

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 50/2007

Respecting Partnerships

Entered into force 1 January 2008. Amended by Act No. 98/2009 (entered into force 1 October 2009 except Art 69 and 70 that entered into force on 1 January 2010). Act No. 49/2011 (entered into force 1 January 2012 except point a Art 3 and 4 that entered into force 1 September 2013). Act No. 126/2011 (entered into force 30 September 2011), Act No. 137/2013 (entered into force 1 January 2014).

Where mention is made in this Act of a minister or ministry without specification of, or reference to, a policy area, the reference is to the Minister of Industries or the Ministry of Industries, the ministry responsible for this Act.

SECTION I **General Provisions**

Article 1

Scope

The present Act applies to:

1. partnerships registered according to the present Act;
2. unregistered partnerships where the majority of partners (members) are residents in this Country whereas the majority of the activities of the partnership is not conducted in another Country.

The Minister deals with matters relating to partnerships in accordance with the present Act.

Article 2

The Term Partnership

Partnership, in accordance with the present Act, is a form of co-operation which is built on an Agreement between two or more parties respecting joint financial activities where all partners have direct, undivided and unlimited liability for the obligations of the partnership.

Article 3

Provisions which can be set aside

The provisions of Section III regarding the system of governance and legal position of partners apply unless otherwise stipulated in a partnership agreement. Other provisions of the Act are mandatory unless otherwise stipulated in the Act.

Article 4

Name

Partnerships which are registered in the Register of Firms shall contain the word “sameignarfélag” [partnership] in its name or the abbreviation “sf”. In other respects the names of partnerships are subject to the provisions of the Act respecting commercial registers, firms and power of procuration No. 42/1903 (Act respecting firms) as applicable.

Article 5

Legal Right

Registered partnerships are qualified to have rights and obligations.

SECTION II

Establishment of Partnerships and Liability of Partners

Article 6

Founding Parties

Founding parties and later partners in a partnership can be legal person and legal entities.

Article 7

Partnership Agreement

It is obligatory to make a written partnership agreement for partnerships which are registered according to the present Act. The agreement shall be signed by all founding parties and those joining the partnership at a later stage.

A partnership agreement shall at least contain:-

1. the name of the partnership;
2. the municipality in which the partnership is domiciled;
3. the names, identity numbers and addresses of partners;
4. the object of the partnership;
5. whether the partnership shall be an independent taxpayer according to provisions of the Income Tax Act, No. 90/2003;
6. whether the partners shall contribute capital to the partnership and then the value thereof;
7. the date of signature.

A partnership agreement will be amended with approval of all partners and their written signatures unless otherwise stipulated in the agreement.

Article 8

Liability for Obligations of a Partnership

The partners in a partnership are jointly and severally liable for the total obligations of the partnership. A new partner who joins the partnership after it was established will also be liable for prior obligations of the partnership. It is permissible to stipulate otherwise in a partnership agreement of a registered partnership. Such agreement does not become valid vis-a-vis others than those who verifiably had knowledge thereof before the Register of Firms has been notified of the agreement and reservation regarding limitation of liability of new partners has been published in the Legal Gazette according to Art. 50.

Before payments of debts of a registered partnership are claimed from a partner payment shall be claimed from the partnership. If the partnership does not pay the debt within 15 days as of the date the claim was received by the partnership the partnership's creditor can claim payment of the debt from a partner. Claim can be made directly against a partner for payment of the debt when a partnership cannot be found or it is obvious that the partnership is unable to pay.

Claims against partners based on their liability for obligations or other claims against the

partnership are subject to the same rules regarding statute of limitation and claims against the partnership.

SECTION III

System of Governance and Legal Position of Partners

Article 9

Partnership Meeting

A partnership meeting wields supreme power of the affairs of a partnership in accordance with that which is decided in Laws and a partnership agreement.

A partnership meeting shall be held in the municipality where the partnership is domiciled. It is permissible to hold a partnership meeting elsewhere if that is necessary due to special reasons or with the consent of all partners.

