



**Unemployment Insurance Act, No. 54/2006,
as amended by Act No. 88/2008, No. 112/2008, No. 131/2008, No. 37/2009,
No. 134/2009, No. 70/2010, No. 153/2010, No. 162/2010, No. 103/2011, No. 126/2011,
No. 178/2011, No. 142/2012, No. 125/2014, No. 85/2015, No. 88/2015, No. 128/2018, No.
48/2019, No. 71/2019, No. 150/2019, No. 23/2020, No. 25/2020, No. 37/2020, No. 44/2020,
No. 94/2020, No. 112/2020, No. 145/2020, No. 73/2021, No. 131/2021 and No. 45/2023.**

SECTION I

Scope, aim and definitions.

Article 1

Scope.

This Act provides for unemployment insurance covering wage-earners and self-employed individuals on the domestic labour market in the event of their becoming unemployed.

Article 2

Aim.

The aim of this Act is to guarantee wage-earners and self-employed individuals temporary financial assistance while they are seeking new employment after losing their previous job.

Article 3

Definitions.

- a. *Wage-earner*: Any person who engages in paid employment in the service of others in at least 25% of full job capacity (full-time employment) each month, and for whom social security tax is paid according to the Social Security Tax Act.
- [b. *Self-employed individual*: Any person who works at his/her own business or independent activity to the extent that he himself/she herself is obliged to pay tax deductions at source in respect of calculated wages and social insurance tax in respect of his/her work, either every month or in another regular manner according to rules set by [the Director of Internal Revenue on calculated remuneration.]¹⁾
- c. *Studies*: Continuous studies, practical or theoretical, in a recognised educational institution within the ordinary educational system in Iceland, lasting at least six months. The term also refers to studies at university level and other studies for which comparable demands are made regarding preparatory education as are made for university-level studies. Individual short courses do not qualify as studies.]²⁾

¹⁾ Act No. 142/2012, Article 1. ²⁾ Act No. 37/2009, Article 1.

SECTION II

Administration.

Article 4

Overall supervision.

[The Minister]¹⁾ shall exercise overall supervision of unemployment insurance under this Act.

¹⁾ Act No. 126/2011, Article 423. ²⁾ Act No. 126/2011, Art. 423.

Article 5

The Unemployment Insurance Fund.

Unemployment benefit shall be paid from the Unemployment Insurance Fund, which is financed by the employment insurance tax (*cf.* the Social Security Tax Act) and interest on the balance held in the fund.



The Directorate of Labour shall manage the assets of the Unemployment Insurance Fund and be in charge of the application of this Act on the basis of a service agreement made with the board of the Unemployment Insurance Fund. However, [the Minister]¹⁾ may decide on another arrangement, after receiving the comments of the board of the fund.

The board of the Directorate of Labour shall appoint a five-man allocation committee, after receiving nominations, for terms of four years at a time. One member of the committee shall be nominated by the Icelandic Confederation of Labour; one shall be nominated jointly by the Federation of State and Municipal Employees and the Alliance of University Graduates; one shall be nominated by [the Minister]¹⁾; one shall be nominated jointly by [the Ministry in charge of the employment affairs of the State]²⁾ and the Union of Local Authorities in Iceland and one shall be nominated by the Confederation of Icelandic Employers. The same number of alternates shall be nominated. The board of the Directorate of Labour shall appoint the chairman and deputy chairman of the allocation committee from among the persons nominated as principals. One of the roles of the committee shall be to ensure consistency in decisions concerning entitlements and penalties under this Act and to attend to the processing of cases. [Committee members are bound by obligations of confidentiality under Section X of the Administrative Procedures Act.]³⁾

The accounts of the Unemployment Insurance Fund shall be audited by the Auditor-General.

The fund's operating expenses shall be met from its income.

¹⁾ Act No. 162/2010, Article 32. ²⁾ Act No. 126/2011, Article 423. ³⁾ Act No. 71/2019, Article 5.

Article 6

The board of the Unemployment Insurance Fund.

[The Minister]¹⁾ shall appoint a nine-man board of the Unemployment Insurance Fund after receiving nominations, for terms of four years at a time. Two directors (members of the board) shall be nominated by the Icelandic Confederation of Labour; one shall be nominated by the Federation of State and Municipal Employees; one shall be nominated by the Alliance of University Graduates; one shall be nominated by [the Ministry in charge of the employment affairs of the State];²⁾ one shall be nominated by the Union of Local Authorities in Iceland and two shall be nominated by the Confederation of Icelandic Employers. The same number of alternates shall be nominated. The Minister shall appoint one director, without nomination, who shall be the chairman of the board of the fund. The alternate for the chairman of the board shall be appointed in the same way, and shall be the deputy chairman.

The board of the Unemployment Insurance Fund is intended to supervise the application of this Act. The board shall ensure that the fund has sufficient resources to meet its obligations. It shall draw up budgets covering the operation of, and payments made by, the Unemployment Insurance Fund, after receiving proposals from the board of the Directorate of Labour. Furthermore, it shall submit proposals concerning the fund's financial requirements to [the Minister]¹⁾ in January each year, together with a report on the fund's accounts. [The Minister]¹⁾ shall adopt a position on this information and inform [the Minister in charge of public finances]²⁾ of the contents when the national budget legislation is being prepared. The board of the fund shall take a decision on the investment of the fund's credit balance in consultation with [the Minister].¹⁾

The board of the Unemployment Insurance Fund shall also make a service agreement with the Directorate of Labour on the administration of the fund (*cf.* the second paragraph of Article 5) which shall be approved by [the Minister].¹⁾ The board shall maintain regular supervision of the application of the service agreement in consultation with [the Minister].¹⁾

[Members of the board are bound by obligations of confidentiality under Section X of the Administrative Procedures Act.]²⁾ Remuneration to members of the board shall be paid from the Unemployment Insurance Fund in accordance with a decision by [the Minister].¹⁾

¹⁾ Act No. 162/2010, Article 32. ²⁾ Act No. 71/2019, Article 5.

Article 7

The Self-Employed Individuals' Insurance Fund.

Unemployment benefit payments to farmers, small fishing-vessel owners and lorry-drivers shall be



paid from a special fund, the Self-Employed Individuals' Insurance Fund, which shall be financed by the unemployment insurance tax contributions paid by persons in these occupations (*cf.* the Social Security Tax Act) in addition to interest on the credit balance of the fund.

The Directorate of Labour shall attend to the management of the Self-Employed Individuals' Insurance Fund and the application of this Act under a service agreement with the board of the Self-Employed Individuals' Insurance Fund. [The Minister]¹⁾ may, however, decide on another arrangement after receiving the comments of the board of the fund.

The allocation committee provided for under the third paragraph of Article 5 shall also ensure consistency in decisions concerning entitlements and penalties under this Act and deal with matters concerning the Self-Employed Individuals' Insurance Fund.

The accounts of the Self-Employed Individuals' Insurance Fund shall be audited by the Auditor-General.

The fund's operating expenses shall be met from its income.

¹⁾ Act No. 162/2010, Article 32.

Article 8

Board of the Self-Employed Individuals' Insurance Fund.

[The Minister]¹⁾ shall appoint a four-man board of the Self-Employed Individuals' Insurance Fund for periods of four years at a time after receiving nominations. One director (member of the board) shall be nominated by the Icelandic Farmers' Association, one by the Union of Small Fishing Vessel Owners and one by the National Federation of Lorry-Drivers. The same number of alternates shall be nominated. The Minister shall appoint one director, without nomination, who shall be the chairman of the board of the fund. The alternate for the chairman of the board shall be appointed in the same way, and shall be the deputy chairman.

The board of the Self-Employed Individuals' Insurance Fund shall ensure that the fund has sufficient resources to meet its obligations. It shall draw up budgets covering the operation of, and payments made by, the Self-Employed Individuals' Insurance Fund after receiving proposals from the board of the Directorate of Labour. Furthermore, it shall submit proposals concerning the fund's financial requirements to [the Minister]¹⁾ in January each year, together with a report on the fund's accounts. [The Minister]¹⁾ shall adopt a position on this information and inform [the Minister in charge of public finances]²⁾ of the substance of the information when the national budget legislation is being prepared. The board of the fund shall take a decision on the investment of the fund's credit balance in consultation with [the Minister].¹⁾

The board of the Self-Employed Individuals' Insurance Fund shall also make a service agreement with the Directorate of Labour on the administration of the fund (*cf.* the second paragraph of Article 7) which shall be approved by [the Minister].¹⁾ The board shall maintain regular supervision of the application of the service agreement in consultation with [the Minister].¹⁾

[Members of the board are bound by obligations of confidentiality under Section X of the Administrative Procedures Act.]³⁾

Remuneration to members of the board shall be paid from the Self-Employed Individuals' Insurance Fund in accordance with a decision by [the Minister].¹⁾

¹⁾ Act No. 162/2010, Article 32. ²⁾ Act No. 126/2011, Article 423. ³⁾ Act No. 71/2019, Article 5.

Article 9

Applications for unemployment benefit.

Wage-earners and self-employed individuals may apply to the Directorate of Labour for unemployment benefit when they become unemployed. Applications shall be submitted in writing on special forms, and shall be accompanied by documents including []⁹⁾ a certificate of cessation of operations and other materials considered necessary by the Directorate of Labour. Applications shall include full details regarding the applicant's capacity for work, and this shall be supported by satisfactory materials. ...¹⁾

An application for unemployment benefit shall automatically constitute an application to participate



in labour market measures (cf. the Labour Market Measures Act).

[Persons who are regarded as insured under this Act shall inform the Directorate of Labour of all changes that may occur in their personal circumstances during the time they receive unemployment benefit or are made to wait or are subjected to penalties under this Act, or any other matters that may affect their entitlements according to this Act, such as participation in studies, income they receive for occasional work and how long such work lasts.]²⁾

[The tax authorities, the Social Insurance Administration, Icelandic Health Insurance, [District Commissioner]⁸⁾, [relevant employers]⁶⁾ the relevant pension funds, [the relevant trade unions and associations and federations of trade unions that operate sick-pay funds or grant funds for wage-earners on the domestic labour market],¹⁾ [the Prison and Probation Administration],²⁾ [the police],⁹⁾ [the customs authorities, the inspectors from the social partners (cf. Act No. 42/2010, on Workplace ID Cards and Workplace Inspection), the Icelandic Road Administration, the [Icelandic Student Loan Fund]⁷⁾],³⁾ recognised educational institutions within the ordinary educational system and third-level (university-level) institutions shall provide the Directorate of Labour with the information necessary for the application of this Act.]⁴⁾

The Directorate of Labour may request comments from other parties in connection with individual applications when it considers necessary.

[The Directorate of Labour shall inform the applicant on proposed gathering of information, as provided for in the second paragraph of Article 17 of the Act on Data Protection and the Processing of Personal Data, No. 90/2018, cf. Article 14 of Regulation (EU) 2016/679 of the European Parliament and of the Council.]⁶⁾

[Persons who are regarded as insured under this Act shall, after their applications under the first paragraph have been approved and during the time they receive unemployment benefit or are made to wait or are subjected to penalties under this Act, report regularly to the Directorate of Labour in accordance with further arrangements to be decided by the directorate. [When the Directorate of Labour informs applicants that it has approved their applications for unemployment insurance benefits, it shall also inform them of the means by which it will send them information and other messages while they are engaged on job searches. If the Directorate of Labour then sends them information or messages by the means specified, the information or messages shall be considered as having been received in a verifiable manner for the purposes of this Act.]¹⁾

[The Minister]⁵⁾ may issue regulations, after receiving the comments of the board of the Unemployment Insurance Fund, regarding the further application of this provision, including electronic applications and how electronic applications are to be signed and the submission of other materials that are to accompany electronic applications, and also further arrangements concerning how applicants are to report regularly to the directorate.]²⁾

¹⁾ Act No. 142/2012, Article 2. ²⁾ Act No. 134/2009, Article 1. ³⁾ Act No. 103/2011, Article 1. ⁴⁾ Act No. 37/2009, Article 7. ⁵⁾ Act No. 162/2010, Article 32. ⁶⁾ Act No. 48/2019, Article 4. ⁷⁾ Act No. 112/2020, Article 3. ⁸⁾ Act No. 45/2023, Article 12.

Article 10

Notification of cessation of employment searches.

Persons who are regarded as insured under this Act shall inform the Directorate of Labour without unreasonable delay when they stop actively seeking employment. Notification shall be given in a verifiable manner, stating the reason why the employment search was stopped.

Article 11

[Appeals.]¹⁾

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[The Welfare Appeals Committee shall deliver rulings on matters of dispute that may arise in connection with this Act.]¹⁾

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[Rulings by the complaints committee regarding the recovery of excess payments of unemployment benefit may be enforced.]²⁾

[Costs arising from the work of the Welfare Appeals Committee in connection with disputes referred to it under the second paragraph shall be met by the Unemployment Insurance Fund in accordance with the minister's decision.]¹⁾

¹⁾ Act No. 85/2015, Article 13. ²⁾ Act No. 134/2009, Article 2.

Article 12

[Procedure before the Welfare Appeals Committee.]¹⁾

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The submission of a complaint concerning an administrative decision shall not defer the legal effect of the decision. [Submission of a complaint concerning an administrative decision shall not defer the execution of enforcement measures under a decision by the Directorate of Labour for the recovery of excess payments of unemployment benefit (*cf.* the sixth paragraph of Article 39).]²⁾

¹⁾

In other respects, procedure by the committee shall be subject to the provisions of [the Welfare Appeals Committee Act].¹⁾

¹⁾ Act No. 85/2015, Article 13. ²⁾ Act No. 134/2009, Article 3.

SECTION III

Conditions for the unemployment insurance of wage-earners.

Article 13

General conditions for the unemployment insurance of wage-earners.

