This is an English translation.
The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text.
Should there be discrepancy between this translation and the authoritative text, the latter prevails.

Act No 119/2019

on the obligation of non profit organisations to register

CHAPTER I
General provisions

Article 1
Scope of application

This Act shall apply to all non profit organisations which are established for the purpose of raising or disbursing funds for the public benefit and which operate across borders.

Non-profit organisations pursuant to paragraph 1 are required to be registered in a Register of Non Profit Organisations maintained by the Directorate of Internal Revenue.

Article 2
Economic activity of an organisation

An organisation is permitted to engage in economic activities for the purpose of raising funds within the limits specified in its articles of association which derive directly from the objects of the organisation, provided that all general conditions for economic activities are met. An organisation is also permitted to engage in economic activities that are financially insignificant in the context of the total revenue of the organisation.

Members are not personally liable for the debts and obligations of an organisation in excess of their membership dues.

CHAPTER II
Establishment of an organisation

Article 3
Memorandum of association

On the establishment of an organisation, its memorandum of association shall be available for inspection together with draft articles of association. The memorandum of association shall be dated and signed by a minimum of three legally competent members.

Article 4
Articles of association;

The articles of association of the organisation shall specify:

a. The name of the organisation;
b. The purpose and objectives of its activities;
c. Conditions for participation, as provided in Article 5;
d. The obligation of members to pay membership dues and other fees to the organisation;
e. The number of board members and their alternates or their minimum and maximum number, together with the electoral term of board members and

persons who are authorised signatories for the organisation;

f. The financial year of the organisation and provisions on approval of annual financial statements;
g. The electoral term of auditors, auditing firms, examiners or examiners from the ranks of members;
h. The time of annual general meetings and the procedure for calling the annual general meeting and other meetings of the organisation;
i. The procedure for disposal of the assets of the organisation in the event of its dissolution or liquidation.

CHAPTER III
Membership and annual general meeting

Article 5
Membership

The members of an organisation may be individuals, organisations, funds and foundations.

All persons meeting the conditions of the articles of association for membership of an organisation are admissible as members.

The board of directors of the organisation shall maintain a register of members.

Article 6
Annual general meeting

An annual general meeting shall be held as provided in the articles of association, and never later than 1 August of each year. The annual general meeting shall be called with at least two weeks' notice in a verifiable manner. The notice of the meeting shall specify the place and time of the meeting. An annual general meeting is valid if it is properly convened.

Each member shall have one vote except as otherwise provided in the articles of association. No person may exercise the voting rights of another person by proxy unless specifically permitted in the articles of association.

A decision on the following shall be made at an annual general meeting:

a. Amendments of the articles of association of the organisation;
b. The transfer or acquisition of real property or any other asset that is significant for the functioning of the organisation;
c. The election or dismissal of the board of directors, board members, auditors or auditing firm or examiners or examiners from the ranks of members;
d. Approval of the annual financial statement;
e. Dissolution of the organisation.

The articles of association may provide for authorisation of the board of directors of the organisation to decide on the sale, exchange and pledging of the assets of the organisation.

CHAPTER IV
Administration of an organisation

Article 7
Board of directors

The board of directors of an organisation shall consist of a minimum three members and one alternate member. The board of directors shall be responsible for the affairs of the organisation in accordance with the organisation's decisions and articles of

association and applicable provisions of law.

The board of directors of an organisation shall formulate a policy and organise the work of the organisation. The board of directors shall hold regular meetings to supervise the activities of the organisation and make decisions on its work. The board of directors shall keep a record of minutes where the conclusions and decisions of board meetings are recorded.

The board of directors is qualified to render decisions when the majority of the board attends a meeting, provided that no stricter requirements are stipulated in the articles of association. A simple plurality of votes will decide issues at board meetings, unless the articles of association stipulate otherwise.

The board shall represent the organisation. If a managing director is appointed, the board and the managing director will undertake the management of the organisation. The managing director is responsible for the day-to-day administration of the organisation and shall comply with the policy and instructions of the board of directors. Day-to-day administration does not include measures that are extraordinary or of major significance. The board of directors shall ensure adequate supervision of the accounts of the organisation and be responsible for the preparation of an annual financial statement for each financial year. The board of directors shall furthermore ensure that the resources of the organisation are used in a proper manner in conformity with the objects of the organisation.

The board of directors shall elect a chairman, except as otherwise provided in the articles of association. Members of the board and the managing director, if appointed, shall be legally competent. If the estate of an individual has been subjected to insolvency proceedings such individual shall not be qualified to serve on the board of directors of an organisation or as its managing director until he or she is again competent to manage his or her financial affairs.

