

# Doing Business 2011

Iceland

**Making  
a Difference for  
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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*Doing Business 2011: Making a Difference for Entrepreneurs* is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Iceland. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

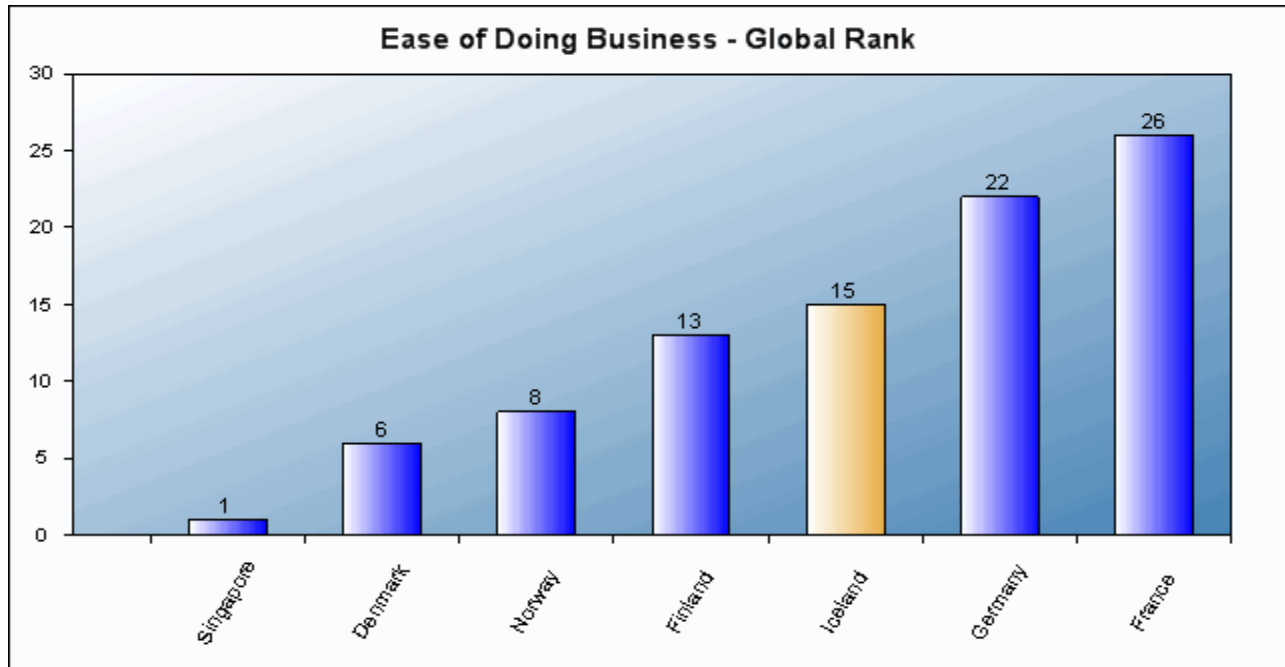
\* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

## Economy Rankings - Ease of Doing Business

Iceland is ranked 15 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

### Iceland - Compared to global good practice economy as well as selected economies:



### Iceland's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	15
Starting a Business	29
Dealing with Construction Permits	31
Registering Property	11
Getting Credit	32
Protecting Investors	74
Paying Taxes	35
Trading Across Borders	79
Enforcing Contracts	3
Closing a Business	17

## Summary of Indicators - Iceland

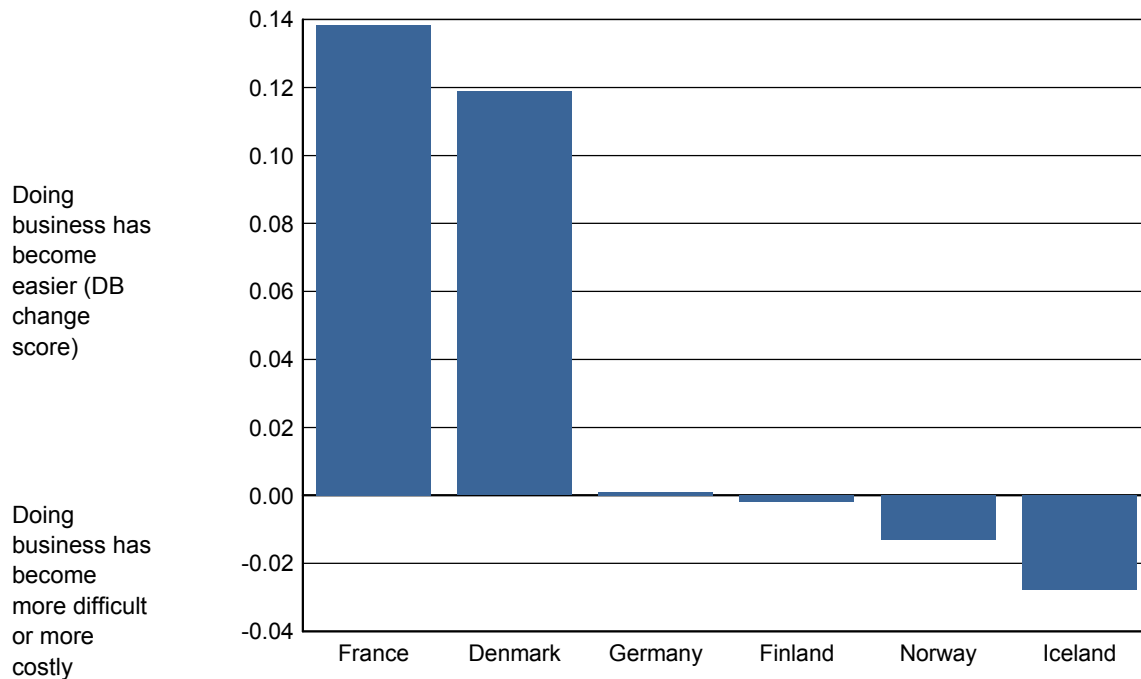
<b>Starting a Business</b>	Procedures (number)	5
	Time (days)	5
	Cost (% of income per capita)	2.3
	Min. capital (% of income per capita)	12.0
<b>Dealing with Construction Permits</b>	Procedures (number)	18
	Time (days)	75
	Cost (% of income per capita)	19.6
<b>Registering Property</b>	Procedures (number)	3
	Time (days)	4
	Cost (% of property value)	2.4
<b>Getting Credit</b>	Strength of legal rights index (0-10)	7
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	100.0
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	5
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	6
	Strength of investor protection index (0-10)	5.3
<b>Paying Taxes</b>	Payments (number per year)	31
	Time (hours per year)	140
	Profit tax (%)	6.9
	Labor tax and contributions (%)	14.9
	Other taxes (%)	5.1
	Total tax rate (% profit)	26.8
<b>Trading Across Borders</b>	Documents to export (number)	5
	Time to export (days)	19
	Cost to export (US\$ per container)	1532
	Documents to import (number)	5
	Time to import (days)	14
	Cost to import (US\$ per container)	1674

<b>Enforcing Contracts</b>	Procedures (number)	27
	Time (days)	417
	Cost (% of claim)	8.2
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	78.5
	Time (years)	1.0
	Cost (% of estate)	4

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators-such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*





Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

#### Some reform outcomes

*In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.*

*In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.*

*In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.*

#### What does Starting a Business measure?

##### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

##### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

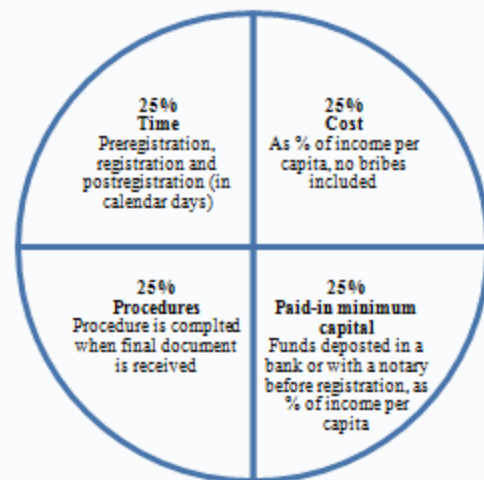
##### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

##### Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

**Starting a Business:** getting a local limited liability company up and running  
Rankings are based on 4 subindicators



#### Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

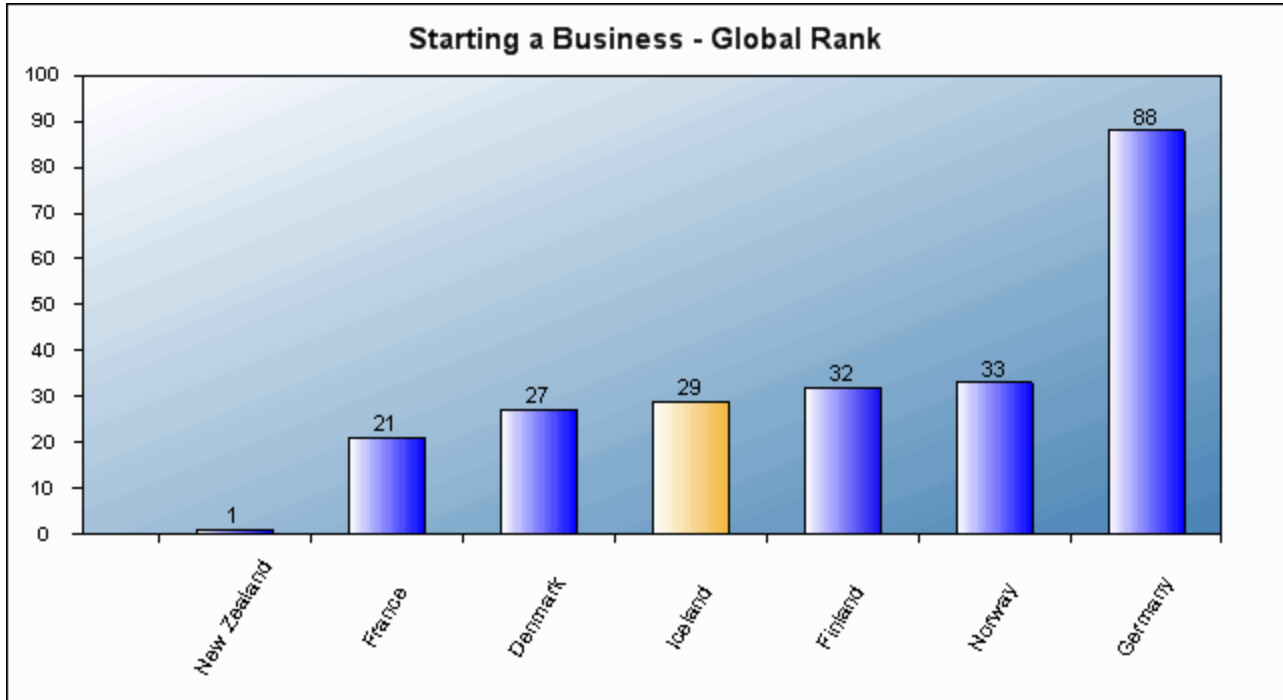
#### The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

## 1. Benchmarking Starting a Business Regulations:

Iceland is ranked 29 overall for Starting a Business.

