

Customs Law



THE DIRECTOR OF CUSTOMS IN REYKJAVIK

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Customs Law
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Introduction

The Customs Law, No. 88/2005, entered into force on the 1th of January 2006. This publication contains translation of the text of the new Customs Law, as amended by law No. 80/2006 and law No. 108/2006, with the exception of Annex I-IV. The Customs Tariff, Annex I, can be found on the customs web site – address www.tollur.is

It should be pointed out that this publication is printed for the purpose of aiding those implementing the Customs Law, as well as for those who want to acquaint themselves with the Law in general. Any errors which may occur have no legal validity.

Reykjavik, in November 2006
The Director of Customs in Reykjavik

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Customs Law No. 88/2005

CHAPTER I General provisions

Article 1

Definitions

In this Law and regulations issued in accordance therewith, the following terms and phrases shall be defined as follows:

1. *Import charges and export charges*: Duty and other taxes and charges, which must be paid upon customs treatment of goods at importation or exportation.
2. *Arriving vessel*: A vessel arriving from abroad which has not received first clearance during that journey. Also a vessel which has received goods or persons outside a customs port from another vessel in international journeys.
3. *Principal of a vessel*: Ship operator or aircraft operator.
4. *Vessel*: Ship or aircraft.
5. *Vessel in international journeys*: A vessel arriving from abroad or the journey of which is bound for abroad.
6. *Means of transport*: Any equipment which may be used for the transport of goods.
7. *Crew members*: Seamen and airmen who are in the crew of ships or aircraft.
8. *Travellers*: Passengers travelling to the country from abroad or departing for abroad on ships or aircraft.
9. *Aircraft*: Any flying means of transport.
10. *Express consignments*: Consignments transported to this country by air, through a customs broker acting as an intermediary, in cooperation with a foreign express consignment company.¹
- [11.]¹ *Electronic customs clearance*: EDI and WEB customs clearance.
- [12.]¹ *Minister*: The Minister of Finance, unless otherwise specified.
- [13.]¹ *Ship*: Any floating means of transport.
- [14.]¹ *Electronic Data Interchange (EDI)*: Computer to computer transmission of data in a standard format.
- [15.]¹ *EDI customs clearance*: Electronic customs clearance by computer to computer transmission of data in a standard format.
- [16.]¹ *Tariff binding*: Maximum duties in accordance with the General Agreement on Tariffs and Trade (GATT) 1994 in Annex 1 A to the convention establishing the World Trade Organization which was signed on behalf of Iceland on the 15th of April 1994, cf. Annex IIA and IIB to this Law. Furthermore maximum duties according to the

¹ Cf. law No. 80/2006, Article 1 (a).

Ministerial Declaration on Trade in Information Technology Products signed in Singapore on the 13th of December 1996, cf. Annex IIC to this Law.

- [17.]¹⁾ *Customs clearance of goods*: When a director of customs has released goods for domestic use or for exportation.
- [18.]¹⁾ *Customs enforcement*: Executors of the customs enforcement authority, cf. Article 147.
- [19.]¹⁾ *Tariff quota*: Specific quantities of goods imported on lower duties than stated in Article 5.
- [20.]¹⁾ [*Customs broker*: A legal person licensed by the Minister to represent importers and exporters in respect of customs authorities.]²
- [21.]¹⁾ *Customs documentation*: Customs declaration and other documents to be submitted at customs clearance as stipulated in laws and administrative rules.
- [22.]¹⁾ *Duty*: A tax collected on goods in accordance with the Customs Tariff.
- [23.]¹⁾ *Customs value*: The value of goods, serving as the basis for levying duty on imported goods.
- [24.]¹⁾ *Customs computer system*: Hardware and software used by the customs authorities for customs clearance, *inter alia*, for the levying and collection of import charges.
- [25.]¹⁾ *Transit*: The transportation of goods within the country under customs control from an arriving vessel on board an exporting vessel, provided the destination of the goods was originally a country other than Iceland.
- [26.]¹⁾ *Goods* or a *consignment*: Any article which can receive customs treatment in accordance with the Customs Tariff.
- [27.]¹⁾ *WEB Customs Clearance*: Electronic customs clearance through web connection to the Customs web site.
- [28.]¹⁾ *Liability for custody*: Liability for the custody of unclared goods in accordance with the provisions of this Law.
- [29.]¹⁾ *Custodian*: An individual or a legal person having undeclared goods in their custody in accordance with the provisions of this Law.

CHAPTER II

Icelandic customs territory

Article 2

The Icelandic customs territory covers the country together with islands and skerries as well as twelve nautical miles of territorial waters around it with boundary in accordance with law No. 41/1979, Article 1, on territorial waters, economic jurisdiction and the continental shelf.

The Icelandic customs territory also includes the airspace above the aforementioned land and sea territories.

CHAPTER III

Parties liable for duty

Article 3

General liability for duty

Whoever imports goods to the country for resale, for delivery without remuneration or for own use, or who becomes responsible for the payment of duties in accordance with provisions of this Law, is liable for duty, cf. however Article 4, and must pay duty on the imported goods unless otherwise stipulated in the Customs Tariff.

² Cf. law No. 80/2006, Article 1 (b).

Article 4
Limited liability for duty

The following parties shall not pay duty on imported goods with the limitations, however, specified below:

1. Embassies, consulates, diplomatic agents and career consuls of foreign countries.
2. Honorary consuls of foreign countries as far as certain office supplies are concerned, cf. paragraph 2.
3. Parties who are exempt from liability for duty according to specific laws.

The Minister issues further rules concerning customs exemptions provided for in this Article, and may subject exemptions for the parties mentioned in paragraph 1, points 1 and 2, to the conditions that the relevant country is a party to the Vienna Convention on Diplomatic Relations, cf. law No. 16/1971 on Iceland's accession to the convention on diplomatic relations, to the Vienna Convention on Consular Relations, cf. law No. 4/1978 on Iceland's accession to the convention on consular relations, or that Icelandic diplomatic agents and diplomatic missions enjoy reciprocal customs exemptions by the country concerned.

CHAPTER IV
Dutiable goods, exemptions, et al.

Article 5
Dutiable goods and Customs Tariff

All goods imported into the Icelandic customs territory are subject to duty according to the Customs Tariff in Annex I to this Law. Duty shall be levied as *ad valorem* duty on the customs value of goods or consignments as determined in accordance with the provisions of Articles 14 to 16, and as specific rates on the quantity of goods as stipulated in the Customs Tariff in Annex I. Other duties and charges discriminating between domestic and imported products must not be levied on goods upon importation.

Without prejudice to the provisions of paragraph 1, price compensation charges may be levied in accordance with provisions of free trade agreements and international agreements, cf. Article 139 of this Law or Article 84 of law No. 99/1993, on the production, pricing and sales of agricultural products, provided such taxation is within the tariff bindings, cf. paragraph 3.

Duty on goods from member countries of the World Trade Organization must not exceed the tariff bindings specified in Annexes II A and II B to this Law. If a tariff binding is based on both price and quantity the maximum duty shall be based on the tariff binding which permits higher levy. The provisions regarding tariff bindings may, however, be deviated from when it is decided to impose anti-dumping and countervailing duties according to Articles 133 to 137 and additional duties according to Article 138 of this Law, cf. Article 86 of law No. 99/1993, on the production, pricing and sales of agricultural products.

Article 6
Duty free goods

In addition to goods which are duty free in accordance with specific provisions of the Customs Tariff, the following goods shall be duty free:

1. Following goods on board vessels arriving in this country from abroad:
 - a. Equipment and inventory articles of a vessel deemed by the customs authorities not to be in excess of what may be considered to be appropriate with regard to the size of the vessel and to its journey, provided that this equipment and inventory articles

- will not be removed from the vessel concerned.
- b. Appropriate provisions and other stores on board a vessel in international journeys, provided these remain on board the vessel for the consumption and use of the crew and passengers.
 - c. Goods which are not to be removed from a vessel here, but shall return with it abroad. The same applies to goods sent here in transit.
2. Goods which crew members and travellers bring with them from abroad as stipulated below:
 - a. Ordinary luggage of the crew members of a vessel arriving in this country from abroad, as deemed by the customs authorities to consist of travel necessities for their personal use in the vessel. Furthermore, ordinary luggage of travellers arriving in this country from abroad, as deemed by the customs authorities to consist of travel necessities for their personal use during the journey.
 - b. Goods, including spirits and tobacco, which travellers and crew bring with them to this country, or purchase in a duty free shop in this country, in excess of that specified in point a, up to a specific maximum as stipulated by the Minister in regulations.
 3. Clothes and other travel effects belonging to residents of this country who have died abroad.
 4. Household articles of persons who are taking up residence in this country, provided the person in question has had permanent residence abroad for at least one year prior to moving to this country. Duty free exemption according to this point does not cover vehicles or other motorized means of transport. In regulations the Minister may limit waivers of duty according to this point to use, types of goods or maximum value, taking into account the length of stay abroad, family size and other circumstances.
 5. Medals awarded by foreign countries, as well as prizes for athletic feats and other feats accomplished abroad.
 6. Goods returned from abroad because they were unsaleable there or returned from abroad for other reasons, provided there is satisfactory evidence, as deemed by a customs authority, that the goods in question were exported from this country.
 7. Returned empty packing, provided there is satisfactory evidence, as deemed by a customs authority, that the packing in question was used for goods exported from this country.
 8. Gifts sent to this country from abroad on the following occasions:
 - a. Gifts which persons residing abroad send here, or bring with them from abroad, on special occasions, excluding however professional purposes, provided the value of the gift does not exceed ISK 10,000. If, however, the value of a gift exceeds ISK 10,000, the gift shall only be dutiable on the value exceeding ISK 10,000. Wedding gifts shall be duty free although they exceed ISK 10,000 in value, provided the director of customs deems the gift to be normal and appropriate.
 - b. Gifts to humanitarian and philanthropic enterprises, provided the article in question is utilized directly by the relevant enterprise, as well as gifts sent here from abroad for distribution by charitable organizations and the like for the needy.
 - c. Gifts to the state, municipalities or public institutions received from abroad as acts of friendship or on the basis of cultural exchange with foreign countries.
 9. Scientific equipment and scientific gear which Icelandic scientific institutions or institutions to which Iceland is a party purchase for grants or have access to free of charge from foreign parties.
 10. Used articles constituting an inheritance from abroad, excluding however vehicles or other motorized means of transport.

11. The following consignments concerning marketing and product development:
- a. Samples of commercial products and advertising materials, provided their value is minimal. Furthermore, samples of commercial products which have been rendered unusable as common articles of sale.
 - b. Software data delivered free of charge and intended for developing or designing software, testing, correcting or updating, or solely usable for promotional purposes.
 - c. Letters, brochures and printed media of no commercial value and not suitable for redistribution.
- In regulations the Minister shall stipulate further conditions concerning customs exemptions under this Article.

Article 7

Waivers, reductions or refunds of customs duties

Duties shall be reduced, waived or refunded in the following instances, subject to the conditions specified:

1. In accordance with provisions of free trade agreements and international agreements to which Iceland is a party, from the time the agreement in question has entered into force for Iceland.

Duties on goods originating in the least developed countries of the world as defined by the UNCTAD/Committee on Enterprise, Business Facilitation and Development shall be waived in conformity to waiving of duties on goods originating in the European Economic Area according to the Agreement on the European Economic Area.

2. For temporary importation in the following instances:
 - a. On goods which are sent to the country temporarily for exhibition or transport, provided they will not be used otherwise. Furthermore, on machinery, equipment and other gear sent to the country for a short trial period.
 - b. On equipment, tools and other gear which scientists, scientific expeditions, artists, contractors, rescue missions and other such bring with them from abroad for use in this country during their exploration, research and activities.
 - c. On goods sent to this country temporarily for repairs or other processing.
 - d. On goods temporarily imported to this country in order that they may receive necessary processing to prevent their shrinkage or other damage.
 - e. On equipment and other gear which are imported to the country temporarily for meetings, conferences or festivals.

In regulations the Minister may stipulate a maximum time limit for duty free importation under this point, never however exceeding twelve months. In regulations the Minister may also define further the goods covered by this provision.

3. On agricultural products subject to quantitative duty (A1-duty) in accordance with Annex I to this Law, which are sent to this country temporarily for processing subject to further conditions of this point. The goods shall be reexported from the country after processing not later than six months after the date of arrival of the transport vessel to the country.

The Minister of Agriculture may grant to legal persons professionally, and on a large scale, engaged in the final processing of imported agricultural products for export, an authorization for temporary importation of agricultural products under this point.

When goods have not been exported from the country within the time limit specified in paragraph 1 of this point, the importer shall pay duty on the goods as stipulated in Annex I to this Law.

The licensee shall pay the cost of customs control regarding goods imported temporarily to the country under this point.

The Minister of Agriculture shall revoke authorization according to paragraph 2 of this point if the licensee does not adhere to conditions on the execution.

In regulations, the Minister of Agriculture shall stipulate further on conditions for temporary importation for processing according to this point, *inter alia* with regard to who can apply for an exemption, the separation of imported raw materials for the processing of fully produced products for the domestic market and for exportation, the ratio of utilization of raw materials for processing, the minimum requirements for the licensee's accounting records, and the information to be supplied by the licensee to the Minister of Agriculture and the customs authorities. He can make it a condition for reduction or waiver that satisfactory security for the payment of import charges be submitted.

4. On automobiles, motorcycles and trailers registered abroad and imported to the country by persons who have had residence abroad. This exemption is valid for one month from the vehicle's arrival in this country.

The director of customs may grant an extension to temporary importation according to paragraph 1 of this point for up to three months each time, up to a total maximum of twelve months, provided the person in question presents evidence that he does not have paid employment in this country nor operates a professional enterprise here, that he does not have residence in this country and that he has not moved his household goods to this country.

Should the importer fail to fulfill the conditions specified in paragraph 2 of this point, with regard to not having paid employment or operating a professional enterprise in this country, the director of customs may nevertheless grant an extension to the period as provided for in paragraph 2 against payment of duty on what amounts to be 1/60 part of the customs value of the vehicle in question for each started month of the extension. The director of customs may permit payment of charges with a bond and satisfactory security.

As far as applicable, the provisions of this point shall apply to automobiles brought to the country by foreign tourist groups, tourist bureaus or other parties professionally engaged in such transportation of persons for group travelling in the country, provided they are exported from the country with the tourist group for which the automobile was originally intended.

The provisions of this point also apply to new, unregistered automobiles and motorcycles bought in this country. These vehicles shall be specially registered and be subject to further conditions which the Ministry of Justice may issue. Exemption from the payment of duty in accordance with this paragraph shall be based on the registration date of the vehicle.

The provisions of this point also apply to trailers registered abroad, intended for the transport of goods to and from the country.

When temporary duty free importation of a vehicle is permitted in accordance with this point, the importation of the fuel in the vehicle's built-in fuel tank shall be permitted without payment of import charges. Furthermore, in case of breakdown or damage of a vehicle, the owner or custodian shall be permitted to import duty free spare parts for the vehicle.

5. On automobiles, motorcycles and trailers registered abroad and possessed, or hired by a foreign company established in the European economic area[, in a member state of the agreement establishing the European Free Trade Association or in the Faeroe Islands]³ and imported to the country by an employee of that company. This exemption is valid for

³ Cf. law No. 108/2006, Article 25.

one month from the vehicle's arrival in this country.

The director of customs may grant an extension to temporary importation according to paragraph 1 of this point for up to three months each time, up to a total maximum of twelve months, provided the conditions of paragraph 3 of point 4 of this paragraph are fulfilled.

6. On larger equipment, including vehicles, sent here for short term use, not however exceeding twelve months, and returned immediately after use. In such cases duty shall be based on the rent for the equipment instead of the customs value. If the amount of rent is unavailable, the calculation of duty may be based on assessed rent determined as 1/60 part of the customs value, as determined in accordance with Chapter V of this Law, for each started month while the equipment is in this country.
7. On goods which have received customs clearance into the country but are at a later date sold unused abroad or to a duty free shop, a warehouse for duty free supplies or a free zone.
8. On goods which prove to be defective or which have suffered destruction, shrinkage or damage en route to this country, during unloading, in the custody of customs or in certified warehouses for uncleared goods, or during transport between domestic customs ports, before being delivered to the consignee.
9. On machinery, equipment, electrical goods and other accessories intended for use in aircraft and ships. The same applies to parts used for repairs or other maintenance of aircraft and ships.
10. On raw materials, components and parts for the production of domestic goods, as well as on packing for such goods. If the processing taking place in this country is insignificant, such as packing, repacking, bottling or mixing, the product shall not be considered to be domestic within the meaning of this point. The waiver of duty on raw materials or components provided for in this point does not cover goods subject to quantitative duty (A1-duty) in accordance with Annex I to this Law.
11. On raw materials, components and parts for the production of domestic goods subject to quantitative duty (A1-duty) in accordance with Annex I to this Law, as well as on packing for such goods. If the processing taking place in this country is insignificant, such as packing, repacking, bottling or mixing, the product shall not be considered to be domestic within the meaning of this point.
12. On rescue gear and rescue equipment, provided that the national organizations of rescue squads certify that said gear and equipment will be used solely for the operation of rescue squads.
13. On machinery, machinery parts and spare parts used in the production of domestic goods.
14. On equipment and media which motion picture studios, video studios and sound studios use in their activities.
15. On seed potatoes, seedlings and other components, raw materials and parts for horticultural production.

In regulations, the Minister can stipulate further on conditions for waivers, reductions or refund of duties provided for in this Article. The Minister can subject reductions or waivers to the condition that satisfactory security is submitted covering the payment of import charges.

Article 8

Goods sent abroad for processing

When goods are sent abroad for processing, and this processing does not alter them to such an extent as to constitute new articles duty shall be levied only on the processing cost

and freight charges to the country at the rate applicable to identical goods according to the Customs Tariff.

When goods sent abroad for processing are altered to such an extent as to constitute new articles, duty shall be levied on them according to the Customs Tariff as if they were imported foreign goods.