All partners are authorized to attend a partnership meeting and to speak there.

A partnership's board of directors, if elected, or a manager, if hired, are obligated to attend a partnership meeting.

Article 10

The Calling of Partnership Meeting et al.

A partnership meeting shall be called in a secure manner and with sufficient advance notice. A call to a partnership meeting shall specify matters to be taken for consideration at the meeting.

Individual partners and board members and managers can call a partnership meeting in order to have a specific matter taken for consideration.

The formality rules in para. 1 and para.2 can be waived if all partners attend partnership meeting and agree thereto.

It is permissible to make a resolution outside of a partnership meeting if it is not possible to hold the resolution of a partnership meeting until respite to call the meeting has lapsed, without considerable inconvenience for the operation of the partnership. The same applies if all parties agree to make a resolution outside of a partnership meeting.

Article 11

Representation, Electronic Partnership Meetings and Electronic Communication

In case a partner is unavoidably absent for valid reasons, i.e. on account of sickness or travel, he can have his representative attend a partnership meeting on his behalf in accordance with a written proxy or state his position in writing regarding the matters of the meeting. In the latter case the partner shall be notified regarding the resolutions of the meeting as soon as possible.

A partnership agreement may further stipulate on authorizations to grant others proxy to attend a partnership meeting or that it is prohibited to grant proxy to attend a partnership meeting. It may be decided that partners can grant proxy and participate in partnership meetings electronically and that it be possible to hold partnership meetings fully by electronic means. Further conditions shall also be stated regarding electronic participation or electronic partnership meetings on how to use electronic media in connection with participation in the partnership meeting and what demands shall be made in connection with technical equipment used.

In a partnership agreement the use of electronic data communication and electronic mail in communications between the partnership and partners instead of sending or submitting documents written on paper may also be stipulated. It shall be stated in a partnership agreement to which notifications and communications the resolution includes and in what manner it is authorized or obligatory to use electronic communication. This shall also include information regarding execution of electronic communication and demands made concerning technical

equipment. Even though there is not a provision in a partnership agreement regarding electronic communications between the partnership and the partners according to the first sentence it is permissible to use electronic communications between the partnership and those partners who have agreed thereon.

Article 12

Resolutions at a Partnership Meeting

All partners have the right to vote at a partnership meeting.

A resolution at a partnership meeting shall be made with the unanimous supporting vote of all partners.

In case a majority of votes decides results at a partnership meeting in accordance with a partnership agreement it means the majority of votes as per the number of partners.

A partnership meeting elects a chairman and a secretary.

Resolutions of partnership meeting shall be entered in the minutes of the meeting as well as the results of the casting of votes unless otherwise decided at the meeting. Resolutions made outside a partnership meeting shall also be entered in the minutes of the meeting according to para. 4, Art. 10. Partners who disagree with the result of the partnership meeting are entitled to have their view entered in the minutes of the meeting. A list of partners and representatives who are present shall be entered in the minutes to the meeting or accompany it.

Article 13

Board of Directors

A partnership meeting can decide that a board shall be appointed in a partnership. Board members shall be elected at a partnership meeting. On Boards of Directors of partnerships with more than 50 employees generally on an annual basis each sex shall be represented on the Board when the Board consists of three persons and when members of the Board of Directors are more than three in such Companies it shall be ensured that sex ratio be not lower than 40%.

The board of a partnership shall see to it that the operation of the partnership and the handling of its funds be at all times in correct and good order.

The provisions of the Act regarding board members apply to alternate members as applicable.

Article 14

Period of Service of Board Members

The proxy of a board member is valid for four years unless otherwise decided at a partnership meeting.

A board member can at any time resign from his post. He shall send a notification to that effect to the board of the partnership and partners with a reasonable advance notice.

The party who has elected a board member may dismiss him. A partnership meeting may at all times dismiss all the members of the board it elected and hold elections to the board anew.

