Financial Sector Taxation in Iceland

National Report to the Nordic Tax Research Council

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1. Introduction

Over the past few years, the Icelandic government has implemented a number of tax measures specific to the financial sector in line with the International Monetary Fund's (IMF) recommendations and on-going efforts to promote greater financial stability. The objective of this report is to provide an overview of taxation and fee collection in the financial sector in Iceland, both from a legal and economic perspective, with a particular focus on reforms made in the aftermath of the collapse of the country's banking system.

First, recent financial sector taxation reforms in Iceland are put into context followed by a section that defines the financial sector. A discussion on the distinction between taxes and fees is then provided, followed by sections describing financial sector taxes and fees currently imposed in Iceland.

Iceland became one of the biggest and earliest victims of the global financial crisis. A driving factor behind this development was the size of the country's banking system, which had ballooned to well over 10x GDP as measured by the size of companies' balance sheets in a relatively short period of time. The ultimate collapse of the system was marked in October 2008 when the Financial Supervisory Authority (FSA) took control of three of the country's largest banks. What followed can only be described as complete economic meltdown with unemployment rising to previously unknown levels, the national currency losing over half its value, double-digit inflation and asset markets in free fall, wiping out a substantial portion of household savings.

Once the FSA took over the reins at the three largest banks, Icelandic Authorities were faced with the complex task of restructuring and refunding the country's banking system. In simple terms, the path chosen was to split the banks into "old banks" and "new banks", where the old banks mainly consisted of foreign assets while the new banks were primarily to operate domestically. The new banks were financed by the Treasury, which has cost the Icelandic taxpayer close to ISK 200 billion thus far, mostly financed through the issuance of long-term (10-year) treasury bonds.

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In late-October 2008, Icelandic authorities reached an agreement with the IMF on a comprehensive stabilization program. The program, which included a conditional USD 2.1 billion loan from the IMF, outlined several short and medium-term economic objectives for Iceland with the ultimate goal of getting the country out of recession and back onto a path of sustainable economic growth. A substantial part of the program revolved around fiscal policy and austerity measures, essentially calling for more tax revenue and lower expenditures.

In 2010, a technical assistance team (TA) from the IMF underlined the necessity of reviewing the Icelandic tax system to shore up public finances.[3] Among the TA proposals was to increase taxation on the financial sector, for example by introducing a tax on the profits and remuneration of financial institutions (FAT). While these recommendations were primarily motivated by the need for stronger government revenue, they were also politically symbolic and very much in tune with public opinion, i.e. that the financial community should assume a fair share of the restructuring costs. Taxation specific to the financial sector was also regarded as having the potential to promote greater financial stability in the early years of a new financial system.

2. Defining the Financial Sector

The term "financial sector" covers in general financial undertakings, insurance companies and pension funds. More precisely, these are entities engaging in financial activities which are subject to licence and regulated by the Financial Supervisory Authority (FSA).

Regulated entities include commercial banks, savings banks, credit institutions, securities firms, insurance firms, pension funds, UCITS and UCITS management companies. As to the principal provisions concerning the regulatory functions of the FSA, they are laid out in Chapter III of Act No. 87/1998 on the official supervision of financial operations.[4]

The Icelandic legislation on financial undertakings is based on EEA legislation and applies to both Icelandic and foreign companies operating in Iceland. The term "financial undertaking" is defined in Article 1 of Act No. 161/2002 on financial undertakings and covers commercial banks, savings banks, credit undertakings, securities undertakings, securities brokerages and UCITS management companies which are licensed pursuant to Article 6 of the same Act.

The Icelandic legislation on insurance companies is also based on EEA legislation and applies both to Icelandic and foreign companies operating in Iceland. Act No. 56/2010

[3] The IMF issued two reports with recommendations for tax reforms in Iceland: *Improving the Equity and Revenue Productivity of the Icelandic Tax System* (June 2010); and *Advancing Tax Reforms and the Taxation of Natural Resources* (May 2011). .

4 In addition, provisions on the supervisory powers of the FSA are included in various acts of law and rules on financial activities.

on insurance activities applies to insurance companies and Act No. 32/2005 applies to services performed by insurance brokers and insurance agents.

The Icelandic pension system is based on three pillars. The first pillar is based on a tax financed public pension (social security benefits). The second pillar consists of mandatory occupational pension funds which are the dominant feature of the system. The third pillar is based on voluntary individual pension savings with tax incentives.[5] The legislation on pension funds consists of various Acts. Act No. 129/1997, on Mandatory Pension Insurance and on the Activities of Pension Funds are general acts which apply to all pension funds. In addition to those acts, several special acts are in force such as The Government Employees Pension Fund Act, No. 1/1997.

