

# Iceland

## Transfer Pricing Country Profile<sup>1</sup>

January 2026

		SUMMARY	REFERENCE
<b>The Arm's Length Principle</b>			
1	<b>Does your domestic transfer pricing framework<sup>2</sup> make reference to the arm's length principle?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Income Tax Act <a href="#">no. 90/2003</a> , Article 57, paragraph 1, 2 and 3 and Article 2 of Regulation no. 1180/2014
2	<b>Does your domestic transfer pricing framework give the OECD Transfer Pricing Guidelines any role or status (e.g. legal binding effect, subsidiary application in the absence of domestic legislation, source of interpretation of domestic legislation and/or treaty provisions, other)?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	See article 2, 3, 6, 7, 9 and 10 in Regulation <a href="#">no. 1180/2014</a> .  Article 57 Act no. 90/2003 does not contain a reference to the OECD TPG, but the provision takes into account the Guidelines. Reference is made to the TPG in Regulation no. 1180/2014 on documentation and transfer pricing between related legal entities.
3	<b>Does your domestic transfer pricing framework provide for a definition of related parties applicable for transfer</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

<sup>1</sup> Information in transfer pricing country profiles is provided directly by jurisdictions. By publishing the transfer pricing country profiles on the OECD website, the OECD does not certify the accurateness of the information provided therein. Importantly, transfer pricing country profiles published on the OECD website are made available to stakeholders for information purposes only, and are not intended to be used in substitution to a jurisdiction's legal instruments, jurisprudence, or administrative guidance or practice nor relied on as an accurate and complete description of domestic law.

<sup>2</sup> For purposes of transfer pricing country profiles, the term "domestic transfer pricing framework" refers to a jurisdiction's domestic legislation, regulations, administrative guidance or practice, jurisprudence or governing general principles in the jurisdiction.

<p><b>pricing purposes? If so, please provide the definition contained under your domestic transfer pricing framework.</b></p>	<p>Paragraph 5 of Article 57 which outlines the documentation requirements for legal entities involved in a transaction with related parties refers to paragraph 4 of Article 57 for a definition of related parties which is as follows:</p> <p><i>“a) They are a part of a group according to Article 2 of the Annual Accounts Act nr. 3/2006 or are under direct/indirect majority ownership or control of two or more legal entities within the same group.</i></p> <p><i>b) one legal entity has direct or indirect majority ownership over another legal entity.</i></p> <p><i>c) if legal entities are directly or indirectly majority owned or under the control of individuals who are connected through family ties, for example people who are married or registered partnership, siblings and individuals who are directly related (kids, parents, grandparents).”</i></p>	
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## Transfer Pricing Methods

<p><b>4 Does your domestic transfer pricing framework provide for transfer pricing methods to be used in respect of transactions between related parties?</b></p>	<p><input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No</p> <p>If affirmative, please check those provided for in your legislation:</p> <table border="1" data-bbox="669 822 1529 975"> <thead> <tr> <th>CUP</th><th>Resale Price</th><th>Cost Plus</th><th>TNMM</th><th>Profit Split</th><th>Other (If so, please describe)</th></tr> </thead> <tbody> <tr> <td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td></tr> </tbody> </table>	CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)	<input checked="" type="checkbox"/>	<p>Article 9 of Regulation <a href="#">no. 1180/2014</a>.</p>					
CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)									
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>									
<p><b>5 Which criterion is provided for in your domestic transfer pricing framework for the application of transfer pricing methods?</b></p>	<p>Please check all that apply:</p> <p><input type="checkbox"/> Hierarchy of methods  <input checked="" type="checkbox"/> Most appropriate method  <input type="checkbox"/> Other (if so, please explain)</p>													

