

# Law No. 96/1995

## on alcohol and tobacco tax

### [CHAPTER I

### Alcohol tax]<sup>2)</sup>

#### Article 1

(1) A special tax, alcohol tax, shall be paid of alcohol to the State Treasury according to this Law.

(2) According to this Law, any liquid containing more than 2.25% of alcohol by volume. Alcohol quantity and content shall be determined at 20°C.

(3) [Notwithstanding the provisions of paragraphs 1 and 2, goods containing more than 2.25% of alcohol, but unfit for consumptions and which cannot be made fit for consumption, shall be exempt from alcohol tax. The Minister can stipulate further in a regulation on which goods fall under this.]<sup>1)</sup>

<sup>1)</sup>*Cf. Article 1 of law No. 93/1998.* <sup>2)</sup>*Cf. Article 1 of law No. 149/2001.*

#### Article 2

(1) All those importing or producing alcohol in this country for sale or processing are taxable.

(2) Those are also taxable who import alcohol to this country for own use , as well as those who have alcohol sent to them from abroad without it being for sale or processing. Import according to this paragraph may be limited with a regulation to certain types of goods, maximum quantity or maximum value and conditions set for who may import according to the regulation.

#### Article 3

(1) [The alcohol tax shall be as follows for each centilitre of spirits in each litre of the alcoholic beverage according to its customs tariff classification:

1. On beer classified in heading 2203, as well as products containing mixtures of beer and non-alcoholic beverages and classified in heading 2206: ISK [75.95]<sup>4) 5)</sup> for each centilitre in excess of 2.25 centilitres.
2. On wine classified in headings 2204 and 2205, as well as brewed beverages in heading 2206 that have not been mixed with other brewed beverages or non-alcoholic beverages, provided that the product has a maximum strength of 15% and contains only spirits generated with fermentation, without any kind of distillation: ISK [68.31]<sup>4) 5)</sup> for each centilitre in excess of 2.25 centilitres.
3. Of other alcohol: [ISK 91.57]<sup>2) 3) 4) 5)</sup>

(2) Tax according to paragraph 1 shall be calculated proportionally of a fraction of centilitre of spirits and a fraction of a litre of the alcoholic beverage.

(3) If product containers do not specify alcohol quantity or strength, that parties indicated in Article 2, paragraph 2 import to this country or have sent from abroad, the customs authorities may determine alcohol quantity or strength and then assess the tax accordingly.]<sup>1)</sup>

<sup>1)</sup>*Cf. Article 2 of law No. 93/1998.* <sup>2)</sup>*Cf. Article 1 of law No. 122/2002.* <sup>3)</sup>*Cf. Article 1 of law No. 118/2004.* <sup>4)</sup>*Cf. Article 1 of law No. 136/2008.* <sup>5)</sup>*Cf. Article 6 of law No. 60/2009.*

[Article 4]<sup>1)</sup>

(1) Taxable parties according to Article 2, paragraph 1 shall spontaneously send a notification of their operations to [The Directorate of Internal Revenue]<sup>2)</sup>. Those starting up a taxable operation shall send a notice prior to commencement of operation.

(2) The notice shall state the name, firm name, address and Id. no. of the operating party, and the kind of manufacturing or import.

(3) [The Directorate of Internal Revenue shall]<sup>2)</sup> keep records of all taxable parties according to Article 2, paragraph 1 of this Law.

(4) The Minister of Finance stipulates further in a regulation on the obligation of taxable parties to provide information according to Article 2, paragraph 1, as well as their obligation to keep accounts for manufacture and stocks.<sup>a)</sup>

<sup>1)</sup>*Cf. Article 3 of law No. 93/1998. (The Article was No. 5 before.)* <sup>2)</sup>*Cf. Article 4 of law No. 93/1998.* <sup>a)</sup>*Regulation No. 505/1998 and 828/2005.*

[Article 5]<sup>1)</sup>

[(1) Tax on imported alcohol shall be paid upon customs clearance.

(2) Alcohol manufactured domestically for sale here is subject to a tax upon sale or delivery of the product from the factory or from the manufacturer to the buyer, irrespective of when or how payment takes place.

(3) Those obliged to collect tax according to paragraph 2 shall spontaneously pay the alcohol tax for which they are liable to the collector of the State Treasury in the district where they are domiciled. Payment shall be made with a declaration of the taxable sale on a special form.

(4) The Minister of Finance may stipulate further in a regulation on the collection of the tax, giving among other things up to two weeks of grace period and each settlement period is then two weeks, from the 1<sup>st</sup> to the 15<sup>th</sup> of each month and from the 16<sup>th</sup> to the end of each month. Due date is the second weekday after the end of the settlement period.]<sup>2) a)</sup>

<sup>1)</sup>*Cf. Article 3 of law No. 93/1998. (The Article was no. 6 before.)* <sup>2)</sup>*Cf. Article 1 of law No. 25/2004.* <sup>a)</sup>*Regulation No. 505/1998.*

[Article 5a

(1) If alcohol tax is not paid on the due date, cf. Article 5, the party shall be subject to payment of a surcharge in addition to the tax that the party is liable for. The same applies if a manufacturer of alcohol has not submitted a tax declaration or if the declaration is deficient, and the alcohol tax has therefore been assessed, unless the party has, prior to the due date, paid an amount equal to the assessment, or has submitted satisfactory explanation on uncertain items within the time limit for complaints.

