

debate, point to a reform which in some respects may move in the direction of the present Icelandic approach.

## Conclusion

Fisheries policy in Iceland is similar to the system implemented in the EU. Iceland has well developed administrative structures in the area of fisheries management.

Iceland will, however, need to align with EU common fisheries policy instruments, in particular fishing capacity management, technical conservation measures and integrated control mechanisms. It will need to make substantial efforts to set up mechanisms of implementing and controlling Community support measures. Iceland will have to subscribe to the EU principle of access to waters. It will also have to comply with the internal market *acquis* regarding the right of establishment and the freedom to provide services as well as the free movement of capital in the fisheries production and processing sectors. Its international relations in fishery matters will have to be incorporated into the EU's international arrangements.

Provided Iceland subscribes to these principles and makes the necessary efforts to align its legislation, Iceland should be in a position to apply the *acquis* in this area in the medium term.

### *Chapter 16: Taxation*

The *acquis* on taxation covers the areas of indirect taxation, definitions and principles of value-added tax (VAT) and excise duties, and direct taxation. Excise duties on energy, tobacco products and alcoholic beverages are subject to EU directives as regards the structures of the duties, the levels of minimum rates and the holding and movement of excisable goods. Regarding direct taxation, the *acquis* covers some aspects of corporate taxes and is aimed mainly at removing obstacles to cross-border activities between enterprises. The *acquis* in the area of administrative cooperation and mutual assistance provides tools to avoid intra-Community tax evasion and tax avoidance.

In the area of **indirect taxation**, Iceland applies a VAT system which is fairly similar to the EU system. As regards exemption from VAT and reduced rates, some changes will be needed to bring the Icelandic legislation into line with the VAT Directive, in particular when the applicable rate for imported/foreign products is different, in principle, from that applied to similar domestic products.

The *excise duty* system is fairly similar to the EU system. Excise duties are applicable to alcohol and alcoholic beverages, tobacco products and energy products.

On *alcohol* duties, Iceland will need to adapt the product definitions to match the categories laid down in the *acquis*. In charging duties, Iceland applies a system based on centilitres of alcohol in the content of alcoholic beverages, which is different from the volume of alcohol in the finished products as applied in the EU. Iceland's levels of excise duties on alcohol are well above the minimum limits set in the *acquis*.

Excise duty is levied on *tobacco* and tobacco products which have been imported or produced in the country. The rates are the same for imported and domestically produced products. The tobacco tax is specific but comprises a taxation base for value-added tax. The Icelandic categories for tobacco products differ from those of the EU. In addition, Iceland applies only a