Consumption Tax Trends* - Iceland

VAT rate 2020
The Icelandic standard VAT rate is 24.0%, which is above the OECD average. The average VAT/GST¹ standard rate in the OECD was 19.2% as of 31 December 2020. The previous standard VAT rate in Iceland was 25.5% in 2014. It changed to the current level in 2015. Iceland applies reduced VAT rates of 0% and 11% to a number of goods and services. VAT was introduced in Iceland in 1990 at a standard rate of 24.5%. Since then the minimum and maximum standard rates have been at 22.0% and 25.5% respectively.

VAT Revenue Ratio
The figures may not present the difference to the second decimal point accurately due to rounding.

1. VAT/GST refers to value added tax/goods and services tax
Source: OECD Tax Database 1st January 2020

VAT Revenue Ratio
The VAT Revenue Ratio (VRR) for Iceland was 0.55 in 2018, below the OECD average of 0.56. The VRR is a measure of the revenue raising performance of a VAT system. A ratio of 1 would reflect a VAT system that applies a single VAT rate to a comprehensive base of all expenditure on goods and services consumed in an economy - with perfect enforcement of the tax. The Icelandic VRR increased from 0.53 in 2016 to 0.55 in 2018. The lowest VRR was recorded in the years 2010 and 2011 at 0.42 and the highest level in 2006 at 0.64.

* Information presented on this page is only a summary of more detailed information available in the Tax Database and Consumption Tax Trends publication
Source: OECD Consumption Tax Trends 2020; oe.cd/vatgst-trends; OECD Tax Database oe.cd/tax-database
Consumption Tax Trends 2020
VAT/GST and Excise Rates, Trends and Policy Issues

[oe.cd/vatgst-trends](http://oe.cd/vatgst-trends)

Consumption Tax Trends provides information on Value Added Tax/Goods and Services Tax (VAT/GST) and excise duty rates in OECD member countries.

It also contains information about international aspects of VAT/GST developments and the efficiency of this tax. It describes a range of other consumption taxation provisions on tobacco, alcoholic beverages and motor vehicles.

International VAT/GST Guidelines

[oe.cd/international-vat-gst-guidelines](http://oe.cd/international-vat-gst-guidelines)

The International VAT/GST Guidelines present a set of internationally agreed standards and recommended approaches to address the issues that arise from the uncoordinated application of national VAT systems in the context of international trade.

They focus in particular on trade in services and intangibles, which poses increasingly important challenges for the design and operation of VAT systems worldwide.

They notably include the recommended principles and mechanisms to address the challenges for the collection of VAT on cross-border sales of digital products that had been identified in the context of the OECD/G20 Project on Base and Erosion and Profit Shifting (the BEPS Project).


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