If a board member's post is concluded prior to the completion of an electoral period and there is no alternate to replace him the remaining board members shall jointly call a partnership meeting in order to elect a new board member for the remainder of the electoral period. It is possible to postpone the election of a new board member until the next partnership meeting when an election of a board is to be held, provided that the board is able to make resolutions with the remaining board members and alternate.

Article 15

Practical Procedures of the Board

A board of directors shall elect a chairman unless otherwise decided at a partnership meeting. The chairman of the board shall not undertake other tasks for the partnership than those deemed a normal part of his duties as a chairman of the board, excluding individual tasks which the board charges him with. The Chairman of the Board of Directors shall not undertake other duties for the Company than those which form a normal part of his duties as a Chairman of the Board of Directors, excluding special assignments which the Board of Directors charges him with.

A chairman calls board meetings. A meeting shall be held if demanded by any board member or a manager. If a manager has been hired he attends meetings of the board of the partnership and he enjoys freedom of speech and may submit proposals unless the board decides otherwise in individual instances.

It is possible to hold board meetings with the assistance of electronic media as far as this is in conformity with the implementation of the tasks of the board of the partnership. The provision of the first sentence of the present paragraph notwithstanding a board member or manager may demand that a board meeting be held in a conventional manner. In other respects the provisions of the Act on board meetings and the use of electronic documents apply, as appropriate to electronic board meetings and communications in connection therewith.

A record of minutes shall be kept as to what occurs at board meetings and this shall be signed by those attending a meeting. A board member or manager who does not agree with a resolution of the board is entitled to have his dissenting opinion entered in the record of minutes.

Article 16

The Resolutions of the Board

A board is competent to make resolutions when the majority of the board members attend a meeting. A resolution may, however, not be made unless all the board members have been in a position to debate the matter if possible. In case a board member be excused on account of sickness, absence and the like and a alternate has been selected he shall be afforded an opportunity of participating in board meetings for the duration of the unavoidable absence.

A simple plurality of votes will decide issues at board meetings. The chairman's vote decides the issue when votes break even.

Article 17

Manager

It is permissible to hire a manager according to a resolution of a partnership meeting or a board of a partnership, if elected, to undertake daily operations of the partnership.

A manager shall adhere to the policy and instructions given to him by the board of a partnership or a partnership meeting.

The daily operations do not include measures which are unusual or major. A manager can only undertake such measures according to a special authority from the board of a partnership or a partnership meeting, unless it is not possible to wait for resolutions by the board of a partnership or a partnership meeting without considerable inconvenience for the operations of the partnership.

Article 18

Incompetence

A board member or manager may not participate in the handling of a matter or a resolution regarding matters concerning himself or a third party if he has considerable personal or financial interests to safeguard which might be in conflict with the partnership's interests.

A board member or manager may not participate in a resolution regarding the granting of a loan to himself or a guarantee for himself.

Article 19

Management Powers of Partners

In case a board of a partnership has not been elected and a manager has not been hired, each partner may undertake measures which form a normal part of the partnership's operations and to which no partner has opposed.

If a board is elected or manager hired individual partners are barred from undertaking anything pertaining to the working scope of the board or the manager. Individual partners may nevertheless undertake measures that are necessary to prevent loss or harm to the partnership.

Article 20

Information Obligation towards Partners

Partners are in duty bound to grant other partners without undue delay information they possess regarding the operations of the partnership.

In case a board has been elected or manager hired they have information obligation according to para. 1.

A partner can with a reasonable advance notice demand to review any kind of data pertaining to the partnership, including investigating the accounts of the partnership and data respecting accounting and book-keeping. A partner has the right to charge an expert with obtaining the information according to the first sentence of this paragraph.

Article 21

Profit and Loss

A partnership meeting will decide whether to pay to partners their portion of the partnership's profit.

Profit and loss shall be divided among partners in accordance with their share in the partnership. If it is not possible to determine share proportion in the partnership agreement profit and loss shall be equally divided between partners.