Wage earners (*cf.* item *a* of Article 3), who meet the following conditions shall be regarded as insured under this Act unless other interpretations follow from individual provisions of this Act:

- a. They must be actively seeking employment (*cf.* Article 14).
- b. They must have reached the age of [18]¹⁾ but be aged under 70.
- c. [They must be [legally domiciled]³⁾ in Iceland and actually present in the country (*cf.*, however, Section VIII).]²⁾
- d. They must have an unrestricted right to engage in employment in Iceland.
- e. They must have been wage-earners during the entitlement acquisition period according to Article 15, in a job that does not constitute part of special labour-market measures (*cf.*, however, Section V).
- f. They must submit certificates from their former employers [as applicable]³⁾ (*cf.* Article 16), and, when appropriate, certificates from their educational institutions (*cf.* the third paragraph of Article 15).
- g. They must have been seeking employment for three continuous days from the time when their applications for unemployment benefit are received by the Directorate of Labour.

The provisions of item *g* of the first paragraph shall not apply to workers in fish processing who are not entitled to make wage-guarantee agreements under the collective agreements concluded by the social partners.

[The Directorate of Labour may summon insured persons to the directorate in a verifiable manner during the time they receive unemployment benefit payments or are obliged to wait or are subjected to penalties under this Act, the purpose of this being, amongst other things, to investigate whether changes have occurred in their personal circumstances which may have an effect on their entitlements under this Act. Insured persons shall be prepared to present themselves at the directorate at very short notice.]²⁾

¹⁾ Act No. 142/2012, Article 3. ²⁾ Act No. 134/2009, Article 4. ³⁾ Act 94/2020, Article 2.

Article 14

Active employment searches.



Those who meet the following conditions shall be regarded as actively seeking employment:

- a. They must be capable of doing most ordinary jobs;
- [b.] they must be in sufficiently good health to accept work or take part in active labour-market measures (*cf.*, however, the fifth paragraph)];¹⁾
- [c.]¹⁾ they must take the initiative in seeking employment and be prepared to accept any work for which payment is made according to law and collective agreements (*cf.* Article 1 of the Wage-Earners' Terms of Employment and the Obligatory Pension Rights Insurance Act, No. 55/1980), and which meets the conditions of other statutes;
- [d.]¹⁾ they must be willing and able to accept work without any special period of notice;
- [e.]¹⁾ they must be willing to accept work anywhere in Iceland;
- [f.]¹⁾ they must be willing to accept work irrespective of whether it constitutes a full job or a part-time job, or involves shift work;
- [g.]¹⁾ they must not be entitled to wages or other payments in connection with work on the labour market during the period in which they are regarded as actively seeking employment, unless the provisions of Article 17 or 22 apply;
- [h.]¹⁾ they must be willing and able to participate in labour-market measures that are open to them, and
- [i.]¹⁾ they must be prepared to give the Directorate of Labour the information necessary in order to increase their chances of obtaining suitable employment and give them the opportunity of participating in labour-market measures.

Insured persons shall inform the Directorate of Labour of any changes that may occur in their capacity for work or other aspects of their personal circumstances [under the first paragraph, including as regards occasional illness],¹⁾ without unreasonable delay.

Participation in labour-market measures shall not prevent insured persons from accepting work that they are offered at the time.

The Directorate of Labour may grant exemptions from the conditions of [items c, e and f]¹⁾ of the first paragraph so that insured persons who, due to age, social circumstances associated with reduced working capacity or obligations to care for young children or other close family members, wish to engage in part-time work or work in a particular region, may be regarded as actively seeking employment. Furthermore, consideration may be given to the personal circumstances of insured persons who are unable to perform specific jobs due to reduced working capacity as attested by a specialist physician.

[Insured persons are regarded as actively seeking employment, despite occasional illnesses lasting up to total of five days which may be taken in a maximum of two parts during each twelve-month period, providing they have been registered within the system for total of five months since their first registration during the same period (*cf.* Article 29). Insured persons shall inform the Directorate of Labour of the beginning and end of period of illness without unreasonable delay. They shall also submit medical certificates within a week of the end of a period of illness if the Directorate of Labour so requests.]¹⁾

[Persons who have been registered in programmes of study (*cf.* item c of Article 3), during the last academic semester without having demonstrably completed the programme, and who intend to continue with their studies during the next academic semester, are not considered as actively seeking employment during vacations in the programme of studies according to the teaching programme and/or syllabus of the relevant educational institute. The same applies to students who change institutions between academic semesters or move between levels in the educational system.]²⁾

[The Minister]³⁾ may set further provisions in regulations, after receiving the comments of the board of the Unemployment Insurance Fund, on active employment searches, e.g. regarding the information needed by the Directorate of Labour under [item i]¹⁾ of the first paragraph and exemptions under the fourth paragraph.

¹⁾ Act No. 153/2010, Article 1. ²⁾ Act No. 134/2009, Article 5. ³⁾ Act No. 162/2010, Article 32.

Article 15 *Entitlement acquisition period.*



Wage-earners (*cf.* item *a* of Article 3) shall be considered fully insured under this Act after having worked continuously on the domestic labour market for the last twelve months before applying to the Directorate of Labour for unemployment benefit, providing they meet the other requirements of this Act (*cf.*, however, the [fifth]³⁾ paragraph).

Wage-earners who have worked on the domestic labour market for less than twelve months, but more than three of the previous twelve months, before applying to the Directorate of Labour for unemployment benefit, shall be regarded as insured in proportion to the length of time worked, providing they meet the other requirements of this Act (*cf.* also the [fifth]³⁾ paragraph).

Studies (*cf.* item *c* of Article 3) pursued by wage-earners for at least six months during the twelve months before applying to the Directorate of Labour for unemployment benefit shall be equivalent to thirteen weeks' work in full employment, providing that they have demonstrably completed the course of studies and worked for at least three months on the domestic labour market during the entitlement acquisition period. A certificate from the relevant educational institution shall be submitted together with the application for unemployment benefit, stating that the wage-earner pursued and completed the course of studies. This authorisation may only raise the wage-earner's insurance proportion once during each period under Article 29.

[Vocational rehabilitation, *cf.* the Act on Vocational Rehabilitation and the Operation of Vocational Rehabilitation Funds, in which the employee has participated during the period they were considered unable to work, *cf.* Article 26, shall be equivalent to 13 weeks of full-time work contribution, provided the employee has verifiably completed vocational rehabilitation and has worked for at least three months in the domestic labour market during the acquisition period. A certificate from a vocational rehabilitation fund, as provided for in the Act on Vocational Rehabilitation and the Operation of Vocational Rehabilitation Funds, stating that the employee has participated in employment-related vocational rehabilitation and completed it, must accompany the application for unemployment benefit. This authorisation can only result in an increase in the employee's insurance proportion once during each period under Article 29.]³⁾

Notwithstanding the provisions of the [first to fourth paragraphs]³⁾, wage-earners' insurance proportion may never be greater than their proportion of full employment during the entitlement acquisition period or the proportion of full employment in which they are prepared to engage (*cf.* the fourth paragraph of Article 14). If the wage-earner did not work in the same proportion of full employment during the entire entitlement acquisition period, his/her average proportion during the period shall be used as the basis for calculations.

[Strikes or lockouts affecting wage-earners' work during their entitlement acquisition period shall be counted as working time during that period. Assessment of wage-earners' job proportion during periods affected by strikes or lockouts shall be based on their job proportions in the calendar month preceding the beginning of the strike or lockout.]¹⁾

Work performed concurrently with studies may be taken into consideration when calculating a wage-earner's unemployment insurance, in which case the studies shall not be counted as a work contribution under the third paragraph.

Seamen's work contribution shall be based on the number of their legal registration days. A month's work by a seaman shall be regarded as 21.67 legal registration days.

Wage-earners shall have attained the age of 16 years in full before the beginning of the entitlement acquisition period under this provision.

If a wage-earner was also a self-employed individual (*cf.* item *b* of Article 3) during the last twelve months before applying to the Directorate of Labour for unemployment benefit, then all his/her jobs shall be taken into account when determining his/her unemployment insurance entitlement.

After receiving the comments of the board of the Unemployment Insurance Fund, [the Minister]²⁾ may issue regulations containing further provisions on the entitlement acquisition period, e.g. a list of proportional levels.

¹⁾ Act No. 37/2009, Article 10. ²⁾ Act No. 162/2010, Article 32. ³⁾ Act No. 112/2020, Article 4.



[Information in connection with application for unemployment benefit]

When an employee, cf. subparagraph a of Article, applies for unemployment benefit they must specify their period of employment with their employer during the acquisition period under Article 15 and their job proportion. Furthermore, the employee must specify the reasons for the termination of their employment with the employer, whether they have received their vacation pay upon the termination of their employment contract and any arrangements for payments in connection with the termination of employment. The Directorate of Labour may request a certificate from the former employer to verify the information provided in the application for unemployment benefit.³⁾

The Directorate of Labour may request further information from [...] ³⁾ the tax authorities in order to establish the validity of the data presented in [an application or] ³⁾ certificates under the first paragraph. [When it comes to establishing the job proportion of an insured person [...] ³⁾, the Directorate of Labour shall take account, amongst other things, of whether the insured person's wages were in accordance with the job proportion stated during the entitlement acquisition period; for this purpose, reference shall be made to the provisions of the valid collective agreement for the relevant occupation in the region where the insured person worked ¹⁾ ²⁾ [In the case of wage-earners who work for their own companies, e.g. private limited companies or partnerships, reference shall be made to the rules issued by the Director of Internal Revenue [...] ³⁾ on calculated remuneration for the occupation in question.] ¹⁾ [...] ³⁾

¹⁾ Act No. 142/2012, Article 4. ²⁾ Act No. 37/2009, Article 11. ³⁾ Act No. 94/2020, Article 3.

Article 17

Unemployment insurance concurrent with a reduced job capacity.

Wage-earners (cf. item a of Article 3) who lose part of their job shall be considered partly insured under this Act, the insurance proportion being the difference between their entitlement if they had lost their entire job (cf. Article 15) and the job capacity in which they continue to be employed, from the time when they lose part of the job unless other provisions are made in this Act. The same shall apply when wage-earners lose their job but go to work in a reduced job capacity for another employer.

This provision shall not apply when wage-earners themselves decide to reduce their job capacity. In other respects, the provisions of this Act shall apply regarding wage-earners' unemployment insurance, including the condition of actively seeking employment under Article 14.

SECTION IV

Conditions for the unemployment insurance of self-employed individuals.

Article 18

General conditions for the unemployment insurance of self-employed individuals.

Self-employed individuals (cf. item b of Article 3) who meet the following conditions shall be regarded as insured under this Act unless other interpretations follow from individual provisions of this Act:

- a. They must be actively seeking employment (cf. Article 14);
- b. they must have reached the age of [18] ¹⁾ but be aged under 70;
- c. [they must be [legally domiciled] ⁴⁾ in Iceland and actually present in the country (cf., however, Section VIII)]; ²⁾
- d. they must have an unrestricted right to engage in employment in Iceland;
- e. they must have been self-employed individuals during the entitlement acquisition period according to Article 19, without their work being regarded as constituting part of special labour-market measures (cf., however, Section V);
- f. they must have ceased business operations (cf. Article 20);
- g. they must submit certificates of cessation of business operations (cf. Article 21), and, when appropriate, certificates from their educational institutions (cf. [the fifth paragraph of Article 19]); ³⁾
- h. they must have paid social security tax and tax deductions at source on calculated remuneration, in accordance with the decision of the tax authorities, when they ceased business operations;



- i. they must have been seeking employment for three continuous days from the time when their applications for unemployment benefit are received by the Directorate of Labour.

The Directorate of Labour may grant exemptions from item *h* of the first paragraph in cases where self-employed individuals have not paid social security tax and tax deductions at source on calculated remuneration, in accordance with the decision of the tax authorities, at the time of ceasing business operations but pay these levies retroactively at a later date. When determining the insurance proportion of self-employed individuals, however, consideration may only be given to a maximum of three months of the time during which the payment of the levies was in arrears.

[The Directorate of Labour may summon insured persons to the directorate in a verifiable manner during the time they receive unemployment benefit payments or are obliged to wait or are subjected to penalties under this Act, the purpose of this being, amongst other things, to investigate whether changes have occurred in their personal circumstances which may have an effect on their entitlements under this Act. Insured persons shall be prepared to present themselves at the directorate at very short notice.]²⁾

¹⁾ Act No. 142/2012, Article 5. ²⁾ Act No. 134/2009, Article 6. ³⁾ Act No. 37/2009, Article 12. ⁴⁾ Act No. 94/2020, Article 4.

Article 19

Entitlement acquisition period.

[Self-employed individuals (*cf.* item *b* of Article 3) shall be regarded as fully insured under this Act after paying monthly payments of tax deductions at source on their calculated remuneration equivalent at least to the reference sum determined by [[the Director of Internal Revenue]¹⁾ (*cf.* item *b* of Article 3)],²⁾ as calculated remuneration for work in the relevant occupation, and social insurance tax, for the last twelve continuous months before they apply to the Directorate of Labour for unemployment benefit, providing other conditions of this Act have been met (*cf.*, however, in addition, the fourth and sixth paragraphs).

Self-employed individuals who have paid monthly payments of tax deductions at source on their calculated remuneration that is equivalent at least to the reference sum determined by [the Director of Internal Revenue]¹⁾ (*cf.* item *b* of Article 3)],²⁾ as calculated remuneration for work in the relevant occupation, and social insurance tax, for less than twelve months but more than three months during the last twelve months before they apply to the Directorate of Labour for unemployment benefit shall be regarded as insured proportionally according to the number of months during which they have paid tax deductions at source, providing other conditions of this Act have been met (*cf.*, however, in addition, the fourth and sixth paragraphs). The same shall apply to self-employed individuals who have paid monthly payments of tax deductions at source on calculated remuneration that is lower than the reference sum determined by [[the Director of Internal Revenue]¹⁾ (*cf.* item *b* of Article 3)],²⁾ as calculated remuneration for work in the relevant occupation and social insurance tax during the last twelve months before they apply to the Directorate of Labour for unemployment benefit; in this case, their insurance proportion shall be determined by the proportion which their calculated remuneration, on which payments have been made, forms in relation to the reference sum (*cf.*, however, in addition, the fourth and sixth paragraphs).

