



16 September 2021

(21-6907)

Page: 1/30

Committee on Subsidies and Countervailing Measures

Original: English

SUBSIDIES

NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVI:1 OF THE GATT 1994 AND ARTICLE 25 OF THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

ICELAND

The following communication, dated and received on 15 September 2021, is being circulated at the request of the delegation of Iceland.

Table of contents

| | |
|---|-----------|
| 2019 | 4 |
| 1 THE AGRICULTURAL SECTOR..... | 4 |
| 2 SUPPORT FOR R&D AND TECHNOLOGICAL INNOVATION | 6 |
| 2.1 Technical Development Fund..... | 6 |
| 2.2 Research Fund | 7 |
| 2.3 Support for R&D in marine aquaculture | 7 |
| 3 SUPPORT TO SMALL AND MEDIUM-SIZED COMPANIES | 8 |
| 3.1 Job Creation Initiative (prior to 1996 known as Firm specific subsidies and export promotion (Case 93-221)). | 8 |
| 3.2 Regional Development Fund..... | 9 |
| 4 SUPPORT FOR EMPLOYMENT AND TRAINING | 9 |
| 4.1 Vocational Training Fund Support for Vocational Training | 9 |
| 4.2 Employment Opportunities for Women in Rural Areas..... | 10 |
| 4.3 Vocational Rehabilitation | 11 |
| 4.4 Employment of Handicapped Persons | 11 |
| 5 REGIONAL SUPPORT | 12 |
| 5.1 Assistance to Employment Development Projects | 12 |
| 5.2 Assistance to Local Economic Development..... | 12 |
| 6 TEMPORARY REPAYMENT OF COSTS OF FILMS PRODUCTION IN ICELAND | 13 |
| 7 RURAL TOURISM | 15 |
| 8 AID TO PROMOTE MARKETING OF ICELANDIC TOURISM..... | 15 |
| 9 SCHEME TO SUPPORT INNOVATION COMPANIES | 15 |
| 10 RISK FINANCE AID FOR SMES | 16 |
| 2020 | 17 |
| 1 THE AGRICULTURAL SECTOR..... | 17 |
| 2 SUPPORT FOR R&D AND TECHNOLOGICAL INNOVATION | 19 |
| 2.1 Technical Development Fund..... | 19 |
| 2.2 Research Fund | 20 |
| 2.3 Support for R&D in marine aquaculture | 20 |
| 3 SUPPORT TO SMALL AND MEDIUM-SIZED COMPANIES | 21 |
| 3.1 Job Creation Initiative (prior to 1996 known as Firm specific subsidies and export promotion (Case 93-221)) | 21 |
| 3.2 Regional Development Fund..... | 22 |
| 4 SUPPORT FOR EMPLOYMENT AND TRAINING | 22 |
| 4.1 Vocational Training Fund Support for Vocational Training | 22 |
| 4.2 Employment Opportunities for Women in Rural Areas..... | 23 |
| 4.3 Vocational Rehabilitation | 23 |
| 4.4 Employment of Handicapped Persons | 24 |
| 5 REGIONAL SUPPORT | 25 |
| 5.1 Assistance to Employment Development Projects | 25 |

| | |
|--|-----------|
| 5.2 Assistance to Local Economic Development..... | 25 |
| 6 TEMPORARY REPAYMENT OF COSTS OF FILMS PRODUCTION IN ICELAND | 26 |
| 7 RURAL TOURISM | 27 |
| 8 AID TO PROMOTE MARKETING OF ICELANDIC TOURISM..... | 28 |
| 9 SCHEME TO SUPPORT INNOVATION COMPANIES | 28 |
| 10 RISK FINANCE AID FOR SMES | 29 |
| 11 COVID-19 TEMPORARY MEDIA SUPPORT SCHEME..... | 29 |

2019**1 THE AGRICULTURAL SECTOR****A. NAME OF PROGRAMME****Agricultural Agreements; Payments to dairy farms, sheep farms and horticulture farms**

(Budget items No.04-801, 04-805 & 04-807).

B. RESPONSIBILITY AUTHORITY

Ministry of Industries and Innovation.

C. POLICY OBJECTIVE

The main objective of the agreement is to strengthen Icelandic agriculture and provide the sector with the largest possible variety of opportunities for expansion. The aim of the agreement is to provide the agricultural sector with a framework conducive to creating economic value and to making the most of opportunities present in the country's rural areas, for the benefit of farmers, consumers and society at large. This development must be founded on specificity, sustainability and diversity. For that purpose, the agreement contains provisions on new projects designed to strengthen the operational basis of the agricultural sector and promote development and innovation.

D. FORMS OF SUBSIDY

Agricultural subsidies in Iceland is mostly provided through direct payments, based on payment entitlements, which are directly or indirectly coupled with production factors. Direct payments are provided to cattle (mainly dairy) and sheep producers, and, on a smaller scale, to certain greenhouse producers. Allocations for the Agricultural Agreements in 2019 are made under items 04-801, 04-805 and 04-807 of the State budget (Ministry of Industries and Innovation).

E. AMOUNT OF SUBSIDY

Items making up the amount of support as measured by total costs in Government Accounts for 2019 are listed in table 1.

Table 1 Amount of support in 2019 (Government Accounts); Million ISK

| | 2019 |
|--|-------------|
| Agricultural Productivity Fund | 151 |
| Directs payments to sheep farmers | 2,210 |
| Quality control scheme; sheep farmers | 1,925 |
| Wool utilization; subsidies | 389 |
| Direct payments to dairy farmers | 4,908 |
| Direct payments to horticulture farmers | 291 |
| Electricity subsidies to horticulture farmers (greenhouse) | 296 |

F. RULES AND CONDITIONS

Implementation of the agricultural policy revolves around Agricultural Agreements negotiated between the Government and the Farmer's Association. Under Act No. 99/1993 on Agricultural Produce, the Minister of Fisheries and Agriculture is given the authority to negotiate with the Farmer's Association on behalf of the Government on the total support target for milk and total support target for sheep meat entitlements and direct payments for horticulture. Administered prices are infused for milk.