6	<p><b>Does your domestic transfer pricing framework contain specific guidance on commodity transactions?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed.</p> <p><input type="checkbox"/> Domestic transfer pricing framework provides for the use of a specific method for controlled transactions involving commodities (<i>if so, please explain</i>)</p> <p><input checked="" type="checkbox"/> No</p>	
<b>Comparability Analysis</b>			
7	<p><b>Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?</b></p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	Article 10 in Regulation <a href="#">no. 1180/2014</a> .
8	<p><b>Is there a preference in your jurisdiction for domestic comparables over foreign comparables?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
9	<p><b>Does your domestic transfer pricing framework permit the use of secret comparables for transfer pricing assessment purposes?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	Secret comparables have not been used for transfer pricing assessment purposes.
10	<p><b>Does your domestic transfer pricing framework allow or require the use of an arm's length range and/or</b></p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	

	<b>statistical measure (e.g. the interquartile range or other percentiles) for determining arm's length remuneration?</b>	There is no reference to arm's length range and/or statistical measures in the domestic transfer pricing framework. It would be allowed, however, based on the TPG and guidance contained in chapter III of the TPG would be followed.	
11	<b>Are comparability adjustments required under your domestic transfer pricing framework?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>There is no direct obligation to do comparability adjustments. However, comparability adjustments would be required by the tax authorities when there are material differences and the adjustments improve the reliability of the comparison, in line with the TPG. According to Article 10 of Regulation no. 1180/2014 any adjustments made to ensure the comparability of data shall be documented. Furthermore, the criteria and rationale underlying the selection of comparables must also be explained.</p>	
<b>Intangible Property</b>			
12	<b>Does your domestic transfer pricing framework contain guidance specific to the pricing of controlled transactions involving intangibles?</b>	<input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VI of the TPG? <ul style="list-style-type: none"> <li><input type="checkbox"/> Yes</li> <li><input type="checkbox"/> No (please provide further explanations below)</li> </ul> <input checked="" type="checkbox"/> No <p>There is no detailed guidance about the pricing of transactions involving intangibles. However, Article 8 of Regulation 1180/2014 states that a party subject to documentation needs to declare all intangible assets within a group that affects related transactions. Information about ownership, use, development, and maintenance needs to be documented as well as probable resale price and the present value of their expected income.</p>	Article 8 of Regulation <a href="#">no. 1180/2014</a> .
13	<b>Are there any other rules outside your transfer pricing framework that are relevant for the pricing of controlled transactions involving intangibles?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

## Hard-to-Value Intangibles<sup>3</sup>

14	<p><b>Does your domestic transfer pricing framework contain guidance specific to hard-to-value intangibles (HTVI)?<sup>4</sup></b></p>	<p><input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow the guidance on HTVI in Chapter VI of the TPG?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input checked="" type="checkbox"/> No</p>	
<b>Intra-group Services</b>			
23	<p><b>Does your domestic transfer pricing framework provide guidance specific to intra-group services transactions?</b></p>	<p><input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VII of the TPG?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input type="checkbox"/> No</p> <p>Article 7 of Regulation 1180/2014: Where shared costs are allocated among associated enterprises, the taxpayer subject to documentation requirements must reliably demonstrate that it has received services commensurate with the amount charged. The basis for the cost allocation must be clearly documented and transparent, and the costs must meet the arm's length principle as set out in the OECD TPG.</p> <p>The same principles shall apply where services are directly charged to associated enterprises or where interest is calculated on intercompany receivables or payables. The taxpayer providing the services or allocating costs must ensure the availability of sufficient documentation regarding the pricing of the services, the methodologies used for the allocation, and the consistency of these with the arm's length principle.</p> <p>In cases where research and/or development (R&amp;D) costs are allocated among group entities prior to the generation of income, adequate information must be available regarding the basis for the allocation and how income will be shared once revenue is generated.</p>	<p>Article 7 in Regulation <a href="#">no. 1180/2014</a>.</p>

<sup>3</sup> Please note that questions in this section are imported from the HTVI questionnaire and integrated into this TPCP to centralise all jurisdiction-related transfer pricing information.