In order to calculate the insurance proportion of self-employed individuals who pay tax deductions at source on their calculated remuneration and social insurance tax once a year, their average monthly income in the form of calculated remuneration over the year before they apply to the Directorate of Labour for unemployment benefit shall be found. Such persons shall be regarded as fully insured under this Act if they have paid tax deductions at source on average monthly income during the past income year that is at least equivalent to the reference sum determined by [the Director of Internal Revenue]¹⁾ (*cf.* item *b* of Article 3)],²⁾ for the relevant occupation for each month, and social insurance tax. If they have paid tax deductions at source on average monthly income during the same period that is lower than the reference sum determined by [[the Director of Internal Revenue]¹⁾ (*cf.* item *b* of Article 3)],²⁾ for the relevant occupation, then their insurance proportion shall be determined by the proportion which their calculated remuneration, on which payments have been made, forms in relation to the reference sum (*cf.*, however, in addition, the fourth and sixth paragraphs).



Self-employed individuals who have made monthly payments of tax deductions at source on calculated remuneration that is lower than 25% of the reference sum determined by [[the Director of Internal Revenue]¹⁾ (*cf.* item *b* of Article 3)],²⁾ for the relevant occupation during the last twelve months before they apply to the Directorate of Labour for unemployment benefit shall not be regarded as being insured under this Act. The same shall apply to self-employed individuals who pay tax deductions at source once a year on calculated remuneration that is, on average, lower than 25% of the reference sum determined by [[the Director of Internal Revenue]¹⁾ (*cf.* item *b* of Article 3)],²⁾ for the relevant occupation each month during the last income year before they apply to the Directorate of Labour for unemployment benefit.]³⁾

Studies (*cf.* item *c* of Article 3) pursued by self-employed individuals for at least six months during the twelve months before applying to the Directorate of Labour for unemployment benefit shall be equivalent to thirteen weeks' work in full employment, providing that they have demonstrably completed the course of studies and worked for at least three months on the domestic labour market during the entitlement acquisition period. A certificate from the relevant educational institution shall be submitted together with the application for unemployment benefit, stating that the self-employed individual pursued and completed the course of studies. This authorisation may only raise the self-employed individual's insurance proportion once during each period under Article 29³⁾

[However, a self-employed individual's insurance proportion may never be greater than the proportion of full employment in which he/she is prepared to engage (*cf.* the fourth paragraph of Article 14).]³⁾

³⁾

...

Work performed concurrently with studies may be taken into consideration when calculating a self-employed individual's unemployment insurance entitlement, in which case the studies shall not be counted as a work contribution under the third paragraph.

Self-employed individuals shall have attained the age of 16 years in full before the beginning of the entitlement acquisition period under this provision.

If a self-employed individual was also a wage-earner (*cf.* item *a* of Article 3) during the last twelve months before applying to the Directorate of Labour for unemployment benefit, then all his/her jobs shall be taken into account when determining his/her unemployment insurance entitlement.

[The Minister]⁴⁾ may issue regulations containing further provisions on the entitlement acquisition period after receiving the comments of the board of the Unemployment Insurance Fund.

¹⁾ Act No. 142/2012, Article 6. ²⁾ Act No. 126/2011, Article 423. ³⁾ Act No. 37/2009, Article 13. ⁴⁾ Act No. 162/2010, Article 32.

Article 20

Cessation of business operations.

Self-employed individuals (*cf.* item *b* of Article 3) shall be regarded as having ceased business operations when they have notified the Director of Internal Revenue's register of employers that they have ceased business operations and that all their activities have been discontinued. When assessing whether activities have been discontinued, consideration shall be given to transactions in the value-added tax records of the Director of Internal Revenue. Transactions in the value-added tax records in connection with the sale of assets may be taken into account, providing that the self-employed individual has submitted a declaration to the effect that he/she intends to cease business operations.

A self-employed individual shall also be regarded as having ceased business operations if he/she has announced that his/her registration number has been removed from the register, or demonstrated that his/her business equipment has been sold or deregistered, or that his/her business operations have been assigned to another party, or that bankruptcy proceedings have been initiated against him/her.

Article 21

Confirmation of cessation of business operations.

Self-employed individuals (*cf.* item *b* of Article 3) shall submit confirmation that they have ceased business operations as provided for under Article 20. Such confirmation shall consist of:



- a. a declaration that all business operations have been discontinued, and the reasons for this, and
- b. a copy of the announcement to the Director of Internal Revenue's register of employers stating that business operations have been discontinued, a certificate from the tax authorities stating that the individual's registration number has been deleted from the register or such other appropriate materials from official parties that may confirm that business operations have been discontinued.

Article 22

Unemployment insurance concurrent with a reduced job capacity.

Self-employed individuals (*cf.* item *b* of Article 3), who lose their job but enter into employment as wage-earners, *cf.* item *a* of Article 3, in a reduced job capacity shall be considered partly insured under this Act. Their insurance proportion shall be the difference between their entitlement if they had lost their entire job, *cf.* Article 19, and the proportion of full employment in which they work as wage-earners, from the time when they begin working in the new job. In other respects, the provisions of this Act shall apply regarding self-employed individuals' unemployment insurance, including the condition of actively seeking employment under Article 14.

SECTION V

Circumstances resulting in a retention of unemployment insurance entitlement.

Article 23

Temporary withdrawal from participation in the labour market.

Person who is regarded as insured under this Act and who withdraws from the labour market may retain accrued unemployment insurance entitlement for up to 24 months from the date on which they demonstrably stopped working. [The same shall apply when a person who is regarded as being insured under this Act takes unpaid leave from work in accordance with the law, a collective agreement or an employment contract.]¹⁾

Time during which the insured party works on the domestic labour market during the period referred to in the first paragraph shall be counted towards the entitlement acquisition period under Article 15 or 19, as appropriate.

When calculating the entitlement acquisition period under Article 15 or 19 in the case of retained unemployment insurance entitlement, attention shall be given to the last twelve months that the insured party worked on the domestic labour market during the last 36 months preceding the date of receipt of the application, if no other provisions are made under this Act.

If the insured party does not apply for unemployment benefit within 24 months from the date on which he/she demonstrably withdrew from the labour market, his/her right to retain his/her unemployment insurance entitlement shall lapse.

This provision shall not apply to those who receive unemployment benefit payments in other states or under the provisions of Section VIII in respect of the same period.

¹⁾ Act No. 37/2009, Article 14.

Article 24

Reduced job capacity.

Wage-earners (*cf.* item *a* of Article 3) who reduce their job capacity may retain their accrued unemployment insurance entitlement for up to 24 months from the date on which they demonstrably reduced their job capacity. [The same shall apply to self-employed individuals (*cf.* item *b* of Article 3) who pay tax deductions at source on lower calculated remuneration than previously, which is also lower than the reference sum determined by [[the Director of Internal Revenue]¹⁾ (*cf.* item *b* of Article 3)]²⁾ for the relevant occupation (*cf.* the second paragraph of Article 19), or who engage themselves as wage-earners in part-time work (*cf.* Article 22).]³⁾

Time during which a wage-earner works on the domestic labour market during the period referred to in the first paragraph in a job capacity equal to or greater than that in which he/she previously worked, shall be counted towards the entitlement acquisition period under Article 15. [The same shall apply to time during which a self-employed individual pays tax deductions at source on higher calculated



remuneration, with the result that he/she pays tax on the same amount, or a higher amount than previously.]³⁾

When calculating the entitlement acquisition period under Article 15 or 19 in the case of retained unemployment insurance entitlement, attention shall be given to the twelve months that the insured party worked in the greatest job capacity on the domestic labour market during the last 36 months preceding the date of receipt of the application, if no other provisions are made under this Act. [Similarly, in the case of a self-employed individual, attention shall be given to the twelve months during which the insured person paid deductions of tax at source on the highest calculated remuneration over the last 36 months preceding the date of receipt of the application.]³⁾

If the insured party does not apply for unemployment benefit within 24 months of the date on which he/she demonstrably reduced his/her job capacity, his/her right to retain unemployment insurance entitlement shall expire.

This provision shall not apply to those who receive unemployment benefit payments in other states or under the provisions of Section VIII in respect of the same period.

¹⁾ Act No. 142/2012, Article 7. ²⁾ Act No. 126/2011, Article 423. ³⁾ Act No. 37/2009, Article 15.

[Article 24 a

Maternity/paternity leave.

Persons who are regarded as being insured under this Act, and who take maternity/paternity leave under the Maternity/Paternity and Parental Leave Act, may retain their accrued unemployment insurance entitlement for up to 24 months from the date on which they demonstrably began taking maternity/paternity leave.

Time during which insured persons work on the domestic labour market during the period covered by the first paragraph shall be counted as entitlement acquisition time according to Article 15 or 19, as appropriate.

When entitlement acquisition time is calculated under Article 15 or 19 and attention is given to retained unemployment benefit entitlement, attention shall be given to the last twelve months in which the insured person worked during the last 36 months preceding the receipt of the application, providing no other provisions are made under this Act.

If insured persons does not apply for unemployment benefit within 24 months from the date on which they demonstrably began taking maternity/paternity leave, their entitlement to retain unemployment benefit entitlement shall lapse.

This provision shall not apply to those who receive unemployment benefit payments in other states or in accordance with Section VIII for the same period.]¹⁾

²⁾ Act No. 37/2009, Article 16.

Article 25

Studies.

Persons who are regarded as insured under this Act and who withdraw from the labour market in order to pursue studies (*cf.* item c of Article 3), may retain accrued unemployment insurance entitlement for up to [72]¹⁾ months from the date on which they demonstrably stop working, providing they have demonstrably completed their studies.

Time during which the insured person works on the domestic labour market during the period referred to in the first paragraph shall be counted towards the entitlement acquisition period under Article 15 or 19, as appropriate.

When calculating the entitlement acquisition period in the case of retained unemployment insurance entitlement, attention shall be given to the last twelve months that the insured party worked on the domestic labour market during the last [84]¹⁾ months preceding the date of receipt of the application, if no other provisions are made in this Act.

If the insured party does not apply for unemployment benefit within [72]¹⁾ months of the date on which he/she demonstrably stopped work, or has not completed his/her studies within this period, his/her right to retain unemployment insurance entitlement shall expire.



This provision shall not apply to those who receive unemployment benefit payments in other states or under the provisions of Section VIII in respect of the same period ¹⁾ Act No. 134/2009, Article 7.

Article 26

Incapacity for work due to illness or accidents.

Persons who are regarded as insured under this Act and who withdraw from the labour market because they become unfit for work as a result of illness or accidents may retain accrued unemployment insurance entitlement during the time that they are unfit for work.

When calculating the entitlement acquisition period under Article 15 or 19 in the case of retained unemployment insurance entitlement, attention shall be given to the last [24]¹⁾ months preceding the time when the insured party demonstrably stopped work and the period covered in the first paragraph began.

If the insured party does not apply for unemployment benefit within [twelve]¹⁾ months of the date on which he/she became fit for work again, his/her right to retain unemployment insurance entitlement shall lapse unless the provisions of Article 23 apply.

Applications for unemployment benefit shall be accompanied by a certificate from the specialist physician attending the insured person, which shall include information on when the insured person became unfit for work and when he/she became fit for work again.

This provision shall not apply to those who receive unemployment benefit payments in other states or under the provisions of Section VIII in respect of the same period.

¹⁾ Act No. 112/2020, Article 5.

Article 27

Service of sentences.

Persons who are regarded as insured under this Act and who withdraw from the labour market in order to serve sentences in accordance with court judgements may retain accrued unemployment insurance entitlement until they complete the service of their sentence.

When calculating the entitlement acquisition period in the case of retained unemployment insurance entitlement, attention shall be given to the last twelve months preceding the time when the insured party demonstrably stopped work and the period covered in the first paragraph began.

If the insured party does not apply for unemployment benefit within six months of the date on which the service of the sentence was completed, his/her right to retain unemployment insurance entitlement shall lapse unless the provisions of Article 23 apply.

Applications for unemployment benefit shall be accompanied by a certificate from the prison administration authorities, which shall include information on when the service of the sentence took place.

This provision shall not apply to those who receive unemployment benefit payments in other states or under the provisions of Section VIII in respect of the same period.

Article 28

Temporary suspension of active employment searches.

Persons who have received unemployment benefit payments for less than 24 months and temporarily suspend their active employment searches may retain their accrued unemployment insurance entitlement for up to 24 months from the date on which they applied for unemployment benefit providing that they have not previously availed themselves of an authorisation under Articles 23-27. In other respects, Article 23 shall apply to retained unemployment insurance entitlement.

Persons who stop actively seeking insurance under paragraph 1 in order to pursue studies (*cf.* item c of Article 3) may retain accrued unemployment insurance entitlement for up to 36 months from the date on which they demonstrably stop actively seeking employment, providing that they have demonstrably completed their studies. When they apply once more for unemployment benefit, attention shall be given to the unemployment insurance entitlement of the persons insured as it was before they began their studies, unless other provisions are made in this Act.

A person who stops actively seeking employment under the first paragraph due to circumstances covered in Articles 25 and 26 may retain accrued unemployment insurance entitlement in accordance



with the provisions of those articles, as appropriate.

This provision shall not apply to those who receive unemployment benefit payments in other states or under the provisions of Section VIII in respect of the same period.

SECTION VI

Periods in which unemployment benefit is paid.

Article 29

Length of the period in which unemployment benefit is paid.

Persons who are regarded as insured under this Act may be entitled to receive unemployment benefit payments for [30 continuous months]¹⁾ from the date on which the Directorate of Labour receives their application for unemployment benefit unless other provisions are made in this Act. The deferment period applying to the payment of unemployment benefit under Section X shall be counted as part of this period [and also the period when penalties under Section XI apply].²⁾ The same shall apply to time during which proportional unemployment benefit is paid (*cf.* Article 17 or 22) [and to the time when occasional illnesses last under the fifth paragraph of Article 14.]²⁾

Time during which the insured person works on the domestic labour market after the beginning of the period referred to in the first paragraph shall not be counted as part of the period. Furthermore, time during which unemployment insurance entitlement is retained under Section V shall not form part of the period referred to in the first paragraph.

