MAGNA

LÖGMENN · REYKJAVÍK

LEGAL BRIEFING FOR INTERNATIONAL CLIENTS

Fisheries & Seafood in Iceland

The quota system, foreign-participation rules and the legal landscape of one of the world's best-managed fisheries — a guide for international business.

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INTRODUCTION

A World-Leading Industry with Strict Entry Rules

Icelandic seafood is a global benchmark: science-based quota management, full utilisation of the catch, and a value chain spanning vessels, processing, biotechnology and marketing. For international business the sector presents a paradox — fishing itself is closed to foreign ownership, while the industries around it (aquaculture, processing technology, marine ingredients, trade and services) are open and actively seeking international partners. Understanding where the legal lines run is the first step in any seafood-sector strategy for Iceland.

ITQ	25%	Open	EEA
individual transferable quotas since the 1980s	general ceiling on indirect foreign ownership in fishing	aquaculture, technology & trade open to foreign investors	preferential access to the European seafood market

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PART I — THE SYSTEM

Quota Management under the Fisheries Management Act

- **Legal basis.** The Fisheries Management Act No. 116/2006 declares the fish stocks around Iceland the common property of the Icelandic nation and provides that allocations of harvest rights do not create ownership or irrevocable claims — the constitutional foundation of the whole system.
- **TACs and science.** The minister sets total allowable catches for each stock on the basis of the Marine and Freshwater Research Institute's advice; Iceland follows harvest-control rules that have kept its key stocks, led by cod, in strong condition.
- **ITQs.** Vessels hold quota shares (aflahlutdeild) — percentages of each TAC — which convert annually into catch entitlements (aflamark). Shares and annual entitlements are transferable within statutory limits, supporting consolidation and efficiency.
- **Concentration limits.** No single party and related parties may control more than statutory ceilings of the quota (in cod-equivalent terms), and holdings are monitored by the Directorate of Fisheries (Fiskistofa).
- **Special allocations.** Coastal fisheries (strandveiðar), community quotas (byggðakvóti) and other social allocations sit alongside the ITQ core and are politically sensitive and frequently litigated.
- **Licensing.** Commercial fishing requires a fishing licence tied to a vessel on the Icelandic ship register — which is where the foreign-ownership restrictions bite (Part II).

PART II — FOREIGN PARTICIPATION

What Is Closed — and What Is Open

The restrictions

- **Fishing and primary processing are protected.** Under the Act on Investment by Non-Residents No. 34/1991, only Icelandic citizens and Icelandic legal entities wholly owned by Icelandic parties may conduct fishing in Icelandic waters or own enterprises engaged in fishing and defined primary fish processing.
- **Limited indirect ownership.** Foreign investors may as a rule hold only minority indirect stakes (generally up to 25%, in defined cases up to 33%) in Icelandic entities that own fishing undertakings; structures are examined on a look-through basis and circumvention arrangements are void.
- **Enforcement is real.** Ownership is monitored, and transactions that would tip a fishing group over the thresholds must be restructured or unwound — early legal review of any investment touching quota-holding companies is essential.

The openings

- **Aquaculture** — open to foreign investment and already substantially internationally owned; licensing under the Aquaculture Act involves the Food and Veterinary Authority (MAST) and environmental permitting, with sea-farming areas allocated in defined fjord zones. A new resource-fee and regulatory framework is under continuing political development — monitor at deal time.
- **Processing technology and equipment** — Iceland is a world centre for fish-processing technology; foreign acquisition of and joint ventures with technology companies are unrestricted.
- **Marine ingredients and biotech** — collagen, enzymes, fish leather, nutraceuticals: full-utilisation ventures are open and often EEA-grant supported.
- **Trade, marketing and services** — export, sales and distribution companies, cold chains, finance and insurance are open; secondary processing abroad of Icelandic raw material is a long-established model.

Structuring note

The line between restricted “fishing and primary processing” and open “processing, trade and services” is statutory, technical and decisive. Getting a structure opinion before term sheets are signed is far cheaper than unwinding a completed investment.