Article 22

Right of Recovery

A partner who has had to pay a debt of the partnership may demand to recover the payment thereof from the partnership as well as costs.

In case a partner does not receive payment from the partnership he can demand payment of that part of the partnership's debt from other partners which they are obligated to pay according to a partnership agreement. If a partner is unable to pay his share of the debt that share will be divided among the other partners. The recovery according to the present provision is subject to the provisions of Art. 8.

Article 23

Contributions

A partner is not in duty bound to pay other contributions to the partnership than provided for in a partnership agreement or Laws.

Obligation to contribute falls due immediately.

Article 24

Ban on Competition

A partner is prohibited from participating in other operations which is in competition with the operations of the partnership without a written consent from all partners.

A partner violating the provisions of para. 1 is liable towards the partnership according to Art. 44.

SECTION IV

Handling of Assets and Representation

Article 25

Assets of the Partnership

The assets of registered partnerships shall be held separate from the assets of partners.

Article 26

Allocation of Assets to Partners

A partner participating in the management of the partnership or who otherwise performs work for the partnership is entitled to remuneration therefor if not otherwise negotiated.

A partner who has rightfully paid costs in the interest of the partnership has a right to recovery unless otherwise negotiated. If the partnership is unable to pay, recovery according to Art. 22 applies.

The assets of a registered partnership may not be allocated to the partners if this would obviously harm the interests of the partnership or its creditors. Allocation in conflict with the present provision shall be repaid to the partnership.

Article 27

Accounting and Handling of a Partnership's Assets

If a board is not elected and manager is not hired individual partners are obliged to ensure that the partnership will fulfill its accounting obligation under Law and practice and that the assets of the partnership are handled in a secure manner.

If a board is elected, but manager is not hired an obligation according to para. 1 rests with the board.

If a manager is hired an obligation according to para. 1 rests with him, but a board is obliged to supervise the accounting and the handling of the partnership's assets in a sufficient manner.

Article 28

Representation

If a board is not elected or manager is not hired and not otherwise negotiated and the Register of Firms notified thereof each individual partner represents the partnership and has the right to sign for the partnership. It may be stipulated in a partnership agreement that only one or more partners are authorized to sign for the partnership.

A partnership meeting may grant individual partners, managers or others authority to sign for the partnership, unless otherwise stipulated in a partnership agreement.

If a board of a partnership is elected, it will represent the partnership in third party dealings and sign for the partnership. The board can grant individual board members, managers or others authority to sign for the partnership, unless otherwise stipulated in a partnership agreement.

The right of signature may be limited to such an extent that more than one person shall jointly wield it. It is not possible to register other limitation to the right of signature.

The one with the right to sign for the partnership may grant power of procuration.

If a manager is hired he may always represent the partnership in matters within his working scope according to Art. 17.

Article 29

Lack of Authority

If the one representing a partnership according to the provisions of para. 1, 2, 3 and 6 of Art. 28 performs a legal act for and on its behalf that act binds the partnership, unless:-

1. he has exceeded the limits of his authority which are determined in the present Act;
2. he has exceeded the limits of his authority in an other manner, provided that his negotiating party has or should have been aware of the lack of authority and it must be considered unreasonable for the other party to pursue his right.

The publication of notice in accordance with para. 1, Art. 50 concerning the object of a registered partnership will not individually or separately be considered to constitute sufficient evidence to the effect that the negotiating party has or should have been aware of the lack of authority in accordance with clause 2, para. 1.

After notice has been published in the Legal Gazette of the election of the board of a partnership or the hiring of a manager in a registered partnership according to Art. 50 the partnership cannot plead vis-a-vis a third party defects upon the election or hiring, unless the partnership show that he has been aware of the defect.

SECTION V

Changes to Membership

Article 30

Assignment of Membership

Ownership in a partnership will not be assigned without a written consent of all partners. It is permissible to stipulate otherwise in a partnership agreement.