Support is provided for dairy farms, sheep farms and horticulture farms (greenhouse).

1. Dairy farmers

Milk producers receive direct payments from the Government on milk delivered to dairies and on support entitlements. The annual quantity must be within the allocated supported targets. The amount of monetary support per litre is the same for all producers in Iceland. Additional payments for delivered milk are to be made monthly for all delivered milk, irrespective of support entitlements.

2. Sheep farmers

Sheep farmers receive direct payments from the Government which are based on support targets for sheep meat entitlements, for which they must own 70% live sheep. Additional payments to sheep farmers are related to a quality control scheme for lamb meat, based on animal welfare, product quality and traceability, and sustainability criteria.

3. Sheep farmers, wool

Sheep farmers receive support from the Government based on quantity and quality of wool produced.

4. Horticulture farmers

Horticulture farmers producing cucumbers, peppers and tomatoes in greenhouses, mainly under artificial lighting receive direct payments from the government. The distribution of electricity used for artificial lighting is also subsidized to some extent by the Government.

G. DURATION

The time of application of the agricultural agreements between the Government and the Farmer's Association from 1st January 2017 until the end of 2026.

H. LEGAL BASIS

Act No. 99/1993 on Agricultural Produce. The State Budget.

I. TRADE EFFECTS

An assessment of the trade effects of the subsidies is not available. Below, in tables 2, 3 and 4 there are, however, presented statistics on production and exports of the relevant agricultural commodities.

Table 2 Quantity of milk received by dairies and calculated exports by fat-content of milk derived products (in 1,000 of litres) for 2019

| Year | Milk, received by dairies by fat-content | Exported products by fat-content, thereof (%) |
|------|--|---|
| 2019 | 146,985 | 3% |

Table 3 Sheep meat production and exports 2019 (in 1,000 kg)

| Year | Milk, received by dairies by fat-content | Exported products by fat-content, thereof (%) |
|------|--|---|
| 2019 | 9,717 | 29% |

Table 4 Tomato, cucumber and bell pepper production and exports 2019 (in 1,000 kg)

| Tomatoes | Cucumbers | Bell peppers | Total exports, thereof (%) |
|-----------------|------------------|---------------------|-----------------------------------|
| 1,183 | 1,924 | 202 | <1% |

2 SUPPORT FOR R&D AND TECHNOLOGICAL INNOVATION

2.1 Technical Development Fund

A. RESPONSIBLE AUTHORITY

The Icelandic Centre for Research (Rannís) which is under the supervision of the Ministry of Industry and Innovation.

B. POLICY OBJECTIVES

The objective of the Technology Development Fund is to facilitate innovation through supporting research and technological development.

C. AMOUNT AND FORM OF STATE AID

The amount of State aid in 2019: ISK 2,265 million.

D. RULES AND CONDITIONS

The role of the fund is to support research and development activities, which aim towards innovation in Icelandic industry. The Fund will in general operate as a competitive fund through which firms, research institutes and universities will have the possibility of financing projects that support technological development and innovation. The Fund is intended to give support to spin-off ventures and innovative firms to secure that economic benefits accrue to society from the scientific and technical knowledge and the innovation arising from these new ventures.

The Science and Technology Policy Council attaches high importance to close co-ordination between the Research Fund and the Technical Development Fund, as well as co-operation with other public funds and venture investors. The Technical Development Fund can take the initiative to establish programmes and specific actions prepared in consultation with the business community, research institutes and universities. Finally, the Technical Development Fund is permitted to enter into partnerships with venture capital investors for seed and early risk financing toward establishing firms which base their operations on technological development and research and which involves a novelty to the economy.

E. LEGAL BASIS

Act No. 3/2003 on Public Support for Scientific Research, with later amendments.

F. TRADE EFFECT

The support is granted to a variety of small projects and sectors, therefore it is difficult to present statistical data permitting an assessment of trade effects.

G. DURATION

The Technology Development Fund has been operating since 2004. It took over from the Technology Fund which expired in 2004.

2.2 Research Fund

A. RESPONSIBLE AUTHORITY

The Icelandic Centre for Research (Rannís) which is under the supervision of the Ministry of Culture and Education.

B. POLICY OBJECTIVE

The objective of the Research Fund is to facilitate fundamental research at University institutes or other Governmental R&D institutes.

C. AMOUNT AND FORM OF STATE AID

The amount of State aid in 2019: ISK 2,626 million.

D. RULES AND CONDITIONS

Subsidies are granted only on the basis of project applications. The Funds grants are for fundamental research at Universities and the involvement of private companies is very limited or non-existent.

The Research Fund is the most powerful tool of the public sector for reinforcing the research community infrastructure through project grants based on applications from scientists, business firms and institutions. The Science and Technology Policy Council encourages the Fund to give young scientists an opportunity to establish their work and contribute to the further accumulation of scientific and technical knowledge.

The Research Fund offers grants in accordance with the priorities set by the Science and Technology Policy Council and the grants strategy defined by the Science Board based on a peer review evaluation of research project quality, the competence of the individuals involved and the facilities available for completing the project.

E. LEGAL BASIS

Act No. 3/2003 on Public Support for Scientific Research, with later amendments.

F. TRADE EFFECTS

The support is granted to a variety of small projects and sectors, therefore it is difficult to present statistical data permitting an assessment of trade effects.

G. DURATION

Research Fund has been operating since 2004. It took over from the Science Fund which expired in 2004.

2.3 Support for R&D in marine aquaculture

A. RESPONSIBLE AUTHORITY

Ministry of Fisheries and Agriculture.

B. POLICY OBJECTIVE

To enhance scientific knowledge in marine aquaculture.

C. FORM OF SUPPORT

Grants.

D. AMOUNT OF SUPPORT

2019: ISK 31.3 million.

E. RULES AND CONDITIONS

Grants are awarded on the basis of applications evaluated by a special committee.

F. DURATION

There is no time limit, but each programme is decided on for a year at a time.

G. LEGAL BASIS

Act No. 72/2008 on the Directorate of Fisheries.

H. TRADE EFFECTS

There is no trade effect due to limited support.