Ranking of Iceland in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Iceland compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>	<b>Min. capital (% of income per capita)</b>
<b>Denmark*</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i>Selected Economy</i>				
<b>Iceland</b>	<b>5</b>	<b>5</b>	<b>2.3</b>	<b>12.0</b>

<i>Comparator Economies</i>				
<b>Denmark</b>	4	6	0.0	26.0
<b>Finland</b>	3	14	1.1	7.9
<b>France</b>	5	7	0.9	0.0
<b>Germany</b>	9	15	4.8	0.0
<b>Norway</b>	5	7	1.8	20.0

\* The following economies are also good practice economies for :

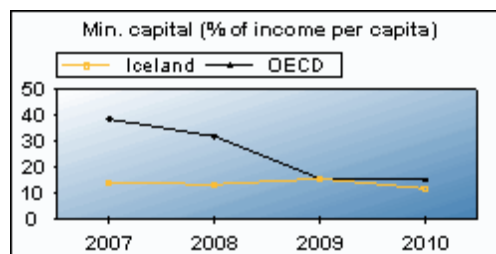
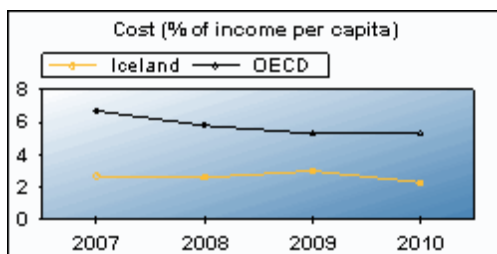
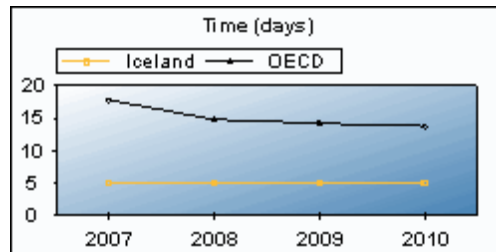
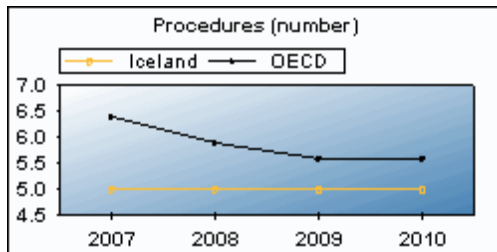
**Procedures (number):** **Canada**

**Cost (% of income per capita):** **Slovenia**

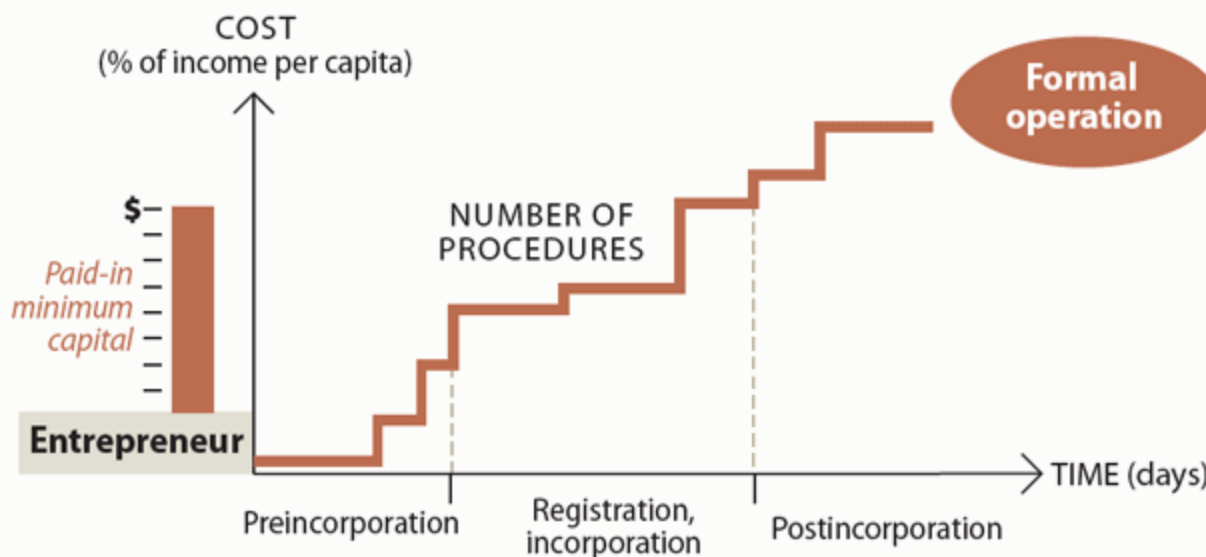
## 2. Historical data: Starting a Business in Iceland

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	33	29
Procedures (number)	5	5	5	5
Time (days)	5	5	5	5
Cost (% of income per capita)	2.7	2.6	3.0	2.3
Min. capital (% of income per capita)	14.1	13.6	15.8	12.0

3. The following graphs illustrate the Starting a Business sub indicators in Iceland over the past 4 years:



## What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in Iceland.

### STANDARDIZED COMPANY

Legal Form: Private Limited Liability Company

City: Reykjavik

### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Search for company name	1	no charge
2	Deposit initial capital in bank account	1	no charge
3	Apply for registration with Register of Limited Companies (Director of Internal Revenue)	1	ISK 94,500
4	Obtain VAT number from Director of Taxes	1	no charge
5	Notify tax authorities of employment of workers	1	no charge

## Starting a Business Details - Iceland

### Procedure 1 Search for company name

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** The company name database can be accessed at the Internal Revenue Web site ([www.rsk.is](http://www.rsk.is)).

### Procedure 2 Deposit initial capital in bank account

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:**

### Procedure 3 Apply for registration with Register of Limited Companies (Director of Internal Revenue)

**Time to complete:** 1

**Cost to complete:** ISK 94,500

**Comment:** To apply for registration with the Register of Limited Companies, the company must provide five documents:

1. Notification of incorporation form.
2. Agreement of incorporation.
3. Record of the meeting of incorporation.
4. Articles of association.
5. Affidavit on payment of share capital, issued by a certified public account.

The register is also in charge of advertising the incorporation notice in the Official Gazette, the official journal. The registration fee is ISK 88,500, the company identification number ISK 5,000, and the fee for publishing the notification in the Official Gazette is ISK 1,000, including VAT.

Model incorporation documents and forms (in Icelandic) can be found on the Ministry of Industry and Commerce Web site ([www.ivr.is](http://www.ivr.is)). The notification of incorporation form can be downloaded at no cost from the Internal Revenue Office Web site ([www.rsk.is](http://www.rsk.is)).

### Procedure 4 Obtain VAT number from Director of Taxes

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** Companies that plan to sell goods or services valued at more than ISK 500,000 a year are required to collect and report VAT.

### Procedure 5 Notify tax authorities of employment of workers

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:**

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

### Some reform outcomes

*In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.*

*Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.*

### What does the Dealing with Construction Permits indicator measure?

#### Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

### Case Study Assumptions

#### The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

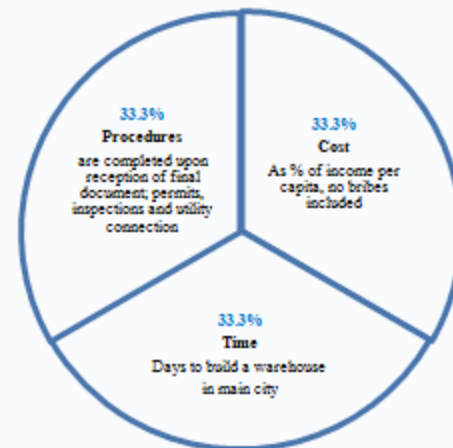
#### The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

### Dealing with Construction Permits:

#### Building a warehouse

Rankings are based on 3 subindicators

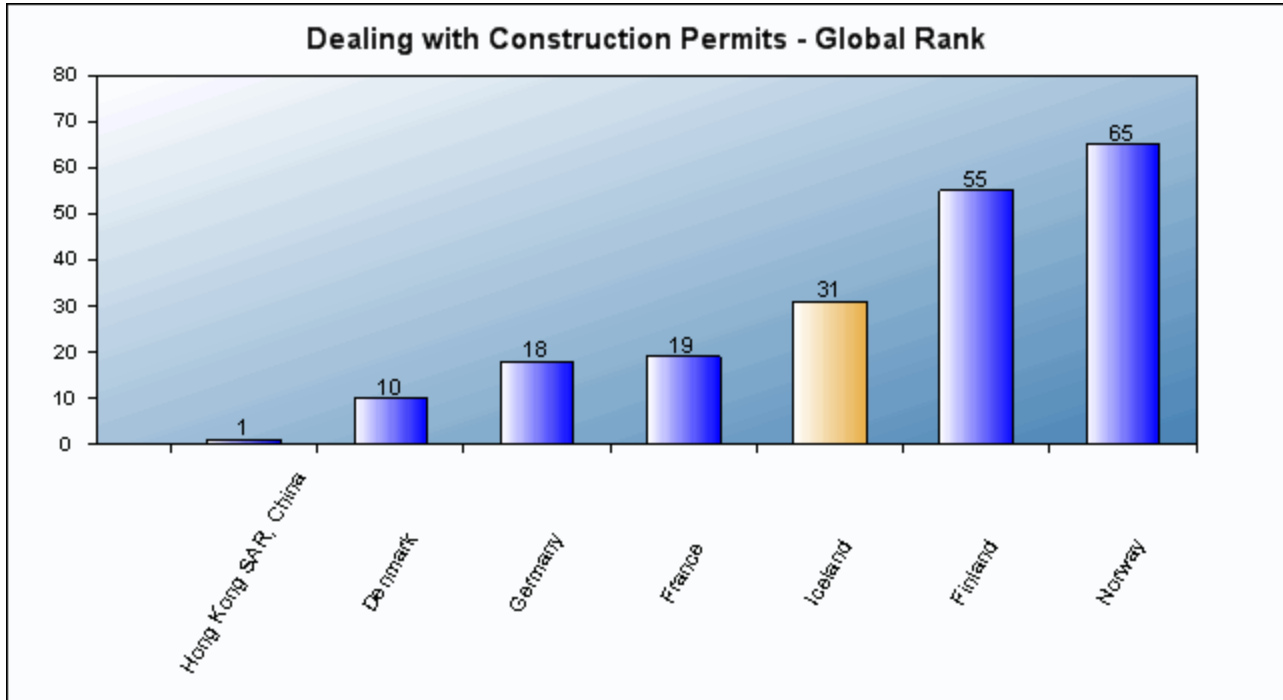




## 1. Benchmarking Dealing with Construction Permits Regulations:

Iceland is ranked 31 overall for Dealing with Construction Permits.

Ranking of Iceland in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Iceland compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.8
<b>Singapore</b>		25	

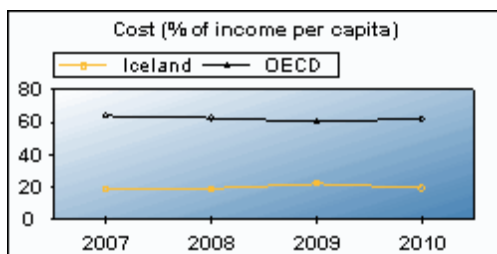
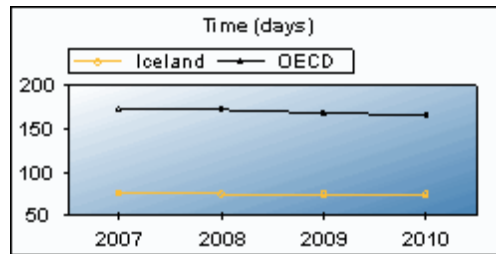
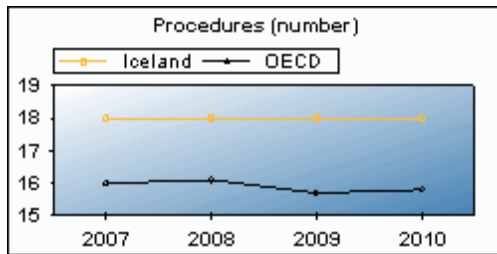
<i>Selected Economy</i>			
<b>Iceland</b>	<b>18</b>	<b>75</b>	<b>19.6</b>

<i>Comparator Economies</i>			
<b>Denmark</b>	6	69	61.7
<b>Finland</b>	18	66	134.2
<b>France</b>	13	137	23.6
<b>Germany</b>	12	100	61.8
<b>Norway</b>	14	252	43.8