Upon ownership assignment of a share in a partnership the new partner (assignee) enters in to all the rights and obligations of the old partner (assignor) vis-a-vis other partners. Like the assignor he will be bound by the resolutions and transactions of the partnership.

Assignor and assignee of an ownership share in a partnership are jointly liable for obligations of the partnership incurred before the ownership assignment, cf. second sentence, para. 1 of Art. 8, unless otherwise stipulated in a partnership agreement of a registered partnership, cf. third sentence, para. 1 of Art. 8. Assignor of an ownership share is liable until a creditor is considered to have released him from liability. In case the assignor pays a debt of the partnership the provisions of Art. 22 apply, but the part of the debt which the assignee shall pay will only be demanded from him.

Assignor of an ownership share in a partnership may in writing and in a provable manner request the partnership's creditors to be released from liability of the partnership's obligations. If a creditor does not reply in the same manner within 3 months from receiving such a request, the creditor will be regarded as having released the assignor from liability. In the same manner assignee of the ownership share can request to be released from liability vis-a-vis the partners.

Article 31

Death of a Partner

Membership is not inherited upon the death of a partner.

Upon termination of membership on account of death the share of the deceased shall be redeemed. The redemption amount shall be based on the value of the partnership at the time of death and falls due six months thereafter. In other respects the provisions of Arts. 33 and 35 apply as applicable.

The provisions of the present Article may be set aside by agreement.

Article 32

Withdrawal (Redemption)

A partner may with a six months written notice withdraw from the partnership and demand redemption from the partnership. The redemption amount is the value of the ownership share at the time the termination respite expires.

A partner may demand redemption without notice:-

1. if his right has been infringed by major default of the partnership agreement;
2. if he has been outvoted at a casting of votes where majority has ruled in a matter of major importance;
3. when redemption for other reasons is deemed permissible on account of obvious reasons of fairness.

Redemption amount according to para. 2 is the value of the ownership share at the time the redemption authority was at hand.

All partners shall be notified of a withdrawal according to para. 1 and 2. A board, if elected, shall also be notified of a withdrawal. Legal effects of a withdrawal according to para. 2 commences when partners have received a demand of withdrawal.

If a demand for redemption according to para. 2 is not made within a reasonable respite as of the time the redemption authority was at hand, the authority expires.

The provisions of the present Article may be set aside by agreement.

Article 33

Resolution of Redemption Amount

Redemption is based on the value of the partnership at the time of reference according to Art. 32. Upon calculation of the partnership's assets consideration shall be given as to whether the partnership will continue its operations. The partner's capital accounts according to the latest annual accounts shall be settled having regard for their later contributions and withdrawals from the partnership and the result shall be entered as asset or liability of the partnership.

Equity of the partnership according to para. 1 shall be divided between partners by the same rule as applies to the division of profit and loss according to Art. 21.

The share of partners in the partnership's equity will be added to or subtracted from their capital accounts based on the financial status in the latest annual account following the adjustment of the capital accounts based on their contributions to the partnership and the allocation of funds from the partnership. If it becomes evident that the capital account of the person withdrawing from the partnership is positive it will be considered his asset. If this is negative it will be considered his share in a loss.

The provisions of the present Article may be set aside by agreement.

Article 34

The Payment of Ownership Share and Loss upon Redemption

An ownership share of a partner who withdraws from a partnership shall be paid when the redemption amount has been decided. In case the payment is not effected within two weeks, other partners will be liable for the payment unlimited and jointly.

A partner who withdraws from the partnership shall pay his share in the loss of the partnership when the redemption amount has been decided.

The provisions of the present Article may be set aside by agreement.

Article 35

Liability of a Partner who Withdraws from the Partnership

A partner who has withdrawn from a partnership is liable for the obligations of the partnership which had been incurred before he withdrew from the partnership, unless the partnership's creditors will be considered to have released him from liability.

A partner who withdraws from a partnership may in writing and in a provable manner request the partnership's creditors to be released from liability of the partnership's obligations. If a creditor does not reply in the same manner within 3 months from receiving such a request, the creditor will be regarded as having released him from liability. In the same manner a partner who withdraws from a partnership can request to be released from liability vis-a-vis the partners.

