

Webpages containing general information for the public:

<https://www.government.is/news/article/2020/03/09/response-to-COVID-19-in-Iceland/>

<https://www.covid.is/upplýsingavefur-um-covid-19-ensku>

### ***Number of infected people and restrictions on gatherings***

On 15 April, the number of confirmed infections was 1,739, including 1,144 people who had already recovered. 45 people are currently in hospital, including 6 who are in intensive care, while 8 people have died. A total of 38,204 people have been tested (about 10.5% of the population) and 1,800 people are currently in quarantine. It has been possible to trace all but 8 of the total number of 1,739 infections. This confirms the high level of ambition of the official measures to prevent the spread of the disease.

A restriction on gatherings of more than 20 people was introduced on 26 March. The ban affects various activities in different ways, but most preschools and elementary schools continue to operate with certain limitations. The National Police Commissioner, the Chief Epidemiologist and the Director of Health continue to hold daily press conferences. It is reassuring for the general public to receive that type of professional information from those responsible for handling the crisis.

Beginning on 4 May, some of the restrictions currently in place will be lifted. Up to 50 people will be allowed to gather provided that an interpersonal distance of 2 meters is respected; all schools will resume normal activities; and some types of businesses that have been closed will be allowed to reopen, including hairdressers. Swimming pools and fitness centres will remain closed. The ban on visits to residential care homes will be lifted at the same time, with some restrictions.

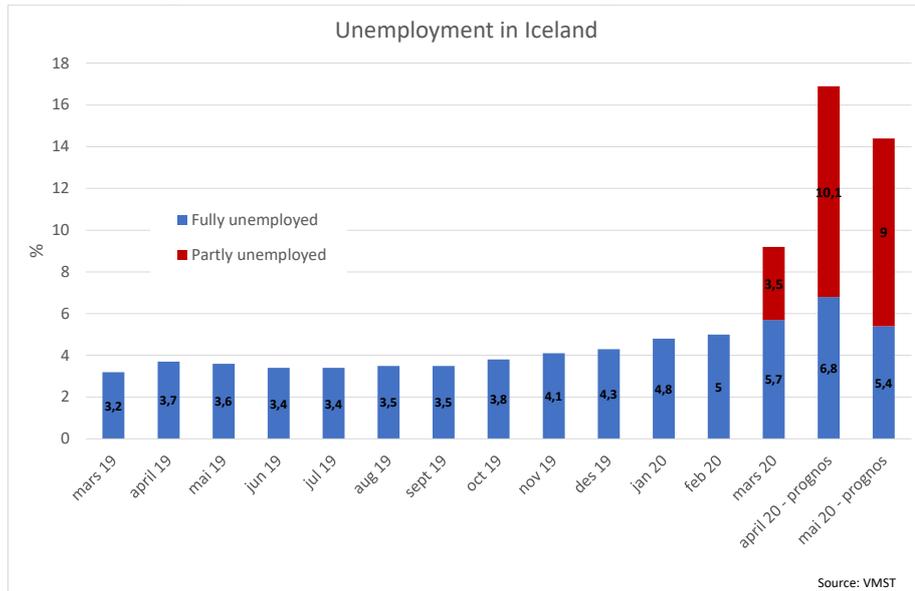
Although Iceland is keeping its borders open, all incoming passengers and all Icelandic residents returning to the country are required to enter a 14-day home quarantine on arrival. The Chief Epidemiologist now warns that travel to and from Iceland by foreign residents will continue to be restricted.

### ***Economic measures***

#### **Workers and households**

- Act of 20 March 2020 – The Directorate of Labour compensates businesses for labour costs incurred for employees who have had to be quarantined at home and who have not been able to work remotely. The compensation will be capped at ISK 633 000 per employee per month. The measure also applies to self-employed persons and freelancers who have been quarantined and are unable to work for that reason, as well as in cases where children under the age of 13 have to be quarantined at home. The implementation period of the Act is from 1 February to 30 April 2020.
- Act of 20 March 2020 – A special part-time unemployment insurance has been introduced for employees, self-employed persons and freelancers. Working hours must be reduced by at least 20 percentage points, and the number of hours worked after the reduction has been implemented must correspond to at least 25 per cent of full-time hours. Unemployment insurance and salary payments will be capped at ISK 700 000 per month and 90% of the original salary, while employees with salaries not exceeding ISK 400 000 will receive full compensation. The implementation period of the Act ends on 1 June 2020, but the Government has indicated that an extension is being considered.

- The Directorate of Labour started accepting applications for partial unemployment benefits on 25 March, and on 16 April around 33 000 applications had been submitted, corresponding to approximately 16% of the Icelandic labour market. This is in addition to around 17,000 people who are fully unemployed, including 7,500 new registrations since the beginning of March. Total unemployment stood at 9.2% in March, and the Directorate of Labour forecasts unemployment levels of around 17% in April and around 14% in May. The highest level of unemployment recorded in Iceland in recent times occurred in the aftermath of the banking and financial crisis in 2008 when it peaked at 9%.



