

ICELAND

Title of program/institute

- Directorate of Fisheries,
- Marine Research Institute,
- Icelandic Fisheries Laboratories,
- Coast Guard,
- Income Tax Deduction for Fishers.

Objective(s) of the program/institute

- Directorate of Fisheries, Marine Research Institute, Icelandic Fisheries Laboratories: Research and general services to the Fishing Industry
- Coast Guard: Fisheries surveillance
- Income Tax Deduction for Fishers: Subsidising wage costs

Cost recovery or offsetting charges

a) Fisheries surveillance fee

This includes the fisheries surveillance fee and fishing licences until 1 September 2005. It also includes the fee for on-board surveillance and processing permit, operating licence, payments for export certificates and catch quota transfers. The fisheries surveillance fee covers the costs of the Directorate of Fisheries for fisheries surveillance, but part of the fee has been abolished and replaced by a fishing fee (*veiðigjald*).

b) Fisheries Development Fund Levy

The Fisheries' Development Fund was intended to encourage increased profitability in the fisheries sector. It has been in operation since 1994. The Fund made grants for retirement of vessels and purchased properties used for fish processing and their accompanying processing equipment. The Fund was also authorised to participate in co-ordinated actions by financial institutions for financial and operational restructuring of fisheries companies, or in actions intended to reduce capacity and facilitate the participation of Icelandic parties in fisheries projects abroad. The Fund was subsequently entrusted with the financing of a major share in a new research vessel for the Marine Research Institute. To cover the cost of these extensive tasks and financial obligations, fees were levied on vessel owners and, for a time, on owners of processing plants. These parties have completely financed the Fund's activities. The levy was abolished when a fishing fee was introduced.

c) Fishing Fee

A fishing fee was levied for the first time on 1 September 2004. The fishing fee is calculated by deducting from the value of catches for the period beginning 1 May of the previous year to 30 April the current year, the total calculated fuel costs, wage costs and other operating costs for the same period. Then 9.5% (currently 6%) of this amount is calculated, divided by the cod-equivalents represented by the catch value, and used as a basis for the calculation of the fee. The result is the fishing fee which is levied on allocated harvest rights and landed catch for the coming fishing year. The Icelandic parliament *Althingi* decided to allow fishing vessel owners a transitional period, to phase in the fishing fee in equal steps from 2004 to 2009. The calculation percentage is 6% for 2004, with annual increments until it reaches 9.5% in the fishing year beginning 1 September 2009.

Recipient fishery, fisheries or sector(s)

The transfer (the Income Deduction) is generally available to the fisheries sector. It is also available to seamen on coast guard vessels, research vessels, dredging vessels, ferries, cruise ships, rescue vessels and harbour pilot boats.

Management system: As free access to the fisheries leads to overexploitation of resources that are very important to the Icelandic economy, it has proved necessary to limit fishing effort for most of the commercially utilised fish stocks. Scientific assessment of marine resources and recommendations for fishing restrictions are the basis for the annual allocation of the total allowable catch (TAC) from the stocks. An increasing number of stocks have been managed by this process; others are not subject to fishing restrictions or are not fished.

The Fisheries Management Act of 1990 is the cornerstone of the present fisheries management system. This Act established the system of individual transferable quotas (ITQ) for the fisheries. The quotas represent shares in the total allowable catch and are allocated to fishing vessels. The quotas are permanent, perfectly divisible and fairly freely transferable. The quota year is set from Sept 1 to Aug 31 of the following year.

The Ministry of Fisheries is responsible for management of the Icelandic fisheries and the implementation of legislation to this effect. The Marine Research Institute is the centre of scientific research for marine resources and responsible for recommendation of the annual TAC for the stocks subject to catch restrictions.

The Directorate of Fisheries and the Coast Guard are responsible for ensuring compliance with the Fisheries Management Act.

The transfer is directed towards the aquaculture sector rather than the processing sector.

Rules and conditions for the income tax deduction for fishers

- All persons employed as fishers on fishing vessels are entitled to the income tax deduction for fishers. The wages they receive for their work as fishermen must, however, comprise at least 30% of their taxable income base. This includes both the owners of vessels, who themselves work as fishers on their own vessels, and employees on vessels of less than 12 GWT.
- Furthermore, seamen on coast guard vessels, research vessels, dredging vessels, ferries or merchant vessels, sailing either between countries or in Iceland's coastal waters, and seamen on

rescue vessels and harbour pilot boats, irrespective of whether the pilot is a permanent crew member or not.

- In addition, baiters in full-time positions, who are hired under a written contract for a catch share, are entitled to the income tax discount. A part-time baiter or one paid on a piece work basis is not entitled to an income tax discount.
- The number of days for which the tax discount applies is determined by:
 - the number of days legally registered in seamen's work on a vessel of over 12 GWT, plus any days when the person cannot work due to illness or injury;
 - the number of days at sea on vessels of less than 12 GWT;
 - the number of days a person is hired as a baiter under a catch share contract.
- The number of days to which the income tax deduction applies, determined in accordance with the above, is multiplied by 1.49, to give the maximum number of days for which the deduction applies, regardless of the period of employment; the number of days for which the deduction applies, however, may never exceed the number of days of employment nor the number of days in the year.

Budget and expenditure for the income tax deduction for fishers

- Provide details of the actual or anticipated (*e.g.*, if expenditure is approved in one review year but disbursed in a later year) expenditure under the program for the applicable years.

Duration for the income tax deduction for fishers

- The program is long-term, currently there are plans for review of the program.

Number of recipients who receive income tax deduction for fishers

- Number of recipients
 - 2001: 7 702 individuals
 - 2002: 7 464 individuals
 - 2003: 7 119 individuals
 - 2004: 7 059 individuals