Only the board of directors may confer or withdraw powers of procuration. The qualifications of holders of powers of procuration shall be subject to the provisions of paragraph 5.

Article 8

Signatory powers

The board of directors of an organisation represents the organisation externally and exercises its signatory powers.

The board of directors of an organisation may confer signatory powers on board members, the managing director or other parties, provided that the articles of association do not provide otherwise. The provisions of paragraph 5 of Article 7 and paragraph 1 of Article 9 apply to persons holding signatory powers.

Signatory powers may be restricted so as to be held jointly by more than one person. No other restrictions on signatory powers are permitted.

The board of directors of an organisation may at any time withdraw powers granted to sign for the organisation.

Article 9

Disqualification

A board member or employee of an organisation is not permitted to participate in the process or decision in a matter involving an agreement between himself/herself and the organisation, nor in any other matter where his or her interests may be in conflict with those of the organisation.

The board of directors of an organisation is not permitted to assign to themselves or to auditors, examiners, examiners from the ranks of members, executives or others discharging managerial duties, a higher remuneration for work with the organisation than customary and commensurate with the nature and scope of the work.

Granting loans or posting guarantees for the persons listed in paragraph 2 is prohibited. The same applies to persons joined in marriage, registered partnership or co-habitation with them and persons related to them by descent or marriage or in other respects particularly close. However, this does not apply to any assistance by the organisation that relates to the organisation's activities and is available to anyone meeting specific conditions.

Article 10

Accounting and annual financial statement

Organisation is required to keep accounts and prepare an annual financial statement in compliance with the Act on accounting. The board of directors and managing director of an organisation shall prepare an annual financial statement for each financial year in accordance with law.

At the annual general meeting of an organisation one or more auditors, auditing firms, examiners or examiners from the ranks of members shall be elected to review the annual financial statement. The provisions of the Act on auditors apply to the qualifications and work of auditors and auditing firms, and the Act on accounting apply to the qualifications and work of examiners and examiners from the ranks of members. Representatives appointed from the ranks of members may not sit on the board of the organisation or act in an administrative capacity for it.

If an organisation engages in extensive commercial activity, cf. Article 2, the finances and accounts relating to such activity shall be kept separate from other accounts and assets of the organisation. If an organisation is linked to a business concern in accordance with its articles of association or by contract this shall be noted in the annual financial statement or notes to the accounts.

The annual financial statement shall be completed and signed no later than six months after the end of each financial year. The annual financial statement shall be presented at an organisation's annual general meeting for approval.

No later than one month after the approval of the annual financial statement the board of directors of the organisation shall publish the annual financial statement and, as applicable, the consolidated financial statement, together with the report of the board of directors, the report of the auditor or auditing firm or the signature of the examiner or examiners from the ranks of members, along with information on the time that the annual financial statement was approved, either on the organisation's website or publicly in a similar manner.

The provisions of the Act on accounting apply to the preservation of the accounts and annual financial statements of an organisation.

CHAPTER V

Dissolution of an organisation

Article 11

Dissolution of an organisation

In the event that members decide to dissolve an organisation, the board of directors shall take the measures necessary for the dissolution, unless a liquidator, one or more, is appointed to oversee its liquidation. Formal winding-up proceedings are not required if members at the time of deciding on the dissolution of the organisation at the same time approve the final settlement of accounts, balance sheet and income statement, as

provided in Article 10, which are presented by the board of directors of the organisation and reveal that there are no debts in the organisation and that it has no obligations. If the liabilities of the organisation exceed its assets a liquidator shall be appointed.

Financial disposals by an organisation that members have decided to dissolve are permitted only to the extent necessary for the winding-up proceedings If a liquidator or liquidators have been appointed they are authorised to publish a notice to creditors requesting filing of their claims and to submit the organisation's assets to bankruptcy proceedings, as provided in the Act on bankruptcy etc. If the assets remaining after debts have been paid cannot be used in the manner provided for in the organisation's articles of association, the liquidator shall consign the assets to the State, which shall dispose of them for projects comparable to those provided for in the articles of association of the organisation. The liquidator shall prepare the final financial accounts, balance sheet and income statement for the organisation, as provided in Article 10, and ensure their preservation.

An organisation has been dissolved when the winding-up proceedings have been concluded, they have been announced and the organisation has been deregistered, as provided in paragraph 3 of Article 19.

