

Icelandic Tax System

Steps of income taxation (2011):

For the first 1400 Euro pr. month - 37,34%

From the next 2860 Euro pr. month - 40,24%

Income exceeding 4260 Euro pr. Month - 46,24%

Everyone receives Personal tax deduction which at the time of writing is approx. 275 Euros, which counters taxation each month.

How it works:

Example: An Individual with 3000 Euros in monthly salary

37,34% tax from the first 1400 Euros = 522,76 €

40,24% tax from the next 1600 Euros = 643,84 €

Total taxation of salary = 1166,6

Personal tax deduction is deducted from the taxation = $1166,6 - 275 = \underline{891,6 \text{ €}}$

Total paid in tax from 3000 Euro pay = 891,6 €