ICELAND

PRIVATE LIMITED COMPANY (EHF.)

CLIENT GUIDE 2026

Company formation, taxation and annual compliance for international clients

Professional company formation and ongoing corporate administration

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Iceland Private Limited Company (ehf.) at a Glance

An Icelandic **einkahlutafélag (ehf.)** is a private limited company with separate legal personality and limited shareholder liability. It is Iceland's standard limited-company form for privately held businesses and is registered with Iceland Revenue and Customs (Skatturinn).

Topic	Current legal / practical position
Shareholder(s)	An ehf. may have **one or more shareholders**; there is no maximum number of shareholders.
Liability	Shareholders' financial liability is limited to their capital contribution, subject to applicable company law.
Minimum share capital	**ISK 500,000**, fully paid on incorporation. Non-cash contributions require the prescribed professional confirmation.
Registration	Electronic registration is available where all parties have Icelandic electronic ID; paper registration is also available.
Official registration fee	Current official fee for incorporation of an ehf.: **ISK 140,500**.
Processing	Official guidance states approximately **3-5 working days electronically**; paper applications generally take about **2-3 weeks** when complete.
Corporate income tax	Private and public limited companies are taxed at **20%** on taxable profits.
VAT	2026 standard VAT **24%**; reduced rate **11%**.
Annual accounts	Annual financial statements must be filed electronically; final deadline is generally eight months after financial year-end.

Key Benefits for International Clients

• Established EEA jurisdiction with a conventional private limited-company structure.

• Single shareholder permitted.

• Limited shareholder liability.

• ISK 500,000 minimum capital - materially lower than the ISK 4,000,000 minimum for an Icelandic public limited company.

• 20% corporate income tax on profits.

• Electronic incorporation route where the required Icelandic electronic identification is available.

• Transparent statutory accounting and annual-reporting framework.

• Suitable for genuine Icelandic/EEA operating businesses, technology, services, investment and trading structures, subject to licensing and tax analysis.

Tax Position for Foreign Owners

No blanket 0% foreign-source exemption

Iceland is **not** a 0% or territorial-tax company jurisdiction. An Icelandic private limited company is subject to the ordinary **20% corporate income tax rate**. Foreign shareholders, foreign customers or foreign-source commercial activity do not by themselves make the company's profits tax-free.

Iceland Revenue and Customs states that legal persons with permanent residence in Iceland have unlimited tax liability. Cross-border structures therefore require review of foreign tax credits, treaty relief, permanent establishments, transfer pricing and the shareholder's home-country rules.

Potential Holding / Cross-Border Relief

Iceland's tax system and EEA/treaty relationships can provide relief in qualifying cross-border situations, including treaty-based reductions and mechanisms concerning foreign taxation. These are not equivalent to a general participation-exemption or 0% company regime and must be checked against the exact shareholder, income type and treaty.

Shareholders, Board & Capital

Topic	Current legal / practical position
Founder / shareholder	One founder/shareholder is sufficient for an ehf.
Foreign persons	Foreign nationals can obtain a system ID number where they are founders, board members, directors or holders of company power of attorney; nationality/residence restrictions under company law must be checked for the proposed governance.
Board / management	The board and executive-management structure must comply with the Private Limited Companies Act and the company's articles. Sector-specific businesses can have additional board/residence requirements.
Registered address	The company's legal address is registered with Iceland Revenue and Customs.
Capital	ISK 500,000 minimum, fully paid at formation.
Beneficial owners	Beneficial-owner information forms part of the company-registration/compliance framework and must be kept current.

Share Capital

Skatturinn's current company-registration guidance confirms minimum share capital of **ISK 500,000**, all of which must be paid on establishment. If capital is contributed in assets rather than cash, a lawyer or certified accountant must confirm that the relevant assets exist.

Capital is not the same as working finance

The statutory ISK 500,000 minimum does not determine how much funding the business actually needs. Banks, landlords, suppliers, licensing authorities and counterparties may expect significantly greater operating resources.

Corporate Income Tax - 20%

The official 2026 assessment parameters published by Skatturinn confirm a **20% income-tax rate** for registered public and private limited companies. Tax applies to taxable profit rather than gross turnover.

Foreign-Source Business

An Icelandic ehf. should not be marketed as an offshore tax-free company. Icelandic-resident legal persons are generally within Iceland's unlimited tax-liability framework. Foreign-source business can also create tax in other countries through permanent establishments, local activities, assets or management, while double-tax treaties and foreign-tax-credit rules may mitigate double taxation where applicable.

Dividends & Capital Income

Iceland taxes capital income and applies withholding rules to dividends paid to non-residents. The exact rate and potential treaty/EEA relief depend on the recipient and circumstances. For individual shareholders, the official 2026 capital-income rate is **22%**. Corporate and treaty claims should be reviewed before a distribution rather than assuming the individual rate applies universally.

VAT - 2026

Skatturinn's official 2026 rates show a **24% standard VAT rate** and an **11% reduced rate**. VAT registration and reporting depend on the nature and level of taxable activity, and cross-border services require place-of-supply analysis.

Documents Required from the Client

- Passport / acceptable identification for founders, shareholders, board members, management and UBOs.
- Recent proof of residential address.
- For corporate shareholders: incorporation, constitutional, management and full ownership-chain documents.
- Proposed company name and Icelandic legal address.
- Proposed share capital, shareholdings and governance structure.
- Detailed business activities and ISAT activity classification information.
- Expected countries of operation, customers/suppliers, turnover and transaction profile.
- Source-of-funds and, where appropriate, source-of-wealth evidence.
- Information needed for Icelandic national/system ID numbers where applicable.
- Certified translations, apostilles/legalisation and powers of attorney where required.