A *financial activities tax* (FAT) is levied on all financial undertakings and insurance companies (including insurance brokers and insurance agents) whereas a special *bank tax* is exclusively levied on commercial banks, savings banks, credit institutions and other institutions which have an operating licence to receive deposits. Pension funds, however, are entirely exempt from any such explicit taxes on financial services as well as income tax and capital gains tax.[6]

3. Taxes versus Fees

Tax revenue collected by the State can be separated into taxes and fees but that is in fact a mere simplification of a system with many different items. In general the difference between taxes and fees is that a tax is collected to raise the general revenues of the State whereas a fee is collected for a specifically defined purpose and should only reflect the real cost of that purpose.

According to Article 40 of the Constitution of the Republic of Iceland No. 33. 17 June 1944:

"No tax may be imposed, altered or abolished except by law. Nor may loans, indebting the State, be taken or any real estate belonging to the State or the use thereof sold or in any other way disposed of, except by authority in law."

Further provision on taxes are in Article 77 of the Constitution, which reads as follows:

[5] The inter-relation within the pension system between the three pillars can best be described by a simple example. From the age of 60 to 67 an individual will enjoy his/her private savings if relevant while still working, but possibly only part-time while preparing for a full retirement. At 67 years of age, the same individual, still working, may enjoy, based on the income earned simultaneously, benefits from the public system, while postponing to withdraw from his/her occupational pension fund until the age of 70 to increase his/her pension rights. Then, from the age of 70 and onwards, the individual possibly enjoys both benefits from the public pension system and benefits for his/hers occupational pension funds, dependent on total income earned or accrued (occupational pension benefits included).
[6] Apart from a temporary provision in 2012 when pension funds participated in financing a special interest rate subsidy to individuals for loans taken to purchase residential property.

"Matters concerning taxes shall be regulated by law. The power to decide whether to levy a tax, change a tax or abolish a tax may not be vested in administrative authorities.

No tax may be levied unless the levy was permitted by law at the time when the facts occurred on which the tax liability is based."

The term tax is not specifically defined in any law but has been defined by doctrine as follows: *"A payment, usually in cash, which specific groups of individuals or legal entities must contribute to the authorities according to a unilateral general decision of the State and without a separate retribution from the authorities."*[7]

The Icelandic Constitution does not have a similar direct provision on fees as for taxes but it is generally agreed that fees cannot be levied without a special provision by law. A service fee has been defined as *"A payment, usually in cash, which specific groups of individuals or legal entities must pay to the authorities, or others who have been permitted to receive it, for a specific return and the payment is intended to cover in part or wholly the retribution"*[8].

It is often a matter of dispute whether a fee only covers the real retribution of the authorities or is in reality a tax. Cases of that kind are sometimes submitted to The Althing´s Ombudsman which operates in accordance with Act No. 85/1997. There are not many cases which can be directly linked to taxes and fees collected from the financial sector but one example of that kind is Case No. 6582/2011. In that case the Municipality Credit Iceland (a credit institution) complained that The Debtors Ombudsman had collected fees from the institution in accordance with Act No. 100/2010. The Municipality Credit Iceland claimed that since only municipalities, and companies and institutions owned by municipalities, were its customers it would not develop operational cost for The Debtors Ombudsman which represents only the interests of individuals. Charging the fee in this case could not be in accordance with purpose of Act no. 100/2010 and should therefore be considered as unlawful tax, collected against Articles 40 and 77 of the Constitution.

The Althing´s Ombudsman did not conclude in this case because it had not been brought for the Minister of Welfare prior to submission to the Althing´s Ombudsman. The dispute is nevertheless interesting and it reflects a rather typical challenge in this field. Act No. 100/2010 on the Debtors Ombudsman were amended by Act No. 166/2011 where The Municipality Credit Iceland and Icelandic Regional Development Institute[9] were excluded from payments of the fee collected in accordance with Act No. 100/2010.

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[7] This is an English translation of the term as it is put forward by Jónatan Þórmundsson: Fyrirlestrar í skattarétti, p 2, 1982.
[8] This is an English translation of the term as it is put forward by Páll Hreinsson: Þjónustugjöld, p 2, 1996.
[9] The Icelandic Regional Development Institute is an independent institution owned by the Icelandic state. It operates pursuant Act No. 106/1999 and Regulation No. 347/2000 issued by the Minister of Industry. The Institute provides inter alia credit and other forms of financial support to regions threatened by depopulation.

