

## Iceland

1. Iceland was first reviewed during the 2017/2018 peer review. This report is supplementary to the Iceland's 2017/2018 peer review report (OECD, 2018<sup>[1]</sup>). The first filing obligation for a CbC report in Iceland applies to reporting fiscal years commencing on or after 1 January 2017.

### Summary of key findings

2. Iceland's implementation of the Action 13 minimum standard meets all applicable terms of reference (OECD, 2017<sup>[2]</sup>), except for the following:

- It is recommended that Iceland amend or otherwise clarify the definitions of an "Ultimate Parent Entity", a "Constituent Entity" and an "MNE Group" in a manner consistent with the definition contained in the terms of reference.
- It is recommended that Iceland clarify that the annual consolidated group revenue threshold calculation rule applies without prejudice of the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Iceland.
- It is recommended that Iceland clarify the scope of two conditions for local filing to ensure that local filing can only be required in the circumstances contained in the terms of reference.
- It is recommended that Iceland introduce rules providing that local filing will not apply in case of Surrogate Parent Entity.

These recommendations remain unchanged since the 2017/2018 peer review. Iceland indicates that it is in the process of finalising the necessary legislative amendments.

3. Iceland's 2017/2018 peer review included a recommendation that Iceland take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. Iceland now has measures in place to ensure the appropriate use of information in all six areas identified in the OECD Guidance on the appropriate use of information contained in CbC Reports. The recommendation with respect to appropriate use issued in the 2017/2018 peer review is removed.

### Part A: The domestic legal and administrative framework

4. Iceland has primary and secondary laws (hereafter the "regulations") in place to implement the BEPS Action 13 minimum standard, establishing the necessary requirements including the filing and reporting obligations.<sup>1</sup> Guidance has also been published.<sup>2</sup>

***(a) Parent entity filing obligation***

5. Iceland's 2017/2018 peer review included the following recommendations:
- that Iceland amend or otherwise clarify the definitions of an “Ultimate Parent Entity”, a “Constituent Entity” and of an “MNE Group” in a manner consistent with the terms of reference and
  - that Iceland amend or otherwise clarify its rule for the calculation of the annual consolidated group revenue threshold calculation so that it applies in a manner consistent with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Iceland, when local filing requirements are applicable.

These two recommendations remain in place. Iceland indicates that it is in the process of finalising the necessary legislative amendments in relation to Article 91a of the Income Tax Act no. 90/2003 (primary law) and Regulation no. 1166/2016 (secondary law) in order to fully comply.

***(b) Scope and timing of parent entity filing***

6. No changes were identified with respect to the scope of parent entity filing.<sup>3</sup>

***(c) Limitation on local filing obligation***

7. Iceland's 2017/2018 peer review included a recommendation that Iceland amend its legislation or otherwise take steps to ensure that local filing is only required in the circumstances contained in the terms of reference. This recommendation remains in place. Iceland indicates that it is in the process of finalising the necessary legislative amendments in relation to Article 91a of the Income Tax Act no. 90/2003 (primary law) and Regulation no. 1166/2016 (secondary law) in order to fully comply.

***(d) Limitation on local filing in case of surrogate filing***

8. Iceland's 2017/2018 peer review included a recommendation that Iceland introduce rules providing that local filing will not apply for a Constituent Entity resident in Iceland when the CbC report of the CbC Group to which it belongs has been filed by a Surrogate Parent Entity in its jurisdiction of tax residence. This recommendation remains in place. Iceland indicates that it is in the process of finalising the necessary legislative amendments in relation to Article 91a of the Income Tax Act no. 90/2003 (primary law) and Regulation no. 1166/2016 (secondary law) in order to fully comply.

***(e) Effective implementation***

9. No changes were identified with respect to the effective implementation.<sup>4</sup>

***Conclusion***

10. There is no change to the conclusion in relation to the domestic legal and administration framework for Iceland since the previous peer review. Iceland meets all the terms of reference relating to the domestic legal and administrative framework, with the exception of (i) the definitions of an “Ultimate Parent Entity”, a “Constituent Entity” and an “MNE Group” (paragraphs 8(a) i. and iii. and 15 of the terms of reference); (ii) the annual consolidated group revenue threshold (paragraph 8(a) ii. of the terms of reference); (iii) the local filing conditions (paragraphs 8(c) iv. b) and c) of the terms of reference); and (iv) the limitation on local filing where there is surrogate entity filing (paragraph 8(d) of

the terms of reference). Iceland indicates that it is in the process of finalising the necessary legislative amendments.

## **Part B: The exchange of information framework**

### ***(a) Exchange of information framework***

11. As of 31 May 2019 Iceland has 64 bilateral relationships, including those activated under the CbC MCAA, under bilateral CAAs and under the Nordic Convention. Within the context of its international exchange of information agreements that allow automatic exchange of information, Iceland has taken steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions.<sup>5</sup> Regarding Iceland's exchange of information framework, no inconsistencies with the terms of reference were identified.

### ***(b) Content of information exchanged***

12. Iceland has written procedures in place that are intended to ensure that each of the mandatory fields of information as required in the CbC template are present in the information exchanged. It has provided details in relation to these procedures.