Formation Process & Documents Received

1. Structure/tax review **2.** KYC/UBO and ID-number review **3.** Name / articles / address / capital **4.** Skatturinn registration **5.** Tax/VAT/payroll/accounting setup **6.** Banking and annual compliance

Formation documents: the official process requires incorporation documents including the declaration/memorandum of incorporation, articles of association and initial-meeting documentation as applicable. On registration, the company receives its Icelandic identification number (kennitala) and its principal activity is recorded under the Icelandic ISAT classification.

Official Registration Fee & Timing

The current Skatturinn tariff lists the official incorporation fee for an ehf. at **ISK 140,500**. Electronic registration generally takes **3-5 working days** when all parties have Icelandic electronic ID. Paper registration is generally processed in approximately **2-3 weeks** when the documents and fee are complete.

Accounting & Annual Financial Statements

Private limited companies are required to keep accounting records using double-entry accounting. Annual financial statements are submitted electronically to the Register of Annual Accounts. The filing deadline is no later than **one month after approval at the annual general meeting and, in all cases, no later than eight months after financial year-end**. For a calendar-year company this normally means no later than 31 August.

Corporate Tax Return - 2026

Skatturinn announced that the general deadline for legal persons' **2026 tax return for 2025 income was 31 May 2026**. Professional accountants/auditors participating in the extension system could receive extended filing time up to 21 September. Annual deadlines should be checked each year.

Audit / Review

Whether an Icelandic ehf. requires statutory audit or other assurance depends on the Accounting Act, audit thresholds, company size, public-interest status and other circumstances. This should be reviewed annually with an Icelandic accountant/auditor rather than assumed from the legal form alone.

Annual accounts are a real public-compliance obligation

Failure to submit annual financial statements can trigger an administrative fine. Skatturinn currently states a fine of **ISK 600,000** for non-filing or incomplete filing, subject to statutory reductions where compliant statements are submitted within specified periods.

Annual Compliance Checklist

- Maintain registered legal address and current Company Register information.
- Maintain shareholders, board, management and beneficial-owner information.
- Keep proper double-entry accounting records and supporting documents.
- Prepare and approve annual financial statements.
- File annual financial statements electronically within the statutory deadline.
- File the annual corporate tax return and pay tax due.
- Register and file VAT where applicable.
- Maintain employer/payroll registration and withholding where the company pays remuneration.
- Review withholding tax and treaty relief before dividends and other cross-border payments.
- Review transfer-pricing / related-party transactions and foreign permanent establishments.
- Complete statutory audit or other assurance where required.
- Maintain bank/service-provider AML/KYC and evidence of genuine commercial activity.

Banking & Operational Setup

An Icelandic ehf. may apply for Icelandic or international banking/payment services subject to provider policy. Banks commonly require the registration documents, kennitala, shareholder/board/UBO information, source of funds/wealth, contracts, business plan, expected turnover and countries of operation. Icelandic electronic identification and local operational arrangements can be important in practice.

Why Iceland ehf. Can Be Attractive

Topic	Current legal / practical position
EEA jurisdiction	Iceland participates in the European Economic Area.
Limited liability	Conventional private limited-company protection.
One shareholder	Single-member private company permitted.
ISK 500,000 capital	Clear statutory minimum, fully paid at incorporation.
20% corporate tax	Transparent standard tax rate on taxable profits.
Digital administration	Electronic incorporation and electronic annual-account filing are available within the Icelandic digital system.

How BRIS Group Supports You

Structure & tax review - Assess whether an Icelandic ehf. is appropriate for the client's ownership, activity and international tax position.

Formation - Coordinate company name, incorporation documents, share capital and registration with Iceland Revenue and Customs.

Foreign founder documents - Coordinate foreign corporate records, identification, system-ID requirements, translations, authentication and powers of attorney.

Registered address - Coordinate Icelandic registered-address arrangements where available and appropriate.

KYC / UBO - Coordinate shareholder, board, management, beneficial-owner and source-of-funds/wealth due diligence.

Accounting & tax - Coordinate Icelandic bookkeeping, annual accounts, corporate income tax, VAT and payroll support.

International tax - Coordinate specialist review of treaty relief, withholding, permanent establishments and cross-border tax issues.

Banking & annual compliance - Prepare banking/KYC documentation and coordinate ongoing corporate administration.

Professional Fees & Quotations

Tailored quotation

This brochure is an informational guide to Iceland ehf. formation and maintenance and is not a fee quotation. BRIS Group professional fees, official registration costs, registered-address services, accounting/tax, translations/certifications, banking support and other optional services are quoted separately according to the structure and required work.

Important Legal Notes & Official Sources

This brochure is a general commercial guide and does not constitute Icelandic or foreign legal, tax, accounting, regulatory or investment advice. **Iceland is not a blanket 0% foreign-source jurisdiction.** The ordinary corporate income-tax rate for an ehf. is 20%. Cross-border relief depends on the specific tax law, treaty, income and recipient.

Primary official/legal sources reviewed: Iceland Revenue and Customs (Skatturinn), including Private Limited Companies registration guidance, 2026 legal-entity assessment parameters, 2026 tax-return filing announcement, official Company Register tariff, annual-account filing guidance and 2026 VAT rates; and Ísland.is official limited-company / starting-a-company guidance.

Information reviewed: August 2026. Corporate tax, VAT, withholding, governance/residence requirements, audit thresholds, filing deadlines and treaty treatment should be reconfirmed for the client's actual circumstances before incorporation or transactions.

PREPARED BY BRIS GROUP

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