Article 9

Goods sent abroad for repairs

When goods are sent abroad for repairs and the repairs do not alter them to such an extent as to constitute new articles, duty shall be levied only on the cost of repairs and freight charges to the country at the rate applicable to identical goods according to the Customs Tariff.

When new articles are substituted for goods sent abroad for repairs duty shall be levied on them in accordance with the Customs Tariff.

Without prejudice to the provisions of paragraph 2, used parts replacing identical parts which have been sent to a service centre abroad for repairs, shall receive customs clearance in such a way that duty shall be calculated on the service charge stated in the invoice from the foreign service centre, provided the name and the commodity number of the article is stated therein, it is classified in the same tariff heading, it is of the same commercial value and has the same technical properties as the part that was sent for repairs, and furthermore the provisions of paragraph 1 have in other respects been observed

Article 10

Goods sent abroad for repairs during their guarantee period

Goods sent abroad for repairs because of defects during their guarantee period shall be exempt from duty upon importation, provided sufficient evidence is presented as deemed by the director of customs that the repairs have been carried out without cost to the person in question, and that the guarantee was originally included in the customs value of the goods.

When a foreign seller of a defective product decides to deliver a new product instead of repairing the defective one, the new product shall be exempt from customs duties, provided the following conditions are fulfilled:

1. The defective goods shall have a valid guarantee according to a legal or contractual obligation of the seller at the time they were sent abroad or disposed of under customs supervision. The goods shall not be disposed of prior to receipt of a written confirmation by the seller stating that he will deliver new goods for the defective ones and that he does not wish to have the defective goods returned.
2. The seller certifies that exchange of goods is taking place on the basis of a legal or contractual obligation on his part and that he has elected to deliver new goods as replacement for the defective ones, without cost for the buyer, during the guarantee period.
3. New goods shall be classified in the same tariff heading as the defective goods they replace, being of the same commercial value and technical properties as the defective goods possessed at importation.

The director of customs can permit importation of goods in accordance with paragraph 2, without payment of import charges, prior to exportation or disposal under customs surveillance of the defective goods, cf. paragraph, 2 point 1, on the condition that the importer submits a monetary deposit covering the payment of import charges and costs, cf. Article 36 of this Law. The defective goods must be exported or disposed of under customs supervision

within 60 days of customs clearance of the goods replacing the defective ones. Otherwise the monetary deposit shall be redeemed.

Article 11

In regulations, the Minister can stipulate further conditions for waivers or refund of duties provided for in Articles 9 and 10 of this Law.

Article 12

Customs quotas allocated by the Minister of Agriculture

In Annexes III A and III B customs quotas are specified in accordance with Iceland's obligations in the agreement establishing the World Trade Organization covering importation of the quantities specified for each of the years 1995 up to and including 2000. Their allocation shall be in accordance with Article 65 of law on the production, pricing and sales of agricultural products. Duty on the goods imported according to customs quotas in Annex III A shall be 32% of the basic rate of the relevant heading as it is specified in Annex II A to this Law.

Duty on the goods imported according to customs quotas in Annex III B shall be 30%, however not exceeding that specified in the Annex. Importation of animal fodder and raw materials therefor in Chapters 10, 11, 12, 17 and 23 of the Customs Tariff shall, however, be subject to the rates of duty specified in the Customs Tariff in Annex I.

In Annexes IV A and IV B there are specified customs quotas which the Minister of Agriculture allocates according to Article 65A of the law on the production, pricing and sales of agricultural products. The Minister of Agriculture may in regulation stipulate that products imported according to the customs quotas specified in Annexes IV A and IV B shall be 0, 10, 20, 30, 40, 50, 60, 70, 80 or 90 percent of the ad valorem or quantitative duty levied in the relevant heading as it is specified in the Customs Tariff or 32% of the basic rate of the relevant heading as it is specified in Annex II A to this Law. The decision by the Minister of Agriculture regarding the reduction of duty in conformity with the aforementioned percentage of ad valorem or quantitative duty shall be based on whether there is sufficient supply of the products in question at a reasonable price on the domestic market. The percentage of duty for each product shall be higher when the supply of domestic production is greater, but shall be lowered proportionately when the domestic production is less. The Minister of Agriculture shall in his decision on the percentage of duty endeavour to establish equalization of domestic and imported products with regard to competition.

Article 13

Customs quotas allocated by the Minister of Finance

The Minister of Finance allocates customs quotas with regards to imports in accordance with multinational and international agreements to the extent that such products are not covered by the provisions of Annexes III A, III B, IV A or IV B to this Law.

The Minister of Finance is authorized to entrust to a committee, according to Article 87 of the law on the production, pricing and sales of agricultural products, the task of making recommendations regarding the allocation of customs quotas specified in paragraph 1.

The allocation of customs quotas shall as far as applicable be in conformity with the Agreement on Import Licensing Procedures published in Annex I A to the agreement establishing the World Trade Organization.

Customs quotas may be divided into units. Customs quotas shall be allocated for a specific period, up to one year each time. If there are applications for imports beyond the customs quota for the product, the following is permitted:

1. To have the allocation based on the drawing of lots.
2. To have the allocation based on the ratio of imports by the relevant applicant as compared with the total imports by all the applicants of the product in question during the previous year.

Customs quotas may be reallocated if they are not used within the period specified when the quota was allocated. Instead of allocating customs quota, a general authorization may be granted for imports subject to the rates of duty applicable to the customs quota.

Penalties for misuse of customs quotas for the purpose of gaining preferential duty or taxes upon importation of goods which do not fall within the customs quota, shall be subject to the provisions of Chapter XXII. It is permissible to refuse allocation of customs quotas to those guilty of their misuse.

In regulations the Minister of Finance shall issue further instructions regarding the allocation of customs quotas according to this Article, specifying, *inter alia*, the allocation quota, import period, rates of duty and other conditions governing the importation.

CHAPTER V

Customs value and customs valuation

Article 14

Customs value

The customs value of imported goods is the transaction value, i. e. the price actually paid or payable for the goods when sold for export to the country, adjusted in accordance with the provisions of Article 15, subject to the following conditions:

1. That there are no restrictions as to the disposition or use of the goods by the buyer other than restrictions which:
 - a. are imposed or required by law or by public authorities in this country,
 - b. limit the geographical area where the goods may be resold, or
 - c. do not substantially affect the value of the goods.
2. That the sale or price is not subject to some conditions or considerations for which a value cannot be determined with respect to the goods being valued.
3. That no part of the proceeds of any subsequent resale, disposal or use of the goods by the buyer will accrue directly or indirectly to the seller, unless an appropriate adjustment can be made in accordance with the provisions of Article 15.
4. That the buyer and seller are not related, or where the buyer and seller are related, that the transaction value is acceptable for customs purposes, subject to further rules issued in accordance with Article 16.

For the purposes of this Law, persons shall be deemed to be related only if the following conditions are fulfilled:

1. They are officers or directors of one another's businesses.
2. They are legally recognized partners in business.
3. They are employer and his employee.
4. Any person directly or indirectly owns, controls or holds 5% or more of the outstanding voting stock or shares of both of them.
5. One of them directly or indirectly controls the other.
6. Both of them are directly or indirectly controlled by a third person.
7. Together they directly or indirectly control a third person.

8. They are members of the same family.

Persons who are associated in business with one another in that one is the sole agent, sole distributor or sole concessionaire, however described, of the other shall be deemed to be related.

Article 15

Customs valuation

In determining the customs value under the provisions of Article 14, there shall be added to the price actually paid or payable for the imported goods:

1. The following, to the extent that they are incurred by the buyer but are not included in the price actually paid or payable for the goods:
 - a. Commissions and brokerage, except buying commissions.
 - b. The cost of containers which are treated as being one for customs purposes with the goods in question.
 - c. The cost of packing whether for labour or materials.
 2. The value, apportioned as appropriate, of the following goods and services where supplied directly or indirectly by the buyer free of charge or at reduced cost for use in connection with the production and sale for export of the imported goods, to the extent that such value has not been included in the price actually paid or payable:
 - a. Materials, components, parts and similar items incorporated in the imported goods.
 - b. Tools, dies, moulds and similar items used in the production of the imported goods.
 - c. Materials consumed in the production of the imported goods.
 - d. Engineering, development, artwork, design work, and plans and sketches undertaken elsewhere than in this country and necessary for the production of the imported goods.
 3. Royalties and licence fees related to the goods being valued that the buyer must pay, either directly or indirectly, as a condition of sale of the goods being valued, to the extent that such royalties and fees are not included in the price actually paid or payable. This does not, however, include such fees paid for the production rights of the goods in this country.
 4. The value of any part of the proceeds of any subsequent resale, disposal or use of the imported goods that accrues directly or indirectly to the seller.
- The following shall be included in the customs value:
1. The cost of transport of the imported goods to the port or place of importation.
 2. Loading, unloading and handling charges associated with the transport of the imported goods to the port or place of importation.
 3. The cost of insurance.

Additions to the price actually paid or payable shall be made under this Article only on the basis of objective and quantifiable data.

No additions shall be made to the price actually paid or payable in determining the customs value except as provided for in this Article.

Article 16

Regulatory provision

In regulations or in other instructions, the Minister can issue further rules concerning the determination of customs value, taking into account the implementation of Article VII of the General Agreement on Tariffs and Trade 1994. The rules shall, *inter alia*, specify how the

customs value shall be determined in cases when the customs value of imported goods cannot be determined according to Article 14 and that which shall be added to the customs value according to the provisions of Article 15.

In the same way the Minister is authorized to issue rules concerning the assessment of the customs value of goods and rules of procedure in case there is reason to doubt the veracity of invoices and other factors mentioned in Article 14 and that which shall be added to the customs value according to the provisions of Article 15.

Article 17

Apportion of cost

The cost, charges and other expenditures, cf. Article 15, incurred when goods falling within different tariff headings are consigned under cover of one bill of lading, shall be apportioned on individual goods in the consignment in proportion to their value at the place of purchase.

When goods are transported farther than to the first customs port where they could have been unloaded, the additional transportation cost for such transit may be subtracted, provided satisfactory account is presented as to the additional cost. The part of transportation charges paid due to poor conditions for unloading or because a vessel unloads at more than one port may also be subtracted, provided satisfactory account is presented as to that additional cost.

Article 18

When the price of goods, which are to be classified in different tariff headings and subject to different rates of duty, is specified in one amount, all the goods shall be subject to the rate of duty applicable to the goods bearing the highest rate of duty, unless the importer submits to the customs authorities information which they deem to be satisfactory for determining the customs value of individual goods in the consignment.

Article 19

Rate of exchange for customs clearance

The rate of exchange for customs clearance shall be based on an official adjustment rate of exchange registered by the Central Bank of Iceland on the 28th of each month. The rate of exchange for customs clearance for currencies not registered by the Central Bank of Iceland shall be decided by the Director of Customs in Reykjavik on the same day in consultation with the Central Bank of Iceland.

When consignments are cleared through customs each calendar month, customs value shall be based on the rate of exchange for customs clearance as decided in accordance to paragraph 1 on the 28th of the preceding month.

The Minister shall issue further rules concerning the determination of the rate of exchange for customs clearance to be used for converting the customs value of goods or a part thereof into Icelandic krónur. Further rules shall also be issued regarding the period of validity, time limits, provisional customs clearance, customs clearance when registration of the rate of exchange is suspended, and other factors concerning the application of the adjustment rate of exchange for customs clearance purposes.

CHAPTER VI

Tariff Classification

Article 20

Classification of goods

Importers and exporters shall in appropriate customs documentation classify goods in accordance with the general rules for the interpretation of the tariff in Annex I to this Law.

In doubt of the classification of goods or in the case when an importer or exporter requests authentication by the director of customs on the classification of goods, he may seek binding classification opinion for the goods from the director of customs, cf. Article 21.

Article 21

Binding classification opinion

When a binding classification opinion is requested for the classification of goods, a written request therefor shall be submitted to the Director of Customs in Reykjavik. The decision of the director of customs on the classification of goods is binding for the enquirer and the customs authorities, unless revoked by the director of customs or altered following an appeal to the State Customs Board, cf. Article 118. If a binding classification is revoked the decision shall be in force until the enquirer has been informed of the revocation.

The director of customs is not obliged to grant a request according to paragraph 1 if the request has clearly been made without cause.

A request for a binding classification opinion shall be accompanied by the documentation necessary for determining the classification of the goods, such as a drawing, a photograph, a description of the goods or a brochure. If deemed by the director of customs to be necessary, he can stipulate that a sample of the goods be presented before a decision is made regarding the classification.

The director of customs shall reply to a request in writing within 30 days from the time it is received. The reply by the director of customs shall contain the main arguments on which the conclusion is based. If the director of customs considers that a request does not provide sufficient information or that it is not accompanied by documentation necessary for the determination of classification, he must notify the relevant party which information or documentation is missing. When the shortcomings have been rectified the director of customs shall reply to the request within 30 days.

CHAPTER VII

Declarations

Import declarations and other customs documentation

Article 22

Time limit for submittal of import documents

An importer must submit to the director of customs an import declaration together with other customs documentation concerning imported goods, cf. Articles 23 and 25, before the goods are released for domestic use or placed in a duty free shop or a warehouse for duty free supplies. Customs documentation shall however be submitted to the director of customs not later than six months from the date of arrival of the mean of transport to the country unless the goods have been placed in a bonded warehouse or a duty free zone.

[Without prejudice to the provisions of paragraph 1, express consignments may be released for use in this country before customs documents have been submitted to the director of customs. In regulations the Minister stipulates the time limit for submittal of customs documents for express consignments.]⁴

⁴ Cf. law No. 80/2006 Article 2.

Article 23

Electronic import declarations

Customs brokers must submit to the relevant director of customs through electronic data interchange the information required for the customs clearance of goods (EDI customs clearance).

Without prejudice to the provisions of paragraph 1, the Director of Customs in Reykjavik may issue instructions stipulating that written customs declarations shall be submitted to directors of customs for goods which need to be under special surveillance.

Importers who are engaged professionally in the import of goods shall submit to the relevant director of customs the information required for the customs clearance of goods through electronic data interchange (EDI customs clearance) or through web connection with the customs web site (WEB customs clearance).

Without prejudice to the provisions of paragraph 3 the Minister shall in regulations stipulate that those who do not have a specified minimum number of import consignments per year may submit to the customs authorities written customs declarations, cf. Article 25.

Importers referred to in this Article may grant to customs brokers authority to act on their behalf before the customs authorities through electronic data interchange (EDI customs clearance).

The Director of Customs in Reykjavik decides the form of a standard message for import declarations.

In regulations the Minister shall specify the technical execution of EDI and WEB customs clearance.

Article 24

Permit for EDI and WEB customs clearance

EDI and WEB customs clearance is subject to a permit from the director of customs in the district where the applicant has legal residence.

Permit for EDI or WEB customs clearance is granted to the parties specified in paragraphs 1 and 3 of Article 23, provided they fulfill the following conditions:

1. They have proper licenses or registration for the professional enterprise in question, such as a license to be a customs broker according to Chapter XI of this Law, a registered shop, cf. law No. 28/1998, on commercial activity, an industrial license, cf. the industry law No. 42/1978, processing license, cf. law No. 55/1998, on handling, processing and distribution of marine products, or other licenses which may be required.
2. They have reported their activities to the Director of Internal Revenue and are in the registry of companies, cf. law No 17/2003 on the registry of companies. In case of an individual engaged in a professional enterprise, he must have executed the minimum number of customs clearances specified in regulations, cf. Article 23, paragraph 4.
3. They have reported their activities to the Regional Tax Director and have been registered in accordance with Article 5 of law No. 50/1988, on value added tax, and instructions issued according to that law.
4. They are not in arrears with regard to payments of public charges or taxes to the State Treasury.
5. The Director of Customs in Reykjavik has approved the software which the applicant intends to use in his communications with the customs authorities, except in the case when the application is for WEB customs clearance.
6. They have in their employ personnel with satisfactory knowledge of laws and regulations on the customs treatment of goods.

Article 25

Written import declarations

Parties other than those specified in paragraphs 1 and 3 of Article 23, cf. paragraph 4 of that Article, shall submit written import declarations to the relevant director of customs.

Importers referred to in paragraph 1 may grant to customs brokers authority to act on their behalf before the customs authorities through electronic data interchange.

The Director of Customs in Reykjavik decides the form of written import declarations.

Importers can provide their own blanks for import declarations provided they fulfill the conditions stipulated in accordance with paragraph 3 regarding their form.

Article 26

Simplified import declarations

In regulations, the Minister can authorize submission of simplified declarations for postal consignments, small consignments and goods not registered on a manifest. The Minister can also authorize simplified declarations for goods entitled to preferential customs treatment upon importation according to Articles 4, 6 and 7.

The Director of Customs in Reykjavik decides the form of import declarations specified in paragraph 1.

Article 27

Declarations by travellers and crew members

Travellers and crew members arriving to the country from abroad shall voluntarily declare to the director of customs dutiable goods in their possession. The same applies to goods which are subject to special import restrictions or the importation of which to the country is prohibited.

Travellers and crew members arriving to the country or departing from the country for abroad shall voluntarily declare amounts of cash which they have in their possession exceeding an amount equal to EUR 15,000 based on the official adjustment rate of exchange as it is registered at any given time.

In facilities where the customs clearance of travellers takes place, the director of customs is authorized to have separate customs clearance channels, on the one hand for those bringing with them dutiable goods or goods subject to special import restrictions or prohibited from importation into the country, and on the other hand for those having no such goods in their possession. Travellers must themselves select a customs clearance channel, and by their selection they are deemed to have indicated whether they have in their possession goods which they should declare to the customs.

In regulations, the Minister can issue further rules on customs clearance according to this Article.

Article 28

Documentation accompanying import declarations

The following documents shall provide the basis for an import declaration according to Articles 23 and 25, as the case may be. In EDI or WEB customs clearance supporting documentation shall be kept in the manner prescribed in Article 29. The relevant supporting documents shall be submitted to the director of customs in the case of written import declarations:

1. *Invoice*: An original or a copy of the invoice covering the imported goods or

consignment. Without prejudice to the provisions of sub-paragraph 1 the director of customs is permitted to accept a pro forma invoice or a commercial invoice instead of an original or a copy when the value of the goods is insignificant or the goods are obviously not intended for sale in this country, for example in the case of personal effects.

