

No. 14022

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**SWEDEN  
and  
ICELAND**

**Agreement for the avoidance of double taxation with respect to taxes on income and capital. Signed at Reykjavik on 23 January 1964**

*Authentic texts: Swedish and Icelandic.*

*Registered by Sweden on 20 May 1975.*

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**SUÈDE  
et  
ISLANDE**

**Convention tendant à éviter la double imposition en matière d'impôts sur le revenu et sur la fortune. Signée à Reykjavik le 23 janvier 1964**

*Textes authentiques : suédois et islandais.*

*Enregistrée par la Suède le 20 mai 1975.*

## [TRANSLATION — TRADUCTION]

AGREEMENT<sup>1</sup> BETWEEN THE KINGDOM OF SWEDEN AND THE  
REPUBLIC OF ICELAND FOR THE AVOIDANCE OF DOUBLE  
TAXATION WITH RESPECT TO TAXES ON INCOME AND  
CAPITAL

The Kingdom of Sweden and the Republic of Iceland have decided to conclude an Agreement for the avoidance of double taxation with respect to taxes on income and capital.

They have for that purpose appointed as their plenipotentiaries:

His Majesty the King of Sweden: August Herman von Hartmannsdorff, his Ambassador Extraordinary and Plenipotentiary at Reykjavik,

The President of the Republic of Iceland: Gudmundur I. Gudmundsson, his Minister for Foreign Affairs,

having examined each other's full powers, found in good and due form, have agreed as follows:

*Article 1.* This Agreement shall apply to individuals domiciled in the Kingdom of Sweden or in the Republic of Iceland, and to Swedish and Icelandic bodies corporate.

*Article 2.* 1. This Agreement shall apply to taxes on income and capital, whether levied on behalf of the State or of a commune.

The following shall be regarded as taxes on income and capital:

A. Under Swedish law:

- (1) The State income tax (*den statliga inkomstskatten*);
- (2) The coupon tax (*kupongskatten*);
- (3) The seamen's tax (*sjömansskatten*);
- (4) Taxes on special advantages and privileges (*bevillningsavgifterna för särskilda förmåner och rättigheter*);
- (5) The tax on distributed profits (*utskiftningskatten*);
- (6) The tax on undistributed profits (*ersättningskatten*);
- (7) The State property tax (*den statliga förmögenhetsskatten*); and
- (8) The communal income tax (*den kommunala inkomstskatten*).

B. Under Icelandic law:

- (1) The State income and property tax (*tekju- og eignarskattur til ríkisins*); and
- (2) The communal income and property tax (*tekjuútsvar og eignarútsvar til sveitarfélaga*).

C. Under both Swedish and Icelandic law: taxes levied according to the same principles as any of the taxes specified above in subparagraphs A and B.

2. For the purposes of this Agreement, taxes on income and capital shall not include such taxes as special taxes on winnings from lotteries and betting, death duties, and taxes on gifts.

<sup>1</sup> Came into force on 15 June 1964 by the exchange of the instruments of ratification, which took place at Stockholm, in accordance with article 25.

3. For the purposes of this Agreement, the term “commune” includes communes of both the higher and the lower categories.

*Article 3.* 1. Unless otherwise provided in this Agreement, income and capital shall be taxable only in the State in which the taxpayer is domiciled.

2. For the purposes of this Agreement, an individual shall be deemed to be domiciled in one of the States if he has his actual dwelling and home there, or permanently resides there. If as a result of the application of this provision he is regarded as being domiciled in both States, he shall, for the purposes of this Agreement, be deemed to be domiciled in that State with which he has the stronger personal and economic ties. If the question where a person shall be deemed to be domiciled cannot be determined in accordance with the foregoing provision, he shall be deemed to be domiciled in the State of which he is a national, if he is a national of both States or is not a national of either State, the competent authorities of both States shall come to an agreement in each particular case.

3. If a taxpayer removes from one State for the purpose of taking up residence in the other, his income tax liability in the first State shall, in so far as it is determined by his place of residence, cease from the date on which the removal is completed.

As regards the taxation of capital in the case of a removal from one State to the other, each State shall be entitled to proceed according to its own tax legislation unless the competent authorities of the two States agree to proceed otherwise in particular instances.

4. For the purposes of this Agreement, a body corporate shall be deemed to be domiciled in the State of which it is a national.

A body corporate shall be deemed to have Swedish nationality if it is registered in Sweden, and Icelandic nationality if it is registered in Iceland. A body corporate which is not registered shall be deemed to have the nationality of the State in which its management or head administration has its seat.

A holding company shall be deemed to have the nationality of the State in whose territory its actual management is exercised.