4. Financial Sector Taxation

Iceland does not have a long history of taxes which are specifically and only levied on the financial sector. The only taxes specifically levied on financial institutions are the Bank Tax and the Financial Activities Tax, which entered into force in 2010 and 2011, respectively. Stamp duties are also levied and collected by financial institutions on various kinds of financial contracts. This section describes these taxes in more detail.

4.1 The Bank Tax

The *bank tax*, entered into force in 2011 on the basis of legislation passed by Althingi in 2010.[10] The bank tax is levied on commercial banks, savings banks, credit institutions and other institutions which have an operating licence to receive deposits. The tax base is year-end total outstanding debt and the tax rate is 0.041%. Institutions which are fully owned by the state are exempted from the tax as are financial undertakings which are currently being wound down or are in receivership.

Aside from higher Treasury revenues, the economic objective of the bank tax is to discourage excessive balance sheet expansion and thereby internalize some of the negative externalities associated with excessive financial sector debt accumulation and leverage. As such, it bears some resemblance to *stability fees* which have been imposed on financial institutions in other countries. Another desirable property of this tax is that it leaves little or no room for avoidance strategies, and thus provides the Treasury with a relatively certain stream of revenue. For this same reason, the tax creates minimal uncertainty from the perspective of the paying institution.

As the tax has only been collected for two years, it is too early to assess its economic impact and whether it is fulfilling its objective of promoting stability. However, the rate of 0.041% is likely modest enough for the tax not to cause sizeable negative distortions. No plans of increasing the rate are on the near-term horizon, but going forward authorities will need to closely monitor financial sector developments to determine whether the current rate is appropriate.

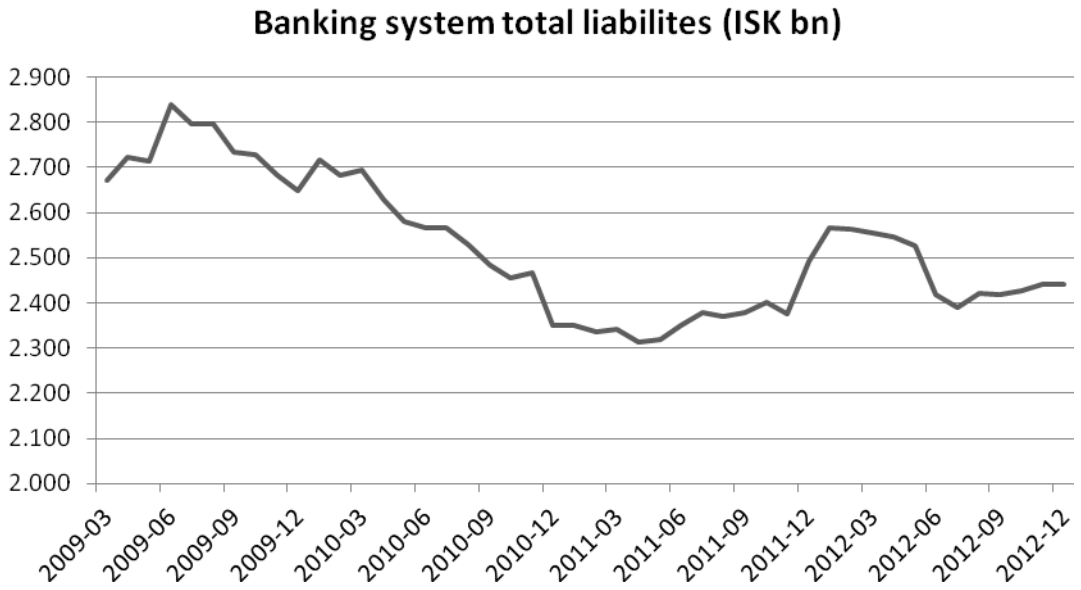
In 2012, the tax base was around ISK 2.5 trillion (total liabilities at year-end 2011), yielding a little over ISK 1.0 billion (0.06% of GDP) in revenue for the Treasury. The tax was collected from a total of 20 institutions, of which Iceland's three largest banks contributed over 93% of total receipts. The largest taxpayer contributed 30% of total receipts. In 2013, the bank tax is expected to yield approximately ISK 1.1 billion, reflecting moderate growth of the tax base.

Additionally, a special addition to the bank tax is collected in 2012 and 2013 only. The rate is 0.0875% and the tax base is also year-end total liabilities. The revenue from this temporary measure is earmarked to fund a special interest rate payment subsidy to

[10] Act No. 155/2010 with later amendments.

households. This measure brought in ISK 2.2 billion in 2012, collected from the same institutions as the general bank tax.