[Time during which the Directorate of Labour gives grants under the first paragraph of Article 62 due to participation by insured persons in employment-related labour-market remedies, does not count as a part of the period under the first paragraph, in circumstances when the insured persons receive wages from their employers which are higher than basic unemployment benefit while participating in labour-market remedies while not receiving unemployment benefit (*cf.* the fourth paragraph of Article 33).]³⁾

The period referred to in the first paragraph shall continue to run when the insured person re- applies to the Directorate of Labour for unemployment benefit after having worked for less than 24 months on the domestic labour market since last receiving unemployment benefit.

¹⁾ Act No. 125/2014, Article 14. ²⁾ Act No. 153/2010, Article 2. ³⁾ Act No. 103/2011, Article 2.

Article 30

Subsequent periods during which unemployment benefit is paid.

Persons who are regarded as insured under this Act and who have received unemployment benefit for [a total of 30 months]¹⁾ under Article 29 may acquire entitlement once again within the unemployment insurance system after 24 months, providing that they have worked on the domestic labour market for at least six months after the end of the previous period and that they have lost their job for valid reasons. The new period shall then begin in accordance with Article 29, but in other respects the provisions of Sections III and IV shall apply, as appropriate, regarding the conditions for the insured person's unemployment insurance entitlement.

¹⁾ Act No. 125/2014, Article 15.

Article 31

Commencement of a new period under Article 29 before the completion of the former period.

A new period under Article 29 shall commence when the insured person re- applies to the Directorate of Labour for unemployment benefit after having worked continuously on the domestic labour market for at least 24 months since last receiving unemployment benefit. In other respects, the provisions of Sections III and IV shall apply, as appropriate, regarding the conditions for the insured person's unemployment insurance entitlement.

SECTION VII

The monetary amount of unemployment benefit.

Article 32



Income-related unemployment benefit.

Persons who are regarded as insured under Section III or IV acquire the right to income-related unemployment benefit for up to three months from the time when basic unemployment benefit according to Article 33 has been paid for a total of [two weeks],¹⁾ unless other provisions are made in this Act.

Income-related unemployment benefit for wage-earners under the first paragraph shall be 70% of their average gross wages, based on a six-month period ending two months before the applicant became unemployed. 'Wages' shall include all types of wages and other remunerations under the Social Security Tax Act, but income from employment that the applicant continues to be engaged in (*cf.* Articles 17 and 22) shall not be included. Only average gross wages for the months during the reference period during which the applicant worked on the domestic labour market shall be taken into account. In no case, however, shall fewer than four months be used as a reference period when calculating average gross wages.

Income-related unemployment benefit for self-employed individuals under the first paragraph shall be 70% of their average gross wages, based on the income year preceding the year in which the applicant became unemployed. In other respects, the provisions of the second paragraph shall apply.

Calculation of income-related unemployment benefit shall be based on information gathered by the Directorate of Labour concerning the applicant's income from tax returns and the tax authorities' records of payments of tax deductions at source and social security tax. The Directorate of Labour shall seek confirmation from the tax authorities that information from the records of payments of tax deductions at source and social security tax corresponds to taxes assessed by the tax authorities. Where payments to the tax authorities in respect of wage-earners are in arrears, other materials demonstrating the wage-earner's income during the reference period under the second paragraph shall be taken into account.

Income-related unemployment benefit shall be paid for all days excluding Saturdays and Sundays during each period under Article 29.

¹⁾

...

Notwithstanding the first and second paragraphs, the maximum amount of income-related unemployment benefit each month shall be based on the insured person's insurance proportion, thus never amounting to more than ISK 180,000 per month, based on full unemployment insurance (*cf.* Article 15 or 19). To find the unemployment benefit amount per day, one month shall be taken as consisting of 21.67 days.

Those who meet the conditions of Section III or IV but did not work on the domestic labour market during the reference period under the second or third paragraph shall acquire a right to unemployment benefit under Article 33 in proportion to their insurance proportion under Article 15 or 19. The same shall apply when income-related unemployment benefit under the first paragraph proves to be lower than the basic unemployment benefit to which the insured party is entitled under Article 33.

When the period under Article 29 is still running at the time when the insured person re-applies for unemployment benefit, he/she shall not be entitled to unemployment benefit under this provision if he/she has previously exhausted his/her entitlement under the first paragraph.

An insured person who is subjected to a deferment period under the provisions of Section X shall not be entitled to receive income-related unemployment benefit under this provision.

¹⁾ Act No. 134/2009, Article 8.

Article 33

Basic unemployment benefit.

Persons who are regarded as insured under Section III or Section IV shall acquire the right to basic unemployment benefit at the beginning of the period under Article 29 in accordance with their insurance proportion under Article 15 or 19, unless other provisions are made in this Act.

A person who is fully insured shall be entitled to full basic unemployment benefit, which shall be [ISK 149,523 per month].¹⁾ Minimum unemployment insurance entitlement shall confer the right to ^ of basic unemployment benefit.

...¹⁾ The monetary amount of basic unemployment benefit under the second paragraph and the



maximum monetary amount of income-related unemployment benefit under the sixth paragraph of Article 32 shall be reviewed when the state budget is approved each year, taking account of trends in wages, price-levels and the economy. Nevertheless, [the Minister]²⁾ may, after receiving the approval of the Government, raise the monetary amount of basic unemployment benefit if substantial changes take place in wage trends and the premises underlying the national economy after the budget is approved. When the aforementioned conditions result in a raising of monetary amounts, [the Minister]²⁾ shall change them by means of a regulation.³⁾ [Furthermore, the Minister may decide in regulations,⁴⁾ after receiving the approval of the Government, to pay special December-bonus in addition to basic unemployment benefit at the end of each year, provided that other specific requirements are met.]⁵⁾

[When the Directorate of Labour gives grants under the first paragraph of Article 62, due to participation by insured persons in employment-related labour market remedies and the insured persons receive wages from their employers which are higher than basic unemployment benefit during their participation in labour-market remedies, the insured persons are not entitled to receive income- related unemployment benefit or basic unemployment benefit at the same time.]⁴⁾

¹⁾ Act No. 134/2009, Article 9. ²⁾ Act No. 162/2010, Article 32. ³⁾ Regulation No. 548/2006, cf. No. 1253/2007, No. 1219/2008, No. 566/2011, No. 1224/2011 and No. 1206/2012. Regulation No. 945/2010. ⁴⁾ Regulation No. 1064/2011. Regulation No. 975/2012. ⁵⁾ Act No. 103/2011, Article 3.

Article 34

Unemployment benefit in respect of the obligation to support children.

Persons who are regarded as insured under Section III or IV and who are obliged to support children aged under 18 years shall be entitled to receive 4% of full basic unemployment benefit in respect of each child from the beginning of the period under Article 29, unless other provisions are made in this Act.

Claims against an insured person by the [District Commissioner]¹⁾ for child maintenance that [the District Commissioner]¹⁾ has been commissioned to collect may be set off against unemployment benefit provided for under the first paragraph.

¹⁾ Act No. 45/2023, Article 12.

Article 35

Payment of unemployment benefit.

[Unemployment benefit shall be paid on the first banking day of each month, and shall be paid in respect of the previous month, or part of that month, thus being based on the period from the first to the last day of the month in question.]¹⁾

[The Directorate of Labour may withhold payment of unemployment benefit that has previously been decided for an insured person for up to one month after the payment was supposed to take place if the directorate has reason to suspect that the insured person no longer meets the conditions of this Act, or has already received excess payments of unemployment benefit. When such a suspicion arises, the Directorate of Labour shall, without undue delay and at the latest five working days prior to the next disbursement day of unemployment benefit under the first paragraph, inform the person concerned in a verifiable manner that it intends to withhold the payment. The directorate shall furthermore begin an examination of the matter immediately in accordance with Article 10 of the Administrative Procedure Act, No. 37/1993, and give the person concerned the right of objection in accordance with Article 13 of the same act. Other aspects of the handling of the matter shall be subject to the Administrative Procedure Act.

If, after having sufficiently investigated the matter, the Directorate of Labour discovers that the insured person was entitled, fully or in part, to the payment that was withheld under the second paragraph, then the directorate shall be obliged to pay that sum no later than on the next disbursement day under the first paragraph, with interest for the period during which the payment was held by the Unemployment Insurance Fund. The interest applying shall be equivalent to interest as determined and published at any given time by the Central Bank of Iceland under the first paragraph of Article 8 of the Interest and Price-Indexation Act, No. 38/2001.]²⁾

¹⁾ Act No. 142/2012, Article 8. ²⁾ Act No. 134/2009, Article 10.



[Article 35 a

Notification of occasional work.

Persons who are regarded as being insured under this Act shall be obliged to notify the Directorate of Labour with at least one day's notice of occasional work they undertake during periods for which they are paid unemployment benefit under Article 32 or 33 or are made to wait or subjected to penalties under this Act. Notification of occasional work may, however, be made the same day in instances which, in the opinion of the Directorate of Labour, are of such a nature that it is not possible to make the notification regarding occasional work earlier. Notifications shall include statements of what the work involves, the whereabouts of the work site and the intended duration of the occasional work.]¹⁾

²⁾ Act No. 134/2009, Article 11.

Article 36

Deductions due to income.

When an insured person's income from part-time employment (*cf.* Article 17 or 22) and his/her unemployment benefit under Articles 32-34, combined, exceed his/her full unemployment benefit entitlement, together with his/her income allowance threshold under [the fourth paragraph],¹⁾ his/her unemployment benefit shall be reduced by half of the excess amount. The same shall apply to the insured person's income earned from occasional work, old-age or disability benefit payments under the Social Security Act, old-age or disability pensions paid by collective pension funds ...²⁾, [payments from trade unions' sick-pay funds which are made due to partial incapacity for work, the insured person's investment income and other payments that the insured person may receive from other parties].¹⁾ Only the income that the insured person had at the time when he/she received unemployment benefit, or was subjected to a deferment period or penalties under this Act, shall be taken into account.

[Care-givers' payments which are intended to meet incurred costs in connection with a child's illness or disability, grants from trade unions' sick-pay funds that are not intended for the support of the insured person and grants from public funds or comparable funds that the insured person receives in order to develop his/her own commercial ideas shall not be deducted from payments under this Act. In the case of other payments, not listed above, that are not intended for the support of the insured person, the Directorate of Labour shall assess in each individual case whether they shall be deducted from unemployment benefit under the first paragraph.

When an insured person receives a grant from a trade union's sick-pay fund based on partial incapacity for work (*cf.* the first paragraph), the insured person shall also submit to the Directorate of Labour a certificate of his/her working capacity, together with a confirmation from the trade union's sick-pay fund stating for what proportion of working capacity compensation is being made; otherwise, the first paragraph of Article 51 shall apply to such payments.]¹⁾

The income allowance threshold shall be ISK 52,000 per month. The amount of the income allowance threshold shall be reviewed when the state budget is approved each year, taking account of trends in wages, price-levels and the economy. Nevertheless, [the Minister]³⁾ may, after receiving the approval of the Government, raise the monetary amount of basic unemployment benefit if substantial changes take place in wage trends and the premises underlying the national economy after the budget. When the aforementioned conditions result in a raising of the monetary amount of the income allowance threshold, [the Minister]³⁾ shall change it by means of a regulation.⁴⁾

¹⁾ Act No. 134/2009, Article 12. ²⁾ Act No. 70/2010, Article 1. ³⁾ Act No. 162/2010, Article 32. ⁴⁾ Regulation No. 548/2006, *cf.* No. 1253/2007 and No. 1219/2008.

Article 37

Accumulation and protection of rights.

Recipients of unemployment benefit shall pay a minimum of 4% of their unemployment benefit under Articles 32 and 33 into a pension fund, and the Unemployment Insurance Fund shall pay a counter-contribution of [11.5%]¹⁾. Recipients may also make additional payments into a private pension fund.

Recipients of unemployment benefit may request to continue to pay contributions to their trade unions, in which case the Directorate of Labour shall be responsible for making the payment to the relevant trade



union.

¹⁾ Act No. 128/2018, Article 1.

Article 38

Reassessment of unemployment insurance entitlement.

Recipients of unemployment benefit under Articles 32 and 33 may request a review of their unemployment insurance entitlement under Section III or Section IV, this including a re-calculation of their unemployment benefit amount, when their working period has lasted for more than three continuous months before they re-apply for unemployment benefit and the period under Article 29 is still running. In such cases, consideration shall be given to the new working period and that part of the older entitlement acquisition period that suffices to produce, when added to it, a twelve-month reference period. If the insured person does not request a re-calculation, then unemployment benefit shall be based on the previous calculation.

Article 39

Adjustment of unemployment benefit.

If a change occurs in the income tax assessed on insured persons due to income on which income-related unemployment benefit is based (*cf.* Article 32) the Directorate of Labour shall adjust the amount of the benefit payments in accordance with the tax assessed by the tax authorities.

If insured persons receive higher unemployment benefit under Article 32 or 33 than they are entitled to according to their tax assessment by the tax authorities or for other reasons, they shall be obliged to repay the excess amount together with a 15% surcharge. The same shall apply to any unemployment benefit that the insured persons receive for a period during which they do not meet the requirements of this Act. The surcharge under this paragraph shall be waived if the insured person presents valid arguments in support of the view that he/she was not to blame for the flawed premises on which the decision by the Directorate of Labour was based.

Excess unemployment benefit payments may be set off against unemployment benefit arising at a later date and applying to the same individual, though at no time against more than 25% of the latter benefit payments each month. Furthermore, excess unemployment benefit payments may be set off against the insured person's credit balance arising from excess payments of tax, child benefit and interest benefit under the Income Tax Act, No. 90/2003. [The Minister in charge of raising public revenues]¹⁾ shall issue a regulation containing more detailed rules on set-offs and priority ranking.

Collection of excess payments from the Unemployment Benefit Fund shall be subject to [Article 3 of the Act on Collection of Public Taxes and Levies.]⁵⁾ However, [the Minister]²⁾ may entrust collection to a special collection authority.