<sup>4</sup> In the case of jurisdictions that do not apply the HTVI approach (i.e. they responded “no” to question 14), it is not necessary to respond to the remaining questions in the HTVI section and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

24	<p><b>Does your domestic transfer pricing framework provide for or allow the application of a simplified approach for low value-adding intra-group services?</b></p>	<p><input type="checkbox"/> Yes. If so, does it follow (largely follow) the low value-adding services approach in Chapter VII?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input checked="" type="checkbox"/> No</p>	
25	<p><b>Are there any other rules outside your transfer pricing framework for pricing intragroup services?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
<b>Financial Transactions</b>			
26	<p><b>Does your domestic transfer pricing framework provide guidance specific to financial transactions?</b></p>	<p><input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter X of the TPG?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input checked="" type="checkbox"/> No</p>	
<p>Icelandic domestic legislation does not contain specific guidance on the pricing of controlled financial transactions. The OECD TPG would be of an importance.</p>			
27	<p><b>Are there any other rules outside your transfer pricing framework that are relevant for the tax treatment of financial transactions? (e.g. whether your jurisdiction has implemented the measures in BEPS Action 4 to limit interest deductions and other financial payments or any similar rules)</b></p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Earning stripping rules are included in the Income Tax Act. The rules limit interest deduction to 30% of earnings before interest, taxes, depreciation, and amortization (EBITDA). The rules apply for interest expenses in excess of ISK 100 million between related parties. The rules do not apply if:</p> <ul style="list-style-type: none"> <li>• Interest expenses are paid because of intra-group loan transactions within a group that is authorised for joint taxation in accordance to the Icelandic Income Tax Act or if the group fulfils the requirements for joint taxation, when all companies are resident in Iceland; or,</li> </ul>	Income Tax Act <a href="#">no. 90/2003</a> , Article 57. B.

		<ul style="list-style-type: none"> <li>• it is demonstrated that the equity ratio does not deviate more than 2% from the equity ratio of the group, or the taxpayer is a financial institution or insurance company, or a company owned by such parties and conducts similar operations.</li> </ul>	
<b>Cost Contribution Arrangements</b>			
28	<b>Does your jurisdiction allow cost contribution arrangements?</b>	<p><input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VIII of the TPG?</p> <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No (please provide further explanations below)</p> <p><input type="checkbox"/> No</p>	
<p>Icelandic domestic legislation does not contain specific guidance on cost contribution agreements. The OECD TPG would be of an importance.</p>			
<b>Transfer Pricing Documentation</b>			
29	<b>Does your domestic transfer pricing framework require the taxpayer to prepare transfer pricing documentation?</b>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><i>If affirmative, please check all that apply:</i></p> <p><input type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG</p> <p><input type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG</p> <p><input type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return)</p> <p><input checked="" type="checkbox"/> Other (specify):</p> <p>Master file and Local file are not required to be filed separately, there is no distinction made between the two in the legislation/regulations. The same information however needs to be filed but it does not need to come in the MF/LF form.</p>	<p>Income Tax Act <a href="#">no. 90/2003</a>, Article 57, paragraph 5.</p> <p>Article 3 of Regulation no. <a href="#">766/2019</a> on country-by-country reports.</p>