(2) A surcharge according to paragraph 1 shall be 1% of the unpaid amount, for each day commenced after the due date, however, not exceeding 10%.

(3) If alcohol tax has not been paid within one month from the due date, penal interest must be paid to the State Treasury on the amount due. Penal interest shall be paid from the due date.

(4) In case of non-payment of alcohol tax, the Directorate of Customs shall refuse the importer or manufacturer of alcohol any further postponement of payment while arrears remain.

(5) In case of repeated or extensive non-payment of alcohol tax, or surcharge according to paragraph 2, or penal interest according to paragraph 3, the Directorate of Customs can without further notice stop customs clearance of other goods to a debtor, or have the police suspend the debtor's enterprise by, among other things, placing work stations, offices, sales points, equipment and goods under seal until the debt is fully paid, provided that the Directorate of Customs deems that the interest of the State Treasury cannot be secured in any other manner.]<sup>1)</sup>

<sup>1)</sup>*Cf. Article 2 of law No. 25/2004.*

[Article 6]<sup>1)</sup>

(1) [Alcohol tax shall be waived or refunded in the following instances.]<sup>2)</sup>

1. Upon sale of alcohol out of the country.
2. [Upon alcohol import and sale to tax-free shops and tax-free storages. Furthermore, of alcohol on which alcohol tax has been calculated or paid but is subsequently sent abroad, to a tax-free shop, to a customs warehouse, to a tax-free storage or to a free zone or discarded under customs authority surveillance.]<sup>3)</sup>
3. Upon alcohol import and sale to parties enjoying tax exemption in this country according to international agreements to which Iceland is a party and parties decided by the government.
4. Upon alcohol import and sale for production of goods taxable according to this Law to manufacturers that are licensed to sell alcohol according to Article 11, point 3 of paragraph 1 of the Alcohol Law.
5. [Of alcohol brought to this country by tourists as follows:
  - a. 1 litre of strong alcohol and 1 litre of wine, or

- b. 3 litres of wine, or
  - c. 1 litre of strong alcohol or 1.5 litres of wine and 6 litres of beer.
6. Of alcohol brought by seamen on Icelandic ships, or ships leased by Icelandic parties, after a journey of 15 days or longer, as follows:
- a. 1.5 litres of strong alcohol and 3 litres of wine, or
  - b. 1.5 litres of strong alcohol or wine and 24 litres of beer. (1)

If the same parties have been on a journey for less than 15 days they shall enjoy half the right according to this point. The captain, chief mate, chief engineer and ship steward as well as cooks on passenger and trader vessels, may also take an additional tax-free share for entertainment allowance, equal to their tax-free share according to this point. (2)

7. Of alcohol brought by crew members, including crew members of an extra crew, after a journey of 15 days or longer, as follows:
- a. 1 litre of strong alcohol and 0.75 litres of wine, or
  - b. 1 litre of strong alcohol or 0.75 litres of wine and 6 litres of beer. (1)

If the journey is shorter than 15 days the same parties bring tax-free:

- a. 0.375 litres of strong alcohol and 0.75 litres of wine, or
- b. 0.375 litres of strong alcohol or 0.75 litres of wine and 3 litres of beer.]<sup>4)</sup>

8. [Of alcohol listed in the pharmacopoeia, to doctors and pharmacists for sale as medicine.
9. Of alcohol for industrial purposes according to further definition of the Minister of Finance.]<sup>2)</sup>  
[---]<sup>2) 3)</sup>

(2) [The Minister of Finance stipulates further in a regulation on the implementation of this Article, including conditions for waiving or refunding.]<sup>2) a)</sup>

<sup>1)</sup>Cf. Article 3 of law No. 93/1998. (The Article was No. 7 before.) <sup>2)</sup>Cf. Article 5 of law No. 93/1998. <sup>3)</sup>Cf. Article 15 of law No. 104/2000. <sup>4)</sup>Cf. Article 9 of law No. 167/2008. <sup>a)</sup>Regulation No. 505/1998.

[Article 7]<sup>2)</sup>

(1) [[The Prevention Fund<sup>\*1)</sup> shall receive 1% of alcohol tax collected from taxable parties according to Article 2, paragraph 1. The purpose of the fund is to promote preventive measures against alcohol and drug use. Grants from the fund shall be allocated on a project basis for preventive work. The Alcohol and Drug Abuse Prevention Council makes suggestions to the Minister of Health on grants from the Prevention Fund.