2. *Bills of lading and other corroborative documents:* A bill of lading or a sub-bill of lading, invoice for transport cost, a bill covering packing cost, a packing list, chemical analysis, and other documents and data, which may provide verification of the items specified in the import declaration and the invoice, or contain information regarding the type of goods, composition, quantity and price. The submittal of multicopies of a bill of lading or a sub-bill of lading may be requested, in which case the director of customs may keep one or more copies when necessary. When necessary, the director of customs may have copies made of corroborative documents.
3. *Declaration of customs value:* Declaration of customs value when the price specified in an invoice or a bill of sale is not the transaction value of the goods, cf. Article 14. In regulations or in other instructions, the Minister can stipulate that in other cases a declaration of customs value must be submitted together with an import declaration. A declaration of customs value must be made by the importer in writing on a special form.
4. *Proof of origin:* The original of the relevant proof of origin when a request is made for preferential tariff treatment of imported goods with reference to free trade agreements to which Iceland is a party.
5. *Other supporting documents:* Other data on which the import declaration should be based in accordance with law or administrative instructions.
[...]⁵

Article 29

The custody of import declarations and accompanying documentation for electronic customs clearance

An importer who has the obligation to keep accounts in accordance with provisions on the Accounting Act, must keep in his custody all customs documentation in accordance with provisions of the Accounting Act and instructions issued according to the law. Furthermore, an importer who holds a permit for EDI customs clearance must keep in his custody all computer data concerning customs clearance for six years from the date of customs clearance. He shall keep a complete record or journal of data in chronological order and keep unaltered all standard messages which he transmits to the director of customs or receives from the director of customs. When a journal of data is kept in computer form, the standard messages must be easily accessible for reproducing them or printing them in a legible manner when so requested. An importer who holds a permit for WEB customs clearance must keep in his custody a printout of the customs declaration and the electronic notice from the director of customs on the customs clearance and the debiting of the import charges.

A customs broker shall keep in his custody all computer data regarding customs clearance in the manner prescribed in paragraph 1. A customs broker shall additionally keep in his custody copies of relevant written documents, cf. Article 28, on which electronic import declaration is based, for six years from the date of customs clearance.

The director of customs has custody of all customs documentation concerning customs clearance of consignments imported to the country by parties not obligated to keep accounts.

⁵ Cf. law No. 80/2006, Article 3.

Article 30

Obligation to provide information

When decided by the director of customs, an importer must submit or provide access to his accounts and accounting records, letters, contracts and other data concerning the importation of goods or a consignment, when considered necessary to verify if the price or other items in an import declaration, invoices or corroborative documentation is or has been correctly stated. The director of customs shall have access to the aforementioned data and access to the premises of parties liable for duty and stores for supplies and is authorized to take statements from any person expected to be able to provide relevant information.

Commercial banks, savings funds, credit card companies and other parties engaged in trade in foreign currencies are obliged to provide the customs authorities with all necessary information and reports which they may request and which can be made available to them.

All other parties, those liable for duties as well as others, are obliged to submit to the director of customs free of charge and in the form requested any necessary information and data for use in general customs control and risk analysis, which he may request in relation to the importation of goods or consignments as well as the transport of passengers to and from the country. In this connection it is irrelevant whether the information is concerning the party to which the request is directed or other parties about which he can supply information.

Article 31

Regulatory provision

In regulations the Minister can stipulate general conditions which importers and other parties must fulfill with regards to the declarations provided for in this Chapter. These shall, *inter alia*, contain conditions for licenses for EDI and WEB customs clearance, security for deferred payment of import charges, period of settlement, due date of payment and the payment of import charges, the custody of data concerning the customs treatment and importation of goods, audit of import charges, customs control and other items as far as necessary.

CHAPTER VIII

Liability for information given in import declarations and other customs documentation

Article 32

Importer's liability

An importer transmitting to the director of customs an import declaration for goods in a standard message through a data transmission network for EDI or WEB customs clearance is liable for the authenticity of the information contained therein. He is also liable for providing therein all the information which must be submitted for the customs clearance and ensuring that such information is based on the proper corroborative documentation on which an import declaration must be based.

A party who signs and submits to the director of customs a written import declaration together with corroborative documentation is liable for the authenticity of such information. He is also liable for providing therein all the information which must be submitted for the customs clearance.

Article 33

Customs broker's liability

A customs broker who has submitted an import declaration to the director of customs on behalf of an importer, is liable for incorrect or insufficient information provided that he knew or should have known that the importer's information was incorrect or insufficient.

A customs broker is obliged to obtain all relevant corroborative documentation stipulated in Article 28, before he transmits a standard message for EDI customs clearance to the director of customs on behalf of an importer. When the customs clearance of goods has been completed, the customs broker must deliver all written documentation in accordance with Article 28 to an importer who has the obligation to keep accounts, cf. Article 29, paragraph 1, or to the director of customs in the case when the importer does not have an obligation to keep accounts, cf. Article 29, paragraph 3.

A customs broker is obliged to conclude independently whether the documentation provided by the principal as the basis for the import declaration fulfill the conditions provided for in this Law and administrative instructions. If he consider that these are not so, he must request the missing documents or new documents replacing those which may be unsatisfactory. He should only transmit to the director of customs an import declaration in a standard message when the corroborative documents, on which the import declaration is based, are clearly in conformity with the provisions of this Law.

CHAPTER IX Customs treatment of goods

Article 34

Commencement of custom treatment

Goods shall be deemed to have been subjected to customs treatment when one of the following cases applies:

1. The director of customs has received an import declaration and other customs documentation which must be submitted for the customs treatment of goods, provided they fulfill completely the conditions set for permitting immediate release of the goods. An electronic customs declaration, transmitted by EDI or WEB customs clearance shall be deemed to have been received by the director of customs upon registration into the computer system of the customs authorities.
2. The director of customs has permitted release of goods or a consignment with or without security.
3. The director of customs has notified an importer that goods or a consignment will be sold at forced sale or arrangements have been made for the sale of goods at a forced sale when an importer cannot be reached, to finalize the payment of import charges, cf. Articles 128 and 129.

Article 35

Postponement of decision on customs value

When it proves to be necessary during customs clearance to postpone final decision on the customs value of goods according to Articles 14 to 17 or on other items covered by this Law, the importer shall nevertheless be granted release of his goods, provided he deposits satisfactory security covering payment of the import charges which may be levied on the goods, that the director of customs does not deem it necessary to retain the goods for final decision on the items regarding which information is lacking or disputed and that provisions of other laws do not prevent this.

Article 36

*[Provisional customs clearance and express consignments]*⁶

When an importer demonstrates the probability that he has not received the

⁶ Cf. law No. 80/2006 Article 4 (c).

documentation specified in Article 28, or such documentation proves to be unsatisfactory, the director of customs may permit the release of the goods to the importer on the condition that he must pay all cost of customs inspection and submit a monetary deposit covering the payment of import charges, and that, within an appropriate time limit set by the director of customs, the importer will submit or mend the documentation that may be defective. In fixing the amount of security to be deposited the director of customs may add up to 25% mark-up on the estimated customs duties. In the case of default, the director of customs may assess the charges and claim the deposit for their settlement.

[A customs broker is authorized to deliver express consignments for use in this country without payment of import charges, on condition that he provides the director of customs with information regarding the value, kind and weight of the consignment and deposits a security covering payment of the import charges. The Minister can authorize that the security take aim of an estimate of the import charges which the customs broker may become liable for in connection with the express consignment service, instead of security deposited for each consignment.]⁷

[The Minister issues further rules concerning provisional customs clearance and express consignments according to this Article.]⁸

Article 37

Emergency permit

Transporters or other parties storing uncleared goods may be authorized to deliver under their own responsibility consignments of goods, provided there is urgent need for their delivery. Bearer of an emergency permit is responsible for the payment of import charges for a consignment in the case of the importer's default of payment.

The Minister issues further rules concerning the issue of emergency permits according to this Article.

CHAPTER X

Central customs administration and organisation

Article 38

Central customs administration

The Minister of Finance is the chief executive of customs affairs in Iceland. Directors of customs administer the law in the capacity of the Minister as stipulated in this Law.

The Minister supervises that the directors of customs carry out their duties. He has the right to receive for examination customs documentation and data thereto and to request explanations from the directors of customs with regard to everything concerning the implementation of this Law.

Furthermore, the Minister supervises that the State Customs Board carries out its duties and the Board shall annually submit to the Minister a report on its activities.

Article 39

[Customs districts]

The country is divided into 8 customs districts as follows:

1. Southwest district: An area covering the administrative district of the chief of police in the capital area and the administrative districts of the chiefs of police in Akranes,

⁷ Cf. law No. 80/2006, Article 4 (a).

⁸ Cf. law No. 80/2006, Article 4 (b).

Borgarnes and Stykkishólmur.

2. Westfjords district: An area covering the administrative district of the chief of police in Ísafjörður.
3. North district: An area covering the administrative districts of the chiefs of police in Blönduós, Sauðárkrókur, Akureyri and Húsavík.
4. Northeast district: An area covering the administrative district of the chief of police in Seyðisfjörður.
5. Southeast district: An area covering the administrative district of the chief of police in Eskifjörður.
6. South district: An area covering the administrative districts of the chiefs of police in Selfoss and Hvolsvöllur.
7. Vestmannaeyjar district: An area covering the administrative district of the chief of police in Vestmannaeyjar.
8. Reykjanes district: An area covering the administrative district of the chief of police in Suðurnes.

In exceptional circumstances the Minister can, however, in regulations change the boundaries of customs districts.]⁹

Article 40

[Directors of Customs

Directors of customs are the director of customs in Reykjavik in the Southwest district, the chief of police in Ísafjörður in the Westfjords district, the chief of police in Akureyri in the North district, the chief of police in Seyðisfjörður in the Northeast district, the chief of police in Eskifjörður in the Southeast district, the chief of police in Selfoss in the South district, the chief of police in Vestmannaeyjar in the Vestmannaeyjar district and the chief of police in Suðurnes in the Reykjanes district.

Commissioners in the districts of each director of customs shall provide all necessary information regarding the customs treatment of goods on behalf of the director of customs in that district. They shall, furthermore, receive customs documents on behalf of the director of customs.]¹⁰

Article 41

Customs ports

A customs port is a place, a seaport or an airport, where vessels may be loaded or unloaded and goods may be stored and cleared through customs without a special permission from the customs authorities.

In regulations, the Minister stipulates where customs ports shall be situated. Deciding so the Minister shall take account of the needs of the trade at the places concerned. The Minister shall in respect of other particulars seek comments from the director of customs in the district concerned, cf. paragraph 3.

Comments by the director of customs shall assess whether the following conditions are fulfilled:

⁹ Cf. law No. 80/2006, Article 5. The provisions of this Article, as amended by law No. 80/2006 and published herein, enters into force on the 1st of January 2007. From 1st of January 2006 until 1st of January 2007 the provisions as published on page 71 apply.

¹⁰ Cf. law No. 80/2006, Article 6. The provisions of this Article, as amended by law No. 80/2006 and published herein, enters into force on the 1st of January 2007. From 1st of January 2006 until 1st of January 2007 the provisions as published on page 71 apply.

1. In a customs port there shall be adequate facilities for loading and unloading vessels.
2. In a customs port there shall be adequate facilities for customs control.
3. In a customs port there shall be adequate warehouses, storage areas and other facilities for storing uncleared goods.

In the same way the Minister can revoke a decision allocating a certain port to be a customs port when it is considered that a customs port is not needed in that location or when the conditions of paragraph 3 are no longer fulfilled.

Upon allocation of port areas, port sites and other areas intended for the unloading or storage of uncleared goods, municipal and port authorities must be in consultation with the relevant director of customs.

Article 42

Role of the director of customs

The role of the director of customs in his customs district is:

1. The levy and collection of duties and other taxes and charges payable at customs clearance in accordance with this Law or other laws.
2. Border control of importation, transit and exportation of goods to and from the country and of journeys and transport of vessels and people to and from the country.
3. Control of transport and storage of uncleared goods in this country.
4. To disclose offences of this Law, to stop unlawful conduct and to pursue matters in accordance with provisions of this Law, the Code of Criminal Procedure or other laws.
5. Cooperation with other authorities and institutions engaged in activities related to the activities of the customs authorities.
6. To provide general information and guidance regarding the classification of goods, determination of customs value, preparation of import declarations, levy of import charges, appeal procedures and everything related to the customs treatment of goods.
7. Other activities which may be entrusted to him in laws and administrative instructions or by tradition.

Article 43

Special role of the Director of Customs in Reykjavik

In addition to the assignments entrusted to directors of customs according to Article 42, the Director of Customs in Reykjavik shall be in charge of the following tasks regarding the coordination of execution of customs matters:

1. Development and operation of computer and information systems used by the customs authorities for customs clearance and customs control in accordance with this Law.
2. Establishment of rules of communication for importers, exporters, transporters, customs brokers and others who transmit to the customs authorities information in electronic form regarding the customs clearance of goods.
3. Establishment of work rules for directors of customs regarding customs operations.
4. Decisions regarding the form of customs documentation and blanks used for customs purposes and information to be contained therein.
5. Binding decisions on the classification of goods according to Article 21.
6. Distribution of information to other directors of customs on items regarding customs operations in one way or another, including information regarding rulings and binding opinions on the classification of goods, work rules, rules of communication and the issue of blanks.
7. Assistance and support to other directors of customs in activities in the customs field,

including the interpretation of laws and administrative instructions and the planning of individual projects.

8. Customs audit on national scale.
9. International relations in the customs field as far as decided by the Minister.
10. Organization of risk analysis in the customs field on a national scale and the development of a surveillance plan based thereon for the whole country.
11. Supervision of individual projects by directors of customs, requiring extensive preparations or participation of customs employees from more than one customs district, having been approved by the Minister. The director of customs shall give appropriate advance notice to the relevant director or directors of customs of his decision on supervising the project.
12. Operation of the State Customs Academy for the education of customs employees and others as further provided for in laws or regulations.

Article 44

State Customs Board

The State Customs Board shall be an independent ruling body in cases of disputes referred to it regarding the determination of duties and other taxes and charges payable upon customs clearance, customs value, customs classification and other aspects as stipulated in this Law.

The Minister appoints the State Customs Board. The Board shall consist of three persons and three alternates, appointed for a period of four years each time. One of them shall be appointed as chairman and must fulfill the same qualifications as for the appointment of district court judges. Other Board members shall have solid knowledge of customs matters. When appointments are made to the Board care shall be taken that Board members are independent of the customs authorities and interested parties.

Appeals to the State Customs Board shall be governed by the provisions of Article 118.

Article 45

Cooperation of directors of customs with other authorities and institutions

The director of customs shall assist the police and prosecuting authorities in their duties concerning infringement of this Law.

The customs authorities and other authorities and institutions shall have mutual cooperation with regard to projects connected with customs collection and customs control, such as providing information and primary prevention.

Article 46

Employment of customs personnel

The Minister appoints the Director of Customs in Reykjavik for a period of five years at a time and he shall fulfill the same qualifications as for the appointment of district court judges.

The director of customs appoints customs officers for a period of five years at a time. The director of customs hires other customs personnel for his office. A person appointed for duties as a customs officer must have passed an examination at the Customs Academy or received comparable education. In regulations the Minister issues further instructions on the positional titles of customs officers.

The director of customs may temporarily appoint a person as a customs officer to cover vacations, illness, accidents or temporary leaves of customs officers. Furthermore, the director of customs may temporarily appoint a person for duties as a customs officer while a decision is being made as to the advisability of appointing a customs officer permanently in accordance with paragraph 2 or while that person is enrolled in the Customs Academy

CHAPTER XI Customs brokers

Article 47

The activities of customs brokers

A customs broker is authorized to act before the customs authorities on behalf of importers and exporters and perform the following services in connection with the customs clearance of goods:

1. Consultancy with regard to completing customs documentation, such as tariff classification and calculation of import charges.
2. Completion of customs declarations for imports and exports.
3. Requests for the customs clearance of goods.
4. Payment of import charges on behalf of an importer.

Article 48

Conditions for granting an operating license

The Minister grants a license for operating customs brokerage subject to the conditions stipulated in paragraph 2 of this Article:

Conditions for granting an operating license are as follows:

1. The applicant must be a legal person.
2. The legal person shall have at least two executive board members. They shall have residence in this country, have legal competence, have unblemished reputation, be in charge of their financial estates and must not during the previous five years have received in connection with a commercial enterprise a sentence for infringement of the General Penal Code or other laws. Furthermore, executive board members must not have accepted accord or received a sentence for infringement of customs laws or received a sentence for narcotics offences. [Citizens of countries that are parties to the agreement on the European Economic Area or to the agreement establishing the European Free Trade Association as well as Faeroese citizens are exempt from the condition of residency, provided that the relevant persons have residence in a country that is a party to the agreement on the European Economic Area, in a country that is a party to the agreement establishing the European Free Trade Association or in the Faeroe Islands.]¹¹ The Minister is authorized to grant the same exemption to persons residing in other countries.
3. The day-to-day manager of a customs brokerage shall fulfill the conditions of point 2.
4. Employees of a customs broker who are charged with completing customs declarations and communication with the customs authorities in connection therewith, shall have attended a special course at the Customs Academy in order to gain satisfactory knowledge of laws and regulations governing the customs treatment of goods, including customs classification, completion of customs declarations, the treatment of uncleared goods, responsibility for the payment of import charges and for information submitted to

¹¹ Cf. law No. 108/2006, Article 26.

the customs authorities, and rules governing deferred payment of import charges.

5. The applicant must provide evidence that management, internal control, accounting and custody of data concerning the enterprise will be in a secure way.
6. Application for an operating license shall be in writing.

