



ICELAND

Hire international talent in
Iceland



EMERALDTECHNOLOGY



Employment details in Iceland

To start growing your team in Iceland, you must establish a local entity, including an account with a local bank, a local office and an address registered as a subsidiary. This allows you to manage payroll, tax, benefits and compliance for your employees, but can take several months.

Emerald Technology can hire and payroll your workers, quickly and compliantly with their ready to go entity. So, no more worrying about compliantly managing your international payroll. We handle everything in over 150 countries.

Make growing your team simple with Emerald as a global partner.



Currency

Icelandic Krona (ISK)



Employer Costs

Estimated 29% of employee's salary



Onboarding

One week with Emerald Technology



Payroll Cycle

Either Weekly or Monthly



Employer Costs

Cost	Rate
Mandatory Pension Fund	11.05%
Supplementary (optional) Pension Fund	2%
Social Security Contribution	6.10%
Union Fee	1.55%
Rehabilitation Fund	0.10%
Vacation Allowance once annually (can go up to 13.04% of annual gross salary, depending on the employee's tenure with the employer)	10.17%

Benefits

Mandatory

Employers are required to offer the following benefits to all full-time employees:

- Pension Fund Contributions
- Social Security Contribution
- Holiday Pay
- Maternity and Paternity Pay
- Sickness Pay
- Vacation Allowance

Additional

Some employers like to offer additional benefits to improve employee retention and satisfaction.

- Medical Insurance Plan
- Dental Insurance Plan
- Vision Insurance Plan
- Additional Paid Holidays
- Flexible Work Schedule
- Life Insurance



Employment

Contract

Contracts of employment can be in English or Icelandic. All contracts must be according to the employee's trade union. The contract will need to include details such as:

- Job Title
- Job Description
- Working Conditions
- Working Hours
- Holidays
- Termination Conditions

Probation Period

A probation period in Iceland is usually 3 months.

Emerald Technology can create a compliant contract in Iceland within a week.



Insurance

Healthcare

Iceland has a state centred, public funded universal healthcare system and health insurance that covers the population. The number of private providers in Iceland has increased. The healthcare system is largely paid for by taxes and to some extent by service fees. This is administrated by the Ministry of Health. A substantial portion of government spending is assigned to healthcare.

Social Security

Social security in Iceland is a public pension system of which all Icelanders are members. The primary objective is providing mutual insurance, income equalisation and a social safety net for pension recipients. Social security includes pensions, health insurance and disability insurance.

Ready to expand your workforce to Iceland?

Book a free consultation with our experts today, [click here](#).



Leave Policy

Maternity Leave

Expectant mothers in Iceland are entitled to 6 months of maternity leave, starting up to one month before the expected due date. Maternity leave is paid at 80% of the employee's normal salary.

Paternity Leave

Fathers are also entitled to 6 months of paternity leave, paid at 80% of the employee's normal salary. One month of parental leave can be transferred between partners and both partners' leave entitlements can be used until the new-born turns 18 months of age. Parents can also take up to 13 consecutive weeks of leave to care for children up to the age of eight.

Sickness Leave

Employees are entitled to 2 days of sick leave per month, accruing 24 days per year. The first 2 days each month are paid at 100% of the employees' salary by the employer. After the 2 days per month, the pay will depend on which Trade Union is selected by the employee.

Hospitalisation Leave

Parents are entitled to 12 days of leave if any of their children are hospitalised.

Onboarding

Details

As the legal employer, Emerald Technology requires the following employee documents to ensure complete compliance:

- Passport / ID
- Personal Tax Card
- Pension Fund
- Additional Pension Fund
- Trade Union Details

Emerald Technology can onboard employees in Iceland within a week.



Resignation and Dismissal

Details

Both the employer and employee can terminate the contract of employment, notice must be provided in writing by either party. The notice period will begin at the start of the following month. The standard termination period is 3 months unless both parties agree a different length of time. Employers are not required to provide a specific reason for terminating an employee.

The notice period will also depend on the length of service as listed below:

- 1 week for the first 3 months of the probation period
- 1 month following the end of probation period
- 3 months after 6 months of employment

Severance

Whilst there is no legally mandated severance pay in Iceland, this can depend on the union the employee is a member of. All employees in Iceland are part of a union depending on the industry they work in. The employee has the right to be able to choose which union they are part of.

Statutory Time Off

Annual Leave

The minimum holiday entitlement per year in Iceland is 24 working days. This is compensated at a rate of 10.17% of an employee's normal wage. After 5 years of employment with the same employer, an employee is entitled to 27 working days, paid at an 11.59% rate. This will increase to 30 working days, compensated at a 13.04% rate after 10 years of employment with the same employer.

Public Holidays

Iceland has 16 public holidays per year. If an employee is expected to work, they are entitled to 1.375% of their salary per hour. Iceland has 12 national holidays:

- New Years Day
- Good Friday
- Easter
- The First Day of Summer
- Labor Day
- Pentecost
- Fisherman's Day
- Icelanders National Holiday
- Presidents Birthday
- Icelandic Language Day
- Sovereignty Day
- Christmas Day

Work, Pay and Taxes

Minimum Wage

There is not a minimum wage mandated under Icelandic law. Both employees and employers may enter into a collective bargaining to determine salary rates as they see fit.

Working Time and Overtime

The standard working week in Iceland is 8 hours per day, 5 days per week, 40 hours per week. Employees may work overtime if it is agreed by both the employer and employee. However, an employee cannot work more than 10 hours per day. Any hours outside of the standard working hours are considered overtime, payment is mandatory for any overtime worked.

Employees are also entitled to mandatory rest breaks in Iceland. A minimum rest period of 11 consecutive hours must be provided between working days. Employees must have at least one day off per week. During the working day employees are entitled to at least a 15-minute break after 6 consecutive hours of work. However, most companies offer from 30 minutes to 1 hour lunch break, plus up to 35 minutes of additional coffee breaks.

Salary Payments

Employees are paid either on a weekly, or monthly basis.

Bonus

Employees who have worked for the same employer for more than 12 weeks in the current year will be entitled to an annual bonus. This bonus is usually paid in December.

Income Tax

The individual income tax ranges from 31.45% to 46.25% for employees. Income tax is calculated according to progressive rates. Multiple factors can impact the rates such as the household status and the number of children an employee may have. Below are the typical tax rates an employee may pay.

Salary	Tax Percentage
Up to ISK 4,188,216	31.45%
The Next ISK 7,569,948	37.95%
Over ISK 11,758,159	46.25%

Discover how Emerald Technology can **grow** your international workforce **risk-free**.

Emerald is a global expansion partner, supporting B2B tech companies hire, onboard and payroll remotely across 150 countries. Handling local payroll, taxes, benefits and compliance in every region you want to expand your workforce.

Book a free consultation with our experts today, [click here](#).

