

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.