

GLOBAL HIRING GUIDE

# Faroe islands





## GLOBAL HIRING GUIDE

# Table of Contents

---

### 01 Basic Country Facts

### 02 Statutory Labor Requirements

- Probation Period
- Annual Leave
- Public Holidays
- Maternity Leave
- Paternity Leave
- Sick Leave
- Work Hours
- Overtime
- Notice Period
- 13th Month

### 03 Income Tax

### 04 Social Security

### 05 Immigration

---

### 06 Value Added Tax (VAT)

### 07 Termination

### 08 Statutory Benefits

# 01

## BASIC COUNTRY FACTS

- **Full Name**  
Faroe Islands
- **Capital**  
Tórshavn
- **Main Languages**  
Faroese  
Danish
- **Population**  
52,889
- **Monetary Unit**  
Danish Krone  
Faroese Króna
- **Internet Domain**  
.fo
- **International Dialing Code**  
+298
- **Currency**  
Danish krone  
Faroese króna



# 02

---

## STATUTORY LABOR REQUIREMENTS

### Probation Period

---

- There is no general legislation regarding probationary periods.
- However, a probationary period of up to three months may be agreed.

### Annual Leave

---

- In general, the annual holiday entitlement is 6 weeks, in addition to public holidays.

### Public Holidays

---

1. New Year's Day
2. Maundy Thursday
3. Good Friday
4. Easter Monday
5. National Flag Day
6. Prayer Day
7. Ascension Day
8. Whit Monday
9. Danish Constitution Day
10. St. Olav's Eve
11. St. Olav's Day
12. Christmas Eve
13. Christmas Day
14. Second Day of Christmas
15. New Year's Eve

### Maternity Leave

---

- Mothers have the right to paid leave 4 weeks before childbirth and 14 weeks after birth.
- On top of that the parents are entitled to paid leave for 34 more weeks that they can divide between them as they wish.

### Paternity Leave

---

- Fathers get 4 weeks of paternity leave
- On top of that the parents are entitled to paid leave for 34 more weeks that they can divide between them as they wish.

### Sick Leave

---

- Loss of income due to illness may entitle you to sickness benefit.
- One condition is that you have had employment for at least 5 weeks before the sick leave begins.
- And the maximum period of receiving the benefit is 40 weeks.
- If offered, you have a duty to accept any medical treatment helping you regain the ability to work, in order to keep your entitlement to sickness benefit.

## Work Hours

---

- Normal working hours are around 40 hours per week in the private and public sector.

## Overtime

---

- Work in excess of normal working hours is compensated with an overtime supplement.

## Notice Period

---

- The period of notice correlates to the seniority of the employed person.
- For an hourly employed worker who has been employed for 6 months the period of notice is at least 7 working days.
- While for a worker receiving regular monthly wages (employed under the terms of the agreement of the Faroese General Workers` Union, Føroya Arbeiðarafelag) who has worked for more than 6 months and less than 2 years the period of notice for dismissal is 2 months.
- For salaried employees (e.g. in the Office and Retail Workers` Union, S&K) who have been in work between 6 months and 3 years (excluding temporary or probation period employment) the period of notice is 3 months.

## 13th Month

---

- It is customary. It is usually paid before the holiday begins.



# 03

## INCOME TAX

- All individuals who are living in the Faroe Islands must pay tax on all personal income.
- Personal income is collected on wages, interest, gifts and inheritance.
- Personal income tax is paid to the government, the municipality and in most cases also to the church.
- The total government and municipal tax paid on regular taxable income cannot exceed 50 %.
- Individuals with full tax liability in the Faroe Islands start to pay taxes on income when they earn more than DKK 30,000 a year.
- National tax is based on a progressive system, meaning that the tax rate rises as the amount subject to taxation rises.
- No tax is paid on the first DKK 65,000 of the taxable income.
- A fixed amount and a tax rate increasing from 15 to 30 per cent is paid on the remaining income.
- A person earning between DKK 330,000 and DKK 800,000 pays DKK 44,500 of the first DKK 330,000 and 25 percent of the remaining income.
- Local tax is paid to the municipality.
- The local tax rate is not progressive.
- Each municipality sets its own tax rate which varies from 16 to 22 per cent (2019).

### NATIONAL TAX

First DKK 65,000	Exempt
First DKK 330,000 (On Income Between DKK 330,000 And DKK 800,000)	DKK 44,500
On Remaining Income (DKK 333,000 To DKK 880,000)	25%

### LOCAL TAX

16% To 22%

# 04

## SOCIAL SECURITY

- In addition to taxes all employees with full tax liability have to pay a number of mandatory contributions.
  - These are withheld from the income in the same way as ordinary taxes.
  - Residents between the age of 16 and 66 working in the Faroe Islands are liable to contribute to the Unemployment Scheme (ALS).
  - The contribution to ALS is 1%.
  - Residents between the age of 16 and 66 working in the Faroe Islands are liable to contribute to the Parental Leave Fund (BAS).
  - The contribution to BAS is 0.86% of the taxable income.
  - All individuals up to the age of 67 with full tax liability in the Faroe Islands are required to save up for a pension.
  - The required pension saving increases by 1% each year and is now 8%. Academic employees already pay 15% or more of their salary to a pension scheme set up by their trade union.
  - Employees with an employment contract stating that the employment is for a fixed period of time may be granted an exemption from compulsory pension contributions for up to a total of 60 months.
  - All employees under the age of 67 liable to pay tax in the Faroe Islands have to contribute to the Labor Market Supplemental Pension Fund (AMEG).
  - The contribution is 3 percent of the taxable income.
- All residents over the age of 18 have to pay a
- monthly contribution to the National Health Insurance.

