

Act on the Right of Ownership and Use of Real Property

22.1.2003

Translated from the Icelandic

Act on the Right of Ownership and Use of Real Property, No. 19 of 6th April 1966, with subsequent amendments up to 1st August 2002.

Article 1

- No one may acquire the right to own or use real property in Iceland, including fishing and hunting rights, water rights or other real property rights, whether by free assignation or enforcement measures, marriage, inheritance or deed of transfer, unless the following conditions are met:

1. In the case of an individual, he shall be an Icelandic citizen or have domicile in Iceland.

2. If several individuals are involved in a company, and each bears unlimited liability for the debts of the company, they shall all be Icelandic citizens or shall have been domiciled in Iceland for at least five continuous years.

3. In the case of a company in which some members bear unlimited liability, and others only limited liability, for the company's debts, all those who bear unlimited liability shall be Icelandic citizens or shall have been domiciled in Iceland for at least five continuous years.

4. In the case of a company in which none of the members bears unlimited liability for the company's debts, or an institution, the company or institution shall have its domicile and venue in Iceland and all its directors shall be Icelandic citizens or shall have been domiciled in Iceland for at least five continuous years. In the case of joint-stock companies, 4/5 of the share capital shall be owned by Icelandic citizens, and Icelandic citizens shall exercise the majority of the votes at shareholders' meetings.

- The Minister may grant exemption from the conditions of paragraph 1:

1. In accordance with an application from a party who has the right to conduct business in Iceland and wishes to acquire the right to own or use real property in direct connection with his business activities, or in order to establish a home on the property.

2. If other reasons are considered to apply.

- Agreements, deeds of transfer or other documents conferring title in connection with the right to own or use real property subject to **permission** under paragraph 2 shall be submitted to the Minister, and the instrument involved shall not acquire validity until the Minister has confirmed it with his signature. Further provisions regarding the form and content of such applications may be set forth in the form of regulation.

- Notwithstanding the provisions of paragraphs 1-3, the **permission** of the Minister shall not be required in the following cases:

1. In the case of the hire of real property or the rights concerning real property, providing that the hire

period or the period applying to other rights is three years or shorter, or where the right is reserved to terminate the agreement with one year's notice or less.

2. When the party involved enjoys rights in Iceland under the rules of the Agreement on the European Economic Area applying to the free movement of persons, the right of establishment, services or movement of capital or corresponding clauses in the Convention establishing the European Free Trade Association. The Minister shall set further rules specifying the types of real property covered by these rights and other matters concerning the execution of these rights.

Article 2

- The deed of transfer of property or rights for which a **permit** is required under Article 1 may not be demanded until the **permit** has been obtained. If it is not obtained, the transaction shall be invalid, and the purchaser shall then be entitled to the immediate refund of any amounts which he may have paid.

Article 3

- If an application is submitted for the recording in the register of deeds of a document referring to rights which are subject to a **permit** under Article 1, or which are exempt from **permit** under item 2 of paragraph 4 of Article 1, recording shall be denied until it has been demonstrated that a **permit** has been granted or that the conditions for exemption have been met.

Article 4

- If the Minister becomes aware that a person who does not meet the requirements of this Act has acquired the property rights covered by Article 1, he shall grant him a period in which to bring the situation into line with the law by obtaining the required **permit** or by having the purchase agreement cancelled (Article 2), or, if the seller adheres to the agreement, by relinquishing the rights to another person who may lawfully acquire them. This period shall not be shorter than 6 months and not longer than 3 years.

The Minister shall have his decision in connection with this matter recorded in the register of deeds at the venue of the real estate as soon as possible.

Article 5

- If the party does not produce full evidence indicating that the matter has been brought into line with the law by the time the period expires, the Minister shall then have the rights of ownership or use sold at a compulsory sale without serving a prior notice on the owner. The owner shall receive that part of the sale price to which he would have been entitled had he acquired the property or the use of it in a lawful manner.

Article 6

- If the owner of real property or the right to use real property is married, and his or her spouse does not meet the requirements of this Act in order to acquire ownership rights or usage rights of this type, then the property rights shall be his or her sole property, and may not be limited by a marriage settlement. In the event of the separation of the couple's finances, the property right shall be considered as an asset of the marital estate unless other provisions apply under a marriage settlement. In other respects, the matter shall be subject to the provisions of Article 7, with exceptions as appropriate.

Article 7

- If a person inherits rights of ownership or use of real property but is unable to be the lawful owner of such rights without special permission, the magistrate shall inform the Minister of this. The case shall then be subject to Articles 4 and 5, with exceptions as appropriate.

Article 8

- If changes occur with the result that a person who was entitled to acquire real property rights without obtaining permission under Article 1 loses the qualifications listed there, the provisions of Articles 4 and 5 shall then apply, with exceptions as appropriate.

Article 9

- If a foreign national receives permission under Article 1, he shall be obliged, if he is not domiciled in Iceland, to have an agent who is domiciled in the jurisdiction of venue of the property; the agent shall represent the owner in all matters pertaining to the property and all his deeds shall be considered equal to those of the owner himself, and the magistrate at the venue of the property shall be informed of the name and address of the agent, and these shall be recorded in the register of deeds. If this is not done, the magistrate shall appoint, at the owner's expense, an agent for the owner by whom he will be bound and the agency shall be recorded in the register of deeds.

Article 10

- If at the time of the commencement of this Act a person is, in accordance with the provisions of the Property Rights Act, No. 63 of 28th November 1919, lawfully in possession of the rights referred to in Article 1 of this Act, those rights shall not be affected by changes to that Act made by the present Act as regards that matter.

Article 11

- Articles 1-10 of this Act do not affect other states regarding the right to use real property as embassy offices and the residences of the heads of embassies, or properties acquired by those states as residences for other employees of their embassies.
Purchase agreements or deeds of transfer for the properties referred to in paragraph 1 shall be submitted to the Ministry of Justice, and such transactions shall not become valid until the Ministry has assented to them with its signature.

Article 12

- This Act shall not apply to nationals of other states in areas in which it might infringe international agreements to which Iceland is a party.