If insured persons receive lower unemployment benefit than they are entitled to according to their tax assessment by the tax authorities or for other reasons, the Directorate of Labour shall be obliged to pay the underpaid amount, together with interest for the period during which it was in the keeping of the Unemployment Insurance Fund. The interest rate shall be the same as that decided by the Central Bank of Iceland and published at any given time under the first paragraph of Article 8 of the Interest and Indexation Act, No. 38/2001. The same shall apply when the conclusion of the [Welfare Appeals]³⁾ Committee is that the insured person was entitled to unemployment benefit under this Act but was either refused it or received benefit at a lower rate. When underpayment of benefit by the Unemployment Insurance Fund is the result of inadequate information supplied by the person insured, interest shall be waived.

[Decisions by the Directorate of Labour regarding the recovery of excess payments of unemployment benefit under the second paragraph may be enforced (*cf.*, however, the fourth paragraph of Article 12).]⁴⁾

¹⁾ Act No. 126/2011, Article 423. ²⁾ Act No. 162/2010, Article 32. ³⁾ Act No. 85/2015, Article 13. ⁴⁾ Act No. 134/2009, Article 13. ⁵⁾ Act no 150/2019, Article 22.

Article 40



Corporate insolvencies.

The Directorate of Labour may pay employees of insolvent companies unemployment benefit under Articles 32 and 33 for the time [after a ruling is delivered that the company's estate shall be liquidated]¹⁾ that they are unemployed while waiting for the final settlement of their wage claims under the Wage Guarantee Fund Act, No. 88/2003, providing that they meet the conditions of this Act. This shall also be conditional on their assigning to the Unemployment Insurance Fund that part of their claim against the Wage Guarantee Fund that is equivalent to the unemployment benefit payments they receive during this time.

¹⁾ Act No. 94/2020, Article 5.

Article 41

Seizure in execution not permitted.

Unemployment benefit under this Act that has not been disbursed to an insured person may not be seized in execution. Furthermore, it shall also not be permitted to take unemployment benefit to pay public levies other than deductions of income tax at source.

SECTION VIII

Employment searches or employment in another Member State of the Agreement on the European Economic Area and the Convention establishing the European Free Trade Association, or in the Faroe Islands.

Article 42

Employment searches in another Member State.

The Directorate of Labour may pay unemployment benefit under Section VII to persons who are regarded as insured under this Act and who are seeking employment in another Member State of the Agreement on the European Economic Area or the Convention establishing the European Free Trade Association, or in the Faroe Islands, providing that they meet the following conditions:

- a. They must have applied to the Directorate of Labour for unemployment benefit;
- b. they must have met the conditions of this Act during at least the four weeks immediately preceding their date of departure;
- c. they must be entitled to seek employment freely in the other Member State according to the laws of that state, and
- d. they must register themselves as seeking employment at a labour exchange in the state in which the search takes place under the laws of that state within seven working days of their date of departure.

The Directorate of Labour may grant exemptions from the condition of item *b* of the first paragraph in cases where the parent, spouse, cohabiting partner or registered partner of the insured person lives, for purposes of study or employment, in the country where the employment search takes place. The same may apply when children of the insured person under the age of 18 live in the country with their other parent or the insured person has already received an offer of a job in that country.

The Directorate of Labour may also grant an insured person a longer time than is provided for under item *d* of the first paragraph in which to register with the overseas labour exchange. In such cases, payment of unemployment benefit shall stop on the date of departure (inclusive) and be resumed when the person has registered abroad.

The Directorate of Labour shall issue the relevant certificates stating the insured person's entitlement under this provision.

In other respects, the laws of the state in which the employment search takes place shall apply regarding monitoring of the employment search and participation in labour market measures.

[The Minister]¹⁾ may issue a regulation,²⁾ after receiving the comments of the board of the Unemployment Insurance Fund, containing further provisions on unemployment insurance applying to wage-earners and self-employed individuals (*cf.* items *a* and *b* of Article 3), on the basis of the Agreement on the European Economic Area, the Convention establishing the European Free Trade Association, the



Nordic Agreement on Social Security and an agreement between the Government of Iceland, on the one hand, and the Government of Denmark and the Home-Rule Government of the Faroe Islands on the other.

¹⁾ Act No. 162/2010, Article 32. ²⁾ Regulation No. 442/2012. Regulation No. 860/2012.

Article 43

Length of the period during which unemployment benefit is paid in respect of an employment search in another Member State.

The Directorate of Labour may pay unemployment benefit under Article 42 for a continuous period of up to three months from the insured person's date of departure, though in no case for a longer time than the remainder of the period under Article 29.

When an insured person receives a temporary job in another Member State for a time that is shorter than the remainder of the period referred to in the first paragraph, or resigns from his/her job or loses it for valid reasons within the period, he/she may be paid unemployment benefit under Article 42 for the remainder of the period provided for under the first paragraph.

The provisions of the second paragraph shall not apply if work in another Member State confers entitlement on the person according to the legislation of that state regarding unemployment insurance.

Article 44

Subsequent periods under Article 43.

Persons who have previously received unemployment benefit payments under Article 42 may re-acquire entitlement to benefit payments while searching for employment in another Member State of the Agreement on the European Economic Area or the Convention establishing the European Free Trade Association, or in the Faroe Islands, when six months have elapsed from the end of the period provided for under Article 43, providing they have worked on the domestic labour market for at least three months and meet the conditions of this Act in other respects.

Article 45

Applications for unemployment benefit in respect of an employment search in another Member State.

Persons wishing to avail themselves of their entitlement under Article 42 to have unemployment benefit paid while they are seeking employment in another Member State of the Agreement on the European Economic Area or the Convention establishing the European Free Trade Association, or in the Faroe Islands, shall apply to the Directorate of Labour on special forms before their date of departure from Iceland. If an applicant is younger than 18 years, his/her parent or guardian shall endorse the application by signing it.

Article 46

Notification of return to Iceland.

Insured persons who have received unemployment benefit under Article 42 and who return to Iceland in order to continue their employment search on the domestic labour market shall notify the Directorate of Labour of this in writing within seven days of the end of the period provided for in Article 43 or of their date of arrival if they do not arrive in Iceland before the end of the period. Their unemployment insurance entitlement shall then be the same as it was before they left Iceland to seek employment, unless other provisions are made in this Act.

If insured persons fail to report their intention to continue to seek employment in Iceland before the deadline stated in the first paragraph, payment of their unemployment benefit shall cease on and including the day on which the period provided for under Article 43 ends or when they stopped seeking employment in another Member State, if they demonstrably stopped seeking employment before the end of the period. Insured persons shall then re-apply for unemployment benefit in accordance with Article 9.

The Directorate of Labour may request information from the competent institution in the Member State where the employment search took place concerning matters that may influence the unemployment insurance of the persons concerned in Iceland or their participation in labour market measures.



Article 47

Entitlement acquisition period in another Member State.

When applicants for unemployment benefit have worked on the domestic labour market [for at least the last month]¹⁾ during the entitlement acquisition period under Article 15 or 19, the Directorate of Labour may, when assessing their unemployment insurance entitlement, take account of the periods during which they have worked as wage-earners or as self-employed individuals (*cf.* items *a* and *b* of Article 3), in another Member State of the Agreement on the European Economic Area or the Convention establishing the European Free Trade Association, or in the Faroe Islands, providing that work in that state confers entitlement on them according to the legislation of that state regarding unemployment insurance. [On the other hand, if applicants for unemployment benefit have worked on the domestic labour market for less than at least the last month during the entitlement acquisition period under Article 15 or 19, the Directorate of Labour shall assess whether the relevant applicants for unemployment benefit are considered as having worked on the domestic labour market for the purposes of this Act, taking into consideration, to the extent deemed necessary, their work periods as a wage earners or a self-employed individuals (*cf.* items *a* and *b* of Article 3), in another Member State of the Agreement on the European Economic Area or the Convention establishing the European Free Trade Association, or in the Faroe Islands, providing that work in that state confers entitlement on them according to the legislation of that state regarding unemployment insurance.]²⁾

Applicants shall submit the necessary certificates of their working periods and insurance periods in another Member State together with their applications for unemployment benefit under Article 9.

When applicants for unemployment benefit who move to Iceland from Denmark, Finland, the Faroe Islands, Greenland, Norway or Sweden have worked in Iceland during the five years preceding the date on which their applications are received to the extent that they would have been regarded as insured under this Act, they need not meet the condition of the first paragraph requiring them to have worked on the domestic labour market [for at least the last month]³⁾ during the entitlement acquisition period in order for it to be possible to take their working periods in these states into account. The same shall apply to those who move to Iceland from the above-mentioned states and have received unemployment benefit in Iceland during the five years immediately preceding the date of receipt of their applications by the Directorate of Labour.

¹⁾ Act No. 134/2009, Article 14. ²⁾ Act No. 178/2011, Article 3. ³⁾ Act No. 70/2010, Article 2.

Article 48

Issue of certificates.

The Directorate of Labour shall issue certificates confirming insured persons' unemployment insurance entitlement according to their applications, stating their working period in Iceland during the entitlement acquisition period under Article 15 or 19 and their accrued entitlement under this Act. Certificates shall state whether the insured person acquired unemployment insurance entitlement as a wage-earner or as a self-employed individual (*cf.* items *a* and *b* of Article 3).

Article 49

Payment of unemployment benefit to persons with entitlement according to foreign insurance systems.

The Directorate of Labour may pay citizens of other Member States of the Agreement on the European Economic Area or the Convention establishing the European Free Trade Association, or the Faroe Islands, who come to Iceland in search of employment, unemployment benefit from the Unemployment Insurance Fund at the request of, and on behalf of, the competent bodies in the states involved, providing that those bodies will reimburse the fund for the sums disbursed in this way.

The Directorate of Labour may, however, pay unemployment benefit according to the first paragraph even though no formal reimbursement takes place, if provision to this effect is made in an agreement to which the Icelandic authorities are a party.



SECTION IX Circumstances resulting in limitations to unemployment insurance.

Article 50

Strikes or lockouts.

Wage-earners (*cf.* item a of Article 3) who stop work in a strike or on account of a lockout by their employer, shall not be regarded as insured under this Act for the duration of the work stoppage.

Wage-earners who lose their jobs before a strike or lockout begins and state in their applications that they are seeking work in the occupation that the strike or lockout covers shall not be regarded as insured for the duration of the work stoppage in the first four weeks after the Directorate of Labour receives their application.

However, the provisions of the second paragraph shall not apply when the strike or lockout applies only to jobs in the relevant occupation in a restricted geographical area.

Article 51

Incompatible payments.

[Any person who receives *per diem* accident benefit payments under [the Social Security Occupational Injury Insurance Act],¹⁾ *per diem* sickness benefit payments under the Health Insurance Act, rehabilitation pension under the Social Assistance Act or payments from trade unions' sick-pay funds resulting from total incapacity for work is not regarded as being insured under this Act during the same period.]²⁾

Any person who receives payments from the Maternity and Paternity Leave Fund under the Maternity, Paternity and Parental Leave Act shall not be regarded as insured under this Act during the same period.

Any person who receives payments under the Act on Payments to the Parents of Chronically Ill or Severely Disabled Children shall not be regarded as insured under this Act during the same period.

Any person who, on termination of employment, has received disbursements of unused holiday (vacation) pay for holiday periods that have not been taken, or who receives payment in connection with the termination of employment, shall not be regarded as insured under this Act during the period covered by those payments. When applying for unemployment benefit, insured persons shall state when they intend to take their paid holiday before the end of the forthcoming holiday period.

¹⁾ Act No. 88/2015, Article 25. ²⁾ Act No. 134/2009, Article 15.

Article 52

Studies.

Any person who is engaged in studies (*cf.* item c of Article 3) shall not be considered as being insured [under this Act]¹⁾ at the same time providing that the studies do not constitute part of labour- market measures in accordance with a decision by the Directorate of Labour [*cf.* however, the second, third and fourth paragraphs]³⁾.

[Without prejudice to the provisions of the first paragraph, the insured person may pursue [studies at secondary school level amounting to a maximum of 12 credits or]³⁾ university-level (third-level) studies amounting to a maximum of [12]³⁾ ECTS credits per academic semester, providing that the proportion of studies is so low that it is not accepted as qualifying for a loan from the [Icelandic Student Loan Fund]³⁾. The insured person shall submit confirmation from the relevant educational institution regarding the proportion of studies.

Without prejudice to the provisions of the first and second paragraphs, the Directorate of Labour may assess, under special circumstances, whether a person who is pursuing studies [at secondary school level amounting to a maximum of 20 credits or]³⁾ at university level amounting to up to 20 ECTS units per academic semester meets the conditions of this Act, providing that the study proportion is so low that it is not accepted as qualifying for a loan from the Icelandic Student Loan Fund. The conditions for this shall be that the studies may, in the opinion of an advisor at the Directorate of Labour, be of direct benefit to the insured person in connection with his/her job search, and the insured person shall submit confirmation from the relevant educational institution regarding the proportion of studies. The insured person shall then be entitled to reduced unemployment benefit for the same period, and the Directorate of Labour shall assess the reduction of insurance cover to which he/she is entitled under Article 15 or 19



in accordance with the study proportion.]²⁾

[Notwithstanding the first to third paragraphs, the insured may pursue study, which is organised in tandem with work by the relevant educational institution and which does not qualify for a loan for living expenses from the Icelandic Student Loan Fund, without this affecting their entitlement to unemployment insurance, provided the study neither interferes with the person's active employment searches nor their possibility to participate in the labour market. The insured must provide confirmation from the relevant educational institution on the arrangements for the programme.

Notwithstanding the first to fourth paragraphs, the insured shall always be allowed to complete the current semester [upon the termination of their employment or if their job proportion is reduced, cf. Article 17]⁴⁾, without any reduction in their entitlement to unemployment insurance.]³⁾

1) Act No. 37/2009, Article 21. ²⁾ Act No. 134/2009, Article 16. ³⁾ Act No. 112/2020, Article 6. ⁴⁾ Act No. 73/2021, Article 1.

Article 53

Deprivation of freedom.

Persons who have been deprived of their freedom by a court judgement shall not be regarded as insured under this Act while serving their sentences in prison. The same shall apply to those who have been deprived of their freedom by order of a judge or who are serving sentences in the form of community service.

SECTION X

Deferment period before receiving unemployment benefit.

Article 54

Resignations without valid reasons.

