

The criterion income used in calculating a pension and related grants is taxable, for example, wages from work, pension fund income and financial income, although there are exceptions. Income that is not included is pension payments and related grants from the Social Insurance Administration, municipal financial assistance and withdrawals from private pensions.

It is easy to enter assumptions into a pension calculator at tr.is or an interim calculation at tryggur.is to examine the effect of income on payments.

Instructions on how pensions are linked to income are in the Social Insurance Act, no. 100/2007, and the Act on Social Assistance, no. 99/2007.

Authority for deductions from certain kinds of income in calculating criterion income varies by compensation category, cf. Table 1.

Table 1. How much income is allowed without the calculation being affected*1

The table shows the tax threshold for annual income.	Elderly pensioners	Invalidity and rehabilitation pensioners
Type of income	Pension supplement Household supplement	Pension supplement Household supplement
Income from work	480.000	1.315.200
Pension fund income	120.000	328.800
Financial income, e.g., interest, indexation, sales proceeds and rent	98.640	98.640

Only those receiving pensions can receive pension supplements, household supplements and other supplements.

Residence in another country can lower payments of pensions and related grants.

After criterion income has been calculated, it is used to determine the amounts of grants, cf. Table 2.

Table 2. Calculation of pension and related grants – June 2011

Rights	Monthly payment	Payments start to reduce when income reaches		Payments are canceled	
		Year	Month	Year	Month
Pensions for the elderly	ISK	Year	Month	Year	Month
Pensions for the elderly/base pensions	32.775	2.575.220	214.602	4.148.420	345.702
Pension supplement	103.427	0	0	2.986.596	248.883
Household supplement	30.480	0	0	2.758.371	229.864
Invalidity/rehabilitation pensions	ISK	Year	Month	Year	Month
Invalidity and rehabilitation pension/base pension	32.775	2.575.220	214.602	4.148.420	345.702
Age-related invalidity and rehab. pension 100%	32.775	2.575.220	214.602	4.148.420	345.702
Pension supplement	104.957	0	0	3.078.396	256.533
Household supplement	30.480	0	0	2.798.470	233.206
Other	ISK	Year	Month	Year	Month
Living standard*1 does not live alone	174.946				
Living standard*1 lives alone with a household supplement	203.005				
Invalidity allowance (age 16 to 61)	24.230	2.575.220	214.602	4.125.940	343.828
Invalidity allowance (age 62 to 66)	32.775	2.575.220	214.602	4.148.420	345.702
Allowance for pension*2 – 5% to 140% of pension				2.400.000	200.000
Allowance for motor vehicle costs	12.115				
Personal allowances	46.873	0	0	865.348	72.112

The proportion of deduction after reaching the tax threshold differs by types of payments, cf. Table 3.

Table 3. Types of pensions	Deduction
Elderly, invalidity and rehabilitation pensions	25%
Age-related invalidity and rehab. pension is a fixed proportion of a disability pension and is based on the age at the first disability assessment.	
Pension supplement: criterion income for a pension up to ISK 2.575.220	45%
Pension supplement: criterion income for a pension exceeding ISK 2.575.220	20%
Household supplement of elderly pensioners	13,26%
Household supplement of invalidity pensioners	13,07%
Personal allowances	65%

The income of spouses, other than financial income (which is always joint), has no effect on social insurance rights.

Half of the financial income of couples/people living together has an effect on calculation for each individual.

*1 Living standard (special supplement for support): If total income, including taxable income from the Social Insurance Administration, falls below the living standard, the shortfall is paid as a special supplement for support. A pension supplement*2 has no effect on a separate supplement for support.

*2 A pension supplement can be 5-140% of a pension. All income, including taxable income from the Social Insurance Administration (other than an age-related invalidity and rehab. pension), affects a calculation.

Supplements are canceled if assets in the form of money and/or securities exceed ISK 4 million for individuals or ISK 8 million for couples.