The chart below shows the tax base (total liabilities of the banking system) from 2009 to year-end 2012.



Source: Central Bank of Iceland

4.2 Financial Activities Tax (FAT)

On 1 January 2012, a new Financial Activities Tax (FAT) entered into force in Iceland on the basis of legislation passed by Althingi in late 2011[11]. Iceland's adoption of a FAT was in line with recommendations made by a technical assistance group from the IMF which stated in its report that the country should *"Consider abolishing the reverse charge on self-supply by financial institutions and introduce a tax on the profits and remuneration of financial institutions (FAT)."* [12]

The FAT in Iceland, which is partly based on a similar tax scheme from Denmark, has two components:

(i) a levy on total remuneration paid to employees at a rate of 6.75% (increased in 2013 from 5.45% previously) and
(ii) a special income tax of 6% on institutions' corporate income tax base in excess of ISK 1 billion.[13]

[11] Act No. 165/2011 with later amendments.
[12] *Improving the Equity and Revenue Productivity of the Icelandic Tax System*, IMF, May 2011.
[13] This second component was introduced via amendments to the act on income tax No 90/2003.

The FAT is levied on financial and insurance companies which are generally exempt from VAT taxation. The same applies to foreign branches and agencies operating in the same industry. Pension funds and official institutions wholly owned by the government are exempted from the FAT tax. The Housing Finance Fund which is wholly owned by the State is however taxable.

The tax base for the first component is total remuneration awarded to employees and it is collected monthly. This first component of the FAT is a deductible expense against the income tax base. The tax base for the second component, the excess profits charge, is annual income tax base beyond ISK 1 billion, assessed and collected once a year in the same manner as corporate income tax.

From Bill to Law

In 2011, the Minister of Finance introduced a bill on a new Financial Activities Tax (FAT) which called for a 10.5% tax on total remuneration to be levied on financial and insurance companies' (excluding pension funds). The FAT was an important revenue raising measure for the 2012 budget, but the economic motivations for establishing it were twofold: (i) to compensate for the fact that both financial and insurance companies are largely exempt from VAT, and (ii) to promote greater financial stability in the early years of a new financial system by curbing compensation growth and thus better align bankers' incentives with those of the economy at large. The new FAT was to raise ISK 4.7 billion per annum (2012) on a tax base of around ISK 40-45 billion (total compensation).

The original bill was in some ways based on a similar scheme in Denmark (d. Lov om afgift af lønsum), which has been in place since 1990. One ingredient of the Danish act is a levy on the salaries of financial and insurance companies and pension funds to compensate for the fact they are largely exempt from VAT. However, the Danish act is broader than then bill which was introduced in Iceland, as it applies to several other industries which are exempt from VAT.

The bill was significantly amended before being signed into law as Act no. 165/2011 by Althingi in late 2011. The most significant amendment was that instead of only levying a tax on total compensation, a two-fold tax scheme with a lower levy on compensation (5.45%) and an extra income tax of 6% on profits exceeding ISK 1 billion was adopted. The law entered into force on 1 January 2012.