5. The undivided estate of a deceased person shall be deemed to be domiciled in that State in which, in accordance with paragraph 2 of this article, the deceased person is deemed to have been domiciled at the time of his death.

*Article 4.* 1. Income derived from immovable property situated in one of the two States shall be taxable only in that State.

2. Income from immovable property shall be deemed to include income derived from the direct administration and use of immovable property; income from letting, leasing or any other form of using such property, and profit derived from the alienation of immovable property. Immovable property shall include appurtenances thereto, the latter term, in the case of agriculture and forestry, comprising livestock, equipment and other property.

For the purposes of this Agreement, income from immovable property shall also be deemed to include income from timber-felling on one's own or another person's land and income derived by a logger through the conveyance of the felled timber to a port of export, through the sale of the timber in the State in which the immovable property is situated, or through the processing of the timber in that State elsewhere than at a permanent establishment.

*Article 5.* 1. Unless otherwise provided in this Agreement, income derived from a business or profession and attributable to a permanent establishment in one of the States shall be taxable only in that State. If there are permanent establishments in both States, each State shall tax that portion of the income which is derived from a permanent establishment in its territory.

2. Income derived from a business shall be deemed to include not only income derived from the direct conduct of a business but also income derived from leasing a business to others and profit derived from the alienation of a business or part thereof, or of objects used in a business.

Income derived from a business shall also be deemed to include income derived from participation in an undertaking other than income from shares or similar securities. The expression "similar securities" means, as regards the law in force in Sweden, share certificates of Swedish economic associations and, as regards the law in force in Iceland, share certificates of Icelandic co-operative associations.

3. Income derived from a profession shall specifically include income derived from the independent exercise of a scientific, artistic, pedagogic or educational activity or of the profession of physician, lawyer, architect or engineer.

*Article 6.* 1. The term "permanent establishment" means any place where a special plant of a permanent character has been installed or special arrangements of a permanent character have been made for the purpose of carrying on a business or profession, such as a place where an undertaking has its management, office, branch, factory, workshop or the like, sales premises, warehouse or a mine or deposit subject to exploitation.

2. The term "permanent establishment" shall be deemed to include a building site on which work has proceeded or is expected to proceed for a period exceeding twelve months.

3. A permanent establishment shall also be deemed to exist if an undertaking domiciled in one State has a representative (agent) in the other State permanently working in that State for the account of the undertaking and empowered to conclude transactions on its behalf.

Nevertheless, a permanent establishment shall not be deemed to exist merely because an undertaking domiciled in one State has a subsidiary company in the other State or maintains business relations there solely through a completely independent representative or through a representative (agent) who, although permanently working for the account of the undertaking, merely negotiates business as an intermediary without being empowered to conclude transactions on behalf of the undertaking.

*Article 7.* Where an undertaking of one State carries on business in the other State through a permanent establishment situated there, the following principles shall be applied in apportioning the right to impose tax. The permanent establishment shall be deemed to have derived from the business such income as it might be expected to earn if it were a completely independent undertaking dealing at arm's length with the undertaking of which it is a permanent establishment. If the permanent establishment keeps separate accounts the income shall, if possible, be determined by reference to those accounts in which event, however any discrepancy between the amount of income as shown in the accounts and the amount of income that would have resulted from the application of the aforementioned principle shall be rectified through an adjustment, for the purposes of the tax assessment, of the income shown in the accounts. If it appears that the income cannot be determined by

reference to the accounts, it shall be fixed at an equitable percentage of the turnover of the permanent establishment. Unless the circumstances otherwise require, the said percentage shall be fixed by reference to corresponding particulars of similar undertakings in the same State. Where necessary, the competent authorities shall in individual cases come to a special agreement concerning the apportionment of the right to impose tax.

The authorities shall keep one another informed of the income for which in the aforementioned cases a permanent establishment is assessed in either State and shall jointly seek to determine the proper apportionment of the right to impose tax.

*Article 8.* Income derived from the operation of a sea or air navigation undertaking having its centre of actual management in one of the States shall be taxable only in that State.

*Article 9.* 1. Royalties paid in respect of the use of immovable property or in respect of the operation of mines or deposits shall be taxable only in the State in which the immovable property, mine or deposit is situated.

2. Royalties, except as referred to in paragraph 1, shall be taxable in the State in which the recipient of the income is domiciled.

For the purposes of this paragraph, the term "royalty" means any kind of royalty (or other periodic amount) paid as consideration for the privilege of using or for the exclusive use of any copyright, patent, design, secret process or formula, trade mark or the like.

*Article 10.* 1. Dividends shall be taxable only in the State in which the recipient of the dividends is domiciled.