The Minister shall keep a register of customs brokers. Companies other than those having been registered are not permitted to operate a customs brokerage, call themselves customs brokers or to indicate in any other way that they have received approval by the Minister in accordance with this Article.

If a licensee has not started operations within twelve months from notification that a license has been granted, the license shall be cancelled. The license shall also be cancelled if a customs brokerage has not for twelve consecutive months performed services provided for in this Law.

Article 49

Obligations of customs brokers

Employees of a customs broker shall perform their work diligently and conscientiously and obey laws and regulations relative to their work.

When a customs broker discovers that his client has intentionally supplied to him incorrect or unsatisfactory data, he must immediately inform the director of customs accordingly.

Article 50

Control of customs brokers

Customs brokers are subject to control by the Director of Customs in Reykjavik.

The Director of Customs in Reykjavik must notify the Minister of alleged infringements by customs brokers of this Law or other laws regarding the customs treatment of goods.

The Minister, having received recommendation by the Director of Customs in Reykjavik, can revoke the operating license of a customs broker if he no longer fulfills the conditions for the operating license or grossly neglects his duties according to this Law.

CHAPTER XII

Vessels in international journeys, carriers' declarations, loading, unloading, et al.

Article 51

Notification of arrival and departure of vessels in international journeys

The master of a vessel must inform the director of customs of its arrival into the Icelandic customs territory with an appropriate advance notification.

The Icelandic Civil Aviation Administration shall provide the director of customs with information regarding arrival and departure of aircraft in international journeys as soon as possible.

The Icelandic Coast Guard shall provide the director of customs with information regarding arrival and departure of ships in international journeys as soon as possible.

Port employees and appointed sea pilots as well as airport employees shall provide the director of customs with all necessary information regarding the journeys of ships and aircraft.

The Minister can issue further rules concerning notifications according to this Article.

Article 52

First and last stop in customs port

A vessel must have its first and last stop in this country in a customs port. The loading or

unloading of a vessel shall take place there as well as the disembarking or boarding of persons.

Article 53

Exemptions

Under special circumstances the director of customs can grant a permit for a vessel to have its first or last stop in this country outside a customs port. The recipient of such a permit is obliged to adhere to the conditions which the director of customs makes for the exemption, including conditions for the loading and unloading of a vessel, and to pay all cost thereof.

A vessel in an emergency situation or which must seek port due to sickness or accidents of crew or passengers is not obliged to have the first stop in a customs port in this country, but the master of the vessel must notify the director of customs of the arrival of the vessel as soon as possible and of the reasons for seeking port forthwith.

A fishing vessel sailing abroad with its catch directly from fishing is not obliged to stop at a customs port prior to departure. The master of the vessel is obliged to provide the director of customs with appropriate advance notification of the intended journey with the catch abroad.

Place of clearance of a vessel

Article 54

The docking of a vessel at a quay or other port facilities is prohibited until a permission has been given by the director of customs, who can also decide in consultation with the port authorities and the master of the vessel in which part of the port the vessel must dock. Aircraft shall receive clearance at an airport location decided by the director of customs in consultation with the airport administrator.

Article 55

Instructions that a vessel shall be moored exclusively in customs ports

When such is considered necessary, the customs director can stipulate that a vessel may not moor or rest within the customs territory except in customs ports.

Article 56

Obligation of the master of a vessel to assist customs officers

The master of a vessel must provide the director of customs with all information which may be required concerning the vessel, its cargo and passengers. He shall indicate all entrances to cargo spaces as well as all storage places and other places where goods may be stored and he is or should be acquainted with.

When a customs officer requests to go on board or disembark, the master of a vessel is obliged to provide necessary assistance in that respect.

Article 57

Treatment of stores

Stores or supplies of a vessel may never be given away or sold ashore unless import charges have been paid and other provisions of law concerning importation have been satisfied.

The master of a vessel in international journeys shall upon entering the Icelandic customs territory have in his custody and lock up stores and supplies in excess of suitable stores authorized for free use in the vessel. The same applies to dutiable goods of the crew which are not intended for removal from the vessel and clearance through customs. The

master of a vessel is responsible for ensuring that everything is put under lock which should be under lock and that nothing disappears from under lock.

When a vessel leaving for abroad is forced to return to the country, its master must, in the event that seals provided for in Article 164 have been removed or uncleared stores have been taken into use, see to it that neither passengers nor crew leave the vessel or the place of clearance until the director of customs has given permission therefor.

The master of a vessel shall register the goods mentioned in paragraph 1 upon arrival of the vessel into the Icelandic customs territory. The master of a vessel shall submit the register to the director of customs upon arrival to the country.

The director of customs is authorized to exempt cruise ships arriving to this country from the provisions of paragraphs 2 and 4.

Article 58

Manifest

All goods transported by a vessel to or from this country shall be recorded in the manifest. It is, however, not stipulated that information about goods constituting stores of a vessel or the luggage of passengers and crew should be recorded in the manifest. Uncleared goods which are not recorded in the manifest must not be removed from a vessel unless they are at the same time produced before the customs and a permit received for their removal from the vessel.

Goods shall be manifested to the customs port which is their destination.

In regulations the Minister shall issue further rules concerning manifests according to this Article, *inter alia*, regarding the goods which must be manifested, changes and alterations in the manifest and liability for the information contained therein.

Article 59

Hazardous substances

In regulations, the Minister may stipulate that specified hazardous goods such as poisonous substances and the like, shall receive customs clearance at one place for the whole country.

Article 60

Storage of prohibited goods

When goods are transported to the country contrary to provisions of laws or administrative instructions prohibiting their importation, the director of customs shall stipulate where and how they shall be stored until a decision has been made regarding further treatment of such goods by the proper authorities, such as disposal or transport from the country.

Article 61

Arrival clearance of a vessel

The unloading of a vessel is subject to permission of the director of customs. [Such a permission shall not be granted until an arrival declaration, a manifest and other documentation provided for in laws and regulations have been submitted to the director of customs.]¹²

Without prejudice to the provisions of paragraph 1, the unloading of a vessel shall be permitted without an authorization by the director of customs in case of emergency when the

¹² Cf. law No. 80/2006, Article 7.

unloading is a necessity in order to minimize damage to the cargo of a vessel. The unloading must be reported to the director of customs as soon as possible together with the reasons therefor.

Article 62

List of goods unloaded

When unloading has been completed in each port, the master of a vessel must submit to the director of customs a detailed list of the goods unloaded at the port. If an inventory has not taken place, the director of customs may have it done at the transporter's expense.

Article 63

List of shortage and damage of the goods

When unloading has been completed in each port, the master of a vessel must submit to the director of customs a list of shortage and damage of the goods discovered during the unloading. The director of customs can have shortages and damaged goods investigated for the purpose of customs control of the goods or for the determination of charges thereon.

Article 64

[The loading of a vessel]¹³

The loading of a vessel is subject to permission of the director of customs, except for catch loaded on aboard a vessel at fishing grounds.

When goods have been loaded into a vessel without the permission of the director of customs, the master of the vessel is obliged to unload them again if the director of customs considers it necessary for customs control of the goods.

Article 65

Vessel arriving from a domestic port

The director of customs can stipulate that a vessel arriving from domestic ports or returning from fishing shall be treated as an arriving vessel with respect to customs control.

Article 66

Facilities for customs control in airport terminals or seaports

The owners or operators of vessels engaged in regular international journeys must provide for the director of customs without remuneration sufficient accommodation or other facilities for the control of passengers, crew and goods if requested.

Article 67

Resources of the director of customs when the master of a vessel does not fulfill his obligations

When a manifest or other documentation required according to this Chapter are not submitted to the director of customs he is authorized to take into his custody a vessel's certificate of nationality and tonnage certificate or an aircraft's Certificate of Airworthiness, as well as a list of crew and other applicable documents. The director of customs is obliged to return these documents to the master of the vessel when the appropriate documents have been submitted to the director of customs.

¹³ Cf. law No. 80/2006, Article 8.

Article 68

Warships and military aircraft

The provisions of this Chapter do not apply to foreign warships and military aircraft which arrive in port in this country. Their masters are, however, obliged to give satisfactory evidence that these are military vessels, and a written statement to that effect may be requested.

With the exceptions derived from the defence agreement between Iceland and the United States, the vessels mentioned in paragraph 1 are exempt from having stores, supplies and other goods on board put under seal.

Before dutiable goods are moved from a vessel mentioned in paragraph 1, the master of the vessel must submit to the director of customs a list of the goods. The director of customs has the same authorizations for any kind of customs control over such goods as over any other goods imported into the country.

CHAPTER XIII

Treatment and custody of uncleared goods

Article 69

Facilities for storage of uncleared goods

Storage of uncleared goods is authorized in the following facilities:

1. Clearance warehouses of transporters and licensed customs brokers, cf. Articles 88-90.
2. Bonded warehouses, cf. Articles 91-95.
3. Warehouses for duty free supplies, cf. Articles 96-100.
3. Duty free shops and warehouses for their duty free stock, cf. Articles 101-104.
4. Free zones, cf. Articles 105-108.

It is prohibited to store uncleared goods in places other than the facilities mentioned in paragraph 1.

Without prejudice to the provisions of paragraph 2, the director of customs is authorized, when justified by special circumstances, to permit the storage of uncleared goods in other facilities than those specified in paragraph 1. Such a permit shall be granted in writing or by electronic means. The director of customs may subject the permit to such conditions as he deems necessary. The holder of the permit shall pay all cost of necessary control of the goods.

The director of customs is authorized to take uncleared goods into his custody at the cost of the transporter or importer for storage or customs clearance when necessary.

Article 70

Time limit for storage

Goods which have been placed in a clearance warehouse according to Article 69, paragraph 1, point 1, must be cleared through customs within six months from the arrival of the transport vessel of the goods to the country, unless the director of customs has authorized their transport into a bonded warehouse, a warehouse for duty free supplies, a duty free shop or a free zone. In special circumstances the director of customs can with the licensee's approval authorize that goods be cleared through customs within 18 months from the arrival of the transport vessel to the country.

Uncleared goods can be stored in the facilities provided for in Article 69, paragraph 1, points 2-5 without a time limit.

Article 71

Regulatory provision

In regulations the Minister issues further provisions on the treatment and custody of

uncleared goods according to this Chapter.

Article 72

Premises and housing for storage of uncleared goods.

A storage area for uncleared goods shall be a demarcated space, a building or a fenced in area, depending on the nature of the goods, and under lock by the licensee. It shall in every way be suitable for the secure storage of the goods intended for storage therein.

The director of customs must approve premises and housing intended for the storage of uncleared goods and alterations thereof are forbidden without his permission.

The licensee of a storage area guarantees that the storage area fulfills at any given time requirements stipulated with regard to its condition.

When a storage area is not in satisfactory condition and the licensee does not make improvements within a time limit stipulated by the director of customs, the director of customs can have the improvements made at the cost of the licensee or deprive him of the right to use the housing or premises.

Treatment of goods in storage areas

Article 73

Private consumption, use or exhibition of goods which have been transported to a storage area for uncleared goods is prohibited unless otherwise stipulated in this Law.

Industrial production and processing of goods is prohibited in a storage area for uncleared goods unless otherwise stipulated in this Law.

Article 74

Hazardous substances

The director of customs can stipulate special conditions for the storage of hazardous substances in storage areas, for example with regard to control, storage place or their handling in other respects, or prohibit their storage in storage areas when necessary.

The responsibility of custodians

Article 75

Transporters and licensees of storage areas according to Article 69 shall be responsible for the storage and transport of uncleared goods being in conformity with the provisions of this Chapter.

Article 76

Registration of goods into a storage area

When goods are transported into a storage area for uncleared goods according to Article 69, paragraph 1, points 2-5, the licensee shall register them in the name of the importer of the consignment and specify the name and type of goods in a consignment together with their quantity, weight and value. The licensee shall also register the number of the consignment.

Import charges of a consignment shall be based on the quantity of goods specified according to the provisions of paragraph 1, cf. however the provisions of Article 87 regarding excess quantities of goods.

Article 77

Delivery of goods from a storage area for domestic use

Those who have uncleared goods in their custody for transport or storage are prohibited

from delivering them without permission by the director of customs. This provision does neither apply to goods in warehouses for duty free supplies nor to goods sold in duty free shops.

Article 78

Liability for the payment of import charges

Transporters, licensees of storage areas according to Article 69 and, depending on circumstances, agents of foreign parties who transport goods to this country shall be liable for the payment of import charges on goods which they have delivered or taken into use without adherence to the provisions of this Law.

The assessment of import charges in the case mentioned in paragraph 1 shall be governed by the provisions of Article 115.

The property of those liable for the payment of charges according to paragraph 1 may be attached covering import charges, penal interest and costs, without prior court ruling or accord.

Article 79

Delivery of goods from a vessel or a clearance warehouse

Before goods are removed from a vessel or clearance warehouse to a bonded warehouse, a warehouse for duty free supplies, a duty free shop or free zone according to Article 69, paragraph 1, points 2-5, the licensee shall notify the director of customs in the customs district where the storage area is located about the intended delivery. The same shall apply when goods are delivered from the custody of a transporter to the clearance warehouse of a customs broker or another transporter. The director of customs must declare whether such delivery is permitted or whether the goods shall be detained for further inspection, immediately and not later than 24 hours after he has provably received a notification.

The provision of paragraph 1 does not apply to goods transported to a warehouse for duty free supplies from a vessel's stores.

Article 80

Transport of uncleared goods between storage areas

Uncleared goods may be transported between storage areas according to Article 69, paragraph 1, points 2-5 without a special permission from the director of customs. The custodian must notify the director of customs about the transport of the goods before the transport takes place.

Without prejudice to the provisions of paragraph 1, the transport of goods from a warehouse for duty free supplies or a duty free shop to other storage areas for uncleared goods is prohibited unless specially permitted by the director of customs.

Article 81

Transfer of the responsibility of a custodian

The transport of uncleared goods between storage areas for uncleared goods according to Articles 82 and 83 results in the transfer of responsibility from one custodian to another when a licensee receiving goods certifies their receipt.

Proof of transfer of responsibility for custody according to this Article shall as far as applicable be governed by the rules of Articles 82 and 83.

Article 82

Storage binding

When transporting uncleared goods between storage areas which are not under responsibility of the same licensee, the following formalities referred to as storage binding shall be applicable to the transport: The licensee of the storage area at the place of dispatch shall issue a dispatch note covering the goods on a blank prepared by the Director of Customs in Reykjavik. The dispatch note shall be in triplicate. The licensee of a storage area who delivers uncleared goods to a licensee of a storage area according to Article 69, paragraph 1, points 2-5 shall retain one copy of the dispatch note endorsed by the relevant licensee of a storage area at the place of destination verifying the receipt of goods for transport. A second copy belongs to the licensee of the storage area receiving uncleared goods for storage. The third copy shall be submitted to the director of customs at the place of dispatch verifying that the transport has been completed.

An endorsed copy of the licensee of a storage area who delivers uncleared goods is proof that his liability for custody has ended.

Goods under storage binding shall be delivered to a new storage area not later than 24 hours from the time they were dispatched from the former storage area.

In regulations the Minister can provide for an electronic notification to be used instead of a dispatch note and endorsement thereof according to paragraphs 1 and 2.

Article 83

Customs binding

When transporting uncleared goods to a duty free shop, a warehouse for duty free supplies or to the defense area at Keflavik Airport the following formalities referred to as customs binding shall be applicable to the transport: The director of customs at the place of dispatch shall issue a dispatch note (customs note) for the goods to the place of destination. The dispatch note shall be in duplicate. One copy belongs to the licensee of the storage area delivering goods for transport to the aforementioned destinations. A second copy belongs to the director of customs at the place of destination. Both copies shall be endorsed by the director of customs verifying that the goods have been delivered for transport. They shall also be endorsed by the director of customs when the goods are delivered at the place of destination.

A copy of the dispatch note endorsed by the director of customs is proof for the licensee of a storage area that his liability for custody has ended.

Goods under customs binding shall be delivered to a new storage area not later than 24 hours from the time they were dispatched from the former storage area.

In regulations the Minister can provide for an electronic notification to be used instead of a dispatch note and endorsement thereof according to paragraphs 1 and 2.

Shortage and excess goods

Article 84

Inventory

The director of customs can at any time take inventory in storage areas.

The licensee of a storage area shall take care that handling and custody of goods in a storage area shall always be carried out in such a way that taking inventory is facilitated. He is obliged to provide the director of customs with any information requested concerning goods in the storage area and render to the director of customs all assistance in the control work.

The licensee shall have his representative present during inventory.

Article 85

Visible shortage

The director of customs shall reduce, waive or refund duty if there is a visible shortage in a consignment, wholly or in part, when a vessel is unloaded. Shortage is considered to be visible when a consignment is not uncovered during unloading or when it is obvious from the outer packing that there is a shortage.

In regulations the Minister shall stipulate further on conditions for waivers, reductions or refunds of duty according to paragraph 1. He can, *inter alia*, stipulate which way proof of a shortage in a consignment should be presented and a time limit for notifying the director of customs of a shortage in a consignment.

Article 86

Hidden shortage

When a shortage is discovered, which was not visible during the unloading of a vessel, wholly or in part, in a consignment which is placed in a storage area for uncleared goods according to Article 69, paragraph 1, or stored in accordance with provisions of Article 69, paragraph 3, the licensee is liable for the payment of duty and other import charges on the missing quantity of goods as based on registration according to Article 76, with a 20% surcharge on duty and other import charges, unless the licensee can provide satisfactory evidence that the shortage was present before the consignment was transported into the Icelandic customs territory.

In regulations the Minister shall stipulate further on conditions for waivers, reductions or refunds of duty according to paragraph 1. He can, *inter alia*, stipulate which way proof of a shortage in a consignment should be presented and a time limit for notifying the director of customs of a shortage in a consignment.

Article 87

Excess goods

The licensee of a storage area shall register all excess goods in a storage area according to Article 76 as soon as he discovers them. The licensee must notify the director of customs of all registration according to this Article.