Persons who are regarded as insured under this Act but resign from their jobs without valid reasons shall not be entitled to unemployment benefit under Section VII until [two months],¹⁾ for which they would otherwise have received benefit payments, have elapsed from the date on which their applications for unemployment benefit are received, [(cf., however, the fourth paragraph).]²⁾ The same shall apply to those who lose their jobs for reasons for which they themselves are to blame.

Insured persons shall meet the conditions of this Act regarding the deferment period according to the first paragraph.

If insured persons accept employment that does not constitute part of labour market measures during the deferment period under the first paragraph, the deferment period shall lapse if the insured persons work for at least [two weeks]¹⁾ before re-applying for unemployment benefit, providing that they resigned from or lost their job for valid reasons. If the job lasts for a shorter time, or if they resign from the job without valid reasons or lose it for reasons for which they themselves are to blame, then the deferment period shall continue to run when the insured persons re-apply for unemployment benefit (cf. also Article 56).

[[If the insured person has received unemployment benefit for [a total of 24 months]³⁾ or more during the same period as defined in Article 29 when the events described in the first paragraph occur, he/she shall not be entitled to unemployment benefit until he/she meets the conditions of Article 31.]²⁾ ¹⁾ Act No. 134/2009, Article 17. ²⁾ Act No. 142/2012, Article 9. ³⁾ Act No. 125/2014, Article 16.

Article 55

When studies are stopped without valid reasons.

Persons who are regarded as insured under this Act but stop their studies (cf. item c of Article 3) without valid reasons shall not be entitled to receive unemployment benefit under Section VII until [two months],¹⁾ for which they would otherwise have received benefit payments, have elapsed from the date on which their applications for unemployment benefit are received [(cf., however, the fourth paragraph).]²⁾ A statement from the relevant educational institution to the effect that they have stopped their studies shall be submitted with the application.

Insured persons shall meet the conditions of this Act regarding the deferment period according to the



first paragraph.

If an insured person accepts employment that does not constitute part of labour market measures during the deferment period under the first paragraph, the deferment period shall lapse if the insured person works for at least [two weeks]¹⁾ before re-applying for unemployment benefit, providing that he/she has resigned from or lost his/her job for valid reasons. If the job lasts for a shorter time, or if he/she resigns from the job without valid reasons or loses it for reasons for which he himself/she herself is to blame, then the deferment period shall continue to run when the insured person applies again for unemployment benefit (*cf.* also Article 56).

[If the insured person has received unemployment benefit for [a total of 24 months]³⁾ or more during the same period as defined in Article 29 when the events described in the first paragraph occur, he/she shall not be entitled to unemployment benefit until he/she meets the conditions of Article 31.]²⁾ ¹⁾ Act No. 134/2009, Article 18. ²⁾ Act No. 142/2012, Article 10. ³⁾ Act No. 125/2014, Article 16.

Article 56

Cumulative effects of previous decisions on deferment periods.

Persons who have been subjected to a deferment period under Article 54 or 55, or to penalties under Articles 57-59, and who re-apply for unemployment benefit after being employed for less than 24 months and after resigning from their last job without valid reasons, shall not be entitled to receive unemployment benefit under Section VII until [three months],¹⁾ for which they would otherwise have received benefit payments, have elapsed from the date on which the later application for unemployment benefit is received [providing they have received unemployment benefit for less than [a total of 24 months]²⁾ during the same period as defined in Article 29.]²⁾ The same shall apply to those who lose their jobs for reasons for which they themselves are to blame, or who stop their studies without valid reasons. [When ensured persons have received unemployment benefit for [a total of 24 months]²⁾ or more during the same period as defined in Article 29 when the events described in the first and second sentences occur, they shall not be entitled to receive unemployment benefit until they meet the conditions of Article 31.]³⁾

When a deferment period under Article 54 or 55, or a penalty under Articles 57-59, has been postponed under the third paragraph of Article 54, the third paragraph of Article 55, the third paragraph of Article 57, the third paragraph of Article 58 or the third paragraph of Article 59, then the remainder of the previous deferment period or penalty decision shall be added to the deferment period under the first paragraph.

If the circumstances described in [the first and second sentences of the first paragraph]³⁾ repeat themselves during the same period under Article 29, then the insured person shall not be entitled to unemployment benefit until he/she has met the conditions of Article 31.

Cumulative effects under this provision shall lapse when a new period under Article 29 begins (*cf.* Article 30 or 31 of this Act).

¹⁾ Act No. 134/2009, Article 19. ²⁾ Act No. 125/2014, Article 16. ³⁾ Act No. 142/2012, Article 11.

SECTION XI

Penalties.

Article 57

Rejection of jobs or refusal to attend a job interview.

Persons who reject jobs they are offered in a verifiable manner after seeking employment for at least four weeks from the date on which the Directorate of Labour receives their applications for unemployment benefit shall not be entitled to receive unemployment benefit under Section VII until [two months],¹⁾ for which they would otherwise have received benefit payments, have elapsed from the date on which the decision by the Directorate of Labour to impose a penalty is announced to them, [(*cf.*, however, the fifth paragraph).]²⁾ The same shall apply to those who refuse to attend interviews for jobs they are offered in a demonstrable manner or fail to attend an interview without unreasonable delay.

Insured persons shall meet the conditions of this Act during the penalty period under the first paragraph. Rejecting jobs or refusing to attend job interviews during this period may result in cumulative



effects under Article 61.

If an insured person accepts employment that does not constitute part of labour market measures during the penalty period under the first paragraph, the penalty period shall lapse if the insured person works for at least [two weeks]¹⁾ before re-applying for unemployment benefit, providing that he/she has resigned from or lost his/her job for valid reasons. If the job lasts for a shorter time, or if he/she resigns from the job without valid reasons or loses it for reasons for which he himself/she herself is to blame, then the penalty period shall continue to run when the insured person re-applies for unemployment benefit (*cf.* also Article 61).

When deciding whether to impose a penalty under the first paragraph, the Directorate of Labour shall consider whether the insured person's decision to reject a job is justifiable on grounds of his/her age, social circumstances in connection with reduced working capacity or the obligation to care for young children or other close family members. Furthermore, the Directorate of Labour may give consideration to the insured person's domestic circumstances if he/she rejects a job that is far from his/her home, and also to his/her being engaged to start a permanent job within a certain period of time. Consideration may also be given to the personal circumstances of individuals who are unable to undertake certain jobs because they have reduced working capacity as attested by a medical certificate from a specialist physician. In such cases, penalties under Article 59 may apply if the insured person []⁴⁾ concealed information regarding his/her reduced working capacity.

[If the insured person has received unemployment benefit for [a total of 24 months]³⁾ or more during the same period as defined in Article 29 when the events described in the first paragraph occur, he/she shall not be entitled to unemployment benefit until he/she meets the conditions of Article 31.]^{2) 1)} *Act No. 134/2009, Article 20. 2) Act No. 142/2012, Article 12. 3) Act No. 125/2014, Article 16. 4) Act No. 94/2020, Article 6.*

Article 58

Refusal to partake in labour market measures.

Persons who refuse to partake in labour market measures (*cf.* the Labour Market Measures Act) decided on by the Directorate of Labour after they have sought employment for at least four weeks from the date on which the Directorate of Labour receives their applications for unemployment benefit shall not be entitled to receive unemployment benefit under Section VII until [two months],¹⁾ for which they would otherwise have received benefit payments, have elapsed from the date on which the decision by the Directorate of Labour to impose a penalty is announced to them [(*cf.*, however, the fourth paragraph).]²⁾ [The same shall apply when the insured person does not present himself/herself at the Directorate of Labour at the time announced in advance in accordance with the sixth paragraph of Article 9, the third paragraph of Article 13 or the third paragraph of Article 18.]¹⁾

Insured persons shall meet the conditions of this Act during the penalty period under the first paragraph. If they refuse again to participate in labour market measures during this period, this may result in cumulative effects under Article 61.

If an insured person accepts employment that does not constitute part of labour market measures during the penalty period under the first paragraph, the penalty period shall lapse if the insured person works for at least [two weeks]¹⁾ before re-applying for unemployment benefit, providing that he/she has resigned from or lost his/her job for valid reasons. If the job lasts for a shorter time, or if he/she resigns from the job without valid reasons or loses it for reasons for which he himself/she herself is to blame, then the penalty period shall continue to run when the insured person re-applies for unemployment benefit (*cf.* also Article 61).

[If the insured person has received unemployment benefit for [a total of 24 months]³⁾ or more during the same period as defined in Article 29 when the events described in the first paragraph occur, he/she shall not be entitled to unemployment benefit until he/she meets the conditions of Article 31.]²⁾

¹⁾ *Act No. 134/2009, Article 21. 2) Act No. 142/2012, Article 13. 3) Act No. 125/2014, Article 16.*

Article 59

[Failure to provide information or to report changes in one's personal circumstances.]¹⁾

[Persons who fail to provide the necessary information [according to Article 14],²⁾ or regarding other



matters that may affect their entitlement under this Act, shall not be entitled to receive unemployment benefit payments under Section VII until two months, during which they would otherwise have received benefit payments, have elapsed following the date on which the Directorate of Labour's decision to apply this penalty is announced to the person concerned [(cf., however, the fourth paragraph [and Article 59 a]⁴⁾).]³⁾ The same shall apply when insured persons ...²⁾ neglect to inform the Directorate of Labour of changes that may have occurred to their personal circumstances during a period for which they have received unemployment benefit, or been made to wait, or been subjected to penalties under this Act, or of other matters that may affect their entitlement under this Act (cf. the third paragraph of Article 9 and the second paragraph of Article 14). They shall also be made to repay excess unemployment benefit payments according to Article 39.]¹⁾

[Insured persons shall meet the requirements of this Act during periods in which penalties are applied in accordance with the first paragraph. If they do not provide the Directorate of Labour with the necessary information during that time, or report changes in their personal circumstances, the cumulative effect under Article 61 may come into play.]¹⁾

If an insured person accepts employment that does not constitute part of labour market measures during the penalty period under the first paragraph, the penalty period shall lapse if the insured person works for at least [two weeks]¹⁾ before re-applying for unemployment benefit, providing that he/she has resigned from or lost his/her job for valid reasons. If the job lasts for a shorter time, or if he/she resigns from the job without valid reasons or loses it for reasons for which he himself/she herself is to blame, then the penalty period shall continue to run when the insured person re-applies for unemployment benefit (cf. also Article 61).

[If the insured person has received unemployment benefit for [a total of 24months]⁴⁾ or more during the same period as defined in Article 29 when the events described in the first paragraph occur, he/she shall not be entitled to unemployment benefit until he/she meets the conditions of Article 31.]³⁾

¹⁾ Act No. 134/2009, Article 22. ²⁾ Act No. 153/2010, Article 3. ³⁾ Act No. 142/2012, Article 14. ⁴⁾ Act No. 125/2014, Article 16. ⁵⁾ Act No. 94/2020, Article 7.

[Article 59 a

Failure to report work while receiving unemployment benefit

A person, who has been registered as unemployed with the Directorate of Labour for four weeks or more, and is discovered to be working in the domestic labour market at the same time as they are receiving unemployment benefit or are subject to a waiting period or sanctions under this Act, without notifying the Directorate of Labour of occasional work as referred to in Article 35 a or that they have ceased job seeking, as provided for in Article 10, shall not be entitled to payment of unemployment benefit until they have worked for at least six months in the domestic labour market before applying for unemployment benefit again. Furthermore, the person must repay any overpayment of unemployment benefit as provided for in Article 39]¹⁾

Article 60 ¹⁾ Act No 94/2020, Article 8.

Acquisition of unemployment benefit by dishonest means.

[Persons who [deliberately fail to report to the Directorate of Labour changes that may occur in their personal circumstances during the period they receive unemployment benefit, or are made to wait or are subjected to penalties under this Act, or give deliberately false information],¹⁾ resulting in their being wrongly regarded as insured, either fully or partially, under this Act, shall not be entitled to receive unemployment benefit until they have worked for at least twelve months on the domestic labour market before applying again for unemployment benefit.]³⁾ Such persons shall also be made to repay excess unemployment benefit payments according to Article 39.]¹⁾

¹⁾ Act No. 103/2011, Article 4. ²⁾ Act No. 134/2009, Article 23. ³⁾ Act No. 94/2020, Article 9.

Article 61

Cumulative effects of previous decisions to impose penalties.

If a person has been subjected to penalties under Articles 57-59 or a deferment period under Articles 54 and 55 and any of the circumstances referred to there occurs again during the same period under Article



29, he/she shall not be entitled to unemployment benefit under Section VII until [three months]¹⁾ have elapsed since the date on which the decision by the Directorate of Labour regarding cumulative effect was taken [providing he/she has received unemployment benefit for [a total of less than 24 months]²⁾ during the same period as defined in Article 29.]³⁾ [If the insured person has received unemployment benefit for [a total of 24 months]²⁾ or more during the same period as defined in Article 29 when the events described in the first paragraph occur, he/she shall not be entitled to unemployment benefit until he/she meets the conditions of Article 31.]³⁾

When a penalty under Articles 57-59, or a deferment period under Article 54 and 55, has been postponed under the third paragraph of Article 54, the third paragraph of Article 55, the third paragraph of Article 57, the third paragraph of Article 58 or the third paragraph of Article 59, then the remainder of the previous penalty or deferment period shall be added to the penalty under the first paragraph.

If the circumstances described in [the first sentence of the first paragraph]³⁾ repeat themselves in the same period under Article 29, the insured person shall not be entitled to unemployment benefit until he/she meets the conditions of Article 31.

Cumulative effects under this provision shall lapse when a new period under Article 29 begins (*cf.* Article 30 or 31 of this Act).

¹⁾ Act No. 134/2009, Article 24. ²⁾ Act No. 125/2014, Article 16. ³⁾ Act No. 142/2012, Article 15.

SECTION XII

Miscellaneous provisions.

Article 62

Grants to individuals from the Unemployment Insurance Fund.