2. Dividends paid by a joint-stock company in Iceland to a joint-stock company in Sweden shall be exempt in Sweden from taxation to such extent as would have been the case under Swedish law if both companies had been domiciled in Sweden. Nevertheless this provision shall apply only where the dividends are not deducted from the amount of the Icelandic joint-stock company combined net income which is subject to Icelandic State and communal income tax.

3. Dividends paid by a joint-stock company in Sweden to a joint-stock company in Iceland shall be exempt in Iceland from taxation to the extent that would have been the case under Icelandic law if both companies had been domiciled in Iceland.

4. The foregoing provisions of this article as they relate to a joint-stock company in Sweden and to the payment of dividends by such a company shall similarly apply to an economic association in Sweden and to the payment of dividends by such an association.

The foregoing provisions of this article as they relate to a joint-stock company in Iceland and to the payment of dividends by such a company shall similarly apply to a co-operative association in Iceland and to the payment of dividends by such an association.

*Article 11.* 1. Except as otherwise provided in this article, income from personal services but excluding pensions and annuities and income from a profession and income derived from permanent duties shall be taxable only in the State in which the taxpayer performs the services from which the income is derived.

2. A person domiciled in one State and employed there, who for reasons connected with his employment is temporarily present in the territory of the other State,

shall not be deemed to have been employed in the latter State if he receives his remuneration exclusively from his employer domiciled in the former State and is present in the latter State for one or more periods during the income year which in the aggregate do not exceed 183 days.

3. In cases where services are performed wholly or mainly on board a Swedish or Icelandic ship, the income referred to in paragraph 1 shall be taxable only in the State in which the ship is registered. In the application of this provision a foreign ship which is chartered on a so-called bareboat basis by an enterprise whose place of effective management is situated in Sweden or Iceland shall be treated as a Swedish or Icelandic ship as the case may be.

In cases where services are performed wholly or mainly on board a Swedish or Icelandic aircraft, the income referred to in paragraph 1 shall be taxable only in the State in which the recipient of the income is deemed to be domiciled.

4. Where a joint-stock company is deemed to be domiciled in one State but members of its board of directors are domiciled in the other State, compensation paid by the company to such members in the aforementioned capacity shall be taxed only in the latter State.

5. A student attending a university or college in one State who is employed in the other State for not more than 100 days in a single calendar year in order to acquire practical training required for his studies shall be subject to tax on the income from such employment only in the State in which he is deemed to be domiciled.

*Article 12.* Notwithstanding any other provision of this Agreement, stage, motion picture, radio and television artists, musicians, athletes and other persons who similarly participate in a public entertainment shall be subject to tax on income from such activity only in the State in which the activity is carried on.

*Article 13.* A student or an industrial or business apprentice who is present in one of the States solely for purposes of education or training shall be exempt in that State from tax on amounts received by him from abroad for the purposes of his maintenance, education or training.

*Article 14.* Fortune consisting of immovable property or appurtenances thereto—which, in the case of agriculture and forestry, shall include livestock, equipment and other property—shall be taxable only in the State in which the property is situated.

Capital connected with a business or profession shall be taxable only in the State which is entitled under the provisions of this Agreement to tax the income from such capital.

*Article 15.* Where income or capital belonging to the undivided estate of a deceased person is, under this Agreement, taxed in one State, it may not be taxed in the lands of a beneficiary in the other State.

*Article 16.* Each State shall be entitled, in accordance with its domestic legislation, to effect an adjustment of income and capital in cases where:

- (a) an undertaking in one of the States participates directly or indirectly in the management, control or capital or an undertaking in the other State; or
- (b) the same persons participate directly or indirectly in the management, control or capital of an undertaking in one of the States.

When a question of this kind arises in one of the States the competent authorities of the other State shall be so informed in order that any necessary adjustment may be made in the computation of the income and capital of the undertaking situated there. The competent authorities shall, if there is a reason for doing so, come to an equitable settlement with regard to the computation of the income or capital.

*Article 17.* 1. Nationals (of one of the States) shall not be subjected in the other State to any taxation which is other, higher or more burdensome than the taxation to which the nationals of the latter State are or may be subjected there.

2. Bodies corporate which are domiciled in one of the States shall not be subjected in the other State to any taxation which is other, higher or more burdensome than the taxation to which bodies corporate domiciled in the latter State are or may be subjected there.

*Article 18.* 1. The State in which a taxpayer is domiciled may, in calculating the tax, apply the rate of tax that would have been applicable if the income or capital which under this Agreement is taxable only in the other State had also been taxable in the State of domicile.

2. Where a taxpayer who has been domiciled in Iceland or stayed there temporarily moves or returns to Sweden, Iceland may, in calculating the tax, apply the provisions of Icelandic law concerning taxation of taxpayers about to leave the country.