When inventory taken by the director of customs in a storage area for uncleared goods reveals a quantity of goods in excess of the quantity registered into the relevant storage area according to Article 76, the licensee of the storage area is liable for the payment of duty and other import charges on that quantity of goods when discovered.

Clearance warehouses of transporters and customs brokers

Article 88

Operating license

Subject to compliance with conditions stipulated in Article 91, paragraph 1, points 1-3 and 5-7, the Director of Customs in Reykjavik can grant to those who transport goods to and from abroad or uncleared goods between customs districts in this country, a license to operate clearance warehouses for uncleared goods. Subject to compliance with the same conditions the Director of Customs in Reykjavik can grant to customs brokers a license to operate clearance warehouses.

The parties who are mentioned in paragraph 1 and do not operate clearance warehouses in their own name shall have access to sufficient storage facilities which are operated on the basis of licenses according to paragraph 1.

The Director of Customs in Reykjavik shall keep a register of licensees according to

paragraph 1. Companies other than those having been registered are not permitted to operate clearance warehouses.

If a licensee has not started operations within twelve months from notification that an operating license has been granted, the license shall be cancelled. The license shall also be cancelled if the licensee has not for twelve consecutive months performed services provided for in this Law.

Article 89

Cancellation of an operating license

The Director of Customs in Reykjavik can cancel an operating license according to Article 88 if the licensee no longer fulfills the conditions for the operating license or grossly neglects his duties according to this Law.

Article 90

Goods which may be placed in a clearance warehouse

Uncleared goods may be placed in a clearance warehouse from a vessel or between clearance warehouses. Goods subject to import licenses may be placed in a clearance warehouse although the license is not on hand. For the customs clearance of goods an import license covering them must be on hand.

Bonded warehouses

Article 91

Conditions for an operating license

Subject to having received a written application the Minister can grant a license for the operation of a bonded warehouse for uncleared goods in a customs port. A license shall be granted solely to those engaged in providing to others the services consistent with the operation of a bonded warehouse, but the licensees themselves are not permitted to store goods there or engage there in the processing of goods, commerce, commission sale, wholesale or retail sale. Conditions for the granting of a license are in other respects as follows:

1. The applicant must be a legal person.
2. The legal person shall have at least two executive board members. They shall have residence in this country, have legal competence, have unblemished reputation, be in charge of their financial estates and must not during the previous five years have received in connection with a commercial enterprise a sentence for infringement of the General Penal Code or other laws. Furthermore, executive board members must not have received a sentence for infringement of customs laws or for narcotics offences. [Citizens of countries that are parties to the agreement on the European Economic Area or to the agreement establishing the European Free Trade Association as well as Faeroese citizens are exempt from the condition of residency, provided that the relevant persons have residence in a country that is a party to the agreement on the European Economic Area, in a country that is a party to the agreement establishing the European Free Trade Association or in the Faeroe Islands.]¹⁴ The Minister is authorized to grant the same exemption to persons residing in other countries.
3. The day-to-day manager of a storage area shall fulfill the conditions of point 2.
4. The licensee must submit a security covering the payment of import charges which the company may be liable for due to the operation. In determining the amount of the

¹⁴ Cf. law No. 108/2006, Article 27.

security consideration should, *inter alia*, be given to the scope of the operation and charges on the goods which can be expected to be stored in the warehouse. In regulations further conditions shall be stipulated regarding the amount of security and minimum terms.

5. The storage area must be approved by the director of customs in accordance with Article 72, paragraph 2, and be well situated with regard to unloading and control. Information regarding the location of the storage area and buildings connected therewith must be on hand. Storage rooms must be suitably outfitted to facilitate placing them under customs lock when necessary for customs control.
6. The licensee of a storage area is obliged to provide free of charge to the director of customs satisfactory facilities in the storage area for customs control and inspection of goods and also simple tools and equipment which the director of customs deems necessary for such control.
7. Hardware and software for stock accounting shall be arranged in such a way that at any time it must be possible to verify the date of receipt of a consignment, quantity of the consignment, its location, handling and disposal. Furthermore it shall be secured that the director of customs at any time has access to the stock accounts of the storage area. Hardware and software must be approved by the Director of Customs in Reykjavik. He is authorized to stipulate the condition that the customs have on-line access to information from the stock accounts.
8. The licensee must have personnel with satisfactory knowledge of laws and regulations governing the treatment of uncleared goods. Evidence must be provided indicating that preparation of documents for customs treatment, management, internal control, accounting and custody of data concerning the enterprise will be in a secure way.
9. Feasibility study for the operation of the warehouse must be on hand.

The Minister shall keep a register of licensees according to this Article. Companies other than those having been registered are not permitted to operate a bonded warehouse.

If a licensee has not started operations within twelve months from notification that an operating license has been granted, the license shall be cancelled. The license shall also be cancelled if the licensee has not for twelve consecutive months provided services he is authorized to give in accordance with this Law.

In regulations the Minister can stipulate further on conditions for granting licenses for the operation of storage areas for uncleared goods.

Article 92

Cancellation of an operating license

The Minister having received recommendation by the Director of Customs in Reykjavik, can cancel an operating license according to Article 91 if the licensee no longer fulfills the conditions for the operating license or grossly neglects his duties according to this Law.

Article 93

Goods which may be placed in a bonded warehouse

Uncleared goods may be placed in a bonded warehouse from a vessel or a clearance warehouse. Goods subject to import licenses may be placed in a bonded warehouse although the license is not on hand. For the customs clearance of goods an import license covering them must be on hand.

Domestic goods may be placed in a bonded warehouse when they are intended for use in processing permitted in the warehouse according to the provisions of Article 95.

Domestic products intended for exportation may be placed in a bonded warehouse when

the refund of price compensation charges thereon is permitted or the payment of price compensation is permitted for a product upon exportation according to Articles 85 or 85 A of law No. 99/1993, on the production, pricing and sales of agricultural products. In such cases the refund of price compensation charges or the payment of price compensation shall be permitted when the products have been placed in a bonded warehouse.

Article 94

Customs cleared goods in a bonded warehouse

Having received an application from the licensee of a bonded warehouse, the Minister can permit the storage of customs cleared and uncleared goods in the same space in a bonded warehouse, subject to the following conditions:

1. Customs cleared goods shall be clearly separated from uncleared goods in the stock accounts of the bonded warehouse. The Director of Customs in Reykjavik must approve hardware and software of the bonded warehouse to ensure that this conditions is fulfilled.
2. The Minister can subject a license according to this Article to such conditions which he may deem necessary to ensure satisfactory customs control.

The Minister having received recommendation by the Director of Customs in Reykjavik, can cancel a license according to this Article if the licensee no longer fulfills the conditions provided for in paragraph 1.

In regulations the Minister can stipulate further on conditions for a license according to paragraph 1.

Article 95

Processing in a bonded warehouse

Industrial production and other processing of goods is impermissible in a bonded warehouse.

Without prejudice to the provisions of paragraph 1 insignificant processing of goods is permitted in a bonded warehouse, such as division of consignments, simple repacking, labelling, assembling, testing and cleaning.

The director of customs rules when it is not clear whether processing falls within paragraph 2.

The director of customs is authorized to limit processing according to paragraph 2 if deemed necessary due to customs control.

Warehouses for duty free supplies

Article 96

Operating license

Subject to compliance with the conditions of Article 91, paragraph 1, points 1-8, the Minister can authorize legal persons to operate warehouses for duty free supplies in a customs port, where stores, gear and other supplies for a vessel in international journeys can be kept in addition to goods offered for sale on board.

The Minister shall keep a register of licensees according to this Article. Companies other than those having been registered are not permitted to operate a warehouse for duty free supplies.

If a licensee has not started operations within twelve months from notification that an operating license has been granted, the license shall be cancelled. The license shall also be cancelled if the licensee has not for twelve consecutive months performed services provided for in this Law.

Article 97

Cancellation of an operating license

The Minister having received recommendation by the Director of Customs in Reykjavik, can cancel an operating license according to Article 96 if the licensee no longer fulfills the conditions for the operating license or grossly neglects his duties according to this Law.

Article 98

Goods which may be placed in a warehouse for duty free supplies

The following goods may be placed in a warehouse for duty free supplies:

1. Uncleared goods.
2. Goods from the supplies of ships or aircraft.
3. Domestic products. When the refund of price compensation charges thereon is permitted or the payment of price compensation is permitted for a product upon exportation according to Articles 85 or 85 A of law No. 99/1993, on the production, pricing and sales of agricultural products, the refund of price compensation charges or the payment of price compensation shall be permitted when the products have been placed in a warehouse for duty free supplies.

Article 99

Transport of goods from a warehouse for duty free supplies

Goods may only be sold or removed from a warehouse for duty free supplies as suitable stores for a vessel in international journeys, provided that the goods are only for consumption or sale on board that vessel. Under special circumstances, for example when goods are in danger of being damaged, the director of customs may authorize their customs clearance for consumption or sale domestically, subject to compliance with conditions for import under the law.

When estimating what shall be considered to be suitable stores, the director of customs shall take into account the size and type of a vessel, the number of passengers and crew and the length of the journey.

In regulations the Minister can issue further rules according to this Article.

Article 100

Supplies for interception by a vessel

Goods may be dispatched from a warehouse for duty free supplies to other customs ports for interception by ships or other means of transport in international journeys, subject to conditions stipulated by the director of customs for such transport. The director of customs can exclude certain types of goods from such transport.

Duty free shops

Article 101

Operating license

Subject to compliance with the conditions of Article 91, paragraph 1, points 1-3 and 6-9 and having received a written application, the Minister can grant to legal persons a license for the operation of duty free shops in airports and seaports.

A license according to paragraph 1 also covers the operation of duty free stockrooms for merchandise sold in the licensee's shop.

The Minister shall keep a register of licensees according to this Article. Companies other than those having been registered are not permitted to operate a duty free shop.

If a licensee has not started operations within twelve months from notification that an

operating license has been granted, the license shall be cancelled. The license shall also be cancelled if the licensee has not for twelve consecutive months provided services he is authorized to give in accordance with this Law.

Article 102

Cancellation of an operating license

The Minister having received recommendation by the Director of Customs in Reykjavik, can cancel an operating license according to Article 101 if the licensee no longer fulfills the conditions for the operating license or grossly neglects his duties according to this Law.

Article 103

Goods which may be placed in a duty free shop

The following goods may be placed in a duty free shop:

1. Uncleared goods.
2. Customs cleared goods when refund of duty is permitted according to Article 7, paragraph 1, point 7.
3. Domestic products. When the refund of price compensation charges thereon is permitted or the payment of price compensation is permitted for a product upon exportation according to Articles 85 or 85 A of law No. 99/1993, on the production, pricing and sales of agricultural products, the refund of price compensation charges or the payment of price compensation shall be permitted when the products have been placed in a duty free shop.

Article 104

Sale from a duty free shop

Duty free shops are only authorized to sell goods to departing passengers and crew of vessels engaged in international journeys. A sale shall only be permitted against presentation of a boarding card.

Without prejudice to the provisions of paragraph 1 the Minister can authorize the licensee to sell goods from a duty free shop to arriving passengers and crew of vessels engaged in international journeys. Such a shop shall be specially demarcated and only accessible to passengers and crew upon arrival to this country.

In regulations the Minister stipulates which goods are authorized for sale in a duty free shop according to paragraph 2.

Free zones

Article 105

Free zones

Having received a written application and subject to compliance with the conditions of Article 91, paragraph 1, the Minister can grant to legal persons a license for the operation of free zone where uncleared goods and domestic products may be processed beyond the processing permitted in a bonded warehouse, cf. Article 95.

A license shall be granted solely to those engaged in providing to others the services consistent with the operation of a free zone. The licensees themselves are not permitted to engage in industrial production, commerce, commission sale, wholesale or retail sale in the free zone.

The Minister shall keep a register of licensees according to this Article. Companies other than those having been registered are not permitted to operate a free zone.

If a licensee has not started operations within twelve months from notification that an

operating license has been granted, the license shall be cancelled. The license shall also be cancelled if the licensee has not for twelve consecutive months performed services provided for in this Law.

Article 106

Cancellation of an operating license

The Minister having received recommendation by the Director of Customs in Reykjavik, can cancel an operating license according to Article 105 if the licensee no longer fulfills the conditions for the operating license or grossly neglects his duties according to this Law.

Article 107

Goods which may be placed in a free zone

Uncleared goods may be transported into a free zone from a vessel, a clearance warehouse or a bonded warehouse. Goods subject to import licenses may be placed in a free zone although the license is not on hand. For the customs clearance of goods an import license covering them must be on hand.

Domestic goods may be placed in a free zone if they are intended for industrial production permitted in the free zone.

When refund of price compensation charges or the payment of price compensation is permitted for a product upon exportation according to Articles 85 or 85 A of law No. 99/1993, on the production, pricing and sales of agricultural products, the refund of price compensation charges or the payment of price compensation shall be permitted when the products have been placed in a free zone.

Article 108

Customs valuation

Import charges on goods in a free zone subjected to customs treatment due to clearance for domestic use, shall be based on their customs value as determined in accordance with rules on customs value and customs valuation when their customs treatment commences, cf. Article 34.

The customs value of goods in a free zone which are transported abroad is the price paid or payable for them in accordance with the provisions of Chapter V.

CHAPTER XIV

Levy, appeals, et al.

Article 109

Levy of import charges

Directors of customs are in charge of levying import charges. The levy of import charges shall be based on information contained in an import declaration according to Chapter VII. The director of customs shall, however, correct obvious and insignificant errors in import declarations which are submitted to him.

If an import declaration is not submitted within the specified time limit according to Article 22 the director of customs shall assess the customs value of the goods in accordance with Article 115.

Article 110

Correction of an import declaration prior to customs clearance

When it is discovered, after an import declaration and supporting documents have been submitted to the director of customs and before a release permit is granted, that the

declaration or individual items contained therein or supporting documents are insufficient, unclear or suspicious, not recorded in a lawful way, unsatisfactorily signed or the director of customs considers further explanations needed concerning some items, the importer must be exhorted to make amendments within a specified time limit and to submit explanations and such documentation as the director of customs deems necessary.

Exhortation according to paragraph 1 can be either written or electronic, in the form stipulated by the Director of Customs in Reykjavik.

If the director of customs receives satisfactory explanations and data within the specified time limit in accordance with paragraph 1, he must levy duty and other charges according to the import documents and the explanations and data submitted. If shortcomings of an import declaration are not amended, a reply from the relevant party is not received within the specified time limit, his explanations are not satisfactory, the requested data has not been provided or such data is insufficient or suspicious, the director of customs must assess the import charges as stipulated in Article 115.

Article 111

Reassessment of import charges after electronic customs clearance

The director of customs shall reassess import charges payable by an importer if it is revealed that they have not been correctly determined at customs clearance on consignments which the importer has cleared through customs by electronic means during the last six years counting from the date when he receives a notice regarding intended ruling on reassessment according to Article 114, paragraph 1.

Article 112

Reassessment of import charges after written customs clearance

If an importer or a person making arrangements for the customs treatment of goods, has submitted to the director of customs incorrect or insufficient information in an import declaration or supporting documents on which the customs clearance was based, the director of customs shall reassess the import charges. In this connection it is irrelevant whether the importer or the person making arrangements for customs treatment of the goods knew or should have known about the veracity of the information contained in the import declaration or supporting documents.

The director of customs is authorized to reassess import charges payable by an importer on the basis of paragraph 1, on consignments which the importer has cleared through customs during the last six years counting from the date when he receives a notice regarding intended ruling on reassessment according to Article 114, paragraph 1.

If an importer or a person making arrangements for the customs treatment of goods has submitted to the director of customs correct and satisfactory information in an import declaration and supporting documents, reassessment of import charges is not permitted except for consignments which the importer has cleared through customs during the last 60 days counting from the date when he receives notice regarding intended ruling on reassessment. If temporary importation of goods has been permitted the director of customs shall, however, be authorized to reassess import charges on the goods for 60 days counting from the date when the import charges were determined.

Without prejudice to the provisions of paragraph 3, the director of customs is authorized to reassess import charges payable by an importer for consignments which the importer has cleared through customs during the last six years counting from the date when he receives a notice regarding intended ruling on reassessment according to Article 114, paragraph 1, provided that the importer knew or should have known about the correct customs treatment of

the goods.

Article 113

Other reassessment

If it is discovered after customs clearance of goods that the director of customs has been supplied with incorrect or unsatisfactory information but that the amount of import charges is nevertheless correctly determined, the director of customs shall notify the importer of intended amendments to the import documents. In this connection it is irrelevant whether the importer or the person making arrangements for customs treatment of the goods knew or should have known about the veracity of the information contained in the import declaration or supporting documents.

Reassessment according to paragraph 1 shall be governed by the provisions of Article 114 as far as applicable.

Article 114

Rules of procedure in the reassessment of import charges

When reassessment by the director of customs according to Articles 111-113 is intended, the director of customs must notify the importer of the intended ruling on reassessment by provable means.

In a notification according to paragraph 1 the director of customs must describe the main reasons which he considers decisive in leading to reassessment.

The director of customs must grant to an importer a time limit of at least 15 days from the date a notification of proposed reassessment was mailed, to comment in writing on particulars of the case and, depending on the circumstances, to submit data before a ruling on reassessment is made.

A ruling on reassessment shall be made within 30 days from the end of the time limit granted to the importer to comment on the intended reassessment. The importer shall be notified of the ruling by registered mail.

Article 115

Authorization for the director of customs to assess import charges

In cases when the director of customs must assess the amount of import charges he must estimate the customs value of goods generously enough that there is no risk of amounts determined being lower than the actual value of the goods and to assess import charges in conformity with that estimate. In this assessment the director of customs must take into account available information about the goods, including the manifest, data submitted if any, and information from the State Statistical Bureau regarding imported goods.

Article 116

Amendments to an import declaration after customs clearance

When an importer discovers within six years from the date of customs clearance of goods that information on which the customs clearance of the goods was based was incorrect or unsatisfactory, he must submit to the director of customs a request for appropriate amendment, cf. paragraph 2.

