

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