

Ministry of Finance and Economic Affairs
Arnarhvoli
101 Reykjavík
Iceland

Subject: COVID-19 2nd prolongation of the digital gift voucher scheme

1 Summary

- (1) The EFTA Surveillance Authority (“ESA”) wishes to inform Iceland that, having assessed the notified prolongation of the COVID-19 digital gift voucher scheme (“the measure”), it considers that it constitutes state aid within the meaning of Article 61(1) of the EEA Agreement and decides not to raise objections¹ to the measure, as it is compatible with the functioning of the EEA Agreement, pursuant to its Article 61(3)(b). ESA has based its decision on the following considerations.

2 Procedure

- (2) The Icelandic authorities notified the measure on 26 March 2021.²

3 Description of the measure

3.1 Background

- (3) By Decision [No 057/20/COL](#) of 15 June 2020 (“the Approval Decision”), ESA approved a scheme aiming to remedy a serious disturbance in the tourism industry, and the resulting liquidity shortage, by issuing digital gift vouchers for individuals in Iceland, in order to increase domestic demand for tourism services (“the scheme”). By Decision [No 163/20/COL](#), ESA approved a prolongation of the scheme.
- (4) The scheme was approved under Article 61(3)(b) of the EEA Agreement and assessed in line with the [Temporary Framework](#) for state aid measures to support the economy in the current COVID-19 outbreak (“the Temporary Framework”).³
- (5) The scheme expires on 31 May 2021.

3.2 The notified prolongation

- (6) The COVID-19 outbreak continues to have more severe long-term repercussions than previously anticipated. Travel restrictions imposed in Europe and North America have had adverse effects for the tourism industry in Iceland, resulting in a severe liquidity shortage.

¹ Reference is made to Article 4(3) of the Part II of Protocol 3 to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice.

² Documents No 1190763, No 1190765 and No 1190767.

³ Communication from the Commission – Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak of 19 March 2020, OJ C 91, 20.3.2020, p. 1, amended five times, (i) on 3.4.2020, OJ C 112, 4.4.2020, p. 1, (ii) on 8.5.2020, OJ C 164, 13.5.2020, p. 3, (iii) on 29.6.2020, OJ C 218, 2.7.2020, p. 3, (iv) on 13.10.2020, OJ C 340, 13.10.2020, p. 1, and (v) on 28.01.2021, OJ C 34, 01.02.2021, p 6.

- (7) Currently, around 198 000 individuals of the 280 000 that were eligible for the digital gift vouchers have had them issued. Of the 198 000 individuals that have obtained their vouchers, around 137 000 have utilised the digital gift vouchers. The digital gift vouchers are each worth ISK 5 000. As a result, a total of around ISK 990 million have been issued, and of those ISK 685 million have been spent. In total, 812 undertakings have benefitted from aid under the scheme.
- (8) Against this background, and in light of the ongoing effects of the COVID-19 pandemic, the Icelandic authorities submit that a prolongation of the scheme until 30 September 2021 is vital, in order to provide continued support to the tourism industry by increasing domestic demand over the summer time.

3.3 National legal basis and budget

- (9) The legal basis for the measure will be a legislative act amending Act No 54/2020 on digital vouchers (*lög um ferðagjöf*).⁴ The prolongation of the scheme is within the limits of the supplementary budget Act No 26/2020 (*fjárukalög*), which was passed by Parliament on 30 March 2020.⁵ Therefore, no additional funds will be allocated to the budget for the measure.

4 Presence of state aid

- (10) Article 61(1) of the EEA Agreement reads as follows: “[...] any aid granted by EC Member States, EFTA States or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Contracting Parties, be incompatible with the functioning of this Agreement.”
- (11) The qualification of a measure as aid within the meaning of this provision requires the following cumulative conditions to be met: (i) the measure must be granted by the State or through State resources; (ii) it must confer an advantage on an undertaking; (iii) favour certain undertakings (selectivity); and (iv) threaten to distort competition and affect trade.
- (12) ESA has concluded that the scheme constitutes state aid within the meaning of Article 61(1) of the EEA Agreement.⁶ As the measure is a prolongation of the scheme, this conclusion remains unaltered.

5 Lawfulness of the aid

- (13) Pursuant to Article 1(3) of Part I of Protocol 3 to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice (“Protocol 3”): “The EFTA Surveillance Authority shall be informed, in sufficient time to enable it to submit its comments, of any plans to grant or alter aid. ... The State concerned shall not put its proposed measures into effect until the procedure has resulted in a final decision.”
- (14) The Icelandic authorities have notified the measure and have yet to let it enter into force. They have therefore complied with the obligations under Article 1(3) of Part I of Protocol 3.

⁴ Act No 54/2020 on Digital Vouchers is available online at: <https://www.althingi.is/lagas/nuna/2020054.html>.

⁵ The Approval Decision, Section 4.

⁶ The Approval Decision, Section 4.

6 Compatibility of the measure

6.1 Introduction

- (15) Pursuant to Article 61(3)(b) of the EEA Agreement, ESA can declare state aid compatible with the functioning of the EEA Agreement “to remedy a serious disturbance in the economy of an EC Member State or an EFTA State”.
- (16) In the context of the current COVID-19 outbreak, the Commission adopted the Temporary Framework that sets out temporary state aid measures that it considers compatible under Article 107(3)(b) TFEU, which corresponds to Article 61(3)(b) of the EEA Agreement.
- (17) In order to ensure uniform application of the state aid rules throughout the EEA, in line with the objective of homogeneity established in Article 1 of the EEA Agreement, ESA applies the compatibility conditions set out in the Temporary Framework to state aid granted by the EEA EFTA States under Article 61(3)(b) in the context of the COVID-19 outbreak.
- (18) In the Approval Decision, ESA declared the scheme, on the basis of the Temporary Framework, compatible with Article 61(3)(b) of the EEA Agreement.
- (19) The notified measure leaves the scheme unaltered, apart from a prolongation. ESA concurs that the prolongation is appropriate, due to the persisting challenges the tourism industry faces. ESA also notes that the new duration of the scheme, until 30 September 2021, is in line with the condition set out in paragraph 22(d) of the Temporary Framework, which allows for aid to be granted until 31 December 2021.
- (20) Against this background, ESA considers that the notified prolongation does not affect the compatibility assessment of the scheme, as set out in the Approval Decision.

7 Conclusion

- (21) On the basis of the foregoing assessment, ESA considers that the measure constitutes state aid with the meaning of Article 61(1) of the EEA Agreement. Since ESA has no doubts that this aid is compatible with the functioning of the EEA Agreement, pursuant to its Article 61(3)(b), it has no objections to the implementation of the measure.
- (22) The Icelandic authorities have confirmed that the notification does not contain any business secrets or other confidential information that should not be published.

For the EFTA Surveillance Authority,

Yours faithfully,

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For Carsten Zatschler
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*This document has been electronically authenticated by Bente Angell-Hansen,
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