A request for amendment according to paragraph 1 shall be submitted to the director of customs in the form of an amended written import declaration together with appropriate supporting documents. The provisions of Chapter VII regarding written declarations shall apply to amended import declarations according to this paragraph.

An importer has the burden of proof that incorrect or unsatisfactory information has been the basis for the customs clearance of goods, when altered premises may lead to reduction of the import charges levied.

The director of customs shall make a ruling on a request for amendment within 30 days from the procurement of data. The procedure shall be governed by the provisions of Article 117, paragraphs 2 and 3.

Article 117

Complaints to the director of customs

When a party liable for duty considers that a decision by the director of customs concerning chargeability, the amount of import charges or factors on which the determination of import charges was based, is incorrect, he can send a written complaint supported by arguments and necessary documentation to the director of customs. If there is a dispute with regard to the customs treatment of goods which have already received customs clearance, a complaint must be submitted to the director of customs within 60 days from the date of customs clearance.

If the director of customs considers that the grounds on which a complaint is based are unclear or that supporting documents are insufficient, he must give the complainant the opportunity to make amendments within a suitable time limit. If this is not heeded the impediment will result in dismissal of the complaint.

A ruling on a complaint shall be made as soon as possible and not later than within 30 days from the procurement of data. The ruling by the director of customs must be supported with arguments and a party liable for duty must be informed about the option of appealing the ruling to the State Customs Board, cf. Article 118. The ruling shall be sent to the importer by provable means. A copy of the ruling must be forwarded to the Director of Customs in Reykjavik immediately.

Article 118

Complaints to the State Customs Board

A party liable for duty can appeal a ruling by the director of customs on reassessment according to Articles 111-113, cf. Article 114, rulings by the director of customs on amendments according to Article 116, rulings on complaints according to Article 117 and decisions by the Director of Customs in Reykjavik according to Article 21 and Article 145, paragraph 2, to the State Customs Board within 60 days from the date when a ruling or decision was mailed.

The Director of Customs in Reykjavik can appeal rulings by other directors of customs on reassessment according to Articles 111-113, cf. Article 114, their rulings on amendments according to Article 116 and their rulings on complaints according to Article 117, to the State Customs Board within the same time limit as specified in paragraph 1.

Appeals must be made in writing and supported by necessary documentation. Impediment will result in dismissal of the case. When the Board receives an appeal supported by customs documents, the contents of which has not received a ruling by the director of customs, the Board can dispatch the appeal to the director of customs for a new ruling. The Board must notify the relevant party of such a decision.

The Director of Customs in Reykjavik shall represent the customs authorities before the State Customs Board.

The Board shall immediately dispatch to the Director of Customs in Reykjavik a transcript or photocopy of an appeal by a party liable for duty and of the documents which may be attached to his appeal. If the Director of Customs in Reykjavik has appealed a ruling

or decision by another director of customs to the Board according to paragraph 2, the Board must immediately dispatch to the importer a transcript of the appeal together with accompanying documents. The Board must give the parties the opportunity to submit their comments within an appropriate time limit.

When the Board considers a case to be insufficiently accounted for, the Board can instruct the parties to obtain further documentation or information to clarify the case.

The State Customs Board is authorized to summon experts to its assistance when ruling in cases of dispute and to request information in accordance with provisions of this Law.

When a case is complicated or extensive, the Board can stipulate trial procedure and such procedure may be oral. As far as applicable, such procedure shall be governed by general rules applying to trial procedure in district courts, to disqualification, expert advice, et al., depending on circumstances.

The Board must pronounce a ruling on appeals as soon as possible and not later than 60 days from the time documentation was completed. In the case of oral procedure a ruling must be pronounced within 60 days from the conclusion of such procedure. The Board's rulings shall be supported by arguments.

An appeal to the State Customs Board does not delay the judicial effect of the ruling.

A ruling by the State Customs Board is a conclusive decision at the administrative level. Appeals to general courts of matters of dispute, ruled on by the Board do not delay or alter the conclusions of the Board until judgement has been passed.

Article 119

Customs auditing

The Director of Customs in Reykjavik is in charge of customs auditing for the whole country.

Customs auditing covers any kind of inspection by the director of customs as to the correctness of information submitted in declarations to the director of customs according to law and any kind of inspection as to the correctness of payment of import charges after their levy. Customs auditing covers, *inter alia*, comparison of information submitted to directors of customs by electronic means with accounting records, including relevant supporting documentation on which declarations to the director of customs should be based according to provisions of this Law. Customs auditing also covers the procurement of additional data from parties liable for duty or others.

The police is obliged to render to the director of customs necessary assistance with regard to customs auditing, when a party attempts to evade delivery of accounting records.

When customs auditing gives occasion for reassessment of import charges according to Articles 111-112 or reassessment according to Article 113, the director of customs in the customs district where goods were cleared through customs shall make the reassessment. When customs auditing reveals alleged infringement of the penal provisions of Chapter XXII of this Law, the Director of Customs in Reykjavik shall be in charge of the investigation or delegate it to the director of customs in the customs district where goods were cleared through customs, whichever he deems more suitable.

CHAPTER XV

Due date of payment, deferred payment and place of payment of import charges

Article 120

Due date of payment of import charges

Import charges on goods other than those placed in a storage area for uncleared goods according to Article 69, paragraph 1, points 2-5, fall due when a permit has been given for

their release for domestic use, provided that the transport vessel has already arrived in this country. Import charges shall, however, fall due not later than six months from the date of arrival of the transport vessel to the country, unless the director of customs has permitted longer storage time in a clearance warehouse, cf. Article 70, paragraph 1. In such cases import charges shall fall due at the end of the time limit specified by the director of customs. Due date of payment of import charges when deferment payment has been granted, shall be governed by the provisions of Article 122, paragraph 2.

Import charges on goods which have been placed in a bonded warehouse or a free zone fall due when a permit has been given for their release for domestic use. The same applies to goods requested for release for domestic use from warehouses for duty free supplies and duty free shops.

When an emergency permit or permit for provisional customs clearance is granted the due date of payment of import charges shall be the day when import charges are payable according to a decision of the director of customs, cf. Articles 36 and 37. When a permit for temporary duty free importation is granted the due date of payment of import charges shall be the day when the permit for temporary importation expires. Import charges shall be determined according to law and the rate of exchange for customs clearance applicable on the day of customs clearance.

The due date of payment for express consignments shall be seven days after customs clearance of a consignment.

When goods are delivered from the custody of a transporter or from a storage area for uncleared goods without proper permit from the director of customs the import charges shall fall due forthwith.

When circumstances are as specified in paragraph 5 and goods have been in the custody of a transporter, a customs broker or an importer by special permission of the director of customs, cf. Article 69, paragraph 3, the due date of payment shall be the day of arrival of the transport vessel and the import charges shall be determined according to law and the rate of exchange for customs clearance applicable on that day. If goods have been placed in a bonded warehouse or a duty free zone the due date of payment shall be when the director of customs received notice according to Article 79, and import charges shall be determined according to law and the rate of exchange for customs clearance on that day, unless satisfactory evidence is presented in the opinion of the director of customs that unlawful delivery of the goods for domestic use took place at a later date.

When an importer's import charges are reassessed in accordance with Articles 111-112, cf. Article 113, the additional amount falls due on the date of customs clearance of the goods.

Article 121

Right to deferment of payment

Parties recorded in the value added tax register shall enjoy deferment of payment on import charges provided that they are not in arrears with regard to payments to the State Treasury. The right to deferment of payment covers import charges on goods imported for professional purposes.

Deferment of payment of import charges is impermissible when an emergency clearance is permitted or provisional customs clearance takes place, as well as at the settlement of import charges in such cases.

Article 122

Period of settlement and due date at deferment of payment

When deferment of payment is granted each period of settlement shall be two months,

January and February, March and April, May and June, July and August, September and October and November and December, unless otherwise provided for in other law.

The due date of payment for deferred import charges shall be the 15th day of the next month following the end of period of settlement.

Article 123

Rejection of a permit for deferment of payment

The director of customs must reject further deferment of payment of import charges to a party enjoying deferment of payment of import charges if that party does not make settlement of the import charges within the specified time limit. The director of customs is, furthermore, authorized to reject further deferment if the party enjoying such deferment does not make settlement of charges to the State Treasury, other than import charges, within the specified time limit.

When the estate of an importer is undergoing bankruptcy procedure or has gone into receivership after his death and his heirs do not undertake responsibility for the obligations of the estate, import charges shall be paid when release of goods is authorized. The same shall apply when the importer does not have the right to manage his financial affairs or when it is discovered in a legal execution or by other means that the importer of goods is temporarily unable to pay his debts and has requested authorization for suspension of payments or forced settlement.

Article 124

Regulatory provision

In regulations the Minister issues further rules on deferment of payment of import charges.

Article 125

Interest

Penal interest shall be calculated on underpaid import charges as of the due date of payment and collected for the State Treasury. Penal interest shall, however, only be determined from the time when an importer received a notice regarding intended ruling on reassessment according to Article 111. The rate of penal interest shall be the same as that stipulated by the Central Bank of Iceland in accordance with Article 6 of law No. 38/2001, on interest and price indexing.

When it becomes clear after levy of import charges or reassessment of such charges that a larger sum has been paid than the final amount of import charges levied, the overpaid amount shall be refunded with interest for the period of time that the sum was kept by the State Treasury. The rate of such interest shall be the same as the rate of interest determined by the Central Bank of Iceland at any given time in accordance with Article 8, paragraph 1, of law No. 38/2001, on interest and price indexing.

When a complaint is under processing by the State Customs Board and the Board does not issue a ruling within the lawful time limit according to Article 118, paragraph 9, penal interest shall be paid on the amount of refund determined by the State Customs Board or by a court ruling at a later date, from the time when the time limit for the State Customs Board to issue a ruling expired.

Penal interest may always be demanded from the time a court case is launched for the refund of import charges.

Article 126

Place of payment

Import charges shall be paid to the director of customs in the customs district where goods are removed from the vessel transporting them to the country according to a manifest. When uncleared goods are forwarded to another customs district, the import charges shall, however, be paid in that customs district.

Without prejudice to the provisions of paragraph 1, a party enjoying a permit for deferment of import charges shall pay import charges to the director of customs in the district where he has legal residence.

CHAPTER XVI

Collection and liability

Article 127

Liability for the payment of import charges

The importer of goods is liable for the payment of import charges.

When a customs broker acts before the customs authorities on behalf of an importer with regard to the customs treatment of goods, he, together with the importer, shall be fully responsible for the payment of import charges. The liability of the customs broker is cancelled if import charges have been debited to the importer's account, provided that the customs broker had the importer's permission to do so, unless the customs broker knew or should have known that information contained in the import documents were incorrect or unsatisfactory, cf. Article 33.

Article 128

Forced settlement of import charges

Import charges, together with penal interest and costs, are secured by a statutory lien upon imported goods. The right of statutory lien is irrespective of whether the owner was in good faith and remains despite changes in ownership.

The director of customs may demand a forced sale at an auction of uncleared goods without prior court ruling, accord or distress, cf. Article 129, for recovery of import charges due, penal interest, fines and costs. The director of customs can also offer goods for sale on the public market.

When the director of customs finds no cause for selling goods at a forced sale because of their condition, he may have them destroyed at the importer's expense.

When goods cannot be sold at a forced sale, distress may be levied on the properties of the party liable for duty in order to secure payment of import charges, penal interest, fines and costs, without a prior court ruling or accord.

Article 129

Forced sale at an auction and settlement of the sales value

The director of customs must advertise an auction according to Article 128, paragraph 2, with at the most four weeks and at the least one week notice, in a newspaper or in another comparable way. The director of customs shall also notify the importer in writing of the goods where and when the auction will take place. If a notice cannot be delivered because the importer is not known or cannot be found, this shall not prevent an auction.

Protests against a forced sale shall be governed by the provisions of Chapters XI and XIV of law No. 90/1991, on forced sales.

Import charges shall be recovered from the sales value with first priority following cost of selling the goods and charges for their storage at the transporter for one month from their

arrival to this country. When the sales value of the goods is greater than the aggregate amount of import charges, penal interest, fines and accrued cost, the party that lost the property rights shall be paid the remainder less other restraints on the goods as well as all accrued cost. If the owner does not claim the remainder in accordance with the above mentioned within one year from the date of the sale, the amount shall revert to the State Treasury.

In regulations the Minister can issue further rules on the execution of forced sales at auctions.

CHAPTER XVII

Suspension of customs clearance

Article 130

The director of customs shall suspend customs clearance of a consignment if the importation of goods contained in the consignment is, according to law or administrative instructions, subject to conditions which have not demonstrably been fulfilled. The same applies if importation is subject to licenses which have not demonstrably been acquired.

Article 131

The director of customs is authorized to suspend customs clearance of all goods to an importer:

1. who is in default of payment of import charges, penal interest or other cost,
2. who has neglected to submit an import declaration and supporting documents to the director of customs within the time limit stipulated,
3. who does not honour his obligation to submit information to the director of customs,, cf. Article 30, or is reluctant to render assistance to the director of customs which he is obliged to render in accordance with law or administrative instructions.

Suspension of customs clearance according to paragraph 1 shall enter into force 15 days after the importer has been notified of the intended suspension of clearance of all goods to him on account of the circumstances mentioned in paragraph 1.

Article 132

When there is suspicion that importation of goods is taking place involving infringement of intellectual property rights, the director of customs is authorized upon request by the right holder to suspend customs clearance of the goods while the right holder seeks provisional measures from competent authorities and following that initiates judicial procedure. Authorization by the director of customs is subject to the following conditions:

1. that the right holder submits to the director of customs a written request for suspension of customs clearance and commits himself to pay the cost derived from measures taken by the customs authorities,
2. that the right holder provides adequate evidence that the intellectual property right is protected in this country, that he is the holder of this right and that the importation of the goods will cause infringement of his right; he must, furthermore, supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities,
3. that the right holder provides a security in the form of a monetary deposit, or in other form deemed adequate by the director of customs, sufficient to compensate the right holder, owner or importer of the goods for the damage or costs which may be derived from unjustified suspension of customs clearance.

If satisfactory evidence has been presented, the director of customs is authorized to

suspend customs clearance of the goods for a period not exceeding ten weekdays. He shall promptly notify both the right holder and the owner of the goods or importer of his decision. If the right holder has not within the aforementioned time limit initiated procedure with the competent authorities to seek his right and notified the customs authorities thereof in writing, the consignment may be cleared through customs. The aforementioned time limit may be extended for ten weekdays when special circumstances apply.

The director of customs can on his own initiative suspend the customs clearance of goods in respect of which he has acquired satisfactory evidence that an intellectual property right is being infringed. He shall promptly dispatch a notification of his decision in writing to the right holder, giving him a time limit of three weekdays from the receipt of the letter to make a request for suspension of customs clearance according to paragraph 1. If the right holder does not within this time limit request suspension, the goods may be cleared through customs.

If a request for provisional measures is refused or a court has ruled that there has been no infringement of an intellectual property right, the director of customs shall revoke his decision on suspension of customs clearance. If a court has ruled that there is infringement of an intellectual property right and the ruling does not stipulate the disposal of the goods, the customs authorities may have the goods destroyed or disposed of in another manner without harm to the right holder. If a ruling has been appealed, the destruction or disposal of goods shall be postponed until final conclusion is available.

Small quantities of goods contained in travellers' personal luggage or sent in small consignments are excluded from the provisions of this Article, provided the importation is of non-commercial nature. Goods which have been marketed in another country by the right holder or with his approval and goods in transit are also excluded.

In regulations, the Minister shall issue further provisions concerning the suspension of customs clearance. He can also require the right holder to pay storage fees and the costs incurred by the customs authorities due to the aforementioned measures. The Minister can stipulate that the aforementioned provisions shall apply to the exportation of goods.

CHAPTER XVIII

Anti-dumping and countervailing duties, et al.

Article 133

Imposition of anti-dumping and countervailing duties

When it may be considered that foreign goods are being imported or offered on dumping terms and that such dumping is likely to cause real prejudice to domestic business activities or may cause serious impediment to such activities, the Minister may impose special anti-dumping duties, as a countermeasure against such trade.

For the same purpose and on the same conditions, the Minister may impose special countervailing duties when export bounty, subsidies, refund and the like, granted abroad, may be expected to cause in this country the conditions described in paragraph 1.

The Minister may, furthermore, impose anti-dumping and countervailing duties on foreign trade in services on the same conditions as applicable to trade in goods according to provisions of this Chapter.

The Minister's decisions on this matter shall enter into force on the day they are published in *Stjórnartíðindi* (the Government Gazette) and shall not be in force for a longer duration than five years.

The Minister can appoint a committee to investigate complaints regarding the importation of goods on dumping terms or with subsidies and to make recommendations to

the Minister on the imposition of anti-dumping or countervailing duties. Provisions of this Law shall apply to the tasks of the committee, rights and obligations, as far as applicable.

Article 134

In this Law, dumping or dumping terms shall be deemed to apply to the importation or offering of foreign goods:

1. at a price lower than comparable prices of such goods under normal business conditions in the export country, or
2. when such a price is unavailable in the export country, either
 - a. at a price lower than the maximum export price of such goods to some other country, or
 - b. at a price lower than the cost of producing the goods in the country of origin, with the addition of a reasonable mark-up for marketing cost and profit.

In the comparison mentioned in paragraph 1, consideration shall be given to differences in sales and delivery terms, transportation cost, taxes, and other such factors of differences that may be of relevance.

Article 135

Anti-dumping duties must not exceed the dumping margin, i. e. the difference between the dumping price and the price being compared.

Countervailing duties must not exceed the payments or subsidies which are directly or indirectly granted in connection with the manufacture, processing, exportation or transportation of the goods.

Article 136

Anti-dumping or countervailing duties in accordance with the above provisions may be imposed upon one or more articles or types of goods, on goods from one or more consignors, or on goods from one or more countries.

Anti-dumping and countervailing duties may be imposed temporarily until further information is available, if a delay is considered likely to cause damage. Such temporary duties, however, must not be imposed for a longer duration than twelve months.