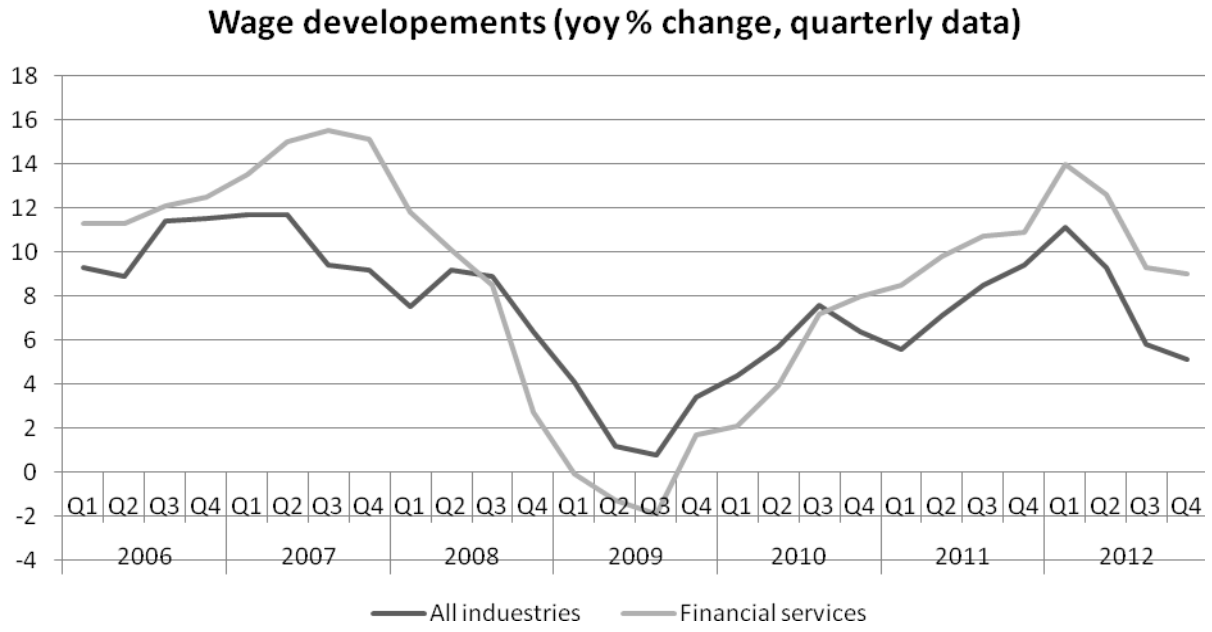
The Current Scheme

One of the arguments in favour of adopting the current FAT scheme, with a levy on remuneration and excess profits, as opposed to a levy on remuneration only, as proposed in the original bill, is that the two-fold scheme better targets value added in the financial industry. From a conceptual perspective, it is difficult to disagree with this argument. However, from the Treasury's perspective, a major drawback with relying on an excess profits charge is the often immense discrepancy between financial intuitions' income tax

base according to their audited accounts and their income tax base according to the annual tax assessment. Historically, this discrepancy has been very large for Icelandic financial institutions, which makes for very uncertain revenue from the excess income tax. There is significant room for accounting measures to avoid the excess profits tax, whereas the compensation charge leaves little or no room for tax avoidance.

In 2012, the compensation levy of 5.45% generated revenue in the amount of ISK 2.3 billion (0,14% GDP), in line with forecasts. The tax base in 2012 – total remuneration - was an estimated ISK 42-43 billion. In 2013, the compensation levy is 6.75% and is expected to yield ISK 3.3 billion (0.18% of GDP), which assumes a modest growth in the tax base. The 6% extra income tax on profits exceeding ISK 1 billion, which will be assessed for the first time in 2013, is expected to yield ISK 2.5 billion (0.14% of GDP) in 2013. However, if it had been assessed in 2012, it would have been paid by a handful of companies and generated total revenue of approximately 0.6 billion. To underline how uncertain the profits charge can be as a source of revenue, it is worth noting that in 2012, Iceland's three largest banks posted combined profits of ISK 23.2 billion before tax in their audited accounts, whereas their income tax base for tax assessment was ISK 9.4 billion. Applying the tax rate of 6% to this difference yields over ISK 0.8 billion.

Unsurprisingly, the financial industry lobbied hard against the original FAT bill and even harder against the later increase in the compensation levy. The major line of criticism was that it would pose a serious threat to both wage developments and jobs, in particular at the lower end of the salary spectrum. Although the FAT has only been in place for a little over one year, recent labor market statistics provide no evidence of such developments. In fact, financial services saw the largest salary increases among all sectors in Iceland in 2012, with salaries increasing by over 9% on average in the sector compared to an average of a little over 5% across all sectors. Furthermore, there seems to be little or no evidence to support the claim that jobs in financial services are under more pressure than jobs in other sectors.