3 SUPPORT TO SMALL AND MEDIUM-SIZED COMPANIES

3.1 Job Creation Initiative (prior to 1996 known as Firm specific subsidies and export promotion (Case 93-221)).

A. RESPONSIBLE AUTHORITY

Innovation Center Iceland which is under the supervision of the Ministry of Employment and Innovation.

B. POLICY OBJECTIVE

The objective is, to increase the knowledge and competence of entrepreneurs and small and medium-sized enterprises such as in managing, financing, product development, marketing and innovation.

C. FORM OF SUPPORT

Cost items incurred for consultants, product development, marketing and innovation are eligible for grants. Support shall in general not cover more than 50% of eligible expenses.

D. AMOUNT OF SUPPORT

2019: ISK 67.0 million.

E. RULES AND CONDITIONS

Firms and individuals having a registered domicile in Iceland can apply for a grant. In accordance with the EEA *de minimis* rules, entities that apply for grants according to these rules must declare that they have not received a grant from the Government amounts to more than 200,000 EURO last 3 years, the grant applied for included.

F. DURATION

There is no time limit, but each programme is decided on for a year at a time.

G. LEGAL BASIS

The Budget item No. 04-528-198.

H. TRADE EFFECTS

There are no trade effects of the support due to the general framework of the scheme and limited support.

3.2 Regional Development Fund

A. RESPONSIBLE AUTHORITY

Innovation Center Iceland (Nýsköpunarmiðstöð Íslands) which is under the supervision of the Ministry of Employment and Innovation.

B. POLICY OBJECTIVE

To promote cooperation between local governments, safeguard their interests, support industries and enhance quality of life in the entire region economically, socially and culturally.

C. FORM OF SUPPORT

Grants.

D. AMOUNT OF SUPPORT

2019: ISK 502.5 million.

E. RULES AND CONDITIONS

Grants are awarded on the basis of applications evaluated by a special committee.

F. DURATION

There is no time limit.

G. LEGAL BASIS

Act No. 69/2015 (Lög um byggðaaætlun og sóknaráætlun) and the Budget item No. 04-541-115

H. TRADE EFFECTS

There are no trade effects of the support due to the general framework of the scheme and limited support.

4 SUPPORT FOR EMPLOYMENT AND TRAINING.

4.1 Vocational Training Fund Support for Vocational Training

A. RESPONSIBLE AUTHORITY

Ministry of Education and Culture.

B. POLICY OBJECTIVE

The main purpose of this programme is to maintain and develop vocational skills, in most cases for people already employed.

C. FORM OF STATE AID

Grants.

D. AMOUNT OF STATE AID

Actual total expenditure in 2019: ISK 1,368.0 million.

E. RULES AND CONDITIONS

Grants to organizations on application to the Vocational Training Fund mainly to make curriculum or other teaching materials for the vocational training courses.

F. DURATION

The programme started in 1992. Duration has not been specified.

G. LEGAL BASIS

Adult Education Act No. 27/2010 and the Budget item No. 02-452.110, 02-462.110, 02-463.110 and 02-461.110.

4.2 Employment Opportunities for Women in Rural Areas

A. RESPONSIBLE AUTHORITY

Ministry of Fisheries and Agriculture and the Institute of Regional Development (Byggðastofnun).

B. POLICY OBJECTIVE

The main purpose of this programme is to create new jobs among women. Areas where high unemployment is among women will especially be considered.

C. FORM OF STATE AID

Soft loans, up to 50% of primary R&D costs, innovation costs and cost of new products, process and systems for industrial production. Institute of Regional Development pays the grants and controls their disposition.

D. AMOUNT OF STATE AID

Actual total expenditure in 2019: ISK 47,0 million

It is difficult to give exact information on how many jobs have been created or maintained, as many of these new jobs are part time jobs.

E. RULES AND CONDITIONS

Grants to women on application to the Institute of Regional Development mainly to new product developing and marketing. The grant can only be given to companies, which are at least 50% owned by women or have been established by women.

F. DURATION

The programme started in 1990. Duration has not been specified.

G. LEGAL BASIS

Governmental decision from 1990.

4.3 Vocational Rehabilitation

A. RESPONSIBLE AUTHORITY

Ministry of Welfare.

B. POLICY OBJECTIVE

The main purpose of this programme is to develop, integrate and monitor services in the field of vocational rehabilitation; aiming systematically for employment of individuals following illness or injury.

C. FORM OF STATE AID

Gross wage State aid to rehabilitation centres.

D. AMOUNT OF STATE AID

Actual total expenditure in 2019: ISK 1,141.4 million.

E. RULES AND CONDITIONS

The rehabilitation centres must have operating license from the Ministry of Welfare to apply to the Ministry for subsidies.

F. DURATION

The new programme started in 1992. Duration has not been specified.

G. LEGAL BASIS

Act No. 60/2012 (lög um atvinnutengda starfsendurhæfingu og starfsemi starfsendurhæfingasjóða) and financed by the Budget item Nos. 07-986 and 07-988.

4.4 Employment of Handicapped Persons

A. RESPONSIBLE AUTHORITY

Ministry of Welfare.

B. POLICY OBJECTIVE

The main purpose of this programme is to ensure that disabled persons enjoy human rights and freedoms on the same basis as others and that they are guaranteed the support necessary to enjoy these rights.

C. FORM OF STATE AID

Gross wage State aid to rehabilitation centres.

D. AMOUNT OF STATE AID

Actual total expenditure in 2019: ISK 90.9 million.

E. RULES AND CONDITIONS

Service institutions for disabled people should be deployed in order to meet their specific needs so that they can live independently.

F. DURATION

No time limit, the amounts are decided on in the Budget each year.

G. LEGAL BASIS

Act No. 59/1992 on the Affairs of Disabled People and the Budget item No. 07-981.121.

5 REGIONAL SUPPORT

5.1 Assistance to Employment Development Projects

A. RESPONSIBLE AUTHORITY

Institute of Regional Development (Byggðastofnun).

B. POLICY OBJECTIVE

The objective of the programme is to assist the economic development of the nationally assisted areas of Iceland. The assisted projects are small and cover employment development, training and innovation.