30	<p><b>Please briefly explain the relevant requirements related to each transfer pricing documentation requirement (i.e. timing for preparation or submission, languages, etc.)</b></p>	<p>Legal entities must confirm documentation obligation upon filing their tax returns and that appropriate documentation has been prepared.</p> <p>Transfer Pricing documentation shall be prepared for each financial year in Icelandic and/or English. Legal entities must be able to submit all documents if requested by the Tax Authorities within 45 days. Transfer pricing documentation shall be kept for seven years from the end of the financial year.</p> <p>CbC reports are to be filed within 12 months from the end of the financial year to the Tax Authorities. The report should be in English and on a specific form.</p>	<p>Article 13, 14 and 15 of Regulation <a href="#">no. 1180/2014</a>.</p> <p>Income Tax Act <a href="#">no. 90/2003</a>, Article 57, paragraph 5.</p> <p>Regulation no. <a href="#">766/2019</a> on CBC reporting, Article 3.</p>
31	<p><b>Does your domestic transfer pricing framework provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?</b></p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes, as of 2021, the Icelandic Revenue and Customs can impose administrative fines on taxpayers that fail to fulfil their transfer pricing documentation obligations as set out in paragraph 5 of Article 57 of the Income Tax Act.</p> <p>Fines can amount up to ISK 3 million for each financial year that taxpayer has failed to fulfil their TP documentation obligations within 45 days. The fine shall amount to ISK 1.5 million if the taxpayer has submitted documents that are considered unsatisfactory and the taxpayer has not complied with the Director of Internal Revenue's demands for improvements within 45 days. A fine may be imposed for a maximum of six income years, immediately preceding the year in which the fine is made to the max amount of ISK 6 million. If a taxpayer rectifies deficiencies within 30 days, the amount of the fine shall be reduced by 90%. If improvements are made within two months, the amount shall be reduced by 60%. If improvements are made within three months, the amount shall be reduced by 40%.</p>	<p>Income Tax Act <a href="#">no. 90/2003</a>, Article 57, paragraph 6 - 11</p>
32	<p><b>Does your domestic transfer pricing framework provide for exemption from transfer pricing documentation obligations?</b></p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The transfer pricing documentation obligation does not apply to minor transactions between related parties. A transaction is considered to be minor if it has limited economic scope and importance for the operation of the entity involved. They, however, need to be reported to the tax authorities. If a party subject to documentation takes advantage of the exemption, it shall upon submission of the declaration explain the nature and scope of the transaction and why it falls under the exemption. The exemption does not apply to transactions involving intangible assets.</p>	<p>Regulation no. <a href="#">1180/2014</a>, Article 12.</p> <p>Regulation no. <a href="#">766/2019</a>, Article 1, paragraph 2.</p>

## Administrative Approaches to Avoiding and Resolving Disputes

33	<p><b>Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?</b></p> <p>Please check those that apply:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Rulings</li> <li><input type="checkbox"/> Enhanced engagement or cooperative compliance programmes</li> <li><input type="checkbox"/> Advance Pricing Agreements (APA)           <ul style="list-style-type: none"> <li><input type="checkbox"/> Unilateral APAs</li> <li><input type="checkbox"/> Bilateral APAs</li> <li><input type="checkbox"/> Multilateral APAs</li> </ul> </li> <li><input type="checkbox"/> International Compliance Assurance Programme (ICAP)</li> <li><input checked="" type="checkbox"/> Mutual Agreement Procedures</li> <li><input type="checkbox"/> Other (<i>please specify</i>):</li> </ul> <p>Iceland has detailed guidance and information on MAP published online. Please refer to Iceland's MAP profile for further information.</p>	<p><a href="#">Iceland's MAP Profile</a></p>
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## Simplified and Streamlined Approach for Baseline Marketing and Distribution Activities

