



ISSUES IN OWNERSHIP OF REAL ESTATE

ICELAND LOGOS legal services

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1. Is perpetual fee simple ownership of real property permitted? If not, what are the principal forms of ownership, or other principal form of ownership, of real property?

Yes, fee simple or absolute property ownership is permitted and is the principal form of ownership in Iceland.

2. What instruments are used to convey fee simple ownership, or other principal form of ownership, of real estate?

A purchaser under a real estate purchase agreement which has been duly filed in the Real Estate Register has the formal title of the real estate according to Act no 39/1978 on Official Registration. However, he does not have absolute property ownership until a deed has been issued by the seller. When the purchaser has fulfilled his duties pursuant to the purchase agreement the seller is obliged to deliver the deed to the purchaser.

3. How in this jurisdiction is the ownership of real property recorded or searched? Who generally performs the search?

Every District Commissioner in Iceland maintains a Real Estate Register where information about the real estate and its current owner is registered as well as information about mortgages etc. This information is regularly sent to the Land Register, a centralized, state-

owned database. For a relatively small amount of money, detailed information about the property, its registered owner, mortgages etc. is accessible either directly from the District Commissioner or from the Land Register.

The Land Register is fully computerised, and most attorneys and real estate agents are able to obtain online information from the register.

4. What assurances of ownership are available to purchasers of real property (e.g., title insurance or title opinions)? What is the cost of obtaining such assurances?

In Iceland, there are no forms of assurances of ownership to purchasers of real property. However, the District Commissioners and the Real Estate Register serve an important function in terms of securing the purchaser's title to the real property. Once the formal transfer document has been registered for the real property, third parties - both other purchasers and creditors of the seller - will have to respect the purchaser's title to the real property. The District Commissioners' offices issue at request title and mortgage certificates to any interested party. No other title or lien search is necessary or available to ascertain the title and status of liens and mortgages over a registered real estate. If anyone suffers a loss or damage that can be traced to the District Commissioner's fault relating to the registration, the District Commissioner is liable for the claimant's damages with certain limitations stipulated in Act no 39/1978 on Official Registration.

5. What are the most common forms of investment vehicles? What are the most common entities employed to own investment real estate in a tax efficient manner?

The most common forms of investment vehicles in Iceland are direct investment, ownership by a public or private limited liability company (18% general tax rate on net profit). Structures may vary for different projects.

For smaller investments a direct investment by individuals would be most efficient (10% tax rate on net profit for qualifying individuals).

6. Has this jurisdiction adopted, or is it considering, legislation permitting the creation of real estate investment trusts or similar entities?

No, there is no specific REIT statute in Iceland and we are not aware of any discussion on a legislation permitting the creation of REITs.

7. What state or local transfer, stamp or similar taxes are levied generally on sellers or buyers upon the direct transfer of real estate?

A stamp duty of 0.4% of the total real-estate valuation is levied at the filing of the purchase agreement. If for any reason the purchase agreement is not filed, the stamp duty would be levied at the filing of the bill of sale. . This stamp duty is usually borne by the buyer. Official registration fees apply on purchase agreements, bills of sale, mortgage deeds etc. The amount

of the fee on each registered document is 1.350 ISK (1 ISK = 0.01496 USD as of January 23, 2008).

8. What state or local transfer, stamp or similar taxes are levied generally on sellers or buyers upon the transfer of interests in entities which own real estate?

No such taxes are levied on sellers or buyers upon the transfer of interests in entities which own real estate in Iceland.

9. How significant is local regulation and taxation of real estate? How significant is the variation of real estate law among political subdivisions of this jurisdiction?

Real estate owners have to pay real property tax annually to local authorities based on the real estate valuation. Depending on the local authorities, the tax rate is up to 0,5% on residential buildings etc. and up to 1.32% on other buildings for industrial- clerical- and commercial purposes etc.

10. Must ultimate beneficial owners of entities which own real estate be disclosed as a matter of public record?

No.