The contribution is a fixed amount of DKK 175 and 0.7% of the taxable income.

CONTRIBUTION	EMPLOYEE
Unemployment Insurance Scheme	1%
Parental Leave Fund	0.86%
Pension	8%
Labor Market Supplemental Pension Fund	3%
National Health Insurance	0.7%

## IMMIGRATION

### Immigration

---

- Nordic citizens from Denmark, Iceland, Norway, Sweden and Finland are free to move to the Faroes to work, study and live.
  - Citizens from all other countries need a Work and Residence Permit before they can take up residence or employment in the Faroes.
  - This also applies to EU citizens; since the Faroe Islands are not a member of the European Union, the regulations on free movement for citizens of EU countries do not apply to the Faroes.
  - In order to receive permission to work and reside in the Faroes, foreign nationals need to apply with the Danish Immigration Service, which will process the application in consultation with the Faroese Government.
  - Furthermore, conditions for obtaining a visa for the Faroe Islands are similar to the conditions for obtaining a visa for Denmark.
  - Visa is required for entering the Faroe Islands regardless of the person having a residence permit in Denmark.
  - Correspondingly, a visa is required when entering Denmark, even though the person has a residence permit in the Faroe Islands.
  - The assessment of your application is normally based on whether your labor and your qualifications are in demand on the Faroe Islands.
- When processing your application, SIRI pays particular attention to the following criteria:
    - Whether there are available professionals residing on the Faroe Islands who are qualified to carry out the job in question (applies only to certain types of applications), and
    - Whether the nature of the job in question is specialized enough to warrant a residence and work permit.
  - Your salary and terms of employment must correspond to Faroese standards. This means that your salary, holiday entitlements, terms of notice etc. must not be inferior to the standards within the professional field where you are going to work.
  - A residence permit for the Faroe Islands can be granted with a validity of up to 1 year from the date a decision is made on your case.

TYPE OF VISA/ PERMIT	DOCUMENTATION	VALIDITY	ELIGIBILITY
<p>Work Permit</p>	<ul style="list-style-type: none"> <li>• Copy of passport</li> <li>• 1 passport photo</li> <li>• Copy of employment contract</li> <li>• Educational documents</li> <li>• Proof of authorization</li> </ul>	<p>1 year (can be extended)</p>	<ul style="list-style-type: none"> <li>• When processing your application, SIRI pays particular attention to the following criteria: <ul style="list-style-type: none"> <li>→ Whether there are available professionals residing on the Faroe Islands who are qualified to carry out the job in question (applies only to certain types of applications), and</li> <li>→ whether the nature of the job in question is specialized enough to warrant a residence and work permit.</li> </ul> </li> <li>• Your salary and terms of employment must correspond to Faroese standards. This means that your salary, holiday entitlements, terms of notice etc.</li> </ul>

# 06

## VALUE ADD TAX

### Value Added Tax

- Value added tax (VAT) is a consumption tax on sales and is levied whenever a sale of goods and services occurs throughout the distribution chain.
- VAT is also levied on the import of goods.
- A standard rate of 25 percent is applied on most goods and services.
- Some goods and services are exempt from VAT.
- Among these are certain cultural activities and sports, personal transportation, financial and insurance transactions and literary, compositional and other artistic activities.

VAT	
Standard Rate	25%
Exempt	0%

# 07

## TERMINATION

- Circumstances leading to dismissal can arise at any workplace.
- An example of circumstances relating to the employee could be serious breach of the employment contract.
- Examples of circumstances relating to the employer/ enterprise could be a necessary reduction in the size of the workforce or reorganization.
- An employee cannot be dismissed because she is pregnant. If the employer cannot prove that the dismissal is unrelated to the pregnancy, the dismissal is unlawful.
- This is stipulated in the pregnancy law.
- The period of notice correlates to the seniority of the employed person.
- For an hourly employed worker who has been employed for 6 months the period of notice is at least 7 working days.
- While for a worker receiving regular monthly wages (employed under the terms of the agreement of the Faroese General Workers` Union, Føroya Arbeiðarafelag) who has worked for more than 6 months and less than 2 years the period of notice for dismissal is 2 months.
- For salaried employees (e.g. in the Office and Retail Workers` Union, S&K) who have been in work between 6 months and 3 years (excluding temporary or probation period employment) the period of notice is 3 months.

# 08

## STATUTORY BENEFITS

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity leave, overtime pay.
- Statutory benefits also include social security benefits

### STATUTORY BENEFITS

- Annual Leave
- Public Holidays
- Maternity Leave
- Paternity Leave
- Sick Leave
- Overtime Pay
- Social Security Benefits



©2023 Global Expansion. All rights reserved.