C. FORM OF STATE AID

Grants, as assistance to Employment Development Projects, which fall within the objectives of Act No. 106/1999, on the Institute of Regional Development.

D. AMOUNT OF STATE AID

Actual total expenditure in 2019: ISK 210.7 million.

E. RULES AND CONDITIONS

The programme is available to individuals, private companies, local development companies and municipalities. The subsidies are subject to the conditions laid down in the EFTA Surveillance Authority State Aid Guidelines and the Map of Regional Aid approved by the EFTA Surveillance Authority.

F. DURATION

The programme has no time limit, the amount is decided on in the Budget each year.

G. LEGAL BASIS

Article 10 of Act No. 106/1999 on the Institute of Regional Development, the Budget item No. 04-542.

5.2 Assistance to Local Economic Development

A. RESPONSIBLE AUTHORITY

Institute of Regional Development (Byggðastofnun).

B. POLICY OBJECTIVE

The objective of the programme is to assist local economic development companies and to finance venturesome projects within the field of local employment development and innovation.

C. FORM OF STATE AID

Grants to finance venturesome projects within the field of local employment development and innovation.

D. AMOUNT OF STATE AID

Actual total expenditure in 2019: ISK 251.7 million.

E. RULES AND CONDITIONS

According to Act No. 106/1999, on the Institute of Regional Development, the assistance is to be in accordance with rules laid down by the Ministry of Employment and Innovation. These rules have not yet been issued. The subsidies are subject to the conditions laid down in the EFTA Surveillance Authority State Aid Guidelines and the Map of Regional Aid approved by the EFTA Surveillance Authority.

F. DURATION

The programme has no time limit, the amounts are decided on in the Budget each year.

G. LEGAL BASIS

Article 12 of Act No. 106/1999 on the Institute of Regional Development, the Budget item No. 04-542.1.10.

H. ADDITIONAL INFORMATION

The Institute of Regional Development is authorized according to Article 11 of Act No. 106/1999 to provide loans and guarantees, in accordance with the role of the Institute as stipulated in the Act. These loans and guarantees are provided on market terms, with similar interest rates as on the open market.

6 TEMPORARY REPAYMENT OF COSTS OF FILMS PRODUCTION IN ICELAND

A. RESPONSIBLE AUTHORITY

Icelandic film centre (Kvikmyndamiðstöð Íslands) under the auspice of the Ministry of Industry.

B. POLICY OBJECTIVE

The objective of the Act is to enhance domestic culture and promote the history and nature of Iceland by temporarily supporting motion pictures and television programmes produced in Iceland.

According to the Act authorisation is granted for the reimbursement from the State Treasury of a proportion of the production costs incurred in the production of films and television programmes in Iceland.

When more than 80% of the total production cost of a motion picture or television programme incurs in Iceland, the reimbursement shall be calculated from the total production cost incurring within the European Economic Area.

Production costs refers to all costs incurred in Iceland deductible from the revenues of enterprises pursuant to the provisions of the Act on Income and Net Wealth Tax. Payments pertaining to employees and contractors are only to be included in production costs if they are verifiable taxable in Iceland.

C. FORM OF STATE AID

A specific company shall be established in Iceland for the production; an Icelandic branch or agency of a company registered in another Member State of the European Economic Area shall be considered a specific company.

D. AMOUNT OF STATE AID

Total expenditure (reimbursement of production cost) in 2019: ISK 1,125.7 million.

E. RULES AND CONDITIONS

In assessing whether a proportion of the production costs of a motion picture or a television programme shall be reimbursed, the following conditions shall be fulfilled:

- (a) the production shall be suited for promoting Icelandic culture and the history and nature of Iceland;
- (b) the production shall be suited for enhancing the experience, knowledge and artistic ambition of those involved in the production;
- (c) a specific company shall be established in Iceland for the production; an Icelandic branch or agency of a company registered in another EEA member state shall be considered a specific company;
- (d) information on the principal parties involved in the film or television programme shall be submitted;
- (e) information on domestic parties and their share in the production of the film or television programme shall be submitted;
- (f) an itemized estimate of the production costs and sources of funding shall be submitted, together with confirmation by the funding parties and a declaration by the producer to the effect that the production conforms with the aims of the Act No. 43/1999;
- (g) information on the content of the proposed film or television programme shall be submitted, including a manuscript, synopsis and information about filming locations;
- (h) a production plan shall be available (i.e. filming, post-production and marketing plan), providing for completion of the production within three years of receipt of the application for reimbursement;
- (i) a statement shall be submitted to the effect that the material to be produced is intended for general distribution to cinemas or television stations, the content of the film or television programme shall not violate the Film Censorship and Prohibition of Violent Films Act, No. 47/1995, or Article 210 of the Criminal Code, No. 19/1940.

F. DURATION

The programme is limited to end of year 2021.

G. LEGAL BASIS

Act on Temporary Reimbursements in Respect of Film Making in Iceland, No. 43/1999, with amendments. The Budget item No. 04-521.

7 RURAL TOURISM

A. RESPONSIBLE AUTHORITY

Minister of Tourism, Industry and Innovation.

B. POLICY OBJECTIVE

The objective of the programme is to promote rural tourism and assist local museums, and places of historical importance, in attracting tourists.

C. FORM OF STATE AID

Grants to projects.

D. AMOUNT OF STATE AID

Total expenditure allowed in 2019: ISK 191.3 million.

E. DURATION

The programme has no time limit, the amounts are decided on in the Budget each year.

F. LEGAL BASIS

Budget, item No. 04-551.

8 AID TO PROMOTE MARKETING OF ICELANDIC TOURISM

A. RESPONSIBLE AUTHORITY

Minister of Tourism, Industry and Innovation and Icelandic Tourism Board (Ferðamálastofa).

B. POLICY OBJECTIVE

The objective of the programme is to promote marketing of Icelandic tourism.

C. FORM OF STATE AID

Grants to projects.

D. AMOUNT OF STATE AID

Total expenditure allowed in 2019: ISK 1,017.6 million.

E. DURATION

The amounts are decided on in the Budget each year.