*Article 19.* This Agreement shall not affect the right of diplomatic and consular officers to such additional exemption as have been or may hereafter be granted in virtue of the general rules of international law.

Where, owing to such additional exemptions, income or capital is not taxed in the receiving State, the right of taxation shall be reserved to the sending State.

*Article 20.* The tax authorities of the two States shall exchange such information (of the kind available to the tax authorities under the tax laws of both States in the performance of their normal duties) as is necessary for the application of the provisions of this Agreement or to prevent fraud or for the purpose of applying a particular regulation for the prevention of fiscal evasion in respect of the taxes referred to in this Agreement. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons other than those concerned with the assessment or collection of the taxes which are the subject of this Agreement. There shall be no exchange of information which would disclose any trade secret, secret production process, professional secret or business method.

*Article 21.* If a taxpayer can show proof that the action of the tax authorities of the Contracting States has resulted or will result in his being subjected to double taxation, he may lodge a claim with the State in which he is deemed to be domiciled. If the claim is considered to be valid, the competent authorities of that State may come to an agreement with the competent authorities of the other State with a view to avoiding double taxation.

*Article 22.* Difficulties or doubts arising in connexion with the interpretation or application of this Agreement, may be dealt with by special agreements between the competent authorities of the two Contracting States.

*Article 23.* The Contracting States undertake to refer to their competent authorities for equitable settlement any other question concerning direct taxes which

may arise owing to differences in the principles governing taxation in the two States or otherwise and for which no specific provision is made in this Agreement.

*Article 24.* For the purposes of this Agreement the term “competent authorities” means the Ministries of Finance of the two Contracting States or that authority in each State which has been commissioned to deal with questions under this Agreement on behalf of the Ministry of Finance.

*Article 25.* This Agreement shall be ratified, in the case of Sweden, by His Majesty the King of Sweden with the consent of the Riksdag, and, in the case of Iceland, by the President of Iceland. The instruments of ratification shall be exchanged at Stockholm as soon as possible.

The Agreement shall enter into force upon the exchange of the instruments of ratification.

*Article 26.* When the instruments of ratification have been exchanged, the Agreement shall apply:

(a) In Sweden:

- In respect of State income tax, communal income tax and State property tax levied on the basis of the assessment for the year 1965 or any subsequent year;
- In respect of coupon tax on dividends falling due for payment on or after 1 January 1964;
- In respect of seamen’s tax levied as from 1 January 1964;
- In respect of taxes on special advantages and privileges accruing as from 1 January 1964;
- In respect of other taxes assessed in the course of 1965 or any subsequent year.

(b) In Iceland:

- In respect of State income and property tax and communal income and property tax levied on the basis of the assessment for the year 1965 or any subsequent year;
- In respect of other taxes assessed in the course of 1965 or any subsequent year.

On the entry into force of this Agreement, the Agreement of 8 September 1937<sup>1</sup> between Sweden and Iceland for the Avoidance of Double Taxation on Income and Capital and the Agreement of 17 September 1955<sup>2</sup> between Sweden and Iceland concerning the exemption from taxation of income derived from sea and air transport shall cease to apply but shall both continue to be applicable with respect to tax based on the assessment or reassessment for years preceding those specified above.

*Article 27.* The Agreement shall remain in force so long as no notice of termination is given by either Contracting State. Such notice must be given not less than six months before the expiry of the calendar year. If such notice is given, the Agreement shall apply for the last time:

(a) In Sweden:

- In respect of State income tax, communal income tax and State property tax levied on the basis of the assessment for the year next following that in which the notice of termination is given;

<sup>1</sup> League of Nations, *Treaty Series*, vol. CLXXXVII, p. 405

<sup>2</sup> United Nations, *Treaty Series*, vol. 262, p. 273.

- In respect of coupon tax on dividends falling due for payment in the year in which the notice of termination is given;
- In respect of seamen's tax levied in the year in which the notice of termination is given;
- In respect of taxes on special advantages and privileges accruing in the year in which the notice of termination is given;
- In respect of other taxes assessed in the year next following that in which the notice of termination was given;

(b) In Iceland:

- In respect of State income and property tax and communal income and property tax levied on the basis of the assessment for the year next following that in which the notice of termination is given;
- In respect of other taxes assessed in the year next following that in which the notice of termination is given.

IN WITNESS WHEREOF the plenipotentiaries of the two States have signed the Agreement and have thereto affixed their seals.

DONE at Reykjavik on 23 January 1964, in duplicate in the Swedish and Icelandic languages, both texts being equally authentic.

AUGUST VON HARTMANSDORFF  
GUDM. I. GUDMUNDSSON

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