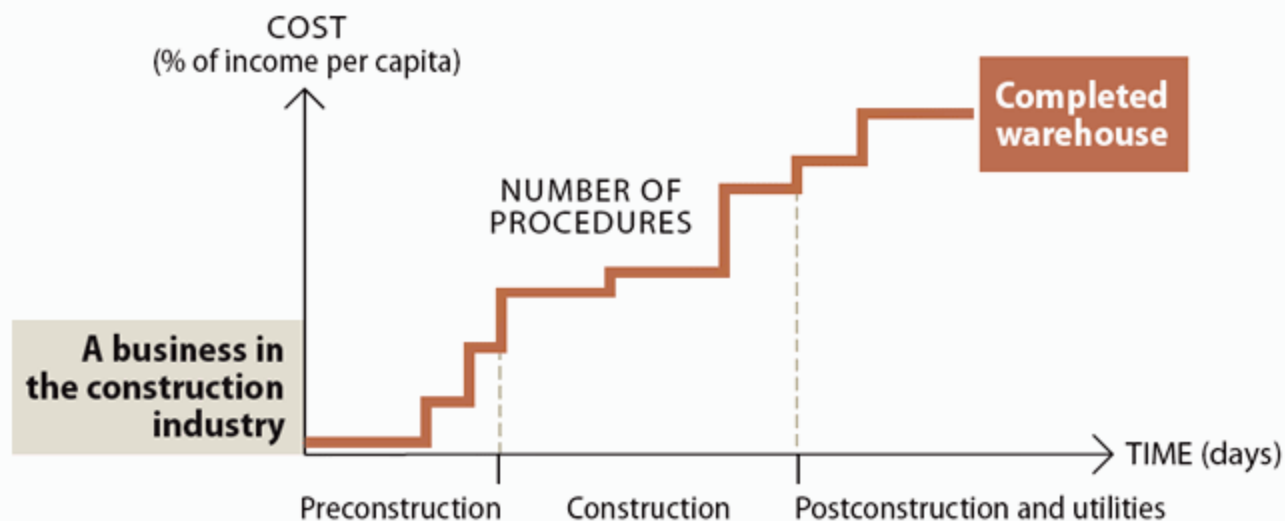
## 2. Historical data: Dealing with Construction Permits in Iceland

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	29	31
Procedures (number)	18	18	18	18
Time (days)	76	75	75	75
Cost (% of income per capita)	18.6	19.2	22.2	19.6

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Iceland over the past 4 years:



## What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in Iceland.

### BUILDING A WAREHOUSE

City: Reykjavik

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain design approval from the Reykjavik construction agency	14 days	ISK 308,000
2	Obtain approval of the site manager from the Reykjavik construction agency	3 days	no charge
3	Pay water and electricity connection fees to the Reykjavik power company	1 day	ISK 253,500
4	Pay telephone connection fees to Iceland's telecommunication company	1 day	ISK 2,990
5	Obtain approval of structural, electrical, and mechanical design drawings from the Reykjavik construction board	14 days	ISK 189,800
6	Obtain initial setout of building from the Reykjavik planning authority	5 days	ISK 36,000
7	Receive a foundation work inspection by the Reykjavik construction agency	1 day	no charge
8	Receive a concrete work inspection by the Reykjavik construction agency	1 day	no charge

9	Receive steel work for slabs inspection by the Reykjavik construction agency	1 day	no charge
10	Receive a frame inspection by the Reykjavik construction agency	1 day	no charge
11	Receive a drainage inspection by the Reykjavik construction agency	1 day	no charge
12	Receive a structural inspection by the Reykjavik construction agency	1 day	no charge
13	Receive a timber scaffolding inspection by the Reykjavik construction agency	1 day	no charge
14	Receive an electricity inspection by Reykjavik construction agency	1 day	no charge
15	Receive plumbing inspection by the Reykjavik construction agency	1 day	no charge
16	Obtain an occupancy permit and request an inspection	21 days	ISK 26,600
17 *	Receive final inspection by the Reykjavik construction agency	7 days	no charge
18	Obtain water meter and final water connection	7 days	no charge

\* Takes place simultaneously with another procedure.

## Dealing with Construction Permits Details - Iceland

### Procedure 1 Obtain design approval from the Reykjavik construction agency

<b>Time to complete:</b>	14 days
<b>Cost to complete:</b>	ISK 308,000
<b>Agency:</b>	Reykjavik Construction Agency
<b>Comment:</b>	The architectural drawings must be drawn to a scale of 1:100. A meeting of architects convenes every Tuesday to discuss the applications submitted subject to architectural drawing approval. The architects at Reykjavik Construction agency compare their notes, and if the application is complete and follows the guidelines and regulations of the Building Code the approval will be issued in 1-2 weeks. The cost for this procedure is composed of following: ISK 7,700 (used to be ISK 6,300 in 2007) paid for the application, and ISK 77m3 (ISK 77x3,900m3=ISK 300,300) for the approval of architectural drawings and designs. The approval is valid for 1 year within which BuildCo has to begin construction.

### Procedure 2 Obtain approval of the site manager from the Reykjavik construction agency

<b>Time to complete:</b>	3 days
<b>Cost to complete:</b>	no charge
<b>Agency:</b>	Reykjavik Construction Agency
<b>Comment:</b>	The site manager must be a professional engineer or a master builder. They are generally licensed by the Ministry of Housing. The application for this approval should include an application form, curriculum vitae, education certificate, and the liability insurance payment.

### Procedure 3 Pay water and electricity connection fees to the Reykjavik power company

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	ISK 253,500
<b>Agency:</b>	Reykjavik Energy (Orkuveita Reykjavíkur)
<b>Comment:</b>	Water and electricity connection is administered by Reykjavik Power Company based on a principle of a single window. Its operation and quality management are pursuant to ISO 9000.

### Procedure 4 Pay telephone connection fees to Iceland's telecommunication company

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	ISK 2,990
<b>Agency:</b>	Síminn (Iceland Telecom)
<b>Comment:</b>	The fee has been increased in 2008 to ISK 2,990.

**Procedure 5 Obtain approval of structural, electrical, and mechanical design drawings from the Reykjavik construction board**

**Time to complete:** 14 days

**Cost to complete:** ISK 189,800

**Agency:** Reykjavik Construction Agency

**Comment:** The company can present these design drawings all at once or separately. The mechanical design drawings include the potable water system, heating and ventilation, and sewerage system. The lowest fee for the approval of electrical drawings of this building is 17.100 Ikr. At this stage when BuildCo receives the approval of the technical aspect of drawings it needs to pay for the inspections to be conducted during construction. The prepayment of inspections during construction is mandatory and the fee is 7200 Ikr/hr. The estimated time for inspection depending on the size and complicity of the project, estimated on the basis of the experience of last 3 years. This project would be about 24 hours for all inspections. The payment is made at this stage to ensure the inspections come during construction. The approval is valid for 1 year within which BuildCo has to build the construction.

**Procedure 6 Obtain initial setout of building from the Reykjavik planning authority**

**Time to complete:** 5 days

**Cost to complete:** ISK 36,000

**Agency:** Reykjavik public works, landinformation office, Reykjavik GIS

**Comment:** The cost is 36.000 Ikr. Including a tax for the final stake out of the building. For simple buildings, half price is often collected for the first stake out prior to excavation.

**Procedure 7 Receive a foundation work inspection by the Reykjavik construction agency**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Reykjavik Construction Agency

**Comment:** At each stage of construction before the work is covered, an inspection must be conducted by the municipality. These inspections must be requested with –a day’s notice, and no stoppage in construction may take place. The request can be made via e-mail. The actual inspection takes 2 hours on average.

**Procedure 8 Receive a concrete work inspection by the Reykjavik construction agency**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Reykjavik Construction Agency

**Comment:**

**Procedure 9 Receive steel work for slabs inspection by the Reykjavik construction agency**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Reykjavik Construction Agency  
**Comment:**

**Procedure 10** Receive a frame inspection by the Reykjavik construction agency

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Reykjavik Construction Agency  
**Comment:**

**Procedure 11** Receive a drainage inspection by the Reykjavik construction agency

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Reykjavik Construction Agency  
**Comment:**

**Procedure 12** Receive a structural inspection by the Reykjavik construction agency

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Reykjavik Construction Agency  
**Comment:**

**Procedure 13** Receive a timber scaffolding inspection by the Reykjavik construction agency

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** OAHS  
**Comment:** The procedure is carried out by Occupational Safety And Health (OSHA).

**Procedure 14** Receive an electricity inspection by Reykjavik construction agency



**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Reykjavik Construction Agency

**Comment:** The procedure is carried out by a private company under the consumer agency's supervision.

**Procedure 15 Receive plumbing inspection by the Reykjavik construction agency**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Reykjavik Construction Agency

**Comment:**

**Procedure 16 Obtain an occupancy permit and request an inspection**

**Time to complete:** 21 days

**Cost to complete:** ISK 26,600

**Agency:** Reykjavik Construction Agency

**Comment:** The Reykjavik construction authority contacts all the other agencies that should inspect the building. The number of inspections depends on the size and purpose of the building. For a small warehouse, only the fire, health, and labor inspections are necessary. The municipality coordinates these inspections.

**Procedure 17 Receive final inspection by the Reykjavik construction agency**

**Time to complete:** 7 days

**Cost to complete:** no charge

**Agency:** Reykjavik Construction Agency

**Comment:** The final inspection includes inspections of employee facilities by Icelandic OSHA, inspection of hygienic conditions by the Reykjavik environmental and hygiene agency, and the fire system inspection.

**Procedure 18 Obtain water meter and final water connection**

**Time to complete:** 7 days

**Cost to complete:** no charge

**Agency:** Reykjavik Energy (Orkuveita Reykjavíkur)

**Comment:**

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

### Some reform outcomes

*Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.*

*Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.*

### What does the Registering Property indicator measure?

**Registering Property:** transfer of property between 2 local companies

Rankings are based on 3 subindicators

### Procedures to legally transfer title on immovable property (number)

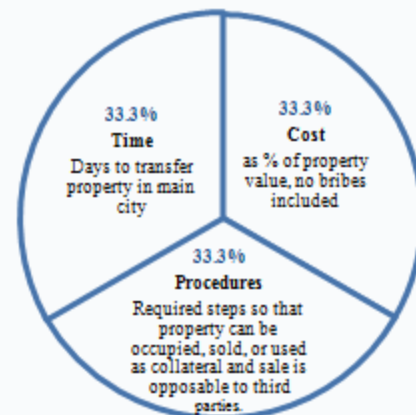
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

### Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



### Case Study Assumptions

#### The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

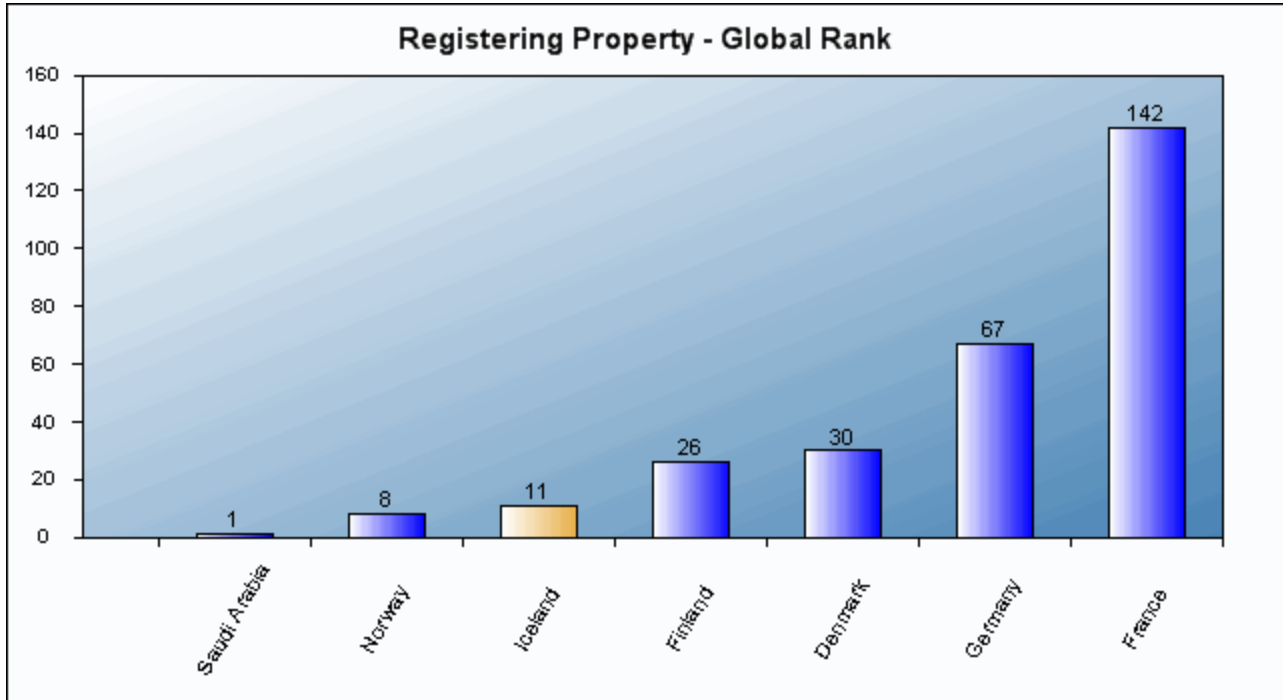
#### The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

## 1. Benchmarking Registering Property Regulations:

Iceland is ranked 11 overall for Registering Property.