PART III — OPERATING RULES

Charges, Crews and Market Access

Resource charges

- **The fishing fee (veiðigjald)** is levied on vessel operators by reference to the profitability of the catch. The Supreme Court of Iceland has confirmed that the fee is a tax in the constitutional sense (judgments of 28 January 2016 in Case No. 461/2015 and 23 March 2017 in Case No. 213/2016) — meaning it must rest on a clear statutory basis and is open to constitutional challenge where the legislature overreaches. The fee's calculation basis remains under active political revision.

Crews and employment

- **Seamen's law.** Crew employment is governed by the Seamen's Act No. 35/1985 and sector collective agreements; remuneration follows the share system (hlutaskipti), under which crew are paid a share of catch value, with catch-price settlement supervised by a statutory price office.
- **Disputes** over crew shares, catch valuation, manning and dismissals are a steady stream of litigation before the ordinary courts and the Labour Court — an area where MAGNA's employment-law litigators are regularly engaged (see our employment briefing).

Market access and food law

- **EEA access.** Protocol 9 to the EEA Agreement gives Icelandic seafood duty-free or reduced-tariff access to the European market for most products; rules of origin and veterinary border rules are handled through MAST-certified export documentation.
- **Traceability and food safety** — catch registration, weighing rules and full-chain traceability are enforced by Fiskistofa and MAST; compliance failures can cost licences, not just fines.

PART IV — SELECTED EXPERIENCE

Acting for Operators in a Regulated Industry

MAGNA's lawyers act for fishing operators, seafood companies and industry counterparties in regulatory, commercial and employment disputes across the sector.*

Sector litigation and advisory

- **Geir ehf.** — acted for the fishing operator Geir ehf. in court proceedings concerning the company's fisheries-related interests.
- **Maritime and dockside labour disputes** — represented the Icelandic Confederation of Labour (for the Efling union) as intervening party in Labour Court proceedings concerning collective-bargaining rights and priority clauses for dockworkers (Eimskip) — at the intersection of the seafood, shipping and labour markets.
- **Public charges and constitutional limits** — MAGNA's partners litigated the leading Supreme Court cases in which unlawfully levied customs charges were recovered from the State with full default interest for major trading companies — precedent of direct relevance to seafood exporters and importers facing sector levies.
- **Administrative litigation** — challenges to administrative decisions of licensing and supervisory authorities before the appeal boards and the courts, drawing on the firm's broad public-law practice.

Related briefings

- Employment and crew matters — *Employment Law & Renewable Energy Framework in Iceland*; corporate structuring and foreign-investment rules — *Doing Business in Iceland*; site acquisition for processing and aquaculture — *Acquiring Real Estate in Iceland as a Foreign Entity*.

References available

Detailed case references and CVs of the responsible partners are available on request; client-specific matters are disclosed only with the client's consent.

* Certain matters were handled by MAGNA's partners at the firm's predecessor offices (Lögmenn Höfðabakka and Málflutningsstofa Reykjavíkur), which merged to form MAGNA Lögmenn in 2019.

PART V — HOW WE CAN ASSIST

Your Icelandic Legal Partner

MAGNA Legal (MAGNA Lögmenn) advises international clients across the full life cycle of an Icelandic investment — from first market analysis to operations, expansion and exit. We work in English and Icelandic and coordinate seamlessly with foreign counsel, tax advisers and technical consultants.

Regulatory & Quota Matters

Foreign-investment structuring and compliance; licensing before Fiskistofa and MAST; quota transactions and concentration limits; challenges to administrative decisions and levies.

Corporate & Transactions

Acquisitions and joint ventures in aquaculture, processing technology and trade; shareholder arrangements; financing and security over vessels and assets.

Employment & Crews

Seamen's Act and collective-agreement matters; crew-share and catch-price disputes; dismissals and manning; Labour Court and court litigation.

Trade & Disputes

Export and distribution agreements; EEA market-access and customs issues; commercial litigation and arbitration across the seafood value chain.

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