F. LEGAL BASIS

Budget, item No. 04-559.1.44.

9 SCHEME TO SUPPORT INNOVATION COMPANIES

A. RESPONSIBLE AUTHORITY

Ministry of Finance and Economic Affairs.

B. POLICY OBJECTIVE

The objective of the programme is to promote research and development work and to improve the competitive conditions of innovation companies by giving them the right to deduct tax for the cost of innovation projects.

C. FORM OF STATE AID

Grants to projects.

D. AMOUNT OF STATE AID

Total expenditure allowed in 2019: ISK 3,104.4 million.

E. DURATION

Duration not limited.

F. LEGAL BASIS

Act No. 152/2009 on support for innovation enterprises.

10 RISK FINANCE AID FOR SMES

A. RESPONSIBLE AUTHORITY

Ministry of Finance and Economic Affairs and Directorate of Internal Revenue (Ríkisskattstjóri).

B. POLICY OBJECTIVE

The objective of the programme is to improve Icelandic competitiveness companies as well as support for innovation and development.

This scheme does not apply to investments in companies in real estate activities, activities consisting in the leasing of movable assets or real estate, holding and investment companies, certain regulated entities, sales of services and expert advice, film production, building construction, hotels, hostels, restaurants, import/export of products which are developed by others and mining.

C. FORM OF STATE AID

Grants to projects.

D. AMOUNT OF STATE AID

Total expenditure allowed in 2019: ISK 99.8 million.

E. DURATION

The programme started 30/06/2016 and is limited to end of year 2022.

F. LEGAL BASIS

Article 30(1), section B, of the Income Tax Act No. 90/2003.

2020**1 THE AGRICULTURAL SECTOR****A. NAME OF THE PROGRAMME****Agricultural Agreements; Payments to dairy farms, sheep farms and horticulture farms**

(Budget items No: 04-801, 04-805 & 04-807).

B. RESPONSIBLE AUTHORITY

Ministry of Industries and Innovation

C. POLICY OBJECTIVE

The main objective of the agreement is to strengthen Icelandic agriculture and provide the sector with the largest possible variety of opportunities for expansion. The aim of the agreement is to provide the agricultural sector with a framework conducive to creating economic value and to making the most of opportunities present in the country's rural areas, for the benefit of farmers, consumers and society at large. This development must be founded on specificity, sustainability and diversity. For that purpose, the agreement contains provisions on new projects designed to strengthen the operational basis of the agricultural sector and promote development and innovation.

D. FORMS OF SUBSIDY

Agricultural subsidies in Iceland is mostly provided through direct payments, based on payment entitlements, which are directly or indirectly coupled with production factors. Direct payments are provided to cattle (mainly dairy) and sheep producers, and, on a smaller scale, to certain greenhouse producers. Allocations for the Agricultural Agreements in 2020 are made under items 04-801, 04-805 and 04-807 of the State budget (Ministry of Industries and Innovation).

E. AMOUNT OF SUBSIDY

Items making up the amount of support as measured by total costs in Government Accounts for 2020 are listed in table 1.

Table 1 Amount of support in 2020 (Government Accounts); Million ISK

| | 2020 |
|--|-------------|
| Agricultural Productivity Fund | 172 |
| Directs payments to sheep farmers | 2,331 |
| Quality control scheme; sheep farmers | 1,759 |
| Wool utilization; subsidies | 334 |
| Direct payments to dairy farmers | 4,628 |
| Direct payments to horticulture farmers | 332 |
| Electricity subsidies to horticulture farmers (greenhouse) | 375 |

F. RULES AND CONDITIONS

Implementation of the agricultural policy revolves around Agricultural Agreements negotiated between the Government and the Farmer's Association. Under Act No. 99/1993 on Agricultural Produce, the Minister of Fisheries and Agriculture is given the authority to negotiate with the Farmer's Association on behalf of the Government on the total support target for milk and total support target for sheep meat entitlements and direct payments for horticulture. Administered prices are infused for milk.

Support is provided for dairy farms, sheep farms and horticulture farms (greenhouse).

1. Dairy farmers

Milk producers receive direct payments from the Government on milk delivered to dairies and on support entitlements. The annual quantity must be within the allocated supported targets. The amount of monetary support per litre is the same for all producers in Iceland. Additional payments for delivered milk are to be made monthly for all delivered milk, irrespective of support entitlements.

2. Sheep farmers

Sheep farmers receive direct payments from the Government which are based on support targets for sheep meat entitlements, for which they must own 70% live sheep. Additional payments to sheep farmers are related to a quality control scheme for lamb meat, based on animal welfare, product quality and traceability, and sustainability criteria.

3. Sheep farmers; wool

Sheep farmers receive support from the Government based on quantity and quality of wool produced.

4. Horticulture farmers

Horticulture farmers producing cucumbers, peppers and tomatoes in greenhouses, mainly under artificial lighting receive direct payments from the government. The distribution of electricity used for artificial lighting is also subsidized to some extent by the Government.

G. DURATION

The time of application of the agricultural agreements between the Government and the Farmer's Association from 1st January 2017 until the end of 2026.

H. LEGAL BASIS

Act No. 99/1993 on Agricultural Produce. The State Budget.

I. TRADE EFFECTS

An assessment of the trade effects of the subsidies is not available. Below, in tables 2, 3 and 4 there are, however, presented statistics on production and exports of the relevant agricultural commodities.

Table 2 Quantity of milk received by dairies and calculated exports by fat-content of milk derived products (in 1,000 of litres) for 2020

| Year | Milk, received by dairies by fat-content | Exported products by fat-content, thereof (%) |
|------|--|---|
| 2020 | 142,779 | 3% |

Table 3 Sheep meat production and exports 2020 (in 1,000 kg)

| Year | Milk, received by dairies by fat-content | Exported products by fat-content, thereof (%) |
|------|--|---|
| 2020 | 9,490 | 24% |

Table 4 Tomato, cucumber and bell pepper production and exports 2020 (in 1,000 kg)

| Tomatoes | Cucumbers | Bell peppers | Total exports, thereof (%) |
|-----------------|------------------|---------------------|-----------------------------------|
| 1,163 | 1,808 | 203 | <1% |

2 SUPPORT FOR R&D AND TECHNOLOGICAL INNOVATION

2.1 Technical Development Fund

A. RESPONSIBLE AUTHORITY

The Icelandic Centre for Research (Rannís) which is under the supervision of the Ministry of Industry and Innovation.