Article 12

Permission for deregistration of an organisation

If the Register of Non Profit Organisations receives information that an organisation has ceased to function, that it has no working board of directors, auditor or examiners or examiners from the ranks of members, or if it is not in observance of its obligations to the Register, the Register shall send to the organisation, or such persons that represent, or may be assumed to represent, the organisation according to the most recent records in the Register of Non Profit Organisations a warning to the effect that the organisation will be removed from the Register, as provided in Chapter VII, if information is not disclosed within the deadline established by the Register showing that the organisation is still functioning. If no response is received within the set deadline a warning of deregistration to the representatives and other stakeholders shall be published once in the *Legal Gazette*. If no satisfactory response or comments are received within the deadline specified therein the Register of Non Profit Organisations may delete the registration of the organisation. Within one year from the deregistration, members or creditors may call for the estate of the organisation to be subjected to liquidation in accordance with Article 13. If an organisation has been deregistered the Ministry shall appoint a liquidator, as provided in paragraph 2 of Article 11. If any assets remain in the organisation following liquidation they shall be disposed of in accordance with the organisation's articles of association.

The Register of Non Profit Organisations is also authorised to modify a registration so that a de-registered entity is once again registered, provided that a request to such effect is received within one year of the de-registration and special circumstances warrant the re-registration. The organisation's name may not be assigned during this period. Even when an organisation has been stricken from the Register of Non Profit Organisations this shall in no way alter any potential personal liability of directors or board members for the organisation's obligations.

CHAPTER VI

Liquidation of an organisation by a court order

Article 13

Liquidation of an organisation and warnings

At the request of the minister responsible for law enforcement and the judiciary, the

Director of Public Prosecutions or members of the organisation, the district court in the jurisdiction of the organisation can dissolve an organisation by a judgment if the organisation is significantly in breach of law or the objects of the organisation as stated in its articles of association.

Instead of dissolving an organisation, the court may issue a warning if the breach is not considered significant.

If an organisation is dissolved or issued a warning, another organisation may also be dissolved or issued a warning which is directly or indirectly a party to the former organisation if the latter organisation has contributed to the actions specified in paragraph 1, provided that the latter organisation has also been served a summons.

If the assets of an organisation that has been dissolved in accordance with paragraph 1 cannot be disposed of as provided in the organisation's articles of association, cf. point (i) of Article 4, or if such use is contrary to law or good governance, the assets of the organisation shall accrue to the State, which shall assign them to projects which are similar to those provided for in the organisation's articles of association.

Article 14

Temporary ban on an organisation´s activities

If legal action has been taken for the liquidation of an organisation, a judge may, at the request of the parties to the action, impose a temporary ban on its activities if there is a likelihood that the organisation is significantly in breach of law or the objects of the organisation as stated in its articles of association.

At the request of the Director of Public Prosecutions, a judge may ban an organisation's activities temporarily in accordance with paragraph 1, even when legal action has not been taken for the liquidation of the organisation if there are serious grounds to suspect that the organisation is significantly in breach of law or the objects of the organisation as stated in its articles of association. The temporary ban will lapse if no request for liquidation of the organisation is made within 14 days from the issue of the ban, which shall not apply longer than until such time as legal action is initiated.

The establishment of a new organisation for the conduct of the activity on which a temporary ban has been imposed is prohibited.

Article 15

Dissolution of an organisation and liquidators

When an organisation is dissolved, or its activities banned temporarily, the organisation shall immediately cease its activities. However. the board of directors of an organisation may, notwithstanding a temporary ban on its activities, continue to function and safeguard the operation and assets of the organisation until a final decision on its liquidation is made, if a court does not decide otherwise.

If the court does not permit the board of directors to control its assets in accordance with the second sentence of paragraph 1, the court shall appoint for the organisation at least one trustee to safeguard its assets. On the liquidation of an organisation the court shall appoint one or more liquidators, if needed. The provisions of this Act on liquidators and protests of their actions shall apply as appropriate.

If a request for the liquidation of an organisation is upheld, the provisions of law regarding divisions of estates etc. where heirs do not assume liability for the obligations of the deceased shall apply.

CHAPTER VII

Registration in the Register of Non Profit Organisations

Article 16

Competent authority

The Directorate of Internal Revenue shall register organisations under this Act and the Act on the Enterprise Register and operate a Register of Non Profit Organisations for this purpose.

Article 17

Notification of an organisation

Notices to the Register of Non Profit Organisations, together with supporting documents and required registration fees, shall be sent to the Register of Non Profit Organisations directly in a form decided by the Register. The procedure shall be electronic where possible.

The notice shall be accompanied by the memorandum of association and articles of association of the organisation. The notice shall include the full name of the organisation and its purpose, address and jurisdiction, names and ID numbers of board members and alternates and specify the chairman of the board of directors and other parties authorised to sign for the organisation and restrictions on such authorisation, if any.