Ranking of Iceland in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Iceland compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia</b>			0.0

<i>Selected Economy</i>			
<b>Iceland</b>	<b>3</b>	<b>4</b>	<b>2.4</b>

<i>Comparator Economies</i>			
<b>Denmark</b>	3	42	0.6
<b>Finland</b>	3	14	4.0
<b>France</b>	8	59	6.1
<b>Germany</b>	5	40	5.1
<b>Norway</b>	1	3	2.5

\* The following economies are also good practice economies for :

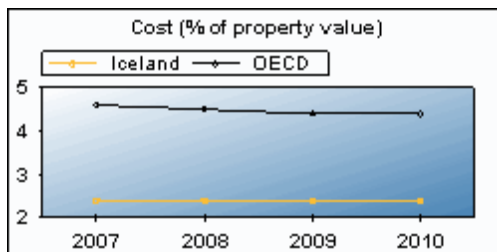
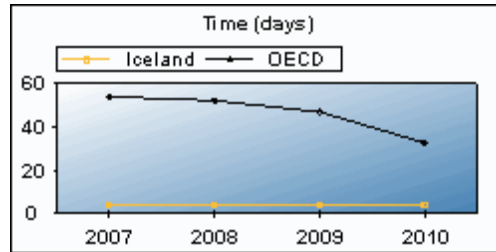
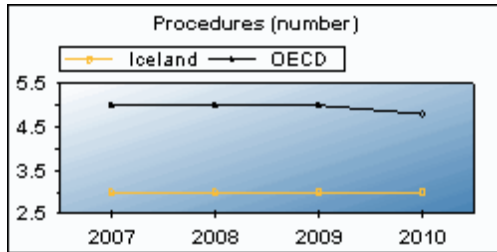
**Procedures (number): United Arab Emirates**

**Time (days): Saudi Arabia, Thailand, United Arab Emirates**

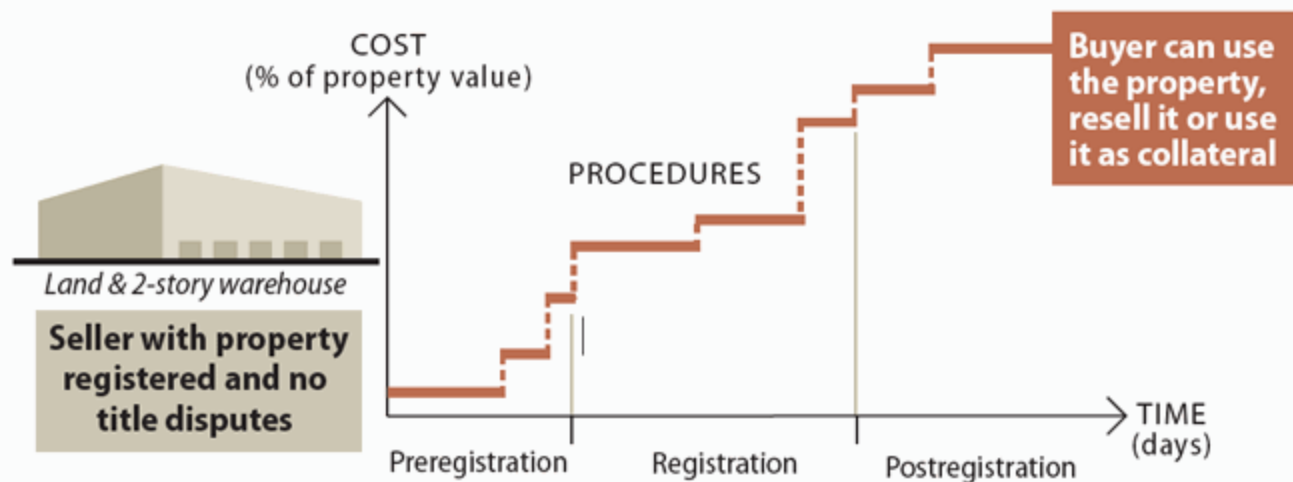
## 2. Historical data: Registering Property in Iceland

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	14	11
Procedures (number)	3	3	3	3
Time (days)	4	4	4	4
Cost (% of property value)	2.4	2.4	2.4	2.4

3. The following graphs illustrate the Registering Property sub indicators in Iceland over the past 4 years:



## What are the time, cost and number of procedures required to transfer a property between 2 local companies?



This topic examines the steps, time, and cost involved in registering property in Iceland.

### STANDARDIZED PROPERTY

Property Value: 208,796,110.16

City: Reykjavik

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	The buyer obtains a non-encumbrance certificate from the Land Registry	1 day	ISK 1,500 each certificate if completed at the Registry's office
2	Authorized real estate agent prepares and executes the sale-purchase agreement	1 day	1.5-2.5% of property value (real estate agent fees)
3	Transfer of title is prepared and registered at the Magistrates office	1-2 days	ISK 2000 + 0.4% of the official real estate valuation (usually lower than purchase price) for Stamp Duty

## Registering Property Details - Iceland

### Procedure 1 The buyer obtains a non-encumbrance certificate from the Land Registry

**Time to complete:** 1 day

**Cost to complete:** ISK 1,500 each certificate if completed at the Registry's office

**Agency:** Icelandic Property Registry

**Comment:** The buyer would usually demand to receive a certificate of mortgages and other possible rights and obligations in relation to the property. Anyone can request a certificate in writing. It costs ISK 1.500 and it takes one visit to the Icelandic Property Registry. Real-estate agencies have on-line access to this information at a cost of ISK 550 per certificate.

### Procedure 2 Authorized real estate agent prepares and executes the sale-purchase agreement

**Time to complete:** 1 day

**Cost to complete:** 1.5-2.5% of property value (real estate agent fees)

**Agency:** Real Estate Agent

**Comment:** It is not mandatory to use an authorized real estate agent, but almost everyone does. The agent's fees will be around 1.5% and 2.5% of the property value. The sale-purchase agreement is usually registered at the Property Registry if the property is not paid in full at the time of the agreement. The deed is first signed when the property is paid in full. Registration of the sale-purchase agreement protects the rights of the purchaser. The total extra cost of registering the sale-purchase agreement is ISK 2.000. The process takes about 2 days. In this case there is no need to register the sale-purchase agreement and it is not a formal requirement. The conditions for registry of the sale purchase agreement are that it contains the following information: the name of the property as officially registered by the municipal authorities, unique property reference number of the land and the property, the legal description set forth by the planning and building authorities and the land and the building's number which has direct reference to its coordinates. This information can be obtained from the Land Registry office in the property's district or from Icelandic Property Register (Cadastral authority). If an authorized real estate agent handles the sale this information is available to him via an electronic data and information system. It is common that the buyer notifies the insurance company. Insurance companies have electronic access to the data base at Icelandic Property Register and there is a daily processing of the title of transfers. The title of the fire-insurance changes the same day as the transfer of title is registered.

### Procedure 3 Transfer of title is prepared and registered at the Magistrates office

**Time to complete:** 1-2 days

**Cost to complete:** ISK 2000 + 0.4% of the official real estate valuation (usually lower than purchase price) for Stamp Duty

**Agency:** Land Registry

**Comment:** When the buyer has fulfilled his obligations in relation to the sale purchase agreement and the conditions for registrations, the transfer of title is prepared and registered at the Magistrates office. The deed shall be delivered in two signed copies (including one copy on a special

accredited paper.

The documentation should include the deed signed by the seller and the purchaser and certified by a notary public, or an attorney, a certified real-estate agent or two witnesses. In practice a notary public is hardly ever used.



Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

#### Some reform outcomes

*After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).*

*In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.*

#### What do the Getting Credit indicators measure?

##### Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

##### Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

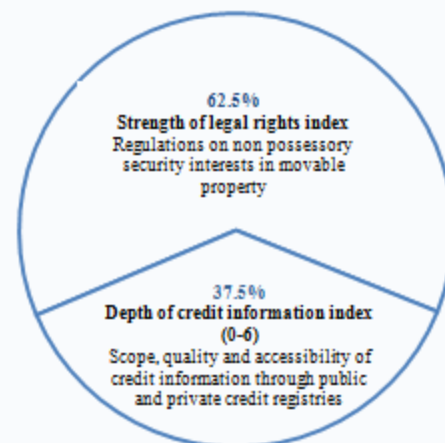
##### Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

##### Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

#### Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

#### Case Study Assumptions (applying to the Legal Rights Index only)

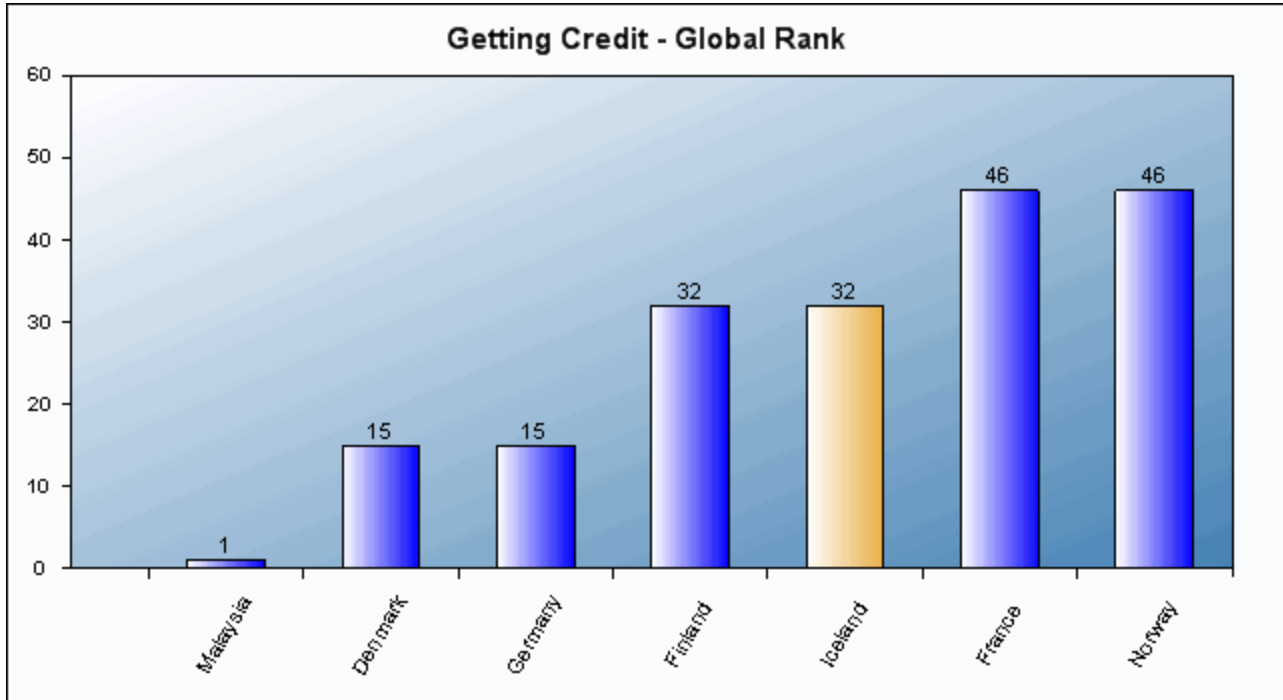
##### The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

## 1. Benchmarking Getting Credit Regulations:

Iceland is ranked 32 overall for Getting Credit.