B. POLICY OBJECTIVES

The objective of the Technology Development Fund is to facilitate innovation through supporting research and technological development.

C. AMOUNT AND FORM OF STATE AID

The amount of State aid in 2020: ISK 2,988 million.

D. RULES AND CONDITIONS

The role of the fund is to support research and development activities, which aim towards innovation in Icelandic industry. The Fund will in general operate as a competitive fund through which firms, research institutes and universities will have the possibility of financing projects that support technological development and innovation. The Fund is intended to give support to spin-off ventures and innovative firms to secure that economic benefits accrue to society from the scientific and technical knowledge and the innovation arising from these new ventures.

The Science and Technology Policy Council attaches high importance to close co-ordination between the Research Fund and the Technical Development Fund, as well as co-operation with other public funds and venture investors. The Technical Development Fund can take the initiative to establish programmes and specific actions prepared in consultation with the business community, research institutes and universities. Finally, the Technical Development Fund is permitted to enter into partnerships with venture capital investors for seed and early risk financing toward establishing firms which base their operations on technological development and research and which involves a novelty to the economy.

E. LEGAL BASIS

Act No. 3/2003 on Public Support for Scientific Research, with later amendments.

F. TRADE EFFECTS

The support is granted to a variety of small projects and sectors, therefore it is difficult to present statistical data permitting an assessment of trade effects.

G. DURATION

The Technology Development Fund has been operating since 2004. It took over from the Technology Fund which expired in 2004.

2.2 Research Fund

A. RESPONSIBLE AUTHORITY

The Icelandic Centre for Research (Rannís) which is under the supervision of the Ministry of Culture and Education.

B. POLICY OBJECTIVES

The objective of the Research Fund is to facilitate fundamental research at University institutes or other Governmental R&D institutes.

C. AMOUNT AND FORM OF STATE AID

The amount of State aid in 2020: ISK 2,811 million.

D. RULES AND CONDITIONS

Subsidies are granted only on the basis of project applications. The Funds grants are for fundamental research at Universities and the involvement of private companies is very limited or non-existent.

The Research Fund is the most powerful tool of the public sector for reinforcing the research community infrastructure through project grants based on applications from scientists, business firms and institutions. The Science and Technology Policy Council encourages the Fund to give young scientists an opportunity to establish their work and contribute to the further accumulation of scientific and technical knowledge.

The Research Fund offers grants in accordance with the priorities set by the Science and Technology Policy Council and the grants strategy defined by the Science Board based on a peer review evaluation of research project quality, the competence of the individuals involved and the facilities available for completing the project.

E. LEGAL BASIS

Act No. 3/2003 on Public Support for Scientific Research, with later amendments.

F. TRADE EFFECTS

The support is granted to a variety of small projects and sectors, therefore it is difficult to present statistical data permitting an assessment of trade effects.

G. DURATION

Research Fund has been operating since 2004. It took over from the Science Fund which expired in 2004.

2.3 Support for R&D in marine aquaculture

A. RESPONSIBLE AUTHORITY

Ministry of Fisheries and Agriculture.

B. POLICY OBJECTIVE

To enhance scientific knowledge in marine aquaculture.

C. FORM OF SUPPORT

Grants.

D. AMOUNT OF SUPPORT

2020: 85.95 million ISK

E. RULES AND CONDITIONS

Grants are awarded on the basis of applications evaluated by a special committee.

F. DURATION

There is no time limit, but each programme is decided on for a year at a time.

G. LEGAL BASIS

Act No. 72/2008 on the Directorate of Fisheries.

H. TRADE EFFECTS

There is no trade effect due to limited support.

3 SUPPORT TO SMALL AND MEDIUM-SIZED COMPANIES

3.1 Job Creation Initiative (prior to 1996 known as Firm specific subsidies and export promotion (Case 93-221))

A. RESPONSIBLE AUTHORITY

Innovation Center Iceland which is under the supervision of the Ministry of Employment and Innovation.

B. POLICY OBJECTIVE

The objective is, to increase the knowledge and competence of entrepreneurs and small and medium-sized enterprises such as in managing, financing, product development, marketing and innovation.

C. FORM OF SUPPORT

Cost items incurred for consultants, product development, marketing and innovation are eligible for grants. Support shall in general not cover more than 50% of eligible expenses.

D. AMOUNT OF SUPPORT

2020: ISK 0.0 million.

E. RULES AND CONDITIONS

Firms and individuals having a registered domicile in Iceland can apply for a grant. In accordance with the EEA *de minimis* rules, entities that apply for grants according to these rules must declare that they have not received a grant from the Government amounts to more than 200,000 EURO last three years, the grant applied for included.

F. DURATION

There is no time limit, but each programme is decided on for a year at a time.

G. LEGAL BASIS

The Budget item No. 04-528-198.

H. TRADE EFFECTS

There are no trade effects of the support due to the general framework of the scheme and limited support.

3.2 Regional Development Fund

A. RESPONSIBLE AUTHORITY

Innovation Center Iceland (Nýsköpunarmiðstöð Íslands) which is under the supervision of the Ministry of Employment and Innovation.

B. POLICY OBJECTIVE

To promote cooperation between local governments, safeguard their interests, support industries and enhance quality of life in the entire region economically, socially and culturally.

C. FORM OF SUPPORT

Grants.

D. AMOUNT OF SUPPORT

2020: ISK 492.4 million

E. RULES AND CONDITIONS

Grants are awarded on the basis of applications evaluated by a special committee.

F. DURATION

There is no time limit.

G. LEGAL BASIS

Act No. 69/2015 (Lög um byggðaaætlun og sóknaráætlun) and the Budget item No. 04-541-115

H. TRADE EFFECTS

There are no trade effects of the support due to the general framework of the scheme and limited support.

