



## Accommodation Tax, Infrastructure Fee and VAT Exemption

The infrastructure fees law was finally passed today, and therefore it is clear that the interim government does not intend to take into account the warnings of Cruise Iceland, CLIA, AECO, port authorities, municipalities, and Icelandic tourism companies regarding the detrimental effects of imposing heavy and sudden fees on the cruise ship sector.

In the submissions to the Parliament and Ministry as well as in the media, it has been clear that the associations of cruise ship companies have not objected to the fees but have strongly objected to the imposition of a fee on each passenger, which would be retroactively applied to trips that have already been sold. The imposition of the infrastructure fee now creates a dilemma for the government when the accommodation tax was previously only imposed on trips sold after the implementation of the tax.

Here is a summary based on the new rules governing accommodation tax and infrastructure fees:

- An accommodation tax of 400 kroner must be paid for each guest staying in a cruise ship in domestic navigation in Iceland for each started 24 hours that the passenger stays on the ship.
- The accommodation tax does not constitute a tax base for value-added tax (VAT).
- No accommodation tax shall be paid in the following cases:
  - o when selling a accommodation unit that is not subject to value-added tax, according to the laws on value-added tax.
  - o for the facility where the crew and other staff aboard a cruise ship in domestic navigation.
- Infrastructure fees must be paid for each passenger on board a cruise ship in international cruises while the ship is anchored in a port in the country or elsewhere in the country's customs area, according to Section 2 of the customs law, no. 88/2005.
- Infrastructure fee shall be 2,500 ISK for each passenger for each started 24 hours that the ship is based in the country's customs area.
- No infrastructure fee shall be paid in the following cases:
  - o if a cruise ship in international navigation docks at a port in the country and there is a valid reason that the ship has been in a forced position due to an accident, damage, illness, or unrest.
  - o for the crew and other staff on board a cruise ship in international navigation
- Cruise ships in international navigation pay infrastructure fees but not accommodation taxes.
- Cruise ships in domestic navigation pay accommodation taxes but not infrastructure fees.

\*\*\*The VAT Exemption has been extended by one year, to January 1<sup>st</sup> 2026.\*\*\*