Ranking of Iceland in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Iceland compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand*</b>				100.0
<b>Portugal</b>			67.1	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>Iceland</b>	<b>7</b>	<b>5</b>	<b>0.0</b>	<b>100.0</b>

<i>Comparator Economies</i>				
<b>Denmark</b>	9	4	0.0	5.4
<b>Finland</b>	7	5	0.0	14.9
<b>France</b>	7	4	33.3	0.0
<b>Germany</b>	7	6	1.0	98.4
<b>Norway</b>	7	4	0.0	100.0

\* The following economies are also good practice economies for :

**Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia**

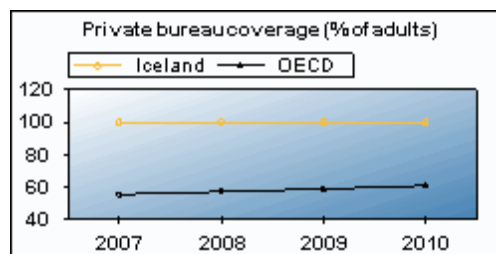
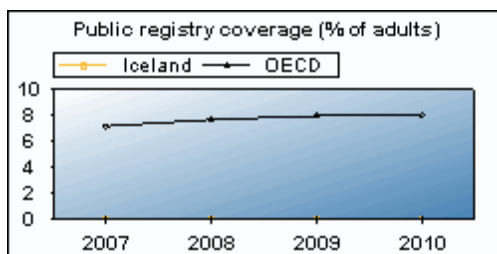
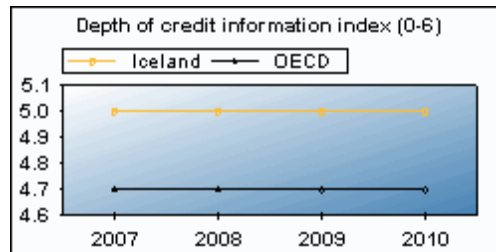
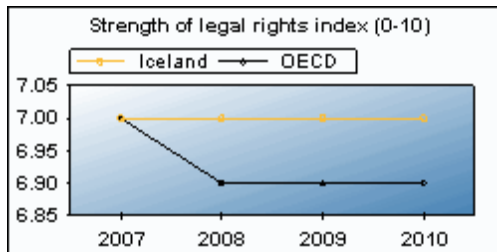
**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

**27 countries have the highest credit information index.**

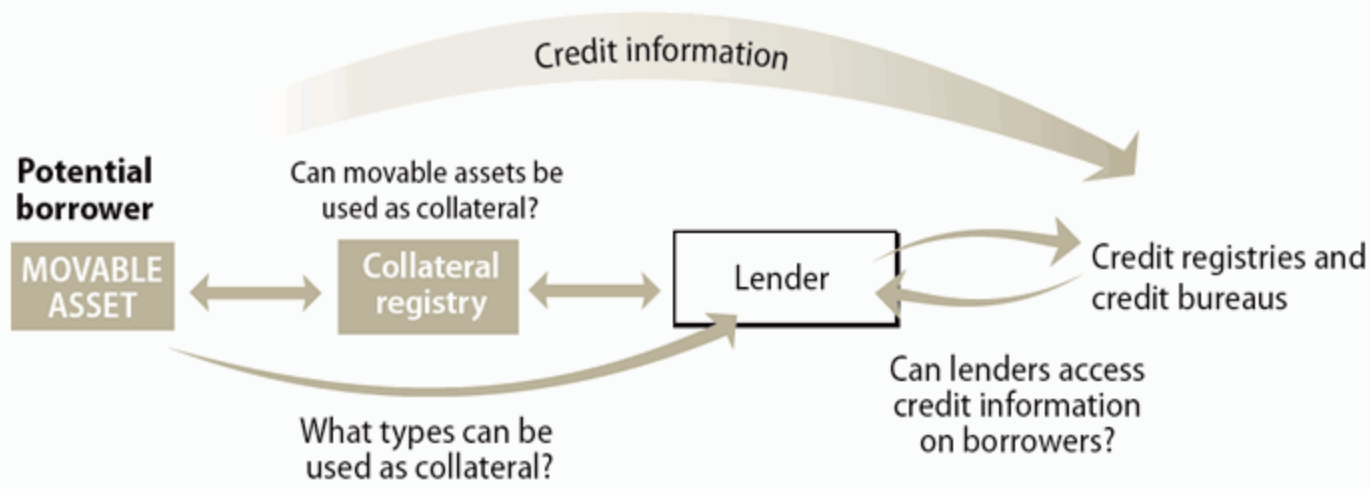
## 2. Historical data: Getting Credit in Iceland

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	30	32
Strength of legal rights index (0-10)	7	7	7	7
Depth of credit information index (0-6)	5	5	5	5
Private bureau coverage (% of adults)	100.0	100.0	100.0	100.0
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in Iceland over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?  
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Iceland.

Getting Credit Indicators (2010)			Indicator
<b>Private bureau coverage (% of adults)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>5</b>
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1
<b>Coverage</b>	100.0	0.0	
Number of individuals	296,900	0	
Number of firms	92,900	0	

**Strength of legal rights index (0-10)****7**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	No
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	No
Does the law authorize parties to agree on out of court enforcement?	Yes

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

### Some reform outcomes

*In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).*

*After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.*

### What do the Protecting Investors indicators measure?

#### Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

#### Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

#### Ease of shareholder suits index (0–10)

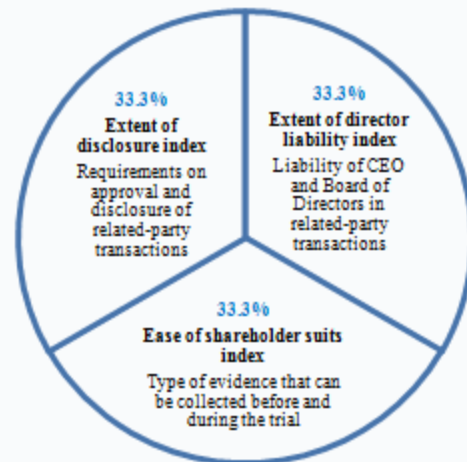
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

#### Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

**Protecting Investors:** minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



### Case Study Assumptions

#### The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

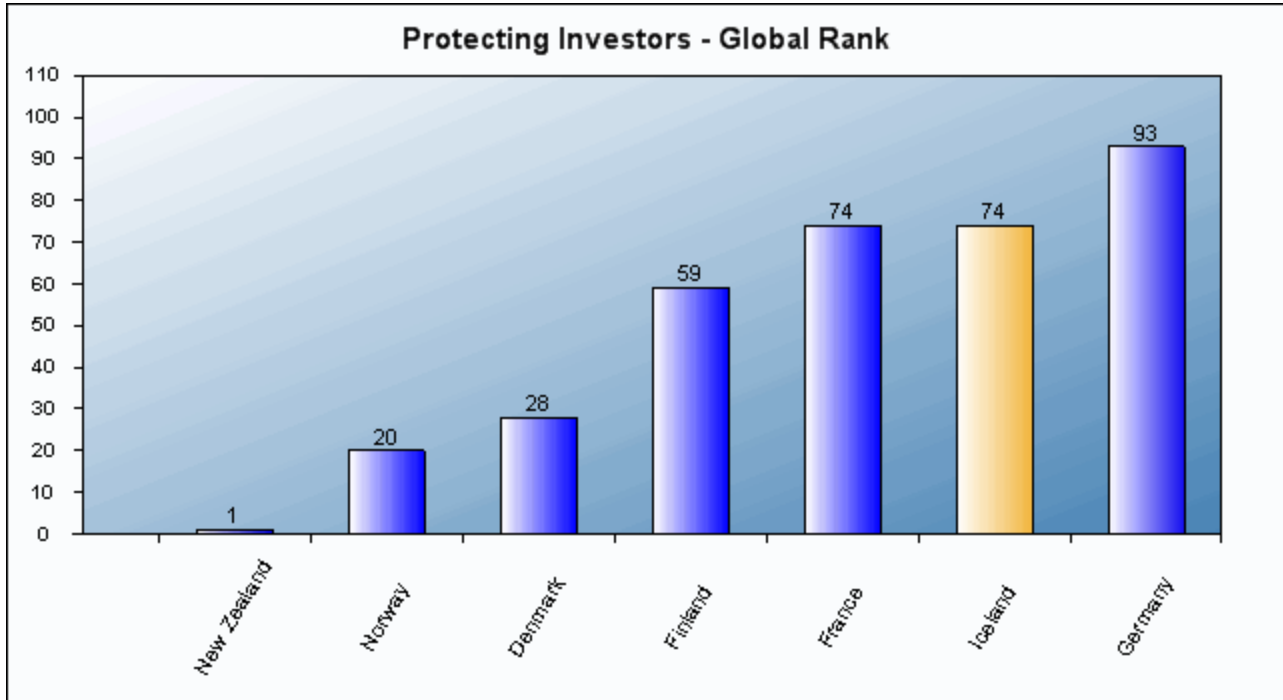
#### The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

## 1. Benchmarking Protecting Investors Regulations:

Iceland is ranked 74 overall for Protecting Investors.

Ranking of Iceland in Protecting Investors - Compared to good practice and selected economies:





The following table shows Protecting Investors data for Iceland compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of investor protection index (0-10)</b>
<b>New Zealand</b>	9.7

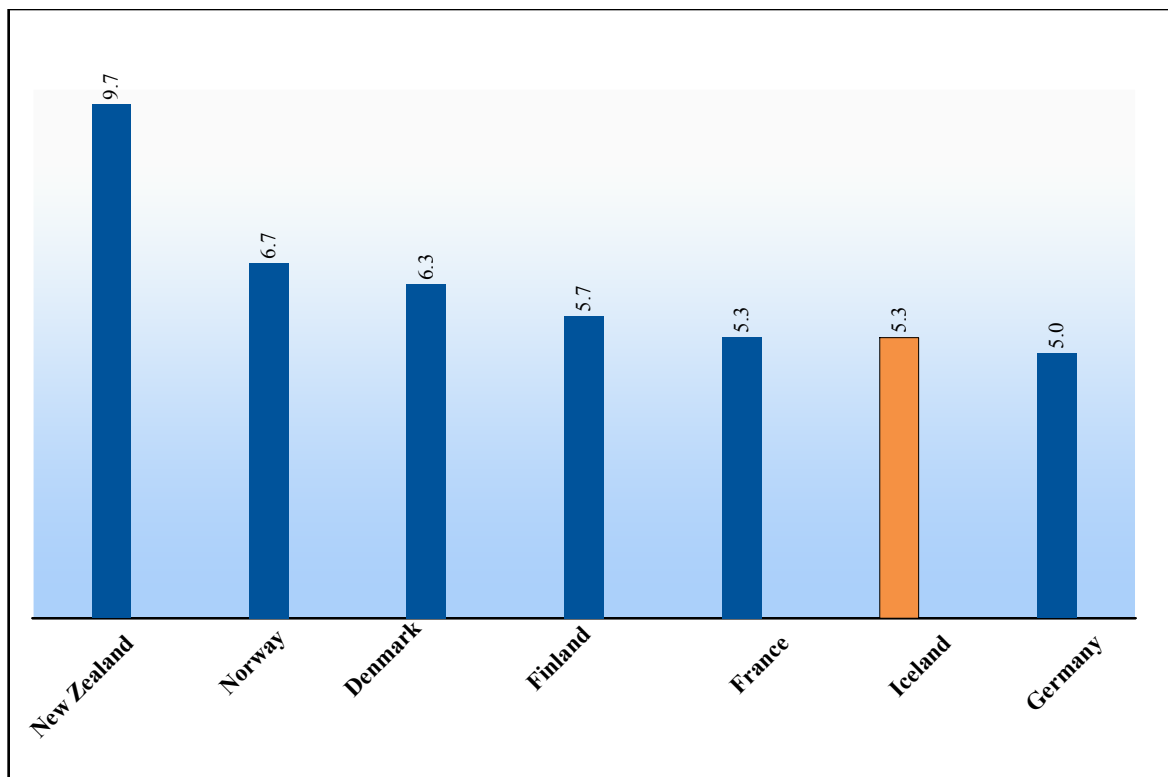
<i>Selected Economy</i>	
<b>Iceland</b>	<b>5.3</b>