### ***(c) Completeness of exchanges***

13. Iceland has written procedures in place that are intended to ensure that CbC reports are exchanged with all tax jurisdictions listed in Table 1 of a CbC reporting template with which it should exchange information as per the relevant QCAAs. It has provided details in relation to these procedures.

### ***(d) Timeliness of exchanges***

14. Iceland has written procedures in place that are intended to ensure that the information to be exchanged is transmitted to the relevant jurisdictions in accordance with the timelines provided for in the relevant QCAAs and terms of reference. It has provided details in relation to these procedures.

### ***(e) Temporary suspension of exchange or termination of QCAA***

15. Iceland has written procedures in place that are intended to ensure that a temporary suspension of the exchange of information or termination of a relevant QCAA be carried out only as per the conditions set out in the QCAA. It has provided details in relation to those processes.

### ***(f) Consultation with other Competent Authority before determining systemic failure or significant non-compliance***

16. Iceland has written procedures in place that are intended to ensure that the Competent Authority consults with the other Competent Authority prior to making a determination that there is or has been significant non-compliance with the terms of the relevant QCAA or that the other Competent Authority has caused a systemic failure. It has provided details in relation to those procedures.

### ***(g) Format for information exchange***

17. Iceland confirms that it uses the OECD XML Schema and User Guide (OECD, 2017<sup>[3]</sup>) for the international exchange of CbC reports.

***(h) Method for transmission***

18. Iceland indicates that it uses the Common Transmission System to exchange CbC reports.

***Conclusion***

19. Iceland has in place the necessary processes and written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework. Iceland meets all the terms of reference regarding the exchange of information.

**Part C: Appropriate use**

20. The 2017/2018 peer review included a recommendation that Iceland take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. Since the 2017/2018 peer review, Iceland has provided details in relation to these measures, enabling it to answer “yes” to the additional questions on appropriate use. In light of the update provided by Iceland, the recommendation on appropriate use is removed. There are no concerns to be reported for Iceland in respect of the appropriate use condition.

***Conclusion***

21. Iceland meets all the terms of reference relating to the appropriate use of CbC reports.

## Summary of recommendations on the implementation of country-by-country reporting

Aspect of the implementation that should be improved		Recommendation for improvement
Part A	Domestic legal and administrative framework - Parent entity filing obligation definitions	It is recommended that Iceland amend or otherwise clarify the definitions of an "Ultimate Parent Entity", a "Constituent Entity" and an "MNE Group" in a manner consistent with the definition contained in the terms of reference.
Part A	Domestic legal and administrative framework - Parent entity filing obligation annual consolidated group revenue threshold	It is recommended that Iceland clarify that the annual consolidated group revenue threshold calculation rule applies without prejudice of the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Iceland.
Part A	Domestic legal and administrative framework - Limitation on local filing	It is recommended that Iceland clarify the scope of two conditions for local filing to ensure that local filing can only be required in the circumstances contained in the terms of reference.
Part A	Domestic legal and administrative framework - Limitation on local filing in case of surrogate filing	It is recommended that Iceland introduce rules providing that local filing will not apply in case of Surrogate Parent Entity.
Part B	Exchange of information	-
Part C	Appropriate use	-

## Notes

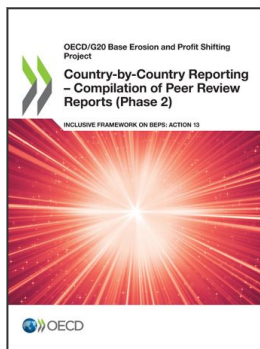
<sup>1</sup> Primary law consists Article 91 a, of the Income Tax Act no. 90/2003, as amended with Act no. 112/2016. Secondary law consists of Regulation no. 1166/2016 Country by Country reporting. Iceland indicates it is in the process of amending Regulation no. 112/2016 which will take into account the recommendations made in the 2017/2018 peer review.

<sup>2</sup>Guidance was published on the Directorate of Internal Revenue website available at [www.rsk.is/media/rsk04/rsk\\_0430\\_2017.is.pdf](http://www.rsk.is/media/rsk04/rsk_0430_2017.is.pdf). Iceland indicates it is in the process of on updating guidance expected to be published on the website of the Directorate of Internal Revenue by September 2018.

<sup>3</sup> Iceland's 2017/2018 peer review included a monitoring point in relation to the issuance of updated interpretation or clarification of "Revenues – Related Party" within a reasonable timeframe to ensure consistency with OECD guidance. Iceland indicates it is in the process of updating existing guidance. This monitoring point remains in place.

<sup>4</sup> Iceland's 2017/2018 peer review included a general monitoring point relating to a specific process to that would allow to take appropriate measures in case Iceland is notified by another jurisdiction that such other jurisdiction has reason to believe that an error may have led to incorrect or incomplete information reporting by a Reporting Entity or that there is non-compliance of a Reporting Entity with respect to its obligation to file a CbC report. This monitoring point remains in place.

<sup>5</sup> No inconsistency with the terms of reference will be identified where a QCAA is not in effect with one or more jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions, but this is due to circumstances that are not under the control of the reviewed jurisdiction. This may include, for example, where the other jurisdiction intends to exchange CbC reports using the MCAA but it does not have the Convention in effect for the relevant fiscal period, or where the other jurisdiction has declined to have a QCAA in effect with the reviewed jurisdiction.



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