Among those who are unemployed now, most have been working in the tourism industry (about 40%) or in trade and manufacturing. Sudurnes, the region where the international airport is located, has been hit the hardest. The area is estimated to have had 14% unemployment in March, and this is forecast to rise to around 24% in April, while unemployment in the larger Reykjavik area stood at 9% in March and is expected to be at around 17% in April. During the month of March a total of 5.3 billion ISK were paid out in unemployment benefits, compared to 2 billion in February, while payments in April are expected to rise to 12 billion.

- Act of 30 March 2020:
  - A special child benefit supplement will be paid out on 1 June 2020 to all families with children. Single parents whose monthly income did not exceed about ISK 1,250,000 in 2019, as well as cohabiting couples with a combined income under the same amount, will receive a child benefit supplement of ISK 42 000 per child under the age of 18, while others will receive ISK 30 000.
  - Those currently receiving sickness benefits will receive a supplement of ISK 20 000 ISK which will be paid out by the Health Insurance as a lump sum on 1 June 2020.
  - The Act authorises early withdrawals of supplementary pension savings, a non-mandatory part of the nation-side pension system with associated tax advantages. Each individual may withdraw up to ISK 800 000 ISK per month for a period of 15 months starting on 1 April 2020. Withdrawals are subject to state and municipality income tax.
  - VAT paid on labour costs associated with renovation, modification and extension work on private residences will be reimbursed at a rate of 100%, up from the current

60%. A new provision stipulates that VAT paid on labour costs in relation to vehicle repair and domestic services is to be reimbursed at the same rate of 100%.

- Due to restrictions placed on preschool and after-school activities, many municipalities have started charging lower fees for these, and property owners can request a deferment of certain payments, including municipal property tax.
- Labour market measures and training opportunities

On 6 April, the ministers responsible for labour affairs and education respectively instituted a working group to determine which sectors of the economy are most exposed to the effects of the economic crisis, and look into how unemployment can be countered by analysing training opportunities and education offerings within continuing education programmes, in secondary schools and at university level. The purpose is to ensure that the right types of training possibilities and labour market measures can be put in place.
- Student loans

The interest rate on student loans will be lowered from 1.0% to 0.4% to reduce the repayment burden.

### **Health services**

- Act of 30 March 2020
  - An additional ISK 1 billion will be spent on the financing of the health care system to cover costs related to virus testing, the purchase of protective equipment, and the operating costs of hospitals and health care centres.

### **Businesses**

- Act of 13 March 2020
  - One-half of all payments of withholding tax and payroll tax due in March will be deferred by one month. The Act entered into force on 13 March.
- Act of 30 March 2020
  - Firms are allowed to defer their payments of withholding tax and payroll tax up to 3 times in the period from March 2020 to 1 January 2021.
  - Companies suffering a considerable fall in revenue due to the effects of Covid-19 can apply to their bank for a bridge loan with a state guarantee of up to 50 to 70 per cent of the value of the loan.
  - For certain categories of company, the requirement to prepay corporate income tax will be relaxed until the end of the year.
  - The customs clearance charge will be waived until the end of 2021 for the customs clearance of ships and aircraft.
  - VAT due dates will be postponed.
  - No lodging tax will be due between 1 April 2020 and 31 December 2021.
  - Pension funds are authorised, for the duration of 2020, to charge interests on overdue pension premiums that are lower than regular late payment interests.
  - The planned reduction of the “bank tax” to 0.145% will be brought forward to 2021.
  - Subject to certain conditions, companies experiencing operational difficulties are to be granted a deferral of up to three due dates for municipal property tax during the period 1 April to 1 December.

- Regulation of 16 April
  - Annual state subsidies to sheep farmers will be paid out a few months earlier than usual. Many of these farmers receive a large part of their income from tourism, which currently generates no revenue.

### **Government investment programme**

- Decision of the Althing of 30 March
  - The programme will apply until 1 April 2021, after which date a long-time programme is to be put in place. The programme budget is ISK 18 billion. Most of the amount will be spent on transport infrastructures, real estate construction and renovation projects, and surplus financing for funds that support research, innovation and culture.
  - Marketing of tourism in Iceland in 2020 to 2021. The Government will contribute ISK 1.5 billion.

### **Government to present a new economic relief package**

- The government is due to present a new economic relief package this week. The package is expected to contain measures to safeguard the income of those who have been affected by the crisis but have not received any compensation so far, and to provide help to smaller enterprises and students.

### **The Central Bank of Iceland has introduced the following measures:**

Iceland has large foreign currency reserves, a favourable trade balance, and low public debt.

- On 11 March, the Central Bank reduced its key interest rate by 50 points to 2.25%.
- On 11 March, banks' minimum required reserves ratio was reduced from 1.00% to 0.00%.
- On 18 March, the Central Bank's key interest rate was reduced by 50 points to 1.75%.
- On 18 March, the requirement for the banks' Countercyclical Capital Buffer was reduced from 2.00% till 0.00%, thereby increasing the banks' lending capacity by 12.50%.
- The Central Bank will sell part of its foreign currency reserves to counteract the weakening of the Icelandic króna, which has lost around 12 per cent of its value since the beginning of the year.
- The Central Bank has announced its intention to buy government bonds.
- The Governor of the Central Bank has indicated that further measures are being considered.
- After consulting with the Governor of the Central Bank, the Icelandic Pension Funds Association has recommended that pension funds refrain from purchasing foreign currency over the next three months as a way of supporting the domestic economy.