

Brussels, 29 January 2025  
Case No: 81738  
Document No: 1508860  
Decision No 005/25/COL

Ministry of Culture and Business Affairs  
Sölvhólgata 7  
101 Reykjavík  
Iceland

**Subject: Decision recording the Icelandic authorities' acceptance of appropriate measures relating to Sorpa bs.**

- (1) By letter dated 3 October 2019,<sup>1</sup> the EFTA Surveillance Authority (“ESA”) initiated the review procedure for existing aid schemes according to Article 1(1) of Part I and Article 17(1) of Part II of Protocol 3 to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice (“Protocol 3 SCA”) as regards a tax exemption enjoyed by Sorpa bs. (“Sorpa”). Specifically, the measure under assessment was the income tax exemption enjoyed by Sorpa as a municipally owned cooperative agency in accordance with Article 4(1)(2) of the Icelandic Income Tax Act (“the measure”).<sup>2</sup>
- (2) The Icelandic authorities responded by letter dated 4 December 2019.<sup>3</sup> The handling of the case was held up by ESA having to allocate most of its resources to the handling of the heavy caseload caused by the COVID-19 pandemic. By letter dated 16 May 2023,<sup>4</sup> ESA initiated the procedure provided for in Article 17(2) of Part II of Protocol 3 SCA, thereby informing the Icelandic authorities of its preliminary view that the measure constituted State aid that was incompatible with the functioning of the EEA Agreement.
- (3) The Icelandic authorities responded by letters dated 10 October 2023,<sup>5</sup> 21 May 2024<sup>6</sup> and 19 June 2024.<sup>7</sup> The case was discussed in a meeting on 7 November 2024, and in written correspondence on the same day.<sup>8</sup> In this correspondence, the Icelandic authorities presented ESA with proposals for legal remedies to ensure that any incompatible State aid would be abolished.

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<sup>1</sup> Document No 1087187.

<sup>2</sup> Icelandic Income Tax Act No [90/2003](#).

<sup>3</sup> Document Nos 1101954, 1101956, 1101958 and 1101960.

<sup>4</sup> Document No 1112666.

<sup>5</sup> Document Nos 1404155 and 1404157.

<sup>6</sup> Document Nos 1457835 and 1457837.

<sup>7</sup> Document Nos 1464597 and 1464599.

<sup>8</sup> Document No 1496580.

- (4) On 20 November 2024, ESA adopted a Decision in accordance with Article 18 of Part II of Protocol 3 SCA.<sup>9</sup> In that Decision, ESA concluded that the measure constituted existing State aid which was incompatible with the functioning of the EEA Agreement.<sup>10</sup> This assessment by ESA concerned specifically Sorpa's economic activities on the markets for waste acceptance and waste disposal.<sup>11</sup>
- (5) In the Decision of 20 November 2024, ESA proposed that the Icelandic authorities should take by no later than 1 January 2027 the following appropriate measures to ensure that the incompatible State aid is abolished:<sup>12</sup>
- *First*, Sorpa's activities on the markets for waste acceptance and waste disposal should be incorporated into a limited liability company that is subject to income tax. These activities include the Receiving and Sorting station in Gufunes, the Gas and Compost production facility in Álfsnes (GAJA), and the Earth Fill tip in Álfsnes (in so far as it receives new waste).
  - *Second*, appropriate actions shall be taken to guarantee that a market price is paid for the disposing of non-domestic waste at recycling stations, and when the waste is subsequently transferred to the limited liability company an adequate price is paid to the limited liability company.
  - *Third*, real estate and equipment related to the operations of the economic activities shall either continue to be owned by Sorpa and rented to the limited liability company at market price or be sold to the limited liability company at market price.
- (6) By letter dated 13 December 2024,<sup>13</sup> the Icelandic authorities accepted, unconditionally and unequivocally, the appropriate measures proposed by ESA in its Decision of 20 November 2024. Furthermore, the Icelandic authorities confirmed that the measures would be fully implemented by 1 January 2027.
- (7) In the present Decision, ESA records the acceptance by the Icelandic authorities of the appropriate measures proposed by ESA in Decision No 197/24/COL of 20 November 2024 and informs the Icelandic authorities of this recording, in accordance with Article 19(1) of Part II of Protocol 3 SCA.
- (8) The Icelandic authorities are reminded that from 1 January 2027, any new or continued granting of State aid in the form of an income tax exemption benefiting Sorpa's economic activities may constitute unlawful incompatible State aid and may consequently be subject to recovery. The Icelandic authorities are invited to keep ESA updated on the process relating to the implementation of the appropriate measures, and to consult ESA to ensure that the implementation of the appropriate measures is in line with the State aid rules.

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<sup>9</sup> ESA Decision 197/24/COL.

<sup>10</sup> ESA Decision 197/24/COL, paragraph (101).

<sup>11</sup> ESA Decision 197/24/COL, paragraphs (101)-(103) and (108).

<sup>12</sup> ESA Decision 197/24/COL, paragraphs (102)-(106).

<sup>13</sup> Document Nos 1506154 and 1506152.

- (9) The present decision is without prejudice to the possibility for ESA to continuously assess existing aid schemes under Article 1(1) of Part I of Protocol 3 SCA and to propose appropriate measures required by the progressive development or the functioning of the EEA Agreement.

For the EFTA Surveillance Authority,

Yours faithfully,

Arne Røksund  
President  
Responsible College Member

Árni Páll Árnason  
College Member

Stefan Barriga  
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Melpo-Menie Joséphidès  
Countersigning as Director,  
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*This document has been electronically authenticated by Arne Roeksund, Melpo-Menie Josephides.*