34	<p><b>Does your domestic transfer pricing framework allow the application of the simplified and streamlined approach for baseline marketing and distribution activities in the relevant Annex of Chapter IV of the TPG?</b></p> <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p><input type="checkbox"/> Other (please elaborate)</p>	
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35	<p><b>If your domestic transfer pricing framework allows the application of the simplified and streamlined approach, how is it implemented?</b></p>	<p><input type="checkbox"/> In-scope tested parties resident within the jurisdiction can elect to apply the simplified and streamlined approach (i.e. safe harbour)</p> <p><input type="checkbox"/> In-scope tested parties resident within the jurisdiction are required to follow the simplified and streamlined approach for in-scope qualified transactions and tax administrations are allowed to impose the application of the simplified and streamlined approach to in-scope qualified transactions of tested party's resident within their jurisdiction (i.e. rule)</p> <p><input checked="" type="checkbox"/> N/A</p>	
36	<p><b>If your domestic transfer pricing framework allows the application of the simplified and streamlined approach, what is the operating expense to sales (OES) upper bound chosen by your jurisdiction regarding scoping criterion 13.b?</b></p>	<p><input type="checkbox"/> 20%</p> <p><input type="checkbox"/> 30%</p> <p><input type="checkbox"/> Other (please specify)</p> <p><input checked="" type="checkbox"/> N/A</p>	
37	<p><b>Does your jurisdiction respect the outcome of the application of the simplified and streamlined approach by a covered jurisdiction in line with the Inclusive Framework political commitment?</b></p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	
38	<p><b>If your domestic transfer pricing framework allows the application of the simplified and streamlined approach for resident in-scope tested parties, does your jurisdiction respect the outcome of the application of such approach by another jurisdiction that is not a covered jurisdiction?</b></p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><input checked="" type="checkbox"/> N/A</p>	

## Safe Harbours and Other Simplification Measures

39	<p><b>Does your jurisdiction provide for any safe harbours or other simplification measures in respect of certain industries, types of taxpayers, or types of transactions (not listed in other sections of this questionnaire)?</b></p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
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## Other Legislative Aspects or Administrative Procedures

40	<p><b>Does your domestic transfer pricing framework allow downward corresponding adjustments in the absence of a mutual agreement procedure (e.g. unilateral corresponding adjustments)?</b></p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Article 121, paragraph 2 of the Income Tax Act <a href="#">no. 90/2003</a> .
		<p>In general, no. However, there is a possibility to request a re-opening of the tax assessment six years back in cases where new information and documents have emerged.</p>	
41	<p><b>Does your domestic transfer pricing framework allow or require taxpayers to make year-end adjustments?</b></p>	<input type="checkbox"/> Yes. Year-end adjustments are required. <input checked="" type="checkbox"/> Yes. Year-end adjustments are allowed. <input type="checkbox"/> No	
42	<p><b>Does your domestic transfer pricing framework provide for secondary adjustments?</b></p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

## Attribution of Profits to Permanent Establishments

43	<p><b>Which version of Article 7 of the OECD Model Tax Convention on Income and on Capital do your tax treaties contain?</b></p>	<input type="checkbox"/> Article 7 as it read before 2010. <input checked="" type="checkbox"/> If so, please indicate in how many treaties: 40 <input type="checkbox"/> Article 7 as it reads after 2010. <input checked="" type="checkbox"/> If so, please indicate in how many treaties: 5 <input type="checkbox"/> Other (please provide additional details)	
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		The Icelandic model contains post-2010 version.	
44	<b>For tax treaties containing Article 7 as it read before 2010, does your jurisdiction apply the authorized OECD approach (AOA)?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (please explain the approach used and which tax treaties are concerned)	
45	<b>Does your domestic transfer pricing framework contain specific guidance for the attribution of profits to permanent establishments of non-resident entities? If so, please provide a summary of the main features of this guidance.</b>	<input type="checkbox"/> Yes, they follow the AOA as described in the 2008 Report on the Attribution of Profits to Permanent Establishments <input type="checkbox"/> Yes, they follow the AOA as described in the 2010 Report on the Attribution of Profits to Permanent Establishments <input type="checkbox"/> Yes, they do not follow the AOA (please provide a summary of the main features of these rules) <input checked="" type="checkbox"/> No	
<b>Other Relevant Information</b>			
46	<b>Other legislative aspects or administrative procedures regarding transfer pricing</b>	N/A	
47	<b>Other relevant information (e.g. whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire)</b>	A possible update to align the current laws to the OECD TPG is being considered.	

For more information, please visit: <https://www.oecd.org/en/topics/sub-issues/transfer-pricing/transfer-pricing-country-profiles.html>