The Minister can issue further provisions concerning anti-dumping and countervailing duties and payment thereof. The legal protection of these duties shall be in accordance with the provisions of Article 128.

Article 137

Anti-dumping and countervailing duties shall not be imposed retroactively except:

1. When a product has been imported in great quantities during a short period of time and offered on dumping terms which have caused damage domestically. In such cases anti-dumping duties may be imposed retroactively on importation if such action is likely to prevent further importation on dumping terms.
2. When a product having benefited from export bounty, subsidies, refund and the like has been imported in great quantities during a short period of time and caused damage difficult to compensate for. In such cases countervailing duties may be imposed retroactively on importation if such action is likely to prevent further importation of products subsidized in this manner.
3. When a promise to stop importation, falling within Article 133, paragraphs 1 to 3, has been broken.

Anti-dumping or countervailing duties imposed retroactively can cover products imported up to 90 days before the Ministry of Finance received a complaint regarding importation subject to Article 133, paragraphs 1 to 3.

Article 138

When the circumstances specified in Article 5 of the Agreement on Agriculture in Annex 1 A to the convention establishing the World Trade Organization apply with regard to any of the products listed in Annex II A to this Law and designated therein with the symbol "SSG", that

1. the volume of imports exceeds the level specified in Article 5 of said Agreement on Agriculture; or, but not concurrently,
2. the import price of the product falls below a certain level, cf. definition in Article 5 of the Agreement on Agriculture,

the duty on the product in question shall, without prejudice to the provisions of Article 4, paragraphs 1 and 3, be the maximum duty according to the tariff binding in Annex II A with the addition of additional duty in accordance with Article 5, paragraph 5, of the Agreement on Agriculture.

Additional duties shall in other respects conform to the conditions in Article 5 of the Agreement on Agriculture. Duty according to this Article shall only be levied when the Minister of Agriculture has decided to apply Article 5 of the Agreement on Agriculture and has issued regulations thereon.

Article 139

Compensation charges on imported goods

Price compensation charges may be imposed on imported goods produced from agricultural raw materials in accordance with conditions specified in Protocol 3 to the Agreement on the European Economic Area, as well as other free trade agreements and international agreements and protocols thereto.

If price compensation charges are imposed according to paragraph 1, duties or other comparable charges must not also be levied on taxable goods from the contracting parties unless otherwise specified in provisions of Protocol 3 to the Agreement on the European Economic Area as well as other free trade agreements and international agreements and protocols thereto.

The collection of price compensation charges provided for in this Article does not affect the collection of duty according to the Customs Tariff on goods not eligible for customs treatment in accordance with the provisions of the Agreement on the European Economic Area or the provisions of other free trade agreements and international agreements unless otherwise provided for therein.

A price compensation charge shall be levied and collected upon customs treatment of goods.

In regulations, the Minister can issue further provisions concerning price compensation charges according to this Article, classification for taxability, proof of the composition of taxable goods as well as other factors concerning the levy and collection of the charges. Furthermore, he can in the same manner stipulate the waiver of duties and other comparable charges when a price compensation charge is imposed on the product. The legal protection of price compensation charges shall be in accordance with provisions of Article 128.

CHAPTER XIX

Exportation

Article 140

Obligation to submit an export declaration

Parties professionally engaged in the exportation of goods shall, before goods are exported, submit through electronic data interchange to the director of customs concerned the information that must be submitted for the customs clearance of goods.

Article 141

Simplified export declarations for post trade

Persons and legal persons professionally engaged in the exportation of small consignments to individuals through post trade can apply for licence at the Director of Customs in Reykjavik to submit to directors of customs simplified export declarations after exportation.

In regulation, the Minister can stipulate conditions for authorisation to submit simplified export declarations at exportation according to paragraph 1.

Article 142

Export conditions must be fulfilled and export charges paid in the customs district where export goods are loaded on board a vessel for transportation abroad. In regulations, the Minister can deviate from this provision.

Article 143

Report on the catch of Icelandic fishing ships

A report on the catch of Icelandic fishing ships, transported by such ships for sale on foreign markets, shall be submitted by the master of the ship in the first port where the ship docks in this country on its return from abroad, or next time it comes to port in this country if the ship does not dock before it carries again a catch to a foreign market. When the fishing ship does not come to first port in the place from which it operates, this report must be dispatched to the director of customs in the customs district where the ship's place of operation is located.

Article 144

The provisions of this Law regarding importation shall apply to exportation and transit as far as applicable except otherwise provided for in this Chapter.

CHAPTER XX

Origin of goods

Article 145

The Minister is authorized to issue general rules of origin applicable to importation and exportation of goods. Rules of origin shall be issued in consultation with, as the case may be, the Ministry of Industry and Commerce, the Ministry of Fisheries, the Ministry of Agriculture and the Ministry for Foreign Affairs. The rules shall be based on the following principles:

1. When reference is made to a change in customs classification, the headings and sub-headings of the nomenclature used must be specified.
2. When reference is made to a percentage of value, the methods of calculation must be specified.
3. When reference is made to methods of production or processing, an exact definition must

be made of the methods indicating the origin of the product in question.

Rules of origin shall be published in regulations. The Director of Customs in Reykjavik provides importers, exporters and parties interested with binding opinion on the origin of goods. The opinion shall be provided as soon as possible and not later than 60 days after the request has been submitted.

Should Iceland become a party to an international agreement granting reduction of duties or other preferential treatment to Icelandic export products upon customs clearance in the country or countries concerned, the director of customs shall at the request of the exporter provide information on conditions for preferential treatment, including issuance of certificates of origin, et. al.

If the exporter of the product is not their manufacturer, a declaration by the manufacturer must be submitted, in addition to the exporter's certificate of origin, confirming that the goods fulfill conditions for preferential treatment according to a free trade agreement or an international agreement to which Iceland is a party.

All documents and certificates concerning the origin of goods, refund of duties and the like, provided for in paragraphs 1 and 3, shall be in such form and finish as stipulated by the Minister.

When a country, party to an international agreement in accordance with paragraphs 1 and 3, requests verification of the veracity of documents or certificates on the origin, refund of duties and the like concerning goods exported to the country in question, or it is for other reasons considered necessary to carry out such verification, then operators and others related to the case are obliged to provide the customs authorities with information concerning factors which are of importance with regard to the investigation, and the customs authorities can, depending on the circumstances, carry out an investigation of the professional premises, accounting and correspondence of the aforementioned parties.

On certain conditions, the Minister can license domestic associations to issue carnets and to be responsible to authorities in other countries for the payment of charges on goods exported from this country for temporary use or transit in those countries, when such export goods are subject to special treatment in accordance with an international agreement to which Iceland is a party.

In regulations or in other instructions, the Minister can issue further rules concerning the implementation of this Article.

CHAPTER XXI Customs enforcement

Article 146

Customs enforcement authority

Customs enforcement authority means authorization to employ recourses provided for in this Chapter to ensure compliance with laws and administrative instructions which directors of customs are responsible for implementing.

Article 147

Executors of customs enforcement authority

Directors of customs, their deputies with law degree and customs officers are empowered with customs enforcement authority in accordance with this Law.

In exceptional circumstances, the Minister of Finance is authorized to entrust other employees of the director of customs with temporary customs enforcement authority to carry out specific tasks.

Police officers are entrusted with customs enforcement authority when they carry out or

assist in customs control.

Crew of coast guard vessels are entrusted with customs enforcement authority when they carry out or assist in customs control.

Those summoned to assist the customs according to law are entrusted with customs enforcement authority when they carry out their duties.

Duties of the Customs and execution of customs enforcement

Article 148

General rules

Executors of customs enforcement shall be vigilant in their work and fully aware of the responsibilities entailed therein.

Executors of customs enforcement shall perform their work diligently and conscientiously and always with extreme objectivity and fairness. They shall endeavor not to cause damage, inconvenience or injury to persons beyond that which is unavoidable due to circumstances. They must not treat a suspect with more severity than permitted by law and which may be necessary to overcome his resistance against lawful operations, nor to apply unlawful coercion in word or deed, such as by threats.

Article 149

Customs officers identification

When carrying out their duties customs officers shall generally wear a uniform and always have in their possession, and display when necessary, a badge bearing the Icelandic coat of arms and the inscription *Tollmerki Íslands* (Customs Emblem of Iceland) as well as their name, rank and photo.

In regulation, the Minister issues further rules concerning customs officers' uniforms and identity papers.

Article 150

Free and unhindered access of the Customs

The Customs are authorized to patrol anywhere on and along the coast of the country, in harbour areas and airports.

Article 151

Use of force

Executors of customs enforcement authority are authorized to use force in the execution of their duties. Nevertheless, under no circumstances are they allowed to use more force than may be necessary on each occasion.

Executors of customs enforcement authority are authorized in urgent situation to use handcuffs and gas weapons when executing their duties. The Minister, in consultation with the Minister of Justice, shall issue rules regarding which customs officers shall be authorized to carry and use such gear, the use of such gear, and the training of customs officers.

Article 152

Authorization to entrust Police and Coast Guard with customs enforcement duties

The Minister of Finance and the Minister of Justice can stipulate that where deemed to be suitable police officers shall carry out customs enforcement duties together with other police duties.

The director of customs can entrust employees of the Icelandic Coast Guard to carry out customs duties.

Article 153

Authorization to entrust customs officers with police duties

The Minister of Finance and the Minister of Justice can stipulate that where deemed to be suitable customs officers shall carry out police duties together with other customs duties.

Arrest, search and seizure of items

Article 154

Arrest

Executors of customs enforcement authority are authorized to arrest a person caught while committing or suspected of violation of this Law and to interrogate him or turn him over to the police.

Article 155

Search in vessels and means of transport

Customs officers are authorized to search anywhere in vessels located within the Icelandic customs territory. Search is also authorized in means of transport located in or coming from places where ships or aircraft are loaded and unloaded, as well as other places where uncleared goods are or have been stored. Customs officers are also authorized to search all means of transport reasonably suspected of transporting illegally imported goods.

Article 156

Inspection and investigation of goods transported to the country

The Customs are authorized to inspect and investigate all goods transported to the country, regardless of whether they are goods recorded in a manifest, postal consignments, goods belonging to passengers, or other goods. It may be requested that the goods be moved to the premises of the director of customs, or to another specified place where customs control is carried out, and that they be produced there for inspection.

The Customs are authorized to take into custody luggage of passengers and crew for later inspection. The person in question can demand that the luggage be put under seal until the inspection takes place. The person in question shall be given the opportunity to be present at the inspection. Upon his request he shall also be given an adequate receipt.

Article 157

Search in facilities for storage of uncleared goods

The Customs shall have free and unhindered access for control and inspection of uncleared goods stored in storage facilities according to Article 69, as well as to other buildings and places where uncleared goods are stored or have been stored. Furthermore, the Customs shall have access to business premises, if it is to be expected that such premises are being used for storage of goods not having received lawful customs treatment.

Article 158

Search of buildings following direct pursuit

The Customs are authorized to pursue persons who evade or are suspected of having evaded customs control of imported goods. A search of buildings may be carried out in the case of direct pursuit when waiting for a court ruling might cause of evidence being prejudiced.

Article 159

Search of a person

The Customs are authorized to search persons who are in means of transport, in buildings or in areas or on their way from means of transport, buildings or places where customs officers are authorized to investigate and inspect goods.

Search of a person may only be carried out on an order by the most superior customs officer present when a search is warranted. It shall be carried out with the utmost consideration, and must never be more extensive than necessary for the customs control.

When a person is searched, the individual in question shall have the right to have a specific witness summoned to be present if possible when the search is carried out. Customs officers are obliged to clearly inform [the individual in question]¹⁵.

A close search of a person must be carried out by a person of the same sex.

Article 160

Search of an individual who is not legally competent

When a search of an individual who due to age is not legally competent is intended, his legal guardian and the representative of the Committee of Child Protection in the district, where search is to be carried out, shall be contacted promptly and they shall be given the opportunity to come to that place without delay and be present when the search is carried out.

When a search is intended of an individual who is not legally competent for other reasons than stipulated in paragraph 1, his legal guardian shall be contacted promptly and given the opportunity to come to that place without delay and be present when the search is carried out.

Article 161

Seizure of items

The Customs shall seize items considered to have value as evidence in a criminal case, if they have been obtained by criminal means or if it may be assumed that they might become subject to confiscation due to violations of this Law or other laws.

Article 162

If a traveller or a crew member has in his possession, at arrival to or departure from the country, cash of an amount exciding EUR 15,000, based on the official adjustment rate of exchange as registered at any given time, the executors of customs enforcement authority are authorized to seize these valuables when there is suspicion that they will be used for violations of provisions punishable by the General Penal Code.

The director of customs shall immediately notify the relevant chief of police of a seizure according to paragraph 1, who determines further procedure of the case.

Article 163

Rules of procedure of the Code of Criminal Procedure

The provisions of the Code of Criminal Procedure shall apply to search, seizure of articles, arrest and other procedures, unless otherwise provided for in this Chapter.

The provisions of Articles 183-185 of this Law shall apply to investigations, interrogation of suspects and statements.

¹⁵ Cf. law No. 80/2006, Article 9.

Seals and other restrictions

Article 164

Seals

The cargo space and stores of vessels and means of transport, as well as warehouses or other places where uncleared goods are stored, may be put under seal or customs lock. Furthermore, uncleared consignments of goods may be put under seal or labelled for identification, while in storage or during transportation. Operators of vessels and means of transport and warehouse managers are obliged to render to the Customs assistance in sealing and locking, as well as to draw the attention of the Customs to places where sealing or locking would be ineffective.

The Director of Customs in Reykjavik decides the form of seals and issues rules for their use.

When sealing or locking cannot be accomplished, the director of customs may demand that the storage or transportation of the goods be under customs control at the expense of the custodian or the transporter.

Customs seals and locks must not be removed by anyone except a customs officer while within the Icelandic customs territory or in a vessel or means of transport en route between places within the customs territory.

Article 165

Circumscription of a vessel

The Customs can circumscribe a vessel which has arrived in port or at an airport, and also prohibit traffic in areas where loading or unloading of goods takes place, or through which passengers pass on their way to or from a vessel in international journeys. Furthermore the Customs can stipulate that passengers or other persons may only disembark or go on board at a certain place or at a specified time. In consultation with port authorities, the Customs can also stipulate that the loading or unloading of a vessel shall be carried out at a specific place which at any given time is considered to be the most suitable for control purposes.

Obligation to assist the Customs and to obey instructions

Article 166

Obligation to assist the Customs

If necessary the Customs can summon for assistance every adult person. A person is obliged to comply with the summons of the Customs if he is able to render assistance without putting his life, health, well being or substantial personal interests or those of near relatives in danger.

Those summoned to assist the Customs according to paragraph 1 are empowered with customs enforcement authority while carrying out their duties and enjoy the same protection as customs officers.

Article 167

Obligation to assist at inspection

Importers and custodians of uncleared goods are obliged to assist during customs inspection by presenting the goods at the request of the Customs, opening bags and other packages, unpacking, closing after inspection and providing all the assistance and information requested. When an importer or a custodian does not attend to his obligations of assisting at inspection, the director of customs is authorized to charge the customs officers or other employees with the task or hire people for the work and collect from the importer or the

custodian remuneration covering the cost.

[Operators of vessels and means of transport are obliged to stop them when signalled by a customs officer to do so.]¹⁶ of means of transport are obliged to stop them when signalled by a customs officer to do so.

Operators of vessels and means of transport are obliged to render to the Customs all the assistance and information requested. They are also obliged to follow instructions from the Customs intended to ensure control of loading and unloading.

Article 168

Prohibition to obstruct customs officers in their duties

No one may in any way obstruct a person in the performance of customs duties or disobey instructions given by customs officers for the purpose of applying this Law.

CHAPTER XXII

Punitive liability, sanctions and procedure

Punitive liability and punishment

Article 169

Violations of this Law falling within acts described in this Chapter shall be subject to punishment. Attempted violations and participation in violations shall be subject to punishment in accordance with provisions of Chapter III of the General Penal Code.

Violations shall be punishable if they are committed intentionally or by gross recklessness, unless otherwise has been specially provided for.

A fine may be imposed on a legal person, singly or together with individuals associated therewith, as further stipulated in individual provisions of the Chapter. The same shall apply with regard to the liability of a legal person for the payment of a fine which may be imposed on his representative or other employees.

Article 170

It is illegal importation, punishable by fines or imprisonment up to two years, when goods are transported to the country from abroad or from a dutyfree area without proper notification to the customs authorities in accordance with provisions of this Law. The same applies when goods are removed from a warehouse for uncleared goods or taken into use without permission from the customs authorities.

It is also considered to be illegal importation, falling within the same punishment, when uncleared goods which have been loaded on board a vessel for exportation, or goods which have received permission for exportation against refund or waiver of duties or other charges, are removed from the vessel without permission from the customs authorities or eluded exportation by other means.

When the owner of the goods is not to be found, the master of the vessel shall be punished for a culpable violation or the person responsible for the vessel, legal person or individual, irrespective of whether the violation can be traced to a culpable act of an employee of the person responsible or the person responsible himself if he is an individual. The responsible person of the vessel can only be fined.

It is punishable by fines when managers or other officers do not do what is in their power to prevent illegal importation by their vessels or neglect necessary supervision for that purpose.

¹⁶ Cf. law No. 4, Article 10.

Article 171

A person who sells or delivers, buys or receives goods, although he knows or should know that they are illegally imported, shall be punished by fines or imprisonment up to two years.

The utilization of profits derived from violations of this Law, is punishable according to the provisions of Article 264 of the General Penal Code.

Article 172

A person who intentionally or by gross recklessness provides incorrect or misleading information concerning the type, quantity or value of goods, or neglects to submit documentation as provided for in this Law in respect of importation of goods, shall be subject to fines amounting to the minimum of double but not exceeding tenfold the amount of import charges on the customs value which was evaded from levy. A surcharge on duty and other import charges according to Article 86 shall be subtracted from the amount of the fine.

A person who intentionally or by gross recklessness provides incorrect or misleading information concerning the type, quantity or value of goods, or neglects to submit documentation as provided for in this Law in respect of exportation of goods, shall be subject to fines.