<i>Comparator Economies</i>	
<b>Denmark</b>	6.3
<b>Finland</b>	5.7
<b>France</b>	5.3
<b>Germany</b>	5.0
<b>Norway</b>	6.7

## 2. Historical data: Protecting Investors in Iceland

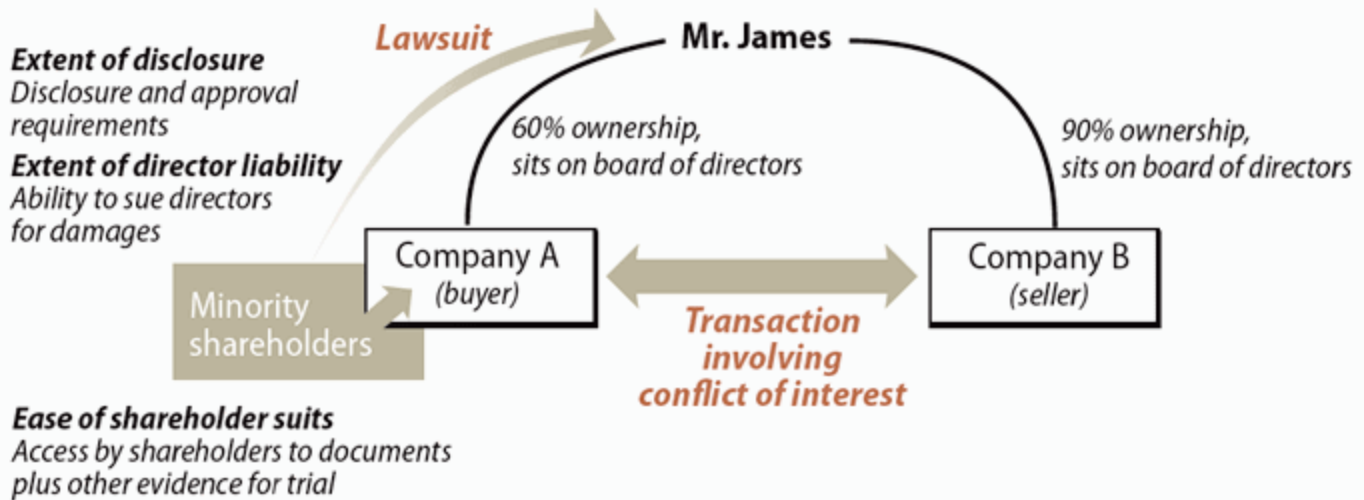
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	73	74
Strength of investor protection index (0-10)	5.3	5.3	5.3	5.3

3. The following graph illustrates the Protecting Investors index in Iceland compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

## How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Iceland.

Protecting Investors Data (2010)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>5</b>
What corporate body provides legally sufficient approval for the transaction?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	2
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	0
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1
Whether an external body must review the terms of the transaction before it takes place?	0
<b>Extent of director liability index (0-10)</b>	<b>5</b>
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	1
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
<b>Ease of shareholder suits index (0-10)</b>	<b>6</b>
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	2
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
<b>Strength of investor protection index (0-10)</b>	<b>5.3</b>

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

### Some reform outcomes

*Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.*

*Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.*

### What do the Paying taxes indicators measure?

**Tax payments for a manufacturing company in 2009**  
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

**Time required to comply with 3 major taxes** (hours per year)

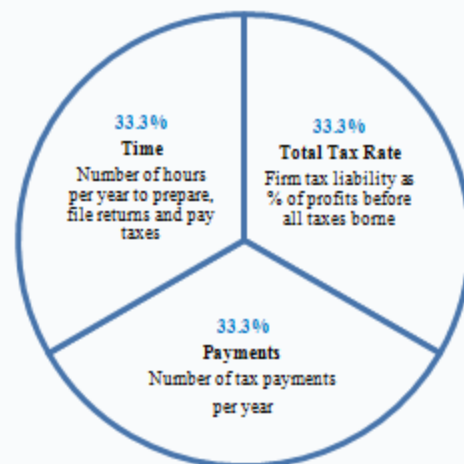
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

**Total tax rate** (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

**Paying Taxes:** tax compliance for a local manufacturing company

*Rankings are based on 3 subindicators*



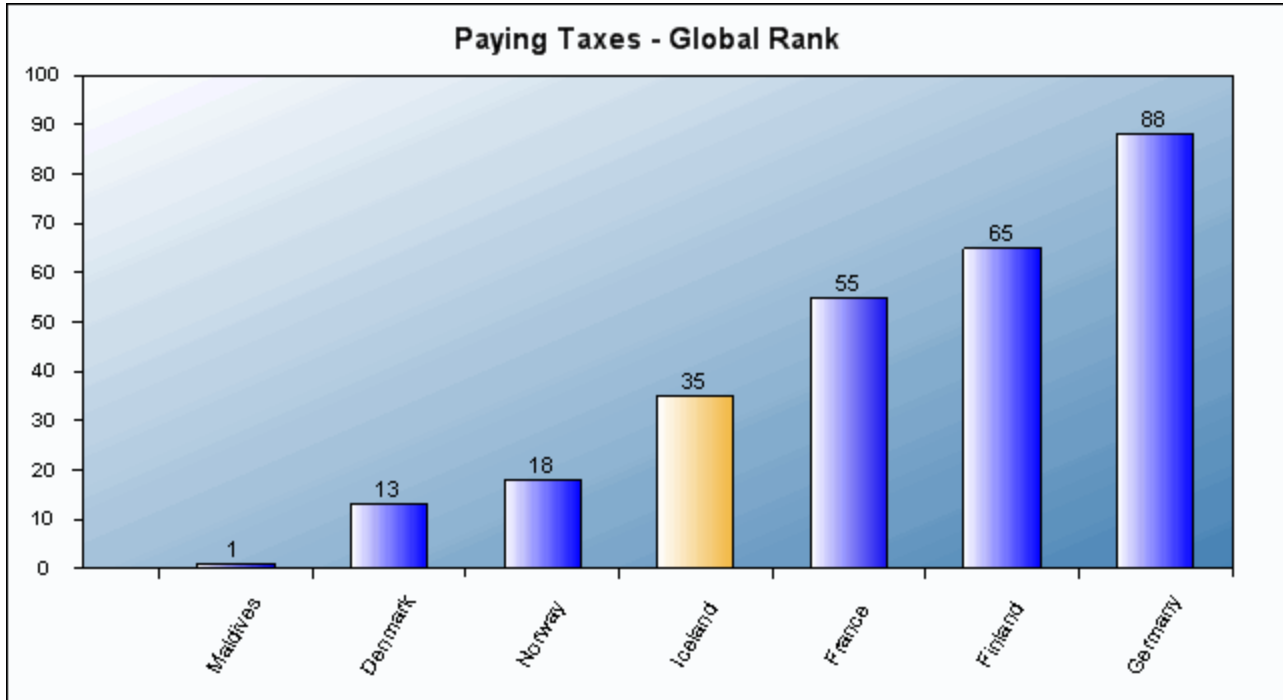
### Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

## 1. Benchmarking Paying Taxes Regulations:

Iceland is ranked 35 overall for Paying Taxes.

Ranking of Iceland in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Iceland compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives*</b>	3	0	
<b>Timor-Leste</b>			0.2

<i>Selected Economy</i>			
<b>Iceland</b>	<b>31</b>	<b>140</b>	<b>26.8</b>

<i>Comparator Economies</i>			
<b>Denmark</b>	9	135	29.2
<b>Finland</b>	8	243	44.6
<b>France</b>	7	132	65.8
<b>Germany</b>	16	215	48.2
<b>Norway</b>	4	87	41.6

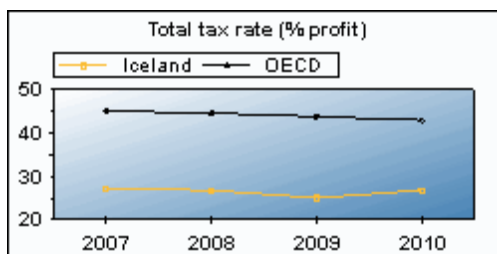
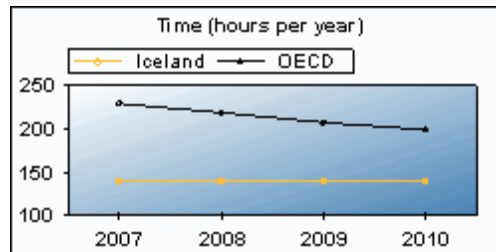
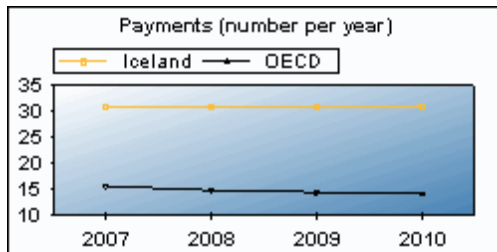
\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

## 2. Historical data: Paying Taxes in Iceland

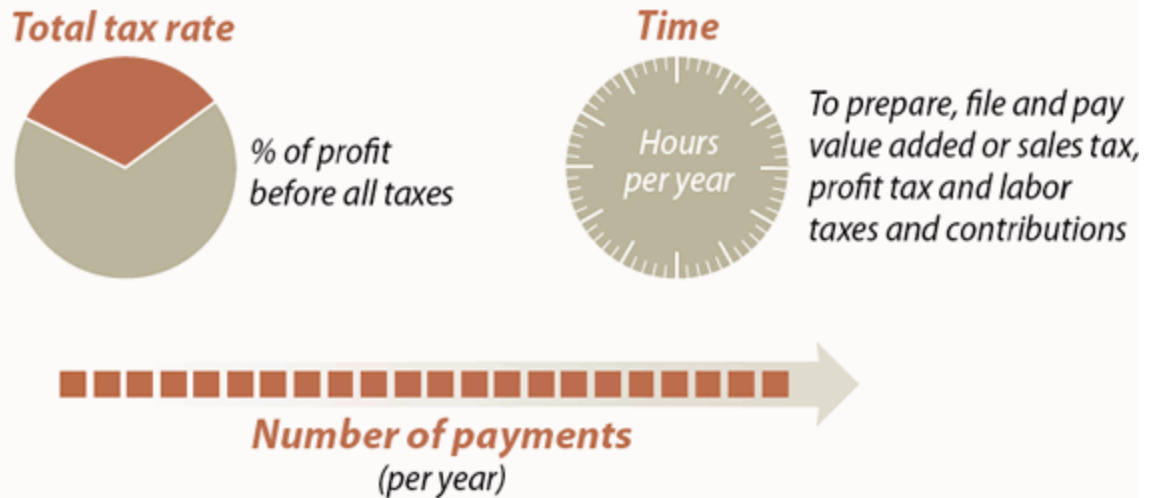
Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	32	35
Total tax rate (% profit)	27.2	26.8	25.0	26.8
Payments (number per year)	31	31	31	31
Time (hours per year)	140	140	140	140

## 3. The following graphs illustrate the Paying Taxes sub indicators in Iceland over the past 4 years:





## What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Iceland, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Stamp duty on property transfer	1			0.4%	transaction value		
Value added tax (VAT)	1	online filing	40	24.5%	value added		
Vehicle tax	2			ISK 6,83 for the first 1.000 kg., ISK 9,21 for the next 2.000 kg and ISK 2.277 for each ton above 3.000 kg. This is paid jointly with disposal charge of ISK 350 per truck per each 6 month period.	vehicle weight	0.00	
Market fee	1	online filing		0.1%	gross salaries	0.00	

Weight distance tax	3			ISK 3.29 pr. Km	KM driven per year	0.10
Municipal tax	6			ISK 102/m2 + ISK 2.637 + 11.374	building area in square meters	0.10
Tax on interest	0	withheld		10.0%	interest income	0.30
fuel tax	1			included in price of fuel		0.90
Industrial fee	1	online filing		0.1%	sales	1.40
Property tax	1	online filing		1.65% + 0.115%	assessed value of property	2.60
Corporate income tax (State income tax)	1	online filing	40	15.0%	taxable profit	6.90
Social security contributions	1	online filing	60	5.34% (January-Jun e) and 7% (July-Decem ber)	gross salaries	7.00
Pension contributions	12			7.0%	gross salaries	7.90
<b>Totals</b>	<b>31</b>		<b>140</b>			<b>26.8</b>

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

### Some reform outcomes

*In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.*

*In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.*

### What do the Trading Across Borders indicators measure?

**Trading Across Borders:** exporting and importing by ocean transport

Rankings are based on 3 subindicators

#### Documents required to export and import (number)

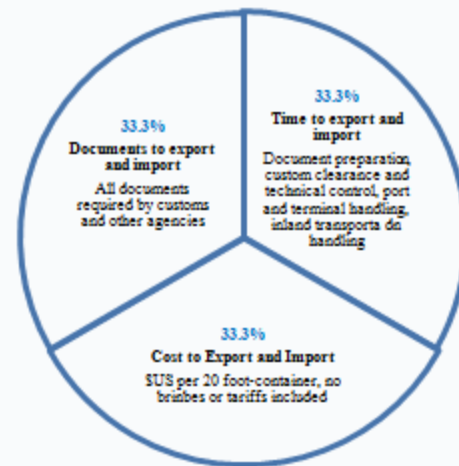
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

#### Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



### Case Study Assumptions

#### The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

#### The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

## 1. Benchmarking Trading Across Borders Regulations:

Iceland is ranked 79 overall for Trading Across Borders.