Board members and their alternates shall sign the notice and declare that the information included in the notice is correct and that the persons indicated have the authority to sign for the organisation by law.

The Directorate of Internal Revenue is permitted, where applicable, to require further information on the nature and objects of the organisation.

Article 18

Processing of notices

When the Register of Non Profit Organisations receives a notice pursuant to Article 17, the Register shall examine, *inter alia*:

a. whether the notice complies with the provisions of Article 17;

b. whether the name of the organisation is clearly distinct from the names of other organisations and whether the name is misleading;

c. whether the provisions of this Act preclude the registration of the organisation; and

d. whether the provisions of this Act on the Enterprise Register preclude the registration of the organisation.

If an examination pursuant to paragraph 1 reveals any objection to the registration of the organisation, which is insufficient to warrant rejecting the registration, the person notifying the organisation for registration shall be granted an opportunity to improve or correct the notice. This shall be done within a deadline set by the Register of Non Profit Organisations. If a correction or supplement is not received within the deadline registration shall be rejected.

Notices to the Register of Non Profit Organisations and their attachments shall be preserved by the Register.

Article 19

Notification of changes and dissolution

Amendments to the articles of association of an organisation, the election of a new board member or alternate member of the board, or modification of an authorisation to sign for the organisation, together with other matters that have been registered, shall be notified to the Register of Non Profit Organisations within one month of the change being made. The amended articles of association shall accompany any notice of

amendment, and the notice shall be signed by a majority of the board of directors. The same applies to the process of notices of changes made in previous registrations and in the original notice to the Register of Non Profit Organisations.

Amendments of the articles of association of the organisation shall take effect on their registration in the Register of Non Profit Organisations. The same applies to changes in the board of directors of the organisation and alternate board and other persons authorised to sign for the organisation, in addition to restrictions on such authorisation, if any.

When an organisation has been dissolved, as provided in Chapter V, this shall be notified to the Register of Non Profit Organisations and the Register shall than post a notice of the dissolution in the *Legal Gazette*.

Article 20

Authorisation for the issue of regulations

The Minister is authorised to lay down by means of a regulation further provisions concerning the registration of a Non Profit Organisation under the present Act, including the arrangement of the registration, the operation of the Register, access to the Register and charges, e.g. for the issue of certificates and the use of information possessed by the Register in digital form.

CHAPTER VIII

Sanctions

Article 21

Fines or imprisonment

The following is subject to fines or imprisonment for up to two years:

a. the knowing supply of false or misleading information on the situation of an organisation or on other matters relating to the organisation in any public advertisement or notice, reports, annual financial statement or statements made to an annual general meeting or legal representatives of the organisation or notices to the Register of Non Profit Organisations;

b. the unauthorised disclosure or use of an access code or similar means of attending or participating in a board meeting or members' meetings by teleconference.

Article 22

Fines or imprisonment for violations relating to voting at annual general meetings

A person found guilty of the following actions relating to voting at the annual general meeting of an organisation pursuant to Chapter III shall be subject to fines or imprisonment of up to two years:

a. acquiring for himself/herself or others an unlawful means of participating in a voting process or otherwise causing confusion in voting;
b. endeavouring by means of unlawful coercion, deprivation of freedom or abuse of position as a superior to induce a member or proxy to cast votes in a specific manner or to abstain from voting;
c. having the effect, by means of fraudulent conduct, that a member or a member's proxy does not vote despite an intention to vote, or that the vote of the member or proxy is frustrated or has a different effect than intended;
d. paying or promising to pay a member or a member's proxy money or other profit for abstaining from voting or voting to the disadvantage of the organisation; or
e. accepting, soliciting or extracting a promise of profit to himself/herself or another person for abstaining from voting or voting to the disadvantage of the

organisation.

CHAPTER IX

Entry into force, etc.

Article 23

Entry into force

This Act shall enter into force with immediate effect.

Article 24

Amendments to other Acts

On the effective date of this Act the following amendments to Act No. 17/2003 on the Enterprise Register shall take effect:

a. The words “companies” in point (4) of Article 2 of the Act shall be followed by the words non profit organisations engaging in cross-border activities.
b. The word “person” in Article 3 of the Act shall be followed by the words non profit organisations engaging in cross-border activities.

Interim provision

Non-governmental organisations falling within the scope of application of this Act which are registered in the Enterprise Register on the entry into force of this Act shall change their registration to non profit organisation engaging in cross-border activities. At the same time they shall be registered in the Register of Non Profit Organisations and submit new articles of association, notices of their board of directors, alternate board of directors, auditors, auditing firm, examiners or examiners from the ranks of members and other information subject to registration under this act of law.