Source: Statistics Iceland

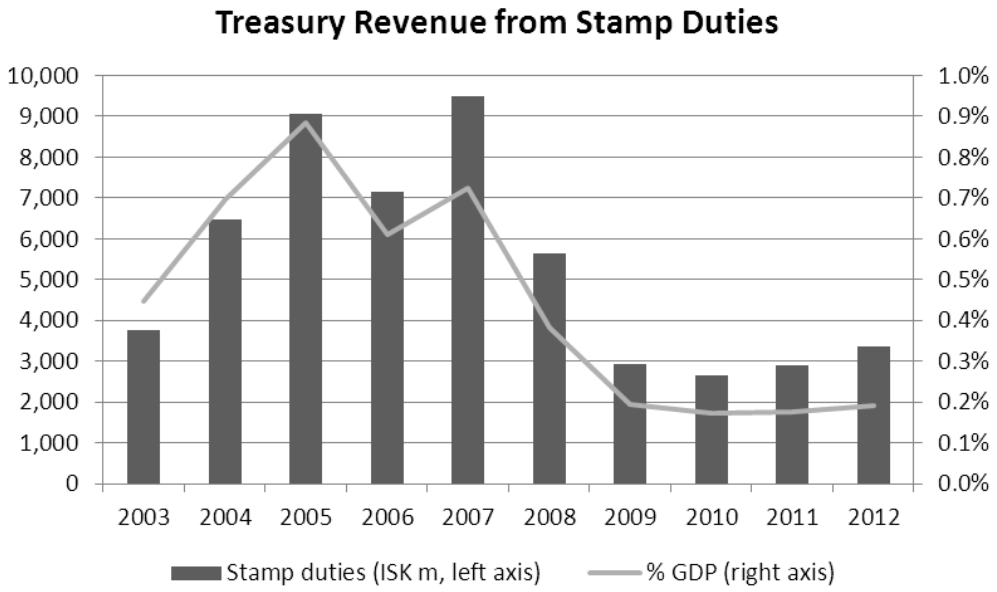
This is not to say that the financial industry is not affected by the FAT. Indeed, as previously mentioned, the long run objective of the tax is to promote financial stability by better aligning company and staff incentives with those of the economy at large. Excessive compensation is widely believed to fuel more and often suboptimal risk-taking, particularly in the financial industry. The FAT is designed to mitigate such undesirable developments. Going forward however, authorities will need to monitor closely any microeconomic effects that the FAT has on the financial industry. One source of concern is the fact that salary costs tend to be proportionally higher at smaller companies. The compensation levy of the FAT could thus have some undesirable effects from a competition perspective if raised much further.

4.3 Stamp duties

Many transactions and services performed by the financial sector in Iceland have been subject to stamp duties for decades. These include transactions such as securities contracts, loan contracts, debt issuances and insurance contracts, to name only a few. Some other transactions are also subject to stamp duties such as the deed transferral of real estates, ships over five tons and issuance of shares. The rate of this tax varies depending on the type of the legal document concerned. It is normally 1.5% on the amount of interest-bearing loan contracts secured by a mortgage. While stamp duties cannot be considered a direct tax on financial institutions, they are certainly a tax on specific financial activity and as such they have an effect on the operations of many financial institutions.

Current legislation on stamp duties was passed by Althingi 1978 and it has not been subject to many substantial amendments despite a considerable debate on inter alia the distortionary effect of the tax, especially as regards loan contracts. The IMF recommended in 2010 that stamp taxes should be reduced or eliminated when the fiscal situation would permit. Currently it is under consideration to amend certain provisions of the act following a number of decisions by the EFTA Surveillance Authority[14] concerning restructuring aid to the tree largest banks. The Authority concluded that requiring customers to pay stamp duty when switching between lenders might be an obstacle to competition. The Government has appointed a working group to review Act No 36/1978 on Stamp Duty and to examine in particular whether to abolish stamp duties for bonds issued by individuals when transferring between creditors.

Historically, revenue from stamp duties has hovered around 0.2-0.4% of GDP. During the peak years of economic expansion however, in the period 2003-2007, revenue from stamp duties rose sharply in line with growing business activity and peaked at over ISK 9 billion in 2005 or close to 0.9% of GDP. Revenue from stamp duties collapsed in the aftermath of the crisis, as can be seen in the chart below, in line with a significant contraction in most types of financial contracts that carry a stamp duty. Revenue from stamps duties was a little under ISK 3.4 billion in 2012 and appears to have levelled off at around 0.2% of GDP.



Source: MoF

5. Charges and Fees in the Financial Sector

Several fees are levied on the financial sector in Iceland to sustain regulatory costs incurred by the government. These include a supervisory fee and a deposit guarantee fee,