4 SUPPORT FOR EMPLOYMENT AND TRAINING

4.1 Vocational Training Fund Support for Vocational Training

A. RESPONSIBLE AUTHORITY

Ministry of Education and Culture.

B. POLICY OBJECTIVE

The main purpose of this programme is to maintain and develop vocational skills, in most cases for people already employed.

C. FORM OF STATE AID

Grants.

D. AMOUNT OF STATE AID

Actual total expenditure in 2020: ISK 1,322.0 million

E. RULES AND CONDITIONS

Grants to organizations on application to the Vocational Training Fund mainly to make curriculum or other teaching materials for the vocational training courses.

F. DURATION

The programme started in 1992. Duration has not been specified.

G. LEGAL BASIS

Adult Education Act No. 27/2010 and Budget items No. 02-452.110, 02-462.110, 02-463.110 and 02-461.110.

4.2 Employment Opportunities for Women in Rural Areas

A. RESPONSIBLE AUTHORITY

Ministry of Fisheries and Agriculture and the Institute of Regional Development (Byggðastofnun).

B. POLICY OBJECTIVE

The main purpose of this programme is to create new jobs among women. Areas where high unemployment is among women will especially be considered.

C. FORM OF STATE AID

Soft loans, up to 50% of primary R&D costs, innovation costs and cost of new products, process and systems for industrial production. Institute of Regional Development pays the grants and controls their disposition.

D. AMOUNT OF STATE AID

Actual total expenditure in 2020: ISK 78,7 million

It is difficult to give exact information on how many jobs have been created or maintained, as many of these new jobs are part time jobs.

E. RULES AND CONDITIONS

Grants to women on application to the Institute of Regional Development mainly to new product developing and marketing. The grant can only be given to companies, which are at least 50% owned by women or have been established by women.

F. DURATION

The programme started in 1990. Duration has not been specified.

G. LEGAL BASIS

Governmental decision from 1990.

4.3 Vocational Rehabilitation

A. RESPONSIBLE AUTHORITY

Ministry of Welfare.

B. POLICY OBJECTIVE

The main purpose of this programme is to develop, integrate and monitor services in the field of vocational rehabilitation; aiming systematically for employment of individuals following illness or injury.

C. FORM OF STATE AID

Gross wage State aid to rehabilitation centres.

D. AMOUNT OF STATE AID

Actual total expenditure in 2020: ISK 1,256 million

E. RULES AND CONDITIONS

The rehabilitation centres must have operating license from the Ministry of Welfare to apply to the Ministry for subsidies.

F. DURATION

The new programme started in 1992. Duration has not been specified.

G. LEGAL BASIS

Act No. 60/2012 (lög um atvinnutengda starfsendurhæfingu og starfsemi starfsendurhæfingasjóða) and financed by the Budget item nos. 07-986 and 07-988.

4.4 Employment of Handicapped Persons

A. RESPONSIBLE AUTHORITY

Ministry of Welfare.

B. POLICY OBJECTIVE

The main purpose of this programme is to ensure that disabled persons enjoy human rights and freedoms on the same basis as others and that they are guaranteed the support necessary to enjoy these rights.

C. FORM OF STATE AID

Gross wage State aid to rehabilitation centres.

D. AMOUNT OF STATE AID

Actual total expenditure in 2020: ISK 88,6 million.

E. RULES AND CONDITIONS

Service institutions for disabled people should be deployed in order to meet their specific needs so that they can live independently.

F. DURATION

No time limit, the amounts are decided on in the Budget each year.

G. LEGAL BASIS

Act No. 59/1992 on the Affairs of Disabled People and the Budget item No. 08-981.121.

5 REGIONAL SUPPORT

5.1 Assistance to Employment Development Projects

A. RESPONSIBLE AUTHORITY

Institute of Regional Development (Byggðastofnun).

B. POLICY OBJECTIVE

The objective of the programme is to assist the economic development of the nationally assisted areas of Iceland. The assisted projects are small and cover employment development, training and innovation.

C. FORM OF STATE AID

Grants, as assistance to Employment Development Projects, which fall within the objectives of Act No. 106/1999, on the Institute of Regional Development.

D. AMOUNT OF STATE AID

Actual total expenditure in 2020: ISK 209.6 million.

E. RULES AND CONDITIONS

The programme is available to individuals, private companies, local development companies and municipalities. The subsidies are subject to the conditions laid down in the EFTA Surveillance Authority State Aid Guidelines and the Map of Regional Aid approved by the EFTA Surveillance Authority.

F. DURATION

The programme has no time limit, the amount is decided on in the Budget each year.

G. LEGAL BASIS

Article 10 of Act No. 106/1999 on the Institute of Regional Development, the Budget item No. 04-542.

5.2 Assistance to Local Economic Development

A. RESPONSIBLE AUTHORITY

Institute of Regional Development (Byggðastofnun).

B. POLICY OBJECTIVE

The objective of the programme is to assist local economic development companies and to finance venturesome projects within the field of local employment development and innovation.

C. FORM OF STATE AID

Grants to finance venturesome projects within the field of local employment development and innovation.

D. AMOUNT OF STATE AID

Actual total expenditure in 2020: ISK 463.2 million.

E. RULES AND CONDITIONS

According to Act No. 106/1999, on the Institute of Regional Development, the assistance is to be in accordance with rules laid down by the Ministry of Employment and Innovation. These rules have not yet been issued. The subsidies are subject to the conditions laid down in the EFTA Surveillance Authority State Aid Guidelines and the Map of Regional Aid approved by the EFTA Surveillance Authority.

F. DURATION

The programme has no time limit, the amounts are decided on in the Budget each year.

G. LEGAL BASIS

Article 12 of Act No. 106/1999 on the Institute of Regional Development, the Budget item No. 04-542.1.10.

H. ADDITIONAL INFORMATION

The Institute of Regional Development is authorized according to Article 11 of Act No 106/1999 to provide loans and guarantees, in accordance with the role of the Institute as stipulated in the Act. These loans and guarantees are provided on market terms, with similar interest rates as on the open market.