If a partner who has withdrawn from a partnership pays the debt of a partnership, the provisions of Art. 22 apply.

Article 36

Exclusion

It is permissible to exclude a partner from the partnership by a written notice thereof if:-

1. his estate has been taken for bankruptcy administration or he is otherwise unable to meet his obligations;
2. a partner has committed major default against a partnership agreement;
3. important reasons demand his exclusion.

A resolution to exclude shall be taken at a partnership meeting upon partner's request. The person to whom demand for exclusion is directed may not participate in the resolution-making. A demand for exclusion shall be submitted within a reasonable respite as of the time the reason therefor was at hand, but otherwise the right to exclude expires.

If a partnership meeting fails to comply with the demand for exclusion, the demanding party may file a claim to exclude in Courts.

A partner who a partnership meeting has agreed to exclude from the partnership does not enjoy anymore the right to participate in the management of the partnership and if he was a member of the board or a manager he shall withdraw immediately. The same applies if his exclusion has been confirmed with a Court ruling, cf. para. 3.

The provisions of Arts. 33 – 35 apply as applicable.

The provisions of the present Article may be set aside by agreement.

SECTION IV

Liquidation of Partnership and Administration

Article 37

Liquidation of Partnership when only one Partner Remains

In case partners in an unregistered partnership become fewer than two the partnership is considered to be dissolved.

In case partners in a registered partnership have been fewer than two for six months the partnership is considered to be dissolved. The District Commissioner shall then deregister the partnership.

Article 38

Resolutions regarding Liquidation of Partnership

A partner can demand that a partnership meeting liquidate the partnership immediately:-

1. if his right has been infringed by major default of a partnership agreement and withdrawal according to Art. 32 is not considered a fair resource for him;
2. when other important reasons demand the liquidation of a partnership;
3. in accordance with the provisions of a partnership agreement.

If a partnership meeting does not comply with the demand for liquidation of the partnership, the person who has demanded the liquidation may demand that the partnership be liquidated by a Court ruling.

The provisions of the present Article may be set aside by agreement. If it is stipulated in a partnership agreement that a partner is authorized to demand liquidation of a partnership by termination of a partnership agreement, termination shall be sent in writing to all partners and the board, if elected, with at least six months notice if not otherwise negotiated.

A resolution regarding a liquidation of a registered partnership shall immediately be reported to the Register of Firms.

Article 39

Resolutions regarding Administration

When a resolution has been made to liquidate a partnership a partnership meeting shall make decisions regarding administration. A partner may demand that a partnership meeting elect a winding-up committee with one or more persons for an undetermined period of time, but with a three months termination notice or other respite decided by the partnership meeting. It is permissible to select the partnership's board as a winding-up committee, but a partner may demand that a partnership meeting select others for the winding-up committee.

If a partnership meeting does not consent to a demand for the election of a winding-up committee according to para. 1, the Register of Firms shall appoint a winding-up committee at the request of a chairman or a partner who has not voted in favour of the resolution of partnership meeting. A partner or a board member can also consult the Register of Firms regarding the election of members of a winding-up committee and the Register of Firms can appoint other persons to the winding-up committee if there is reason to do so.

A partner may demand public administration in accordance with Section XV of Act No. 20/1991 respecting administration of death estates et al.

Article 40

Winding-up Committee

If a winding-up committee is elected, a board and managers shall withdraw in case a board has been elected or a manager hired.

A winding-up committee is authorized to make the arrangements necessary to liquidate the partnership. Provisions of Arts. 14 – 16 and Art. 18 apply as applicable.

While liquidation of a partnership takes place a winding-up committee represents the partnership and is authorized to sign for the partnership, unless otherwise decided.

Members of the winding-up committee are liable in solidum vis-a-vis partners and creditors of the partnership for all loss which they may incur while performing their duties, deliberately or by gross negligence.