Ranking of Iceland in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Iceland compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Documents to export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
<b>Denmark*</b>		5				
<b>France</b>	2			2		
<b>Malaysia</b>			450			
<b>Singapore</b>					4	439

<i>Selected Economy</i>						
<b>Iceland</b>	<b>5</b>	<b>19</b>	<b>1532</b>	<b>5</b>	<b>14</b>	<b>1674</b>

<i>Comparator Economies</i>						
<b>Denmark</b>	4	5	744	3	5	744
<b>Finland</b>	4	8	540	5	8	620
<b>France</b>	2	9	1078	2	11	1248
<b>Germany</b>	4	7	872	5	7	937
<b>Norway</b>	4	7	830	4	7	729

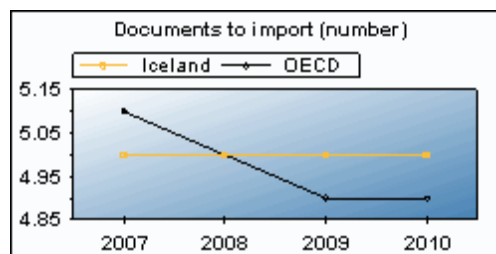
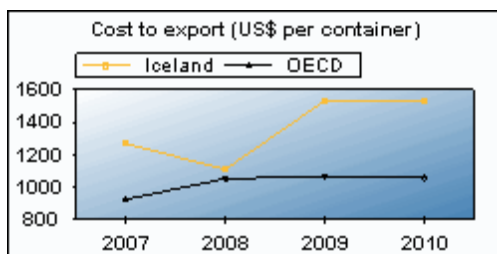
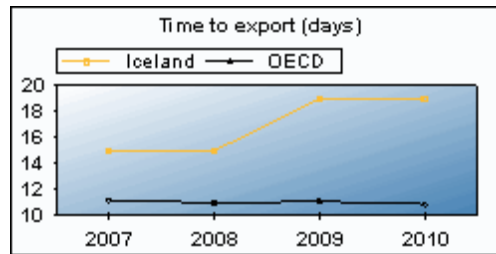
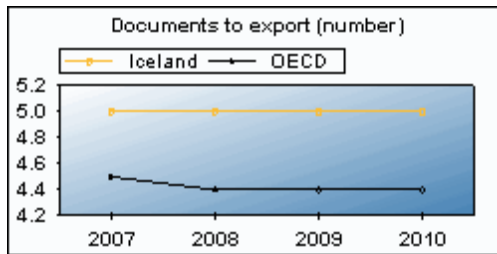
\* The following economies are also good practice economies for :

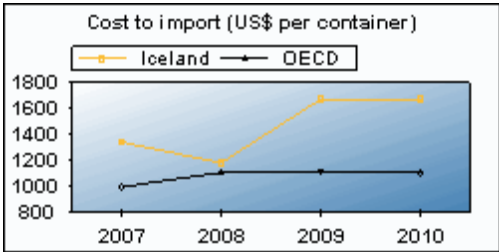
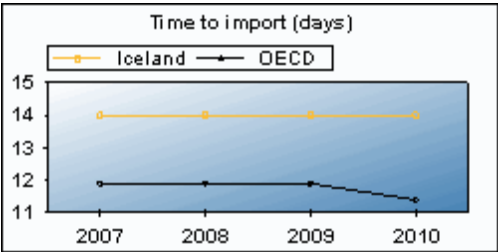
**Time to export (days): Estonia**

## 2. Historical data: Trading Across Borders in Iceland

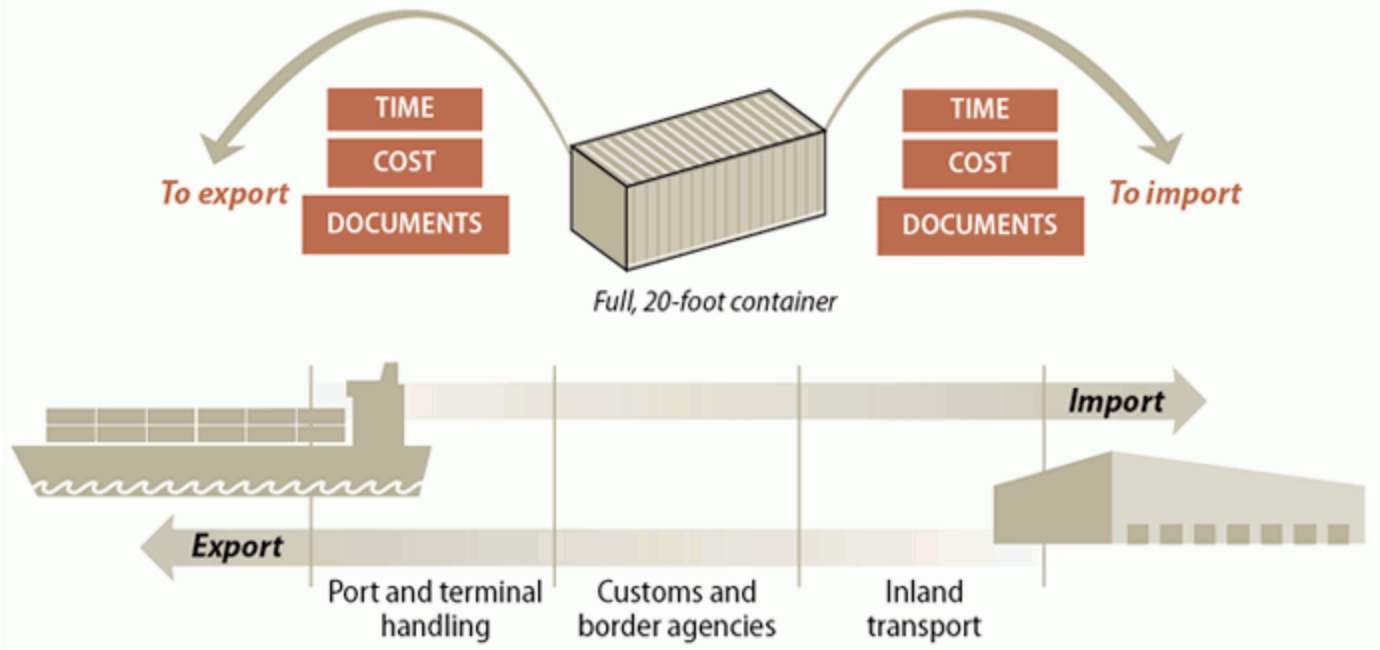
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	76	79
Cost to export (US\$ per container)	1269	1109	1532	1532
Cost to import (US\$ per container)	1343	1183	1674	1674
Documents to export (number)	5	5	5	5
Documents to import (number)	5	5	5	5
Time to export (days)	15	15	19	19
Time to import (days)	14	14	14	14

3. The following graphs illustrate the Trading Across Borders sub indicators in Iceland over the past 4 years:





**How much time, how many documents and what cost to export and import across borders by ocean transport?**



These tables list the procedures necessary to import and export a standardized cargo of goods in Iceland. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	10	240
Customs clearance and technical control	1	52
Ports and terminal handling	7	605
Inland transportation and handling	1	635
Totals	19	1532

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	10	382
Customs clearance and technical control	1	52
Ports and terminal handling	2	605
Inland transportation and handling	1	635
Totals	14	1674



**Documents for Export and Import**

**Export**

- Packing list
- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration

**Import**

- Packing list
- Bill of lading
- Cargo release order
- Commercial invoice
- Customs import declaration

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

#### Some reform outcomes

*In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.*

*In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.*

#### What do the Enforcing Contracts indicators measure?

##### Procedures to enforce a contract (number)

- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

##### Time required to complete procedures (calendar days)

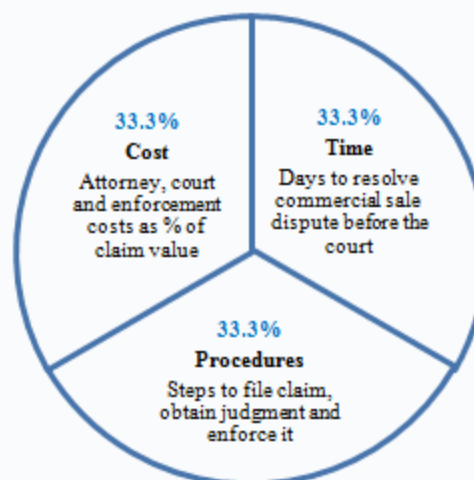
- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

##### Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

**Enforcing Contracts:** resolving a commercial dispute through the courts

Rankings are based on 3 subindicators



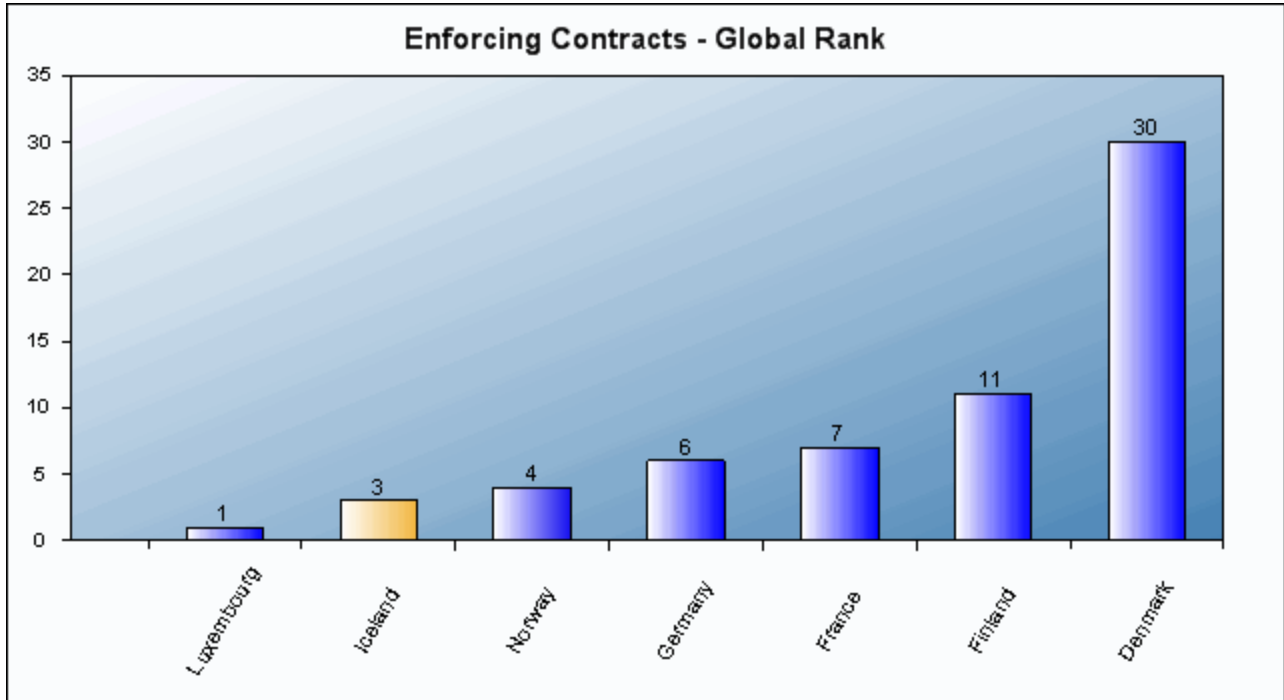
#### Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

## 1. Benchmarking Enforcing Contracts Regulations:

Iceland is ranked 3 overall for Enforcing Contracts.