14 EFTA Surveillance Authority decisions No 291/12/COL, 290/12/COL and 244/12/COL.

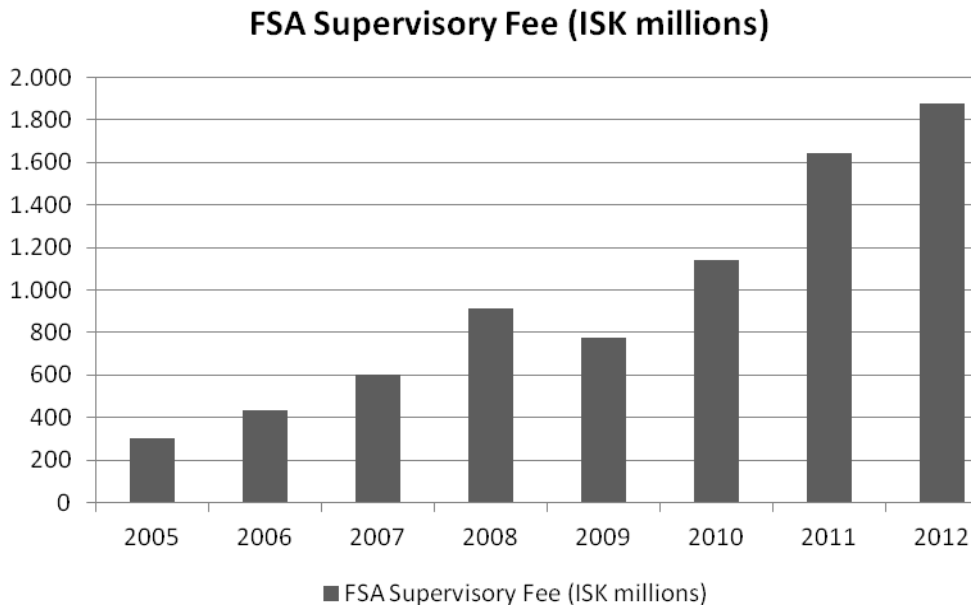
both of which have been collected for several years, and fees towards the Debtors Ombudsmann and an extra supervisory fee, both of which are recent measures designed in response to the crisis.

5.1 Supervisory Fee to the Financial Supervisory Authority

The Financial Supervisory Authority (FSA) operates pursuant to Act No. 87/1998 on Official Supervision of Financial Activities. As provided for in Article 2 of the Act, the supervision covers inter alia the activities of commercial banks, savings banks, credit institutions, electronic money undertakings, insurance companies, companies and individuals acting as insurance intermediaries, enterprises engaged in securities services, stock exchanges and pension funds.

The cost of the operation of the FSA is paid by the parties that are subject to surveillance. The basis for the assessment of the fee is laid down in Act No. 99/1999, on the Payment of Cost for Public Supervision of Financial Activities. The fee accrues directly to the operation of the supervision and is collected by the Authority.

In 2012, ISK 1.9 billion was collected in supervision fees to the FSA, up from roughly ISK 1.6 billion in 2011. The chart below shows how the supervision fee collected has increased since 2007, which reflects higher surveillance costs in the aftermath of the financial crisis.



Source: Ministry of Finance

5.2 Additional supervisory fee - Act No. 107/2009 on measures to assist individuals, households and businesses due to extraordinary circumstances in the financial market

A special Monitoring Committee operated on the basis of Act No. 107/2009 and regulation No. 31/2012 issued by the Minister of Economy and Commerce until the end of the year 2012. The objective of Act No. 107/2009, which was laid out in article 1 of the act, is *"to expedite the recovery of the Icelandic economy following the collapse of the banks and the currency in the autumn of 2008, and to establish balance between asset values and capacity to pay, on the one hand, and financial obligations of individuals, businesses and households, on the other."*

The role of the monitoring committee was to monitor the implementation of special debt mitigation measures. The role only extended to supervised entities in the financial market as defined in the Act on Official Supervision of Financial Activities, No 87/1998. Pursuant to Article 6 of Act No. 107/2009, a special Ruling Committee operated in the event of a dispute between creditors in the process of a debt mitigation.

As provided for in Article 7 of Act no. 107/2009, the operational cost of both The Monitoring Committee and The Ruling Committee was paid by the State Treasury but credit institutions, as defined in Article 4 of Act No. 161/2002 on Financial Undertakings, reimbursed the cost in accordance with Rules issued by the Minister of Industries and Innovation. Since 2010, the cumulative costs of running the Monitoring Committee amount to ISK 0.1 billion.

5.3 The Debtors' Ombudsman

The Debtors' Ombudsman is a state agency which operates pursuant to Act No. 100/2010. The agency represents the interests of debtors and offers free assistance to individuals who have serious difficulties meeting their financial obligations.

The Debtors' Ombudsman was established in the year 2010 on the basis of another consulting agency The Debt Advisory Service Center.[15] The Debt Advisory Service Center was based on an agreement between 16 different members inter alia credit institutions, municipalities, The Red Cross and The Church. The role of The Service Center was also to advise individuals in severe financial difficulties and offer them free assistance to restructure their finances. The demand for this service grew after the economic collapse and the Service Center had to double its number of staff.

The growing request for this kind of service led to Act No. 100/2010 and it was considered appropriate that the operational costs of The Debtors' Ombudsman would be paid by financial undertakings. Article 1 of Act No. 166/2011 on the payment of the operational costs of the Debtors Ombudsman lists the financial undertakings that are obliged to bear the cost. The list includes inter alia credit institutions (both Icelandic and

[15] In Icelandic: Ráðgjafarstofa um fjármál heimilanna.

foreign branches), pension funds, and insurance companies. According to Article 5 of Act No. 166/2011 the cost contribution for each company is 0.03% of its total outstanding loans at year-end.