Article 41

Execution of Administration

A winding-up committee or any other party administering the registered partnership shall notify the Register of Firms that it has been decided to liquidate the partnership and have an announcement published twice in the Legal Gazette relating to the liquidation of the partnership along with a call to creditors to declare their claims in the partnership within two months as of the time of the former appearance of the announcement.

A winding-up committee or any other party administering the partnership shall prepare a list of assets and liabilities of the partnership. Stand-alone liquidation settlement as of the latest annual accounts shall also be prepared.

It is permissible to continue with the operations of the partnership as is desirable having regard for the settlement of the partnership's assets and its administration.

Article 42

Allocation of Assets

If partners do not agree on the allocation of assets between themselves, the assets of the partnership shall be converted into money and allocated in cash.

A partner may demand that the obligations of the partnership be paid or funds set aside to ensure their payment and disputed claims.

The provisions of Arts. 33 and 34 apply between partners as applicable.

The provisions of para. 1 – 3 may be set aside by a partnership agreement.

When all the partnership's obligations have been paid or their payment guaranteed and profit and loss settled the person in charge of the administration shall submit to a partnership meeting for confirmation a written allocation statement and the partnership's final accounts.

When the allocation statement has been approved at a partnership meeting of a registered partnership, the person in charge of the administration notify the Register of Firms that the administration has been completed and the partnership has been liquidated.

In case a dispute arise upon the handling of the winding-up committee or others in charge of the administration of the partnership, the winding-up committee or others in charge of the administration can direct the matter under dispute to a District Court Judge in accordance with rules in Section XVII of Act respecting administration of death estates et al. No. 20/1991.

Article 43

Liability after Liquidation

After liquidation of a partnership the partners are liable in the same manner as before vis-a-vis the creditors of the partnership whose claims have not been satisfied upon administration. A partner's recovery right according to Art. 22 remains in force.

SECTION VII

Liability

Article 44

Liability

A partner, a board member, a manager or a member of a winding-up committee is liable on account of loss which he causes the partnership, individual partners or others in his duties whether deliberately or negligently. The same applies when a partner or others suffer loss on account of violations of provisions of the present Act or a partnership agreement.

Settlement based on liability according to para. 1 may be reduced having suitable consideration for the degree of fault and the extent of the loss, the financial ability of the person causing the loss and other circumstances.

SECTION VIII

Registration

Article 45

Registration of Partnerships in Register of Firms

District Commissioners register partnerships in the Register of Firms in accordance with the Act respecting firms. A notification to the Register of Firms shall be accompanied by requisite supporting documents as well as registration and publication fees.

A partnership which engages in business operations shall be notified for registration in the Register of Firms in the district of the District Commissioner where the address of the partnership is prior to the commencement of business operations.

A partnership is considered to be engaged in business operations if it:-

1. receives income from the sale of goods and services and such or is engaged in operations which are mainly comparable with the operations of other concerns or individuals engaging in business operations;
2. handles the majority of votes in a concern engaging in business operations or handles in another manner comparable control over it.

A partnership where all partners are legal entities shall be notified for registration in the Register of Firms in the district of the District Commissioner where the address of the partnership is prior to the commencement of business operations.

Registration of a partnership in the Register of Firms may be demanded on its behalf even though it does not engage in business operations, provided that the partnership fulfills in other respect the conditions of the present Act for registration.

The District Commissioner or Minister decides if notifications may be in an electronic form.

The Minister is authorized to lay down in regulations further provisions regarding the registration of partnerships, including the organization of the registration, the operations of the Register of Firms, the access to the register and charging, i.e. for the issuing of certificates and the use of the information held by the Register of Firms in electronic form.

Article 46

Notification of Establishment of a Partnership

In a notification of establishment of a partnership there shall be stated:-

1. the name of the partnership;
2. the address of the partnership;
3. the object of the partnership;
4. when it was established;
5. the names, Identity Nos. and addresses of partners;
6. the