[A customs broker who intentionally or by gross recklessness assists in providing incorrect or misleading declarations to the customs authorities or provides incorrect or misleading information in customs declarations, shall be subject to punishment in accordance with paragraph 1 in the case of importation but in accordance with paragraph 2 in the case of exportation.]¹⁷

A violation of paragraphs 1 or 3 which has been committed intentionally shall in addition to a fine be punishable with imprisonment up to six years when committed repeatedly or the violation is in other respects serious.

Article 173

It shall be punishable by fines or imprisonment up to two years in the case of serious violations, to submit or induce submittal of documents or certificates which are incorrect in important aspects regarding the origin of export products or other factors, which should ensure that said products are entitled to preferential treatment upon importation into another country, or are considered to be eligible for area tariff treatment there due to international agreements.

When an individual, a company or an institution has been licensed to issue the documents and certificates mentioned in paragraph 1, but no proof has been presented as to who signed them, the licensee in question can be fined if he is an individual who has not practiced sufficient circumspection in the treatment or keeping of the documentation. The same applies to a person representing a legal person if the legal person is the licensee.

A legal person can also be fined for violation of this provision, irrespective of whether the violation can be traced to a culpable act of an employee of the legal person, provided the violation is committed for the benefit of the legal person or the legal person has profited from the violation.

Article 174

A person, who breaks or removes a customs seal or other customs emblems, shall be subject to fines or imprisonment up to six months. The same punishment shall apply to a

¹⁷ Cf. law No. 80/2006, Article 11.

person who illegally gains access to goods which are under customs seal without breaking or removing the seal.

When a customs lock, a customs seal or another customs emblem is broken or removed, and the guilty party is not to be found, the custodian of the goods or other responsible person shall be subject to fines if by reason of negligence he or his staff can be blamed for the violation. The same applies if the custodian has neglected to inform the customs authorities of the violation immediately after he detected the violation or has neglected to take proper precautions to prevent that the sealed goods were removed or their condition altered.

Article 175

It shall be punishable by fines or imprisonment up to two years to sell or deliver by other means goods which have been transported duty free to the country in accordance with law No. 110/1951 on the legalization of the defence agreement between Iceland and the United States of America and on the legal status of U.S. forces and their possessions, when the recipient does not enjoy customs privileges in accordance with that law.

The same punishment shall apply to receiving such goods, as well as to undertake to sell such goods, provided there is not available, at the time when the transaction takes place, irrefutable evidence that import charges on the goods have been paid and other import conditions fulfilled.

The same punishment shall also be imposed for transporting or attempting to transport from areas covered by the defence agreement between Iceland and the United States of America goods which have been imported duty free. If the goods are transported in a means of transport and their owner is not to be found, the operator of the means of transport shall be held responsible for the violation if he has acted carelessly in the transport of the goods.

Article 176

It shall be punishable by fines or imprisonment up to two years in the case of serious violations, if a person abuses licenses, concessions or customs privileges which have been granted to him in accordance with authorization of Article 7 or 8 or other rules stipulated in accordance with this Law.

A legal person can also be fined for violation of this provision, irrespective of whether the violation can be traced to a culpable act of an employee of the legal person, provided the violation is committed for the benefit of the legal person or the legal person has profited from the violation.

Article 177

The master, owner or operator of a vessel shall be subject to fines or imprisonment up to two years if prescribed documents and certificates are not available in a vessel, they do not contain prescribed information about all goods as obliged, or they are not prepared in the way stipulated in this Law or in regulations issued in accordance therewith, or it is neglected to submit them to a customs officer.

The master of a vessel shall be subject to the same punishment when goods loaded on board the vessel according to statements made by customs authorities in the vessel's stopping places abroad are not declared upon arrival of the vessel to this country, they are not to be found on board the vessel or they are in other ways not satisfactorily reported, and of which the vessel's master had or should have had knowledge. The same shall apply to supplies which according to the list of goods under seal have been stored among the vessel's sealed supplies, provided the quantity of such supplies substantially exceeds the necessary and normal supplies of the vessel. Those members of the vessel's crew who have signed receipts or a list

of goods under seal for such goods shall be subject to the same punishment.

A legal person can also be fined for violation of this provision, irrespective of whether the violation can be traced to a culpable act of an employee of the legal person, provided the violation is committed for the benefit of the legal person or the legal person has profited from the violation.

Article 178

It shall be punishable by fines or imprisonment up to two years if the master of a vessel or an employee of a warehouse delivers uncleared goods without permission from the director of customs. The same punishment shall apply to receiving goods which are unlawfully delivered.

Violation according to paragraph 1 shall be subject to punishment if committed intentionally or by gross recklessness.

Article 179

It shall be punishable by fines or imprisonment up to two years to give, sell or deliver in another way for removal from a vessel, stores or other articles or goods which are permitted duty free on board a vessel, without prior payment of import charges, and unless other lawful stipulations regarding importation have been fulfilled.

Article 180

Any person who hinders customs officers in carrying out their customs duties or disobeys instructions given by customs officers carrying out their customs duties is subject to a fine provided the offence is not subject to a greater punishment according to the General Penal Code.

Other sanctions

Article 181

Goods which have been imported illegally to the country from abroad or from a duty free area or in other ways manipulated contrary to provisions of this Chapter, irrespective of ownership or restrictions on ownership which may have been imposed upon them, can be confiscated, unless their custodian has obtained them by culpable means.

When there is no cause to have goods confiscated, or confiscation proves to be effected, the value of the goods together with duties and other charges related to them may be confiscated from the offender.

When the identity of an offender cannot be established, the goods shall within 30 days from their importation or discovery revert to the State Treasury without court decision or formal ruling.

Confiscation may be applied although criminal punishment is not enforceable.

Article 182

A person found guilty of serious or repeated violations of this Chapter may be deprived of rights in accordance with Article 68 of the General Penal Code.

A person who has been granted a license accordance to this Law to be a customs broker, to operate storage areas for uncleared goods or to be engaged in similar activities, can be deprived of the license if he has violated the penal provisions of this Chapter or in other way manifested gross recklessness in his activities. Time of deprivation and review of the decision is subject to the provisions of Articles 68 and 69 of the General Penal Code.

Investigation, procedure and limitation

Article 183

Directors of customs shall investigate infringements of penal provisions of this Chapter insofar as such investigations are not carried out by the police. They shall, whenever needed, initiate an investigation based on reasonable suspicion or knowledge of a punishable violation. When a director of customs outside Reykjavik has reasonable suspicion that a major violation of the Law has been perpetrated, he shall immediately inform the Director of Customs in Reykjavik who will assist in the investigation as needed.

The police is obliged to render necessary assistance to the director of customs in the investigation by bringing in an individual to give a statement to the director of customs if he has not attended to a summons to do so without sufficient excuse.

The provisions of Articles 151 and 154-164 apply to use of force, arrest, search, seizure and sealing by the Customs.

The provisions of the Code of Criminal Procedure shall apply in other respect to the investigation, interrogation of suspects and other statements taken.

Article 184

When an alleged violation of the penal provisions of this Chapter is also covered by the General Penal Code or by other special penal laws, or is connected with violations of the General Penal Code or other special penal laws, including the law on psychotropic substances and narcotic drugs, the director of customs must promptly inform the relevant chief of police thereof who determines further action with regard to the investigation.

A request from foreign customs authorities for assistance in investigations which such authorities are conducting shall be forwarded to the Director of Customs in Reykjavik. If the Director of Customs in Reykjavik concludes that the Icelandic customs authorities are obliged according to international commitments to render the assistance requested, he shall carry out the investigation of the case unless such investigation is entrusted to the police according to this Article.

The director of customs must cooperate with the police and prosecuting authorities in the investigation of a case when the occasion arises or when the chief of police so requests. Similarly the chief of police must cooperate with the customs authorities in the investigation of a case when the expert knowledge of customs officers or international obligations of Iceland in the customs field are called for. In regulations further instructions on such cooperation may be issued.

Article 185

Prosecution and procedure of cases involving violations of the penal provisions of this Chapter shall be in accordance with the Code of Criminal Procedure.

The director of customs, however, is authorized to impose fines for illegal importation or for other violations of this Chapter, if the violation is fully proven and it is estimated that the fine for the violation will not exceed ISK 300,000, provided the offender has consented to such a decision and pays the fine forthwith. Upon imposition of such a fine, a log entry must be made, giving a lucid and brief description of the violation in question, of the penal provisions applicable, and of the effects of repetition on a later violation, if such is the case. When a fully proven violation is also subject to confiscation of property, the director of customs can, on the previously mentioned conditions or Article 181, paragraph 4, impose confiscation of property, provided the value of the property to be confiscated does not exceed ISK 300,000.

Fines of up to the amount of ISK 300,000 for major violations of this Law and of

regulations issued in accordance therewith shall be stipulated in regulations issued by the Minister in consultation with the State Prosecutor. The regulations shall specify the type of violations covered therein and the amount of fines and other sanctions applicable to each violation.

When a fine is determined for violations of two or more provisions of this Law or of regulations issued in accordance therewith, the fine shall be the aggregate amount of fines for each violation, provided the punishment falls within the limit of fines of the General Penal Code.

Fines and confiscation of property provided for in this Article shall be determined by the director of customs, by a deputy of his with a law degree or by customs officers. Fines and confiscation of property provided for in this Article shall, however, be determined by the director of customs or by a deputy of his with a law degree, if the case involves a violation not specified in the Minister's regulations, cf. paragraph 3.

A log, covering cases which have been concluded in accordance with paragraph 2, shall be forwarded to the State Prosecutor, in accordance with rules issued by the Minister of Justice, but the provisions, *inter alia*, of Articles 19 and 115 of the Code of Criminal Procedure, No. 19/1991, shall apply to the keeping of the Criminal Registry and instructions by the State Prosecutor concerning the amount of fines for each type of violation.

When the prosecutor is of the opinion that an innocent person has been forced to pay a fine, a person has wrongfully suffered the confiscation of property, cf. paragraph 2, a person has in other respects been made to consent to an absurd conclusion of a case, or that a case which has been concluded in accordance with the same provision should have been referred to the courts, he can refer the case to a judge, for annulment of the decision made by the customs authorities.

Article 186

Fines for violations of the penal provisions of this Chapter and the value of confiscated goods shall revert to the State Treasury.

Article 187

The limitation period for guiltiness according to provisions of this Chapter shall be five years from the start of investigation carried out by the director of customs or the chief of police, provided that there is not abnormal delay in the investigation or the determination of punishment. The commencement and termination of the limitation period shall in other respects be governed by the provisions of Article 82 of the General Penal Code.

CHAPTER XXIII

Miscellaneous provisions

Article 188

Confidentiality

Employees of the director of customs are bound by confidentiality concerning events which they become aware of in their work and which shall be kept confidential due to lawful public and private interests. This applies to information regarding private circumstances of persons which should be kept in confidence, information regarding business transactions by individual persons or companies, for example all kinds of knowledge which may be acquired from copies of bills of sale and invoices retained by the customs authorities. Confidentiality also covers information about working methods by the director of customs, including intended customs investigations and other information which must be kept confidential according to law, work rules of the director of customs or the nature of a case.

Confidentiality remains after a person leaves the employment.

Article 189

When the World Customs Organisation approves amendments to the Customs Nomenclature of the organisation or explanatory notes to the Customs Nomenclature, makes rulings or publishes interpretation of customs classification or a new harmonized customs nomenclature with the effect of changing the classification of goods in customs tariffs, the Minister is authorized to make the necessary amendments to the Customs Tariff, *inter alia*, by abolishing, changing or adopting new tariff headings. The Minister may also abolish or adopt new tariff headings if necessary, *inter alia*, for the procurement of necessary information for statistical reports.

Amendments to the Customs Tariff according to the provisions of paragraph 1 shall be published in Section A of *Stjórnartíðindi* (the Government Gazette) and do not have retroactive validity. The amendments shall not have effect on duties as they have been specified in the Customs Tariff, charges or tax free status, authorizations, limitations and the like as provided for in other laws.

The Minister is authorized to combine in one tariff heading goods imported into the country or exported from the country in express consignments or in postal consignments which are covered by one consignment number and of customs value ISK 25,000 or less. However, such amendment shall not have any impact on the amount of duty levied on the respective goods.

Article 190

The Minister issues rules concerning general opening hours for customs clearance. The director of customs can permit clearance during other hours, provided the party in question pays the cost thereof.

Article 191

In consultation with the Statistical Bureau of Iceland, the Minister issues further rules concerning delivery by directors of customs of information from import or export documents and other data.

Article 192

The Minister shall put into effect provisions of free trade agreements and international agreements to which Iceland is a party, as well as of protocols and annexes to such agreements which constitute an integral part thereof.

The Minister can make agreements with other countries concerning co-operation in customs matters for the purpose, *inter alia*, of harmonizing and simplifying customs treatment for the mutual exchange of information and the collection of underpaid charges and to counteract illegal importation and exportation.

Article 193

In regulations or in other instructions, the Minister issues further provisions concerning the implementation of this Law.

Article 194

The provisions of this Law concerning the classification of goods, levy, collection, statutory lien, keeping accounts, import and export declarations and other documentation, control, suspension of customs clearance, sanctions, fines, punishment and other execution of

customs duties shall, when applicable, also apply to import and export charges provided for in other laws, unless otherwise stipulated in such laws.

CHAPTER XXIV
Authorized service charges
Article 195

Service charges may be collected by the director of customs in the following cases:

1. Customs clearance charge for the customs clearance of ships and aircraft outside the general opening hours for customs clearance. This charge shall cover the cost of wages for customs clearance outside the general opening hours for customs clearance.
2. Customs clearance charge for the customs clearance of ships and aircraft outside customs ports according Article 53. This charge shall cover the cost of wages for customs employees and transportation cost to and from the place of customs clearance.
3. Charge for provisional customs clearance which shall cover the cost of customs control for provisional customs clearance according to Article 36. This charge shall be based on the cost of issuing a permit for provisional customs clearance and transportation cost in connection with the inspection of the goods.
4. Charge for emergency permit which shall cover the cost of customs control in connection with the issuance of an emergency permit according to Article 37. This charge shall be based on the cost of issuing an emergency permit and transportation cost in connection with the inspection of the goods.
5. Charge for the assessment of damages due to assessment by the director of customs of goods which have suffered damage, shortages or shrinkage. This charge shall cover the cost of wages for customs employees and transportation cost incurred because of the assessment.
6. Disposal charge for the destruction of goods on request by the owner of the goods, the transporter or the licensee of a storage area for uncleared goods. The charge shall cover the cost of disposal of the goods and transportation cost incurred because of the disposal.
7. Escort charge for the cost incurred by the Customs due to transportation of uncleared goods. Collection of this charge is authorized when the director of customs deems it necessary to stipulate such control or when it is specially requested that customs officers should be present during the transport of uncleared goods, unloading or loading of vessels, delivery of uncleared goods into a storage area for uncleared goods, et al. The charge shall cover transportation cost and cost of wages incurred for the escort.
8. Surveillance charge for customs control of the final processing of agricultural products which are imported temporarily for final processing and reexportation according to Article 7, point 3. This charge shall cover the wage and travel cost incurred by employees of the director of customs for the customs control and for the cost of hired experts for the customs control.
9. Customs line charge for the transmission of information and data from the computer system of the customs authorities (customs line). This charge shall be based on the services rendered, including the processing of data and data transmission through information exchanges.
10. Seals charge for the work of sealing goods or breaking seals according to Article 164. The charge shall cover the cost of transportation to and from the place where the sealing or breaking of a seal is done.
11. Surveillance charge for customs control of cruise ships when they have been exempted from the provisions regarding the sealing of stores, cf. Article 57, paragraph 5.
12. Surveillance charge for customs control of warehouses for duty free supplies, duty free

shops and their duty free stockrooms, and free zones.

[13. Tuition covering the costs incurred by the State Customs Academy for providing courses for individuals other than customs employees.]¹⁸

The provisions of points 1 and 2 do not apply to foreign military ships or aircraft of government ownership or to aircraft of government ownership solely engaged in official business and carrying neither goods nor passengers against remuneration. The same shall apply when a vessel seeks port on orders by administrative authorities, due to emergency, accident, diseases of persons on board or other misfortune.

Collection of charges by the director of customs shall be based on recovery of the cost of the service rendered.

The director of customs is authorized to make a long term contract according to paragraph 1 for the use of service.

Article 196

This Law shall enter into force on the 1st of January 2006 and shall apply to all goods which are uncleared at the time of its entry into force. From that date the Customs Law No. 55/1987 as amended shall be abrogated. Annexes II to IV to that Law, as amended, shall, however, become Annexes II to IV to this Law.

Regulations and all other instructions issued according to the Customs Law No. 55/1987 shall, however, retain their validity insofar as they do not contravene the provisions of this Law, until new regulations and instructions have been issued.

Transient provisions

Parties that have been authorized by the director of customs to operate storage and delivery places for uncleared goods or licensed by the Minister to operate a general bonded warehouse, a warehouse for duty free supplies, a duty free shop or a free zone, prior to the entry into force of this Law, shall within one year from the entry into force of this Law submit an application for operating license to the Minister or the director of customs, as the case may be.

If an application from the parties mentioned in paragraph 1 has not been received within one year from the entry in to force of this Law their authorization or licence shall be abrogated.

¹⁸ Cf. law No. 80/2006, Article 12.

From 1st of January 2006 until 1st of January 2007 the provisions of Articles 39 and 40 of Customs Law No. 88/2005 as issued Desember 31 2005 in the Official Journal shall apply.¹⁹

Article 39

Customs districts

The country is divided into customs districts in the same way as the administrative districts of commissioners are demarcated at any given time. However the Minister can in regulations under special circumstances change the demarcation of customs districts.

Article 40

Directors of Customs

Directors of customs are the director of customs in the administrative district of Reykjavik and commissioners in other administrative districts, cf. law on the state's executive power at district level.

¹⁹ Cf. law No. 80/2006, Article 14.