In 2011 and 2012, financial institutions paid ISK 1.1 billion towards the Debtor's Ombudsmann.

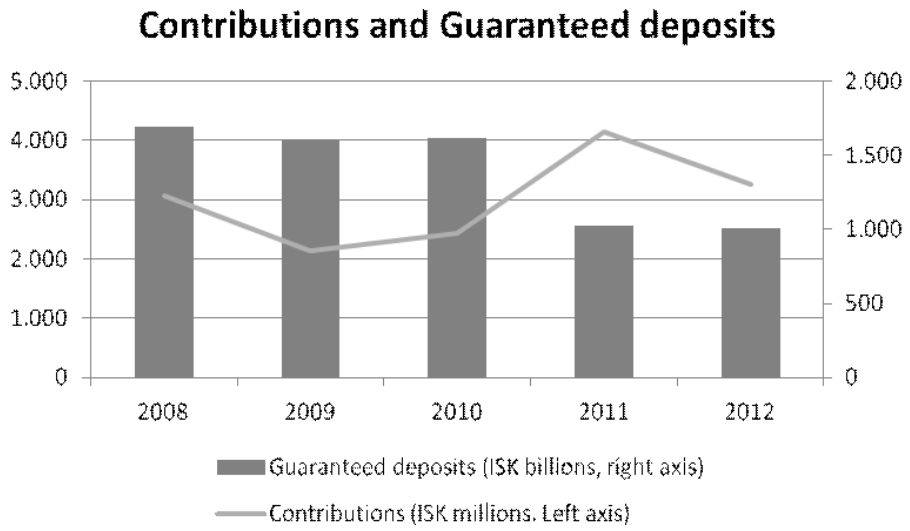
5.4 The Icelandic deposits guarantee scheme

The Depositors and Investors Guarantee Fund is a private foundation operating pursuant to Act No. 98/1999, on Deposit Guarantees and Investor- Compensation Scheme, with later amendments and Regulation No. 120/2000 issued by the Minister of Commerce. The objective of the Act is to guarantee a minimum level of protection to depositors in commercial banks and savings banks and to customers of companies engaging in securities trading in the event of difficulties of a given company in meeting its obligations to its customers according to the provisions of the Act. The scheme is based on the EU directives 94/19/EC and 97/9/EC of the European Parliament and of the Council.

All commercial banks and savings banks are obliged to be members of the Fund and the same applies to branches of the same parties within the EEA. All members of the Fund pay a contribution which is collected by the Fund. Not all deposits are covered by the scheme as guaranteed deposits such as inter alia deposits owned by member companies, their parent and subsidiary companies of their own account and deposits connected with conviction of money laundering.

From the year 1999 to 2011, pursuant to Article 6 of Act No. 98/1999, the total assets of the Deposit Department of the Fund were supposed to amount to a minimum of 1% of the average amount of guaranteed deposits in commercial banks and savings banks during the preceding year. In the event that total assets did not amount to the minimum 1%, all commercial and savings banks should, no later than 1 March every year, contribute to the Fund an amount equivalent to 0.15% of the average of guaranteed deposits in the commercial or savings bank concerned over the preceding year. This was amended by Act No. 55/2011 which altered the contribution system to the Fund considerably. From 2011 commercial banks and savings banks are obliged to pay a twofold contribution which consists of a general contribution which is 0,3% of all guaranteed deposits in the company concerned annually and an uneven contribution which is linked to a risk-measure calculated by The Financial Supervisory Authority for each financial undertaking quarterly. The general contribution was lowered to 0.225% of all guaranteed deposits annually by Act No. 79/2012.

Contributions to the Securities Department of the Fund have not been raised since 1999 and pursuant to Article 7 of Act No 98/1999 the total assets of that department shall amount to a minimum of ISK 100 million.

In 2008-2012, contributions to the Deposit Department of the Depositors and Investors Guarantee fund have totalled over ISK 15 billion. In 2012, guaranteed deposits were just over ISK 1 trillion. The table below shows the yearly contribution and total guaranteed deposits by year for the period 2008-2012. The definition of guaranteed deposits was significantly altered in 2011, which explains the sharp drop in guaranteed deposits between 2010 and 2011.

Year	Contributions (ISK millions)	Weighted contribution rate	Guaranteed deposits (ISK billions)
2008	3,068	0.18%	1,691
2009	2,139	0.13%	1,610
2010	2,441	0.15%	1,614
2011	4,143	0.41%	1,022
2012	3,260	0.32%	1,007