Ranking of Iceland in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Iceland compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		150	

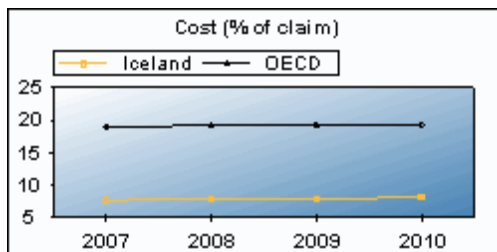
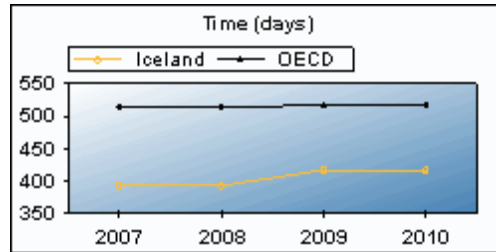
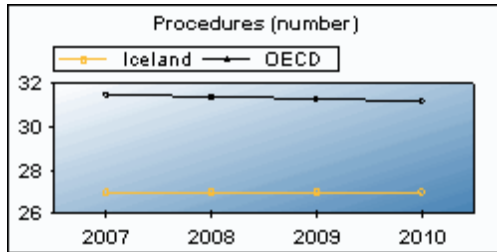
<i>Selected Economy</i>			
<b>Iceland</b>	<b>27</b>	<b>417</b>	<b>8.2</b>

<i>Comparator Economies</i>			
<b>Denmark</b>	35	410	23.3
<b>Finland</b>	32	375	13.3
<b>France</b>	29	331	17.4
<b>Germany</b>	30	394	14.4
<b>Norway</b>	33	280	9.9

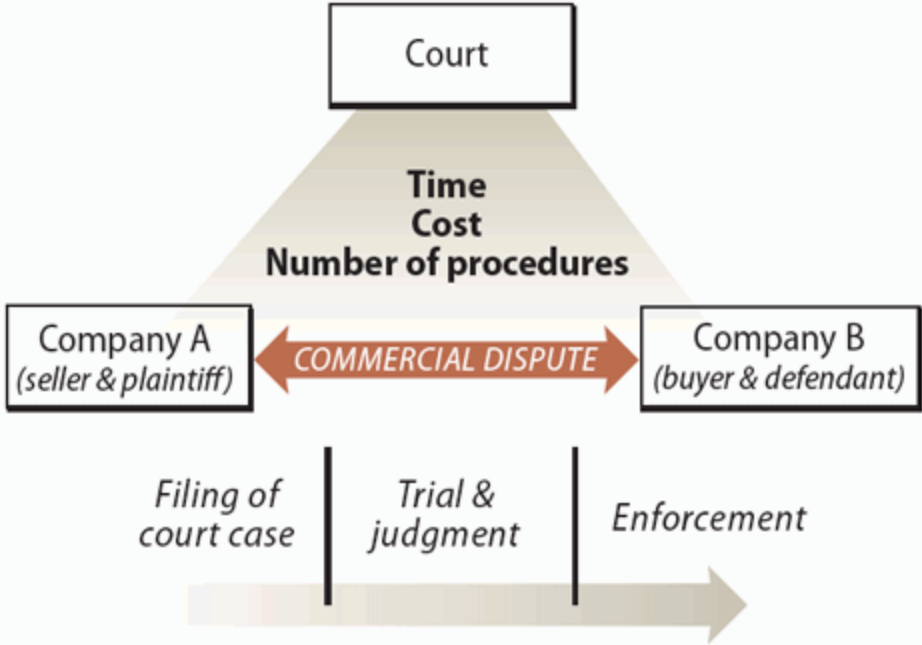
## 2. Historical data: Enforcing Contracts in Iceland

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	2	3
Procedures (number)	27	27	27	27
Time (days)	393	393	417	417
Cost (% of claim)	7.7	7.8	7.8	8.2

3. The following graphs illustrate the Enforcing Contracts sub indicators in Iceland over the past 4 years:



**What are the time, cost and number of procedures to resolve a commercial dispute through the courts?**



This topic looks at the efficiency of contract enforcement in Iceland.

Nature of Procedure (2010)	Indicator
Procedures (number)	27
Time (days)	417
Filing and service	45.0
Trial and judgment	292.0
Enforcement of judgment	80.0
<b>Cost (% of claim)*</b>	<b>8.20</b>
Attorney cost (% of claim)	5.9
Court cost (% of claim)	2.1
Enforcement Cost (% of claim)	0.2

**Court information:** Reykjavík District Court ("Heradsdomur Reykjavíkur")

\* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

### Some reform outcomes

*A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.*

*Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.*

### What does the Closing a Business indicator measure?

**Closing a Business:** insolvency proceedings against local company

#### Time required to recover debt (years)

- Measured in calendar years
- Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

#### Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



### *Case Study Assumptions*

#### The Company

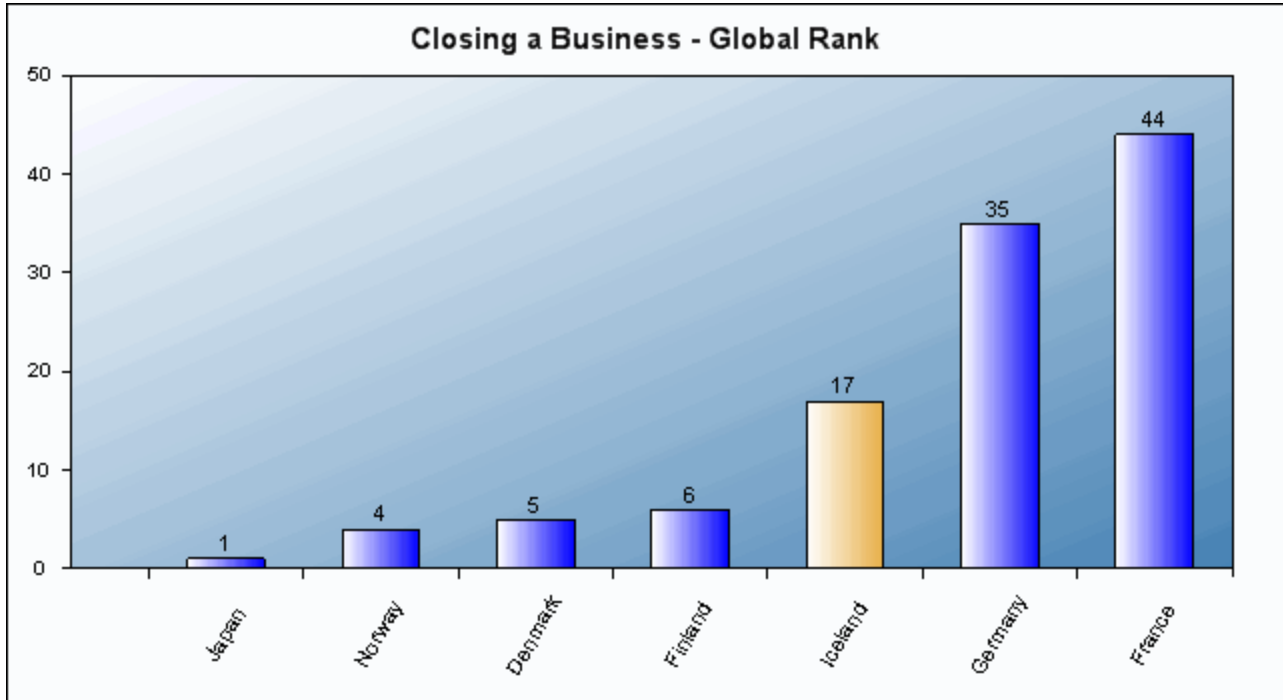
- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets



## 1. Benchmarking Closing Business Regulations:

Iceland is ranked 17 overall for Closing a Business.

Ranking of Iceland in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Iceland compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
<b>Ireland</b>		0.4	
<b>Japan</b>	92.7		
<b>Singapore*</b>			1

<i>Selected Economy</i>			
<b>Iceland</b>	<b>78.5</b>	<b>1.0</b>	<b>4</b>

<i>Comparator Economies</i>			
<b>Denmark</b>	89.4	1.1	4
<b>Finland</b>	89.4	0.9	4
<b>France</b>	45.2	1.9	9
<b>Germany</b>	53.1	1.2	8
<b>Norway</b>	90.9	0.9	1

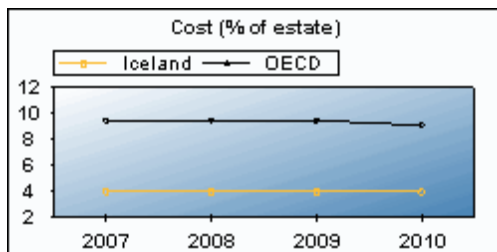
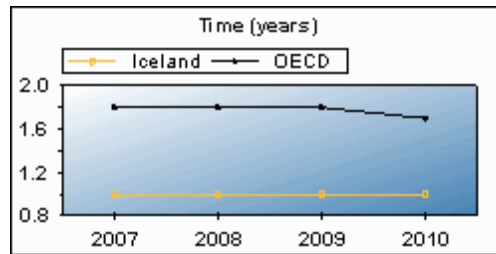
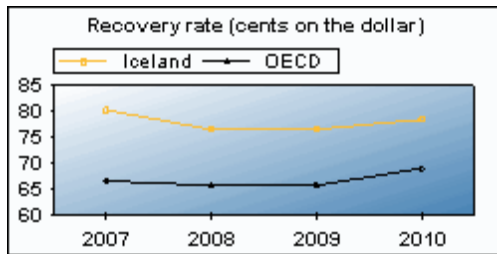
\* The following economies are also good practice economies for :

**Cost (% of estate): Colombia, Kuwait, Norway**

## 2. Historical data: Closing Business in Iceland

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	16	17
Time (years)	1.0	1.0	1.0	1.0
Cost (% of estate)	4	4	4	4
Recovery rate (cents on the dollar)	80.3	76.6	76.6	78.5

## 3. The following graphs illustrate the Closing Business sub indicators in Iceland over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . \* Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

## The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓	✓				
Zambia	✓						✓	✓		
Hungary		✓	✓			✓			✓	
Grenada	✓		✓				✓			
Brunei Darussalam	✓					✓	✓			

 Positive Change  
 Negative Change

\* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

## **Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.**

<b>Brunei Darussalam</b>	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
<b>Cape Verde</b>	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
<b>Denmark</b>	Denmark eased business start-up by reducing the minimum capital requirement for limited liability companies from 125,000 Danish kroner (\$22,850) to 80,000 Danish kroner (\$14,620). Computerization of Denmark's land registry cut the number of procedures required to register property by half.
<b>Germany</b>	Germany eased business start-up by increasing the efficiency of communications between the notary and the commercial registry and eliminating the need to publish an announcement in a newspaper.
<b>Grenada</b>	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
<b>Hungary</b>	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
<b>Iceland</b>	Iceland made dealing with construction permits more costly by increasing the fees to obtain the design approval and receive inspections. Iceland increased the corporate income tax rate from 15% to 18% and raised social security and pension contribution rates.
<b>Kazakhstan</b>	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
<b>Peru</b>	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
<b>Rwanda</b>	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
<b>Tajikistan</b>	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

**Vietnam**

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

**Zambia**

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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