(2) [---]<sup>4)1)3)</sup>

<sup>1)</sup>*Cf. Article 1 of law No. 85/1996.* <sup>2)</sup>*Cf. Article 3 of law No. 93/1998. (The Article was No. 8 before.)* <sup>3)</sup>*Cf. Article 6 of law No. 93/1998.* <sup>4)</sup>*Cf. Article 28, point 4 of law No. 85/2007.* <sup>\*1)</sup>*Cf. regulation No. 361/1999, on the Prevention Fund.*

## CHAPTER II

### **Tobacco tax**

#### Article 8

(1) A special tax, tobacco tax, shall be paid to the State Treasury, of tobacco imported to this country or manufactured in this country.

(2) Tobacco is considered, according to this Law, any product that is classified in Chapter 24 of Annex I to the Customs Law No. 55/1987, as subsequently amended<sup>\*1)</sup>.

<sup>1)</sup>*Now in Chapter 24 of Annex I to the Customs Law No. 88/2005, as subsequently amended.*

#### Article 9

(1) [The State Alcohol and Tobacco Company of Iceland levies and collects tobacco tax on tobacco products imported to this country or produced in this country.]<sup>2)</sup>

(2) The amount of the tobacco tax according to paragraph 1 shall be as follows:

1. Cigarettes: [ISK 295.57]<sup>1) 3) 4) 5)</sup> on each package (20 pcs).
2. Snuff: [ISK 3.50]<sup>1) 3) 4) 5)</sup> on each gramme or fraction of a gramme of product.
3. Other tobacco: [ISK 10.57]<sup>1) 3) 4) 5)</sup> on each gramme or fraction of a gramme of product.

(3) The settlement period for tobacco tax according to this Article is one month. The payment date of each settlement period is the fifth day of the month following its close. The State Alcohol and Tobacco Company of Iceland shall pay the Tax Commissioner for Reykjavik collected tax no later than on the due date of each settlement period.

<sup>1)</sup>*Cf. Article 2 of law No. 122/2002.* <sup>2)</sup>*Cf. Article 3 of law No. 25/2004.* <sup>3)</sup>*Cf. Article 2 of law No. 118/2004.* <sup>4)</sup>*Cf. Article 2 of law No. 136/2008.* <sup>5)</sup>*Cf. Article 7 of law No. 60/2009.*

#### Article 10

(1) Tobacco tax shall be paid of tobacco that tourists, seafarers and others bring to this country for private use or is sent to this country not as commercial import, upon customs clearance as follows:

1. Cigarettes: [ISK 371.27]<sup>1) 3) 2) 5)</sup> on each package (20 pcs).
2. Other tobacco: [ISK 18.55]<sup>1) 3) 2) 5)</sup> on each gramme or fraction of a gramme of product.

(2) [Tobacco that tourists or seafarers bring to this country shall be exempt from tax according to paragraph 1, but to a maximum as follows:

1. 100 cigarettes or 125 g of other tobacco brought by crew members who have been less than 15 days on journey.
2. 200 cigarettes or 250 g of other tobacco that tourists, seamen on Icelandic ships or ships leased by Icelandic parties, that have been less than 15 days on journey, bring with them, and that crew members, including crew members of an extra crew, who have been 15 days or longer on a journey, bring with them.
3. 400 cigarettes or 500 g of other tobacco that seamen on Icelandic ships or ships leased by Icelandic parties, who have been 15 days or longer on a journey, bring with them.]<sup>4)</sup>

<sup>1)</sup>*Cf. Article 3 of law No. 122/2002.* <sup>2)</sup>*Cf. Article 3 of law No. 118/2004.* <sup>3)</sup>*Cf. Article 3 of law No. 136/2008.* <sup>4)</sup>*Cf. Article 10 of law No. 167/2008.* <sup>5)</sup>*Cf. Article 8 of law No. 60/2009.*

## CHAPTER III

### General provisions

#### Article 11

(1) A ruling by the Directorate of Customs on waiving or refunding of alcohol and tobacco tax according to Article 6 and Article 10, paragraph 2, is subject to complaint to the Minister of Finance according to Article 102 of the Customs Law No. 55/1987<sup>\*1)</sup>. Provisions of the Customs Law shall then apply where this Law does not stipulate on taxability, tax exemption, ruling on classification for taxability, assessment, collection, legal protection, penalties, punishments and other implementation concerning tax on imported alcohol and tobacco.

(2) To the extent that there are no provisions in this Law on assessment, collection, accounting arrangement, tax returns, control, enterprise suspension, penalties, fines, punishments and other implementation concerning a tax according to this Law on alcohol and tobacco, manufactured or processed in some respect in this country, provisions of the Value Added Tax Law shall apply as applicable and provisions of regulations and other instructions put in place based on that law, as well as provisions of the Commodity Tax Law.

<sup>\*1)</sup>*Now Articles 117 and 118 of law No. 88/2005.*

#### Article 12

The Minister may stipulate further in a regulation on the implementation of the provisions of this Law on alcohol and tobacco tax.] <sup>1) a)</sup>

<sup>1)</sup>*Cf. Article 2 of law No. 149/2001.* <sup>a)</sup>*Regulation No. 505/1998.*