs due the construction, improvement or maintenance of living quarters owned by a diplomatic agent or his relatives,
- i. expenses regarding insurance matters, such as indemnities paid out, when costs are paid by an insurance company or other party.]

### **Article 5**

This regulation is adopted in accordance with Article 43(2) and Article 49 of the Value Added Tax Act No. 50/1988 with subsequent amendments and Articles 6(3) and 12 of the Act on Alcohol and Tobacco tax No. 96/1995 with subsequent amendments, and shall enter into force immediately. At the same time, Regulation on the Refund of Value Added Tax to Foreign Diplomatic Agents No. 470/1991 is repealed.

### **Transitional provisions.**

In derogation to the provisions of [...] Article 2 [...] it is permissible to request a reimbursement on VAT in accordance with this Regulation as of 1 January 2019 due to purchases of products and services covered by this Regulation. The Ministry for Foreign Affairs shall handle refund requests for the time period 1 January 2019 to the date of entry into force of this Regulation in one installment irrespective of refund periods.

*[This translation is published for information only.  
The original Icelandic text is published in the Law Gazette.  
In case of a possible discrepancy, the original Icelandic text applies.]*