[[Grants may be made from the Unemployment Insurance Fund in respect of participation by job-seekers in work- or study-related labour-market remedies, providing the persons concerned are insured under this Act when they begin participation in the remedies. Furthermore, grants may be made from the Unemployment Insurance Fund in respect of participation by those who have fully utilised their entitlements under this Act in work- or study-related labour-market remedies for up to twelve months since receiving their last unemployment benefit payment under Section VII. In addition, grants may be made from the Unemployment Insurance Fund in respect of participation by persons mentioned in the first and second sentences in work-related occupational rehabilitation, providing that the occupational rehabilitation programme involved is likely to result in their succeeding in finding employment.]¹⁾ [Furthermore,]¹⁾ special grants may be made to the same parties due to expenses they incur as a result of engaging to work far from their homes, and in connection with work- or study-related labour- market remedies.]²⁾

[Grants according to the first paragraph shall be paid on the basis of a regulation³⁾ issued by the Minister, after receiving the proposals of the board of the Unemployment Insurance Fund, stating further conditions for the payment of the grants. The regulation may also restrict the payment of the grants to particular campaign projects intended to encourage job-seekers and/or particular groups of job-seekers to resume participation in the labour market.]¹⁾

¹⁾ Act No. 142/2012, Article 16. ²⁾ Act No. 178/2011, Article 4. ³⁾ Regulation No. 12/2009, *cf.* No. 781/2011, No. 162/2012, No. 705/2011 and No. 48/2013. Regulation No. 1235/2011.

Article 63

Grants from the Unemployment Insurance Fund for projects on the labour market.

After receiving the proposals of the board of the Unemployment Insurance Fund, [the Minister]¹⁾ may make grants from the Unemployment Insurance Fund for individual projects intended to stimulate the economy of individual regions or increase the number of job opportunities open to individual groups of people and for vocational training. The monetary amount of these contributions shall be determined when the national budget legislation is approved each year.

¹⁾ Act No. 162/2010, Article 32.



[Article 63 a

International agreements.

When this Act is applied, attention shall be given to international agreements in the field of social security and social affairs to which Iceland is a party.]¹⁾¹⁾ Act No. 70/2010, Article 3.

Article 64

Regulations.

After receiving the comments of the board of the Unemployment Insurance Fund, [the Minister]¹⁾ may issue regulations²⁾ on the application of this Act in further detail.

¹⁾ Act No. 162/2010, Article 32. ²⁾ Regulation No. 12/2009, cf. No. 781/2011, No. 162/2010, No. 705/2012 and No. 48/2013. Regulation No. 945/2010. Regulation No. 757/2011. Regulation No. 1064/2011. Regulation No. 1235/2011. Regulation No. 442/2012. Regulation No. 860/2012.

Article 65

Commencement.

This Act shall take effect on 1 July 2006....

Interim provisions.

I.

Persons who registered themselves with a local labour exchange as unemployed for the first time on or after 15 November 2005, and who are registered as unemployed on 1 July 2006, may apply for unemployment benefit under Article 9 of this Act before 1 September 2006, in which case their rights and obligations within the unemployment insurance system shall be in conformity with this Act. When income-related unemployment benefit is calculated under Article 32, the period during which these persons were registered as unemployed shall be regarded as the period referred to in Article 23.

II.

Persons who were registered as unemployed before 15 November 2005 and who have been without work continuously since then, or have worked for less than six months on the domestic labour market, may have a maximum entitlement of basic unemployment benefit according to this Act until 31 December 2009, though not for more than five years from the date of their registration with a local labour exchange, taking into account their working periods. In other respects, the provisions of this Act shall apply regarding their rights and obligations within the unemployment insurance system.

III.

This Act shall apply in all respects regarding those who are registered as unemployed before 1 July 2006 and have worked continuously for at least six months on the domestic labour market before re-applying for the first time since then for unemployment benefit. In such cases, their previous benefit period under Article 9 of the Unemployment Insurance Act, No. 12/1997, shall not be taken into account.

IV.

Notwithstanding the provisions of the first paragraph of Article 37 to the effect that the counter-contribution paid to pension funds by the Unemployment Insurance Fund is to be 8%, the fund's counter-contribution shall be 7% until 31 December 2006.

[V.

When unemployment benefit is paid concurrently with a reduced job capacity in accordance with Article 17 or 22, the length of time during which income-related unemployment benefit under the first paragraph of Article 32 may be paid shall be based on the difference between the insured persons' rights if they had lost their jobs entirely and the job proportion in which they continue to work. Insured persons shall retain their entitlement to unemployment benefit for three continuous years in accordance with the first paragraph of Article 29.

[[When unemployment benefit is paid concurrently with reduced job capacity in accordance with



Article 17 or 22 due to a temporary contraction in the employer's level of activity, permanent wages from the employer for the reduced job proportion shall not result in a reduction of the monetary amount of unemployment benefit under Article 36, providing that the wage-earner's former job proportion has been reduced by at least [30%]¹⁾ and the insured person has retained at least 50% of full employment. This temporary change to the employment contract shall last for three months at a time.]²⁾ This shall apply equally whether the insured person receives income-related unemployment benefit payments or basic unemployment benefit payments under Article 33. Other payments that the insured person may receive from the employer in respect of the same period shall be deducted from payments from the Unemployment Insurance Fund, irrespective of the income allowance threshold according to [the fourth paragraph of Article 36.]²⁾ The same shall apply regarding payments from parties other than the employer.]³⁾

[Without prejudice to the second paragraph, wages from the employer in respect of the reduced job proportion according to Article 32 or 33 shall, combined, never exceed ISK 491,318 per month.]²⁾

The provisions of the first and second paragraphs shall be subject to the condition that the insured person has lost his/her job, in part, due to a [temporary]²⁾ contraction in the level of activity of the employer for whom he/she works due to particular circumstances on the labour market, or that the person has lost his/her job in full and been engaged in part-time employment for another employer in a lower job proportion, providing the person concerned was not able, in the view of the Directorate of Labour, to engage in employment in the same job proportion as he/she was engaged in previously due to particular circumstances on the labour market.

[The Directorate of Labour may request information and materials from the relevant employer if the insured person has lost his/her job, in part, due to a contraction in the level of activity of the employer for whom he/she worked due to particular circumstances on the labour market, stating further reasons for the contraction in the level of activity, such as a drop in the number of work assignments or a contraction in services. The trade union shop steward, or if there is not a shop steward then a representative of the employees shall endorse the information and materials.]³⁾

[This provision shall remain in force [from 20 July 2011 to 31 December 2011 (inclusive)].⁴⁾ Notwithstanding the second paragraph, those who have already received unemployment benefit under this provision prior to 1 January 2011 concurrent with a reduction in their job proportion of up to 29% may continue to receive unemployment benefit while this provision is in force.]]⁵⁾

¹⁾ Act No. 153/2010, Article 4. ²⁾ Act No. 134/2009, Article 25. ³⁾ Act No. 37/2009, Article 25. ⁴⁾ Act No. 103/2011, Article 5. ⁵⁾ Act No. 131/2008, Article 1.

[VI.]

Self-employed individuals shall be regarded as meeting the conditions of items *f* and *g* of the first paragraph of Article 18 (*cf.* also Articles 20 and 21) regarding the cessation of operations if they have informed the tax authorities of a substantial reduction in their level of activity resulting in their temporary unemployment. They shall give details of payments of tax deducted at source on their calculated remuneration each month and submit VAT-surveys, together with their registrations in the basic VAT register. A confirmation from the tax authorities stating that they have received the notification shall be submitted to the Directorate of Labour together with the application for unemployment benefit.

Without prejudice to the first paragraph, self-employed individuals may accept occasional work while receiving unemployment benefit payments. Their income for such work shall be deducted from their unemployment benefit payments under Article 36, with an income allowance threshold of ISK 100,000 per month when calculating deductions due to the income of self-employed individuals. [When occasional work lasts for a period of more than one month, but remuneration for the work is paid once only, or irregularly, then the income shall be spread evenly over the period during which the work lasted, so being deducted from the insured person's unemployment benefit for the period, taking into account the income allowance threshold according to the second sentence for each month. The Directorate of Labour shall assess whether a work project can be regarded as occasional and whether substantial contraction has taken place in the activities of a self-employed individual. When carrying out this assessment, the directorate shall consider, amongst other things, the reference sum determined by [the Minister in question (*cf.* item



b of Article 3)]¹⁾ as calculated remuneration for work in the relevant occupation and also the operations of the individual in question over as much as the last three years preceding his/her application to the directorate for unemployment benefit.]²⁾

If a self-employed individual fails to submit to the tax authorities a statement covering the payment at source of tax by the final due date, and a VAT-survey on the due date, his/her entitlement to unemployment benefit shall lapse as from the time when these materials were to have been submitted and until the time when satisfactory submissions have been made, providing that he/she also meets the other conditions of this Act.

[Self-employed individuals shall be entitled to receive unemployment benefit under this provision for up to three months. Those who have already received unemployment benefit under this provision during the period 21 November 2008 - 31 December 2009 shall be entitled to receive unemployment benefit under this provision for up to two months, if the other conditions of this Act are met.]³⁾

This provision shall remain in force [from 20 July 2011 to 31 December 2011(inclusive)].⁴⁾⁵⁾

¹⁾ Act No. 126/2011, Article 423. ²⁾ Act No. 37/2009, Article 26. ³⁾ Act No. 134/2009, Article 26. ⁴⁾ Act No. 103/2011, Article 6. ⁵⁾ Act No. 131/2008, Article 1.

[VII.

The amendments provided for under this Act shall not apply to those persons who already receive unemployment benefit payments from the Unemployment Insurance Fund at the time of commencement of this Act, unless the amendments would result in better entitlements for the insured person, in which case he/she shall request from the Directorate of Labour a correction of the payments received from the fund before 1 June 2009. Nevertheless, the provisions of Article 24 shall apply to all those who avail themselves of the authorisation of the second paragraph of Temporary Provision VI in this Act after the commencement of this Act.]¹⁾ ¹⁾ Act No. 37/2009, Article 27.

[VIII.

[The Unemployment Insurance Fund shall repay those job-seekers who have received reduced unemployment benefit after 1 March 2009 due to payments of old-age pensions and disability pensions from private funds under Act No. 129/1997, on Mandatory Pension Insurance and on the Activities of Pension Funds, as amended, that are equivalent to the amount of the reduction. The condition for this is that the relevant job-seekers shall have applied for the refund from the Unemployment Insurance Fund before 1 September 2010.]¹⁾²⁾

¹⁾ Act No. 70/2010, Article 6. ²⁾ Act No. 134/2009, Article 27.

[IX.

The provisions of Article 25 shall apply to those who were regarded as insured under this Act but withdrew from the labour market in order to pursue studies after 1 July 2006.]¹⁾ ¹⁾ Act No. 134/2009, Article 27.

[X. [...] ²⁾

[] ¹⁾ The provision was valid until 31 December 2012, cf. Act No. 178/2011, Article 5. ²⁾ Act No. 153/2010, Article 6.

[XI. [...] ²⁾

] The provision was valid until 31 December 2013, as provided for in the third paragraph. ¹⁾ Act No. 142/2012, Article 17.

[XII.

Persons who have been covered by the unemployment insurance system and have received unemployment benefit on the basis of Interim Provision V during its period of validity may apply to have that period counted as part of the period defined in Article 29, and have it recognized as such, with the result that each day during which they received proportional payments of unemployment benefit shall be counted as half a day.]¹⁾ ¹⁾ Act No. 142/2012, Article 17.



[XIII. [...] ²⁾

When unemployment benefit is paid in tandem with a reduced job proportion as provided for in Article 17, due to a temporary decrease in the employer's activities, the fixed salary from the employer for the reduced job proportion shall not reduce the amount of unemployment benefit under Article 36, provided that the reduction from the previous job proportion has been at least 20 percentage points and the employee has maintained a minimum job proportion of 25%. An employer may not demand a work contribution from an employee in excess of the remaining job proportion after the job proportion has been reduced.

Unemployment benefit payments under the first paragraph shall amount to the maximum income-linked unemployment benefit in direct proportion to the reduced job proportion. However, wages from the employer and unemployment benefit payments together may never amount to more than ISK 700,000 per month nor to more than 90% of the employee's average gross monthly wages. Calculation of average gross wages shall be based on the three-month period before the employee partially lost their job. Wages shall include all types of wages and other remuneration covered by the Social Security Charge Act.

The sum of wages from the employer for the reduced job proportion and unemployment benefit under this provision shall not be subject to a reduction as provided for in the second sentence of the second paragraph if the employee's average gross wages are less than ISK 400,000 monthly for a full-time position. If the average gross wages exceed ISK 400,000 monthly for a full-time position, the reduction as provided for in the second sentence of the second paragraph may never result in the sum of wages from the employer for the reduced job proportion and unemployment benefit under this provision becoming an amount lower than ISK 400,000 monthly for a full-time position.

The Directorate of Labour may request information and documentation from the employer of the employee who partially lost their job, providing more detailed justification for the decrease in activity, such as a reduction in projects or a contraction in services.

Benefits may be paid under this provision even if the employee is not considered insured in the sense of this Act, for instance, due to studies, cf. Article 52, or due to conditions on acquisition period, cf. Article 15, provided the conditions of the provision are met. Other provisions of the Act shall apply to the payment of benefit under this provision *mutatis mutandis*. Payments of unemployment benefit under this provision do not impair acquired rights to the payment of unemployment benefits under the Act.

[...] ⁴⁾

This provision shall take effect on 15 March 2020 and expire on 1 June 2020.

¹⁾ Act No. 25/2020, Article 18. ²⁾ This provision expired on 1 June 2020, as provided for in the seventh paragraph.

XIV. [...] ⁴⁾

A self-employed person is considered to meet the conditions of subparagraphs f and g of the first paragraph of Article 18, cf. also Articles 20 and 21, on suspension of operations, if they have notified the Directorate of Internal Revenue of a significant decrease in their activities leading to a temporary suspension of operations.

If a self-employed person undertakes an occasional project while receiving unemployment benefit, they must report this to the Directorate of Labour, as the person concerned is not entitled to unemployment benefit during the period the project lasts.

