

## Chronicle of economic events 2009

### September

On September 2nd, Act no. 93/2009 was signed into law, authorising the Minister of Finance, on behalf of the Treasury, to authorise a state guarantee for the loans granted by the Governments of the United Kingdom and the Netherlands to the Depositors' and Investors' Guarantee Fund of Iceland. [More ...](#)

On the same date, officials of the governments of Iceland, the Netherlands and the United Kingdom met in an informal meeting in the Hague to provide information and exchange views on the newly passed Act. On behalf of Iceland, representatives from the Prime Minister's Office, the Ministry of Finance, the Ministry for Foreign Affairs and the Central Bank of Iceland attended the meeting.

On September 3rd, the Prime Minister's Office announced that Prime Minister Jóhanna Sigurðardóttir had written to her counterparts in the United Kingdom and the Netherlands, asking their support in bringing the Icesave issue to a satisfactory conclusion.

On September 4th, an agreement between The Government of Iceland and the Resolution Committee of Kaupthing was finalised. [More ...](#)

### July

On July 1st, loan agreements were signed between Iceland and Denmark, Finland and Sweden respectively, and between Seðlabanki Íslands, guaranteed by Iceland and Norges Bank, guaranteed by Norway. Under the agreements the Nordic lenders stand ready to provide Iceland with total credits of 1.775 billion euro. [Further ...](#)

On July 8th, the Minister of Finance of the Netherlands, Mr. Wouter Bos, wrote a letter to Iceland's Minister of Finance, declaring that the Dutch Government would not join in any possible judicial proceedings by Dutch deposit holders in Iceland. For the full text, see [here ...](#)

On the same date, the Minister of Finance decided, after consulting the Cabinet, that the Treasury would participate in the recapitalisation of Sjóvá, the insurance company.

On July 16th, the Althingi passed a resolution authorising the Government to file an application for membership in the European Union. For the statement of the Prime Minister, see [here](#).

On July 20th, an announcement was made that agreement had been reached between the Government and the resolution committees of the three banks, Glitnir, Kaupthing and Landsbanki regarding the resolution of claims against the banks. See the full texts for [Landsbanki](#), [Kaupthing](#) and [Glitnir](#).

### June

On June 4th, the Central Bank policy rate was lowered by 1 per cent to 12 per cent. See [further ...](#)

On June 5th, the Cabinet approved a draft agreement for the resolution of the so-called Icesave issue, calling for a settlement of deposit claims on the Landsbanki branches in the UK and the Netherlands. For the full text of the agreement between Iceland and the UK, see [here ...](#)

On June 19th, the Ministry of Finance issued a report on its intentions to reduce the deficit of the Treasury. The deficit would be reduced by 22.4 billion krónur this year and further by 63.4 billion in 2010. The major part of this reduction will be achieved through cuts in public expenditure.

On the same date, the Central Bank and Landsvirkjun, the power company, entered into a [Response Agreement with the Icelandic State](#) whereby Landsvirkjun can draw on purchase foreign currency from the Central Bank to repay its foreign obligations. The agreement remains in force until July 1st 2011.

On June 24th, the Ministry of Finance issued a regulation whereby debts written off in favour of individuals will, subject to conditions, not be counted towards taxable income.

On June 25th, the Government reached agreement on a [Stability Pact](#) with employers and unions.

On June 26th, the Prime Minister appointed Mr. Már Guðmundsson as Governor of the Central Bank as of August 20th and Mr. Arnór Sighvatsson as Deputy Governor as of July 1st.

On the same date, the Minister of Finance presented a report to the Althingi on measures to achieve a balance in fiscal finances in the years 2009-2013. The report, including subsequent revisions, may be found [here](#).

On June 29th, the Althingi passed amendments to a number of tax and social security benefit laws along with other measures intended to limit government expenditure. The amendments go into effect on July 1st. The main amendments were as follows: (1) The part of the social security tax going to the Unemployment Insurance Fund was increased from 0.65 per cent to 2.21 per cent and the levy to pay for the Wage Guarantee Fund increased from 0.1 per cent to 0.2 per cent. Both percentages apply to paid wages and are charged to employers. This raises the total social security tax from 5.34 per cent to 7 per cent. (2) The VAT rate on soft drinks and a number of other sugar-content food products was increased from 7 per cent to 24.5 per cent. (3) A temporary income tax surcharge of 8 per cent is imposed on monthly incomes in excess 700,000 krónur a month. The surcharge will be in effect from July 1st until the end of this year. (4) The capital income tax is raised from 10 per cent to 15 per cent for the second half of this year on capital income in excess of 250,000 krónur for said period. (5) The proceeds of the capital income tax will be collected quarterly instead of annually as of July 1st of this year. (6) Non-residents will become subject to payment of capital income tax on interest income earned in this country.

Furthermore, a number of amendments were made to social security benefits, old age benefits, childbirth leave benefits, payments of legal fees for low-income litigants or defendants, payments to church congregations and a number of other minor measures.

## May

On May 7th, the Central Bank policy rate was lowered by 2.5 per cent to 13 per cent. See [further ...](#)

On May 8th, the Ministry of Finance issued two regulations relating to the reimbursement of VAT on the on-site labour cost of the maintenance of residential buildings. The reimbursement rate was thereby increased from 60 per cent up to 100 per cent.

On May 10th, a [new Cabinet](#) took office. It consists of twelve ministers, eight of whom sat in the previous Cabinet, two ministers were dropped and four new ministers added. On the same date, the new Cabinet issued a [Policy Statement](#).

On May 29th, a staff mission of the IMF completed its first review under the US\$2.1 billion Stand-By Arrangement, approved on November 19, 2008 (see [Press Release No. 08/256](#)).

### **April**

On April 1st, the Customs Act and the Foreign Exchange Act were amended to strengthen the foreign currency restrictions in existence in order to ensure that export earnings would be properly repatriated.

On April 8th, the Central Bank policy rate was lowered by 1.5 per cent to 15.5 per cent. See [further ...](#)

### **March**

On March 13th, a staff mission of the IMF completed its visit and issued [a press release](#).

On March 19th, the Central Bank lowered its policy rate by 1 per cent to 17 per cent. See [further ...](#)

On March 23rd, an agreement was signed between the Minister of Finance, Steingrímur J. Sigfússon, and Joannes Eidesgaard, the Minister of Finance of the Faroe Islands, whereby the Faroes extend a loan to Iceland of 300 million Danish kroner. The loan is an addition to the Stand-By Arrangement of the IMF.

### **February**

On February 27th an amendment to the Central Bank Act was passed by the Althingi. A new interim Governor and Deputy Governor were appointed. See [further ...](#)