6 TEMPORARY REPAYMENT OF COSTS OF FILMS PRODUCTION IN ICELAND**A. RESPONSIBLE AUTHORITY**

Icelandic film centre (Kvikmyndamiðstöð Íslands) under the auspice of the Ministry of Industry.

B. POLICY OBJECTIVE

The objective of the Act is to enhance domestic culture and promote the history and nature of Iceland by temporarily supporting motion pictures and television programmes produced in Iceland.

According to the Act authorisation is granted for the reimbursement from the State Treasury of a proportion of the production costs incurred in the production of films and television programmes in Iceland.

When more than 80% of the total production cost of a motion picture or television programme incurs in Iceland, the reimbursement shall be calculated from the total production cost incurring within the European Economic Area.

Production costs refers to all costs incurred in Iceland deductible from the revenues of enterprises pursuant to the provisions of the Act on Income and Net Wealth Tax. Payments pertaining to employees and contractors are only to be included in production costs if they are verifiable taxable in Iceland

C. FORM OF STATE AID

A specific company shall be established in Iceland for the production; an Icelandic branch or agency of a company registered in another Member State of the European Economic Area shall be considered a specific company

D. AMOUNT OF STATE AID

Total expenditure (reimbursement of production cost) in 2020: ISK 2,402.3 million.

E. RULES AND CONDITIONS

In assessing whether a proportion of the production costs of a motion picture or a television programme shall be reimbursed, the following conditions shall be fulfilled:

- a. the production shall be suited for promoting Icelandic culture and the history and nature of Iceland;
- b. the production shall be suited for enhancing the experience, knowledge and artistic ambition of those involved in the production;
- c. a specific company shall be established in Iceland for the production; an Icelandic branch or agency of a company registered in another EEA member state shall be considered a specific company;
- d. information on the principal parties involved in the film or television programme shall be submitted;
- e. information on domestic parties and their share in the production of the film or television programme shall be submitted;
- f. an itemized estimate of the production costs and sources of funding shall be submitted, together with confirmation by the funding parties and a declaration by the producer to the effect that the production conforms with the aims of the Act No. 43/1999;
- g. information on the content of the proposed film or television programme shall be submitted, including a manuscript, synopsis and information about filming locations;
- h. a production plan shall be available (i.e. filming, post-production and marketing plan), providing for completion of the production within three years of receipt of the application for reimbursement;
- i. a statement shall be submitted to the effect that the material to be produced is intended for general distribution to cinemas or television stations, the content of the film or television programme shall not violate the Film Censorship and Prohibition of Violent Films Act, No. 47/1995, or Article 210 of the Criminal Code, No. 19/1940.

F. DURATION

The programme is limited to end of year 2021.

G. LEGAL BASIS

Act on Temporary Reimbursements in Respect of Film Making in Iceland, No. 43/1999, with amendments. The Budget item No. 04-521.

7 RURAL TOURISM

A. RESPONSIBLE AUTHORITY

Minister of Tourism, Industry and Innovation.

B. POLICY OBJECTIVE

The objective of the programme is to promote rural tourism and assist local museums, and places of historical importance, in attracting tourists.

C. FORM OF STATE AID

Grants to projects.

D. AMOUNT OF STATE AID

Total expenditure allowed in 2020: ISK 224.9 million.

E. DURATION

The programme has no time limit, the amounts are decided on in the Budget each year.

F. LEGAL BASIS

Budget, item No. 04-551.

8 AID TO PROMOTE MARKETING OF ICELANDIC TOURISM

A. RESPONSIBLE AUTHORITY

Ministry of Tourism, Industry and Innovation and Icelandic Tourism Board (Ferðamálastofa).

B. POLICY OBJECTIVE

The objective of the programme is to promote marketing of Icelandic tourism.

C. FORM OF STATE AID

Grants to projects.

D. AMOUNT OF STATE AID

Total expenditure allowed in 2020: ISK 780 million.

E. DURATION

The amounts are decided on in the Budget each year.

F. LEGAL BASIS

Budget, item No. 04-559.1.44.

9 SCHEME TO SUPPORT INNOVATION COMPANIES

A. RESPONSIBLE AUTHORITY

Ministry of Finance and Economic Affairs.

B. POLICY OBJECTIVE

The objective of the programme is to promote research and development work and to improve the competitive conditions of innovation companies by giving them the right to deduct tax for the cost of innovation projects.

C. FORM OF STATE AID

Grants to projects.

D. AMOUNT OF STATE AID

Total expenditure allowed in 2020: ISK 5,185.6 million.

E. DURATION

Duration not limited.

F. LEGAL BASIS

Act No. 152/2009 on support for innovation enterprises.

10 RISK FINANCE AID FOR SMES

A. RESPONSIBLE AUTHORITY

Ministry of Finance and Economic Affairs and Directorate of Internal Revenue (Ríkisskattstjóri).

B. POLICY OBJECTIVE

The objective of the programme is to improve Icelandic competitiveness companies as well as support for innovation and development.

This scheme does not apply to investments in companies in real estate activities, activities consisting in the leasing of movable assets or real estate, holding and investment companies, certain regulated entities, sales of services and expert advice, film production, building construction, hotels, hostels, restaurants, import/export of products which are developed by others and mining.

C. FORM OF STATE AID

Grants to projects.

D. AMOUNT OF STATE AID

Total expenditure allowed in 2020: ISK 143.7 million.

E. DURATION

The programme started 30/06/2016 and is limited to end of year 2022.

F. LEGAL BASIS

Article 30(1), section B, of the Income Tax Act No 90/2003.

11 COVID-19 TEMPORARY MEDIA SUPPORT SCHEME

A. RESPONSIBLE AUTHORITY

Ministry of Education and Culture.

B. POLICY OBJECTIVE

The objective of the measure is to ease the operating burden of private media entities and respond to the temporary financial difficulties faced by the sector due to the COVID-19 pandemic,

C. FORM OF STATE AID

Grants to entities.

D. AMOUNT OF STATE AID

Total expenditure allowed in 2020: ISK 400 million.

E. DURATION

The programme started 2020 and is limited to one year.

F. LEGAL BASIS

Media Act No. 38/2011.
