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# *EFTA SURVEILLANCE AUTHORITY*

Doc. No. 98-615-I  
Dec. No. 123/99/COL

## EFTA SURVEILLANCE AUTHORITY DECISION

of 9 June 1999

to close the case concerning state aid in the form of  
sectorally differentiated social security tax  
(Iceland)

THE EFTA SURVEILLANCE AUTHORITY,

Having regard to the Agreement on the European Economic Area<sup>1</sup>, in particular to Protocol 26 and to Articles 61 to 63 of the Agreement,

Having regard to the Agreement between the EFTA States on the establishment of a Surveillance Authority and a Court of Justice<sup>2</sup>, in particular to Article 24 and Article 1(1) of Protocol 3 thereof,

RECALLING the Authority's Decision No. 16/96/COL of 7 February 1996 (Doc. No. 96-529-I) to propose appropriate measures to Iceland with regard to State aid in the form of sectorally differentiated social security tax (Aid No. 93-386), the operative part of which reads as follows:

“1. The EFTA Surveillance Authority proposes to Iceland, on the basis of Article 1(1) of Protocol 3 to the Surveillance and Court Agreement, the following appropriate measures with regard to the State aid involved in the system of sectorally differentiated rates of social security tax:

- (i) The Icelandic Government shall take the necessary steps to effect adjustment of the relevant provisions of the legislation on the social security tax ("Lög nr. 113/1990, um tryggingagjald, með síðari breytingum") in such a manner as to remove, in so far as sectors covered by the relevant provisions of the EEA Agreement are concerned, the present sectoral differentiation in the rates of the social security tax.
- (ii) The legislative amendments referred to in point 1(i) above shall enter into force not later than 1 January 1997.

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<sup>1</sup> Hereinafter referred to as the EEA Agreement.

<sup>2</sup> Hereinafter referred to as the Surveillance and Court Agreement.

- (iii) The Icelandic authorities shall inform the EFTA Surveillance Authority in due time and in any case not later than 1 October 1996 of the measures to be taken.
- (iv) The Icelandic Government shall signify its agreement to the above proposal or otherwise submit its observations by 20 March 1996.”

WHEREAS, by letters of the Icelandic Ministry of Finance of 12 April 1996 (Doc. No. 96-1931-A) and 25 June 1996 (Doc. No. 96-3590-A), the Icelandic Government informed the Authority of its intention to introduce to the Parliament a proposal to amend the legislation on the social security tax with a view to harmonising the social security tax rates within the next few years,

WHEREAS, by Act No. 156 of 27 December 1996, the Icelandic Parliament passed the Government’s bill to harmonise the social security tax rate. Following further adjustments of tax rates by Act No. 130 of 23 December 1997, the tax, as from the income year 2000, will be levied at a combined uniform tax rate<sup>3</sup> of 5,14% for all economic sectors. This harmonisation is effected through the following step-wise convergence of the two tax rates in operation, the general rate and the special rate (at the time of the Authority’s Decision No. 16/96/COL, the social security tax was levied at a general rate of 6,85% and at a special rate (for certain sectors) of 3,55%):

	General rate	Special rate
As from the income year 1997	6,2%	3,8%
As from the income year 1998	5,79%	4,19%
As from the income year 1999	5,44%	4,69%

WHEREAS, due account is taken of the submission by the Icelandic Government concerning difficulties which it considers would have been associated with a more rapid harmonisation of tax rates as well as of the fact that the Icelandic Government has found it opportune to undertake a more comprehensive sectoral harmonisation of tax rates than is required by the Authority’s Decision No. 16/96/COL and the scope of the EEA Agreement,

WHEREAS, with reference to the above considerations, the case can be closed.

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<sup>3</sup> It shall be noted that the social security tax consists of two components, the general social security fee (*‘almennt tryggingagjald’*) and the employment insurance fee (*‘atvinnutryggingagjald’*). The latter is levied at a uniform rate for all sectors, currently at 1,3%. The tax rates referred to in this decision are the combined rates for the two components.

**HAS ADOPTED THIS DECISION:**

1. The State aid case opened on the Authority's own initiative by reviewing the existing system of sectorally differentiated social security tax in Iceland and proposing to the Icelandic Government appropriate measures under Article 1(1) of Protocol 3 to the Surveillance and Court (Decision No. 16/96/COL) is hereby closed without further action.
2. The Icelandic Government shall be informed by means of a copy of the decision.

Done at Brussels, 9 June 1999

For the EFTA Surveillance Authority

Knut Almestad  
President

Bernd Hammermann  
College Member