[Notwithstanding the provision in the first paragraph of Article 32, a self-employed person who has received payment of unemployment benefit under this provision during the period from 15 March 2020 to 31 May 2020 is entitled to income-linked unemployment benefit during the period 1 June 2020 to 31 August 2020, if other conditions are satisfied.] ²⁾

The Directorate of Internal Revenue may, on its own initiative, communicate information to the Directorate of Labour concerning the remedy provided for under this provision, cf. the fourth paragraph of Article 9.

[This provision shall apply from 1 September 2020 and expire on 1 January 2021.] ^{2) 3)}

[...] ^{4) 2)} ¹⁾ Act No 23/2020, Article 1. ²⁾ Act No 44/2020, Article 1 ³⁾ Act No. 112/2020, Article 7. ⁴⁾ This provision expired on 1 January 2021, as provided for in the fourth paragraph.



[XV. [...] ⁴⁾

~~Notwithstanding the provision in the first paragraph of Article 34, an individual considered to be insured under Sections III and IV, who has dependant children younger than 18 years of age, shall be entitled to 6% of unadjusted basic unemployment benefit for each child if they are entitled only to basic unemployment benefit or immediately following the conclusion of the period of income linked unemployment benefit under Article 32.~~

~~This provision shall take effect on 1 June 2020 and shall apply until [31 December 2022.] ³⁾ ²⁾ ¹⁾~~

¹⁾ Act No 37/2020, Article 12. ²⁾ Act No. 145/2020, Article 1. ³⁾ Act 131/2021, Article 59. ⁴⁾ This provision applied until 31 December 2022, as provided for in the second paragraph, cf. Act No 37/2020, Article 12, Act 131/2021, Article 59.

[XVI,

When payment of unemployment benefit is made for the period from 1 June 2020 to 30 June 2020 in tandem with a reduced job proportion, cf. Article 17, due to a temporary decrease in the employer's activities, the fixed salary from the employer for the reduced job proportion shall not reduce the amount of unemployment benefit under Article 36, provided that the reduction from the previous job proportion has been at least 20 percentage points and the employee has maintained a minimum job proportion of 25%. The same applies for the period from 1 July 2020 to [31. May 2021] ¹⁾ provided that the reduction from the previous job proportion has been at least 20 percentage points and the employee has maintained a minimum job proportion of 50%. An employer may not demand a work contribution from an employee in excess of the remaining job proportion after the job proportion has been reduced.

If an employee, who has used the remedy of the payment of unemployment benefit due to a reduced job proportion, on the basis of Interim Provision XIII, during the period from 15 March 2020 to 31 May 2020, intends to use the remedy under this provision, they must notify the Directorate of Labour thereof before 30 June 2020.

Those employees who have exercised their entitlement to unemployment benefit under this provision must confirm to the Directorate of Labour any changed job proportion before 1 July 2020, if they intend to exercise that entitlement after 1 July 2020.

When an employee notifies the Directorate of Labour of their continued exercise of the remedy under the second paragraph, or when applying for unemployment benefit on the basis of this provision in the first instance, the employer must confirm that the employee satisfies all the following conditions:

1. The employee is subject to unlimited tax liability in Iceland, as provided for in [Articles 1 or 2 of the Income Tax Act, No.90/2003](#).
2. The employer's average monthly income, from 15 March 2020 until the date the employee applies for unemployment benefit under the provision or confirms their continued exercise of their entitlement to unemployment benefit under the provision, has decreased by at least 25% compared to one of the following periods:

- a. average monthly income during this same period in 2019;
- b. average monthly income during the period from 1 June 2019 to 31 August 2019;
- c. average monthly income during the period from 1 December 2019 to 29 February 2020; or
- d. average monthly income during the period from 1 March 2019 to 29 February 2020.

3. The employer has not, after 1 June 2020, decided on payment of a dividend or a reduction of share capital through payment to shareholders or repurchase of own shares; made any other payment to an owner based on their ownership; paid a non-contractual bonus; made payment towards a subordinated loan before the due date; granted to the owner or a relative of the owner a loan or other financial contribution which is not part of the acquisition, insurance or maintenance of operating income; or paid a monthly salary to its owners or senior managers exceeding ISK 3,000,000 to each party. The term "relative" shall be interpreted according to Art. 3 of the Act on Bankruptcy etc., [No.21/1991](#). Furthermore, the employer undertakes not to take any of the aforementioned measures prior to 31 May 2022.



4. The employer is up to date in payment of salary-related fees and public levies as of the date the employee applies for unemployment benefits under the provision or gives notice of continued use of their entitlement to unemployment benefit under the provision, cf. the second paragraph.

5. The employer has submitted a tax return together with accompanying documents, including a report on the ownership of a CFC company, cf. Article 10 of the Regulation on Taxation of Ownership of Legal Entities in Low-tax Jurisdictions, No. 1102/2013, and other reports and returns, such as withholding tax returns and value-added tax returns, to the Directorate of Internal Revenue for the last three years before the application was received or since the employer commenced operations if that occurred later. In addition, the employer must, as appropriate and for the same period, have submitted annual financial statements, cf. [the Act on Annual Financial Statements, No.3/2006](#), and provided information on the beneficial owners, cf. the [Act on Registration of Beneficial Owners, No.82/2019](#).

Unemployment benefit payments under the first paragraph shall amount to the maximum income-linked unemployment benefit in direct proportion to the reduced job proportion. However, wages from the employer and unemployment benefit payments together may never amount to more than ISK 700,000 per month and nor to more than 90% of the employee's average gross monthly wages. Calculation of average gross wages shall be based on the three-month period before the employee partially lost their job. Wages shall include all types of wages and other remuneration covered by the Social Security Charge Act, No. [113/1990](#).

Notwithstanding the provision of the fifth paragraph, an employee is allowed to request that their average gross monthly wages in the 2019 income year be taken into account. In a case where there are payments from the Maternity/Paternity Leave Fund during the above-mentioned three-month period, or during the three-month reference period referred to in the third sentence of the fifth paragraph, on which the average gross wages are to be based, the employee may request that their reference income on which payments from the Maternity/Paternity Leave are based be taken into account. If the employee has been on parental leave, cf. the first paragraph of Article 24 of the Act on Maternity/Paternity and Parental Leave, No. 95/2000, during the three-month reference period, cf. the third sentence of the fifth paragraph, the employee may request that their average gross wages of the last three months before parental leave commenced be taken into account. In such cases, the Department of Labour may request notification from the employer, cf. the second paragraph of Article 26 of the Act on Maternity/Paternity and Parental Leave, on the structure of the parental leave of the employee in question. The same applies to persons who have taken advantage of the provisions of Interim Provision XIII during the period from 15 March 2020 to 31 May 2020.

The sum of wages from the employer for the reduced job proportion and unemployment benefit under this provision shall not be subject to a reduction as provided for in the second sentence of the fifth paragraph if the employee's average gross wages are less than ISK 400,000 monthly for a full-time position. If the average gross wages exceed ISK 400,000 monthly for a full-time position, the reduction as provided for in the second sentence of the fifth paragraph may never result in the sum of wages from the employer for the reduced job proportion and unemployment benefit under this provision becoming an amount lower than ISK 400,000 monthly for a full-time position.

Benefits may be paid under this provision even if the employee is not considered insured in the sense of this Act, for instance, due to studies, cf. Article 52, or conditions on acquisition period, cf. Article 15, provided the conditions of the provision are met. Other provisions of the Act shall apply to the payment of benefit under this provision *mutatis mutandis*. Payments of unemployment benefit under this provision do not impair acquired rights to the payment of unemployment benefits under the Act. [Notwithstanding the first paragraph of Article 36, old-age pension payments under the Social Security Act and old-age pension payments from occupational pension funds shall not reduce payments from the Unemployment Insurance Fund under this provision.] ²⁾

The Directorate of Labour may demand further confirmation or documentation concerning those matters that the employer must confirm as provided for in the fourth paragraph, in which case the employer is obliged to comply with such demands immediately. Should the employer at some time during the period from 1 June 2020 to 31 May 2022 cease to fulfil the conditions in the fourth



paragraph, or the obligations which it undertook, the employer must repay the Unemployment Insurance Fund those unemployment benefits which their employees have received based on this provision during the period from 1 June 2020 to 31 May 2021¹⁾ plus an additional 15% surcharge.

Should an examination reveal that the conditions of the fourth paragraph were not satisfied or if the employer fails to deliver further confirmation or documentation as requested by the Directorate of Labour, the Directorate may demand that the employer concerned repay those unemployment benefits which their employees have received based on this provision during the period from 1 June 2020 to [31 May 2021]¹⁾ plus an additional 15% surcharge if the employer has not already repaid the benefits, as provided for in the ninth paragraph.

Decisions of the Directorate of Labour regarding the recovery of unemployment benefits that the employer's employees have been paid on the basis of this provision during the period from 1 June 2020 to [31 May 2021],¹⁾ cf. the ninth and tenth paragraphs, are enforceable by execution.

An individual or legal entity that intentionally or through gross negligence provides the Directorate of Labour with incorrect or insufficient information concerning matters as referred to in the fourth paragraph shall be subject to fines or imprisonment of up to two years unless the violation can be considered minor.

The Directorate of Labour is authorised to make public a list of employers who have availed themselves of remedies under this provision for six or more of their employees.

[Notwithstanding the conditions of Point 1 of the fourth paragraph, employees who work for legal entities that do not pay income tax, as provided for in Points 4 or 5 of Article 4 of the Income Tax Act, can acquire entitlement to the payment of unemployment benefit under this provision, provided they meet its conditions in other respects. When application is made for unemployment benefit under the first sentence, the employer must confirm that the employees satisfy the conditions of the fourth paragraph, as appropriate.] ¹⁾ ³⁾

¹⁾[Act No.145/2020, Article 2.](#) ²⁾[Act No.112/2020, Article 8.](#) ³⁾[Act No.44/2020, Article 2.](#)

[XVII. [...] ²⁾

~~Notwithstanding Article 52, the Directorate of Labour may conclude a special study agreement with a job-seeker who is considered insured under the unemployment insurance system. The Directorate of Labour and the relevant job-seeker must sign the agreement. In signing, the relevant job-seeker commits to study a programme that they have chosen in consultation with the advisor at the Directorate of Labour, after their skills and situation have been assessed, and which is covered by the initiative *Learning is an opportunity*. The above-mentioned agreement will not affect the job-seeker's entitlement to unemployment insurance under the Act.~~

~~Conditions for a study agreement, as referred to in the first paragraph, include:~~

- ~~a. that the job-seeker in question has been actively looking for work and registered as unemployed at the Directorate of Labour for at least six months before requesting an agreement under the first paragraph;~~
- ~~b. that the programme is recognized as a labour market measure, cf. subparagraph d of the first paragraph of Art. 12 of the Labour Market Measures Act, No. [55/2006](#), cf. also the Regulation on Studies and Courses Recognized as Labour Market Measures, and falls under the initiative *Learning is an opportunity*;~~
- ~~c. that upon completion the study may be useful to the relevant job-seeker when looking for work, in the opinion of the advisor at the Directorate of Labour;~~
- ~~d. that the person has not exercised their entitlement to a student loan at the Icelandic Student Loan Fund.~~



During the term of the agreement under the first paragraph, the job seeker concerned must satisfy the conditions set for the study by the educational institution in question, such as with regard to attendance and effort. In addition, the job seeker concerned must regularly inform the advisor at the Directorate of Labour on the progress of the study during the term of the agreement.

The term of the agreement under the first paragraph can be a maximum of one semester of study for each job seeker and applies only to study that is pursued in the spring semester of 2021, the fall semester of 2021 or the spring semester of 2022.

The period during which the job seeker's study lasts on the basis of an agreement under the first paragraph, shall not be included in the acquisition period as referred to in Articles 15 or 19, cf. also subparagraph e of the first paragraph of Art. 13, and subparagraph e of the first paragraph of Article 18.

The Minister may issue a regulation on the detailed implementation of the initiative *Learning is an opportunity* under this provision, such as which study programmes in secondary schools and universities are covered by the initiative.

This provision shall take effect on 1 January 2021 and expire on 31 May 2022.¹⁾

¹⁾ Act 112/2020, Article 9. ²⁾ This provision applied until 31 May 2022, as provided for in the seventh paragraph.

XVIII. [...]⁴⁾

Notwithstanding the first paragraph of Article 32, a person who is considered insured under Sections III or IV shall acquire entitlement to income-linked unemployment benefit for up to six months from the time the basic unemployment benefit under Article 33 has been paid for a total of a fortnight, provided they have not fully exercised their entitlement to income-linked unemployment benefit under Article 32 [prior to 1 January 2021]²⁾ as provided for in Article 29. If the insured person has not fully exercised their entitlement to income-linked unemployment benefit for more than three months before [1 February 2022]³⁾, the person's unused entitlement to such benefit will be cancelled under this provision.

This provision shall be valid until [31 January 2022].¹⁾³⁾

¹⁾ Act No. 112/2020, Article 9. ²⁾ Act No 145/2020, Article 3. ³⁾ Act No 73/2021, Article 2.

⁴⁾ This provision applied until 31 January 2022, cf. Act No 73/2021, Article 2,

[XIX.

Within four weeks of the entry into force of this provision, the Directorate of Labour shall pay a job seeker, who had received unemployment benefit continuously for 14 months or longer as of 1 May 2023 and was fully insured under Sections III or IV during the said period, a special allowance of ISK 100,000 from the Unemployment Insurance Fund, provided the job seeker in question has received payment of unemployment benefit for the month of April 2021. Notwithstanding the above, the waiting period for unemployment benefit shall be included in calculation of the amount of the allowance, provided that the relevant job seeker has been registered with the Directorate of Labour as unemployed during the above-mentioned waiting period.

If a job seeker has received unemployment benefit continuously for 14 months or more as of 1 May 2021 and has been insured proportionally during the said period, the Employment Agency shall pay them a proportional grant under the first paragraph corresponding to the proportion upon which their unemployment benefit during the above-mentioned period was based. Notwithstanding the above, the waiting period for unemployment benefit shall be included in calculation of the amount of the allowance, provided that the relevant job seeker has been registered with the Directorate of Labour as unemployed during the above-mentioned waiting period.¹⁾

¹⁾ Act No 73/2021, Article 3.

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In the event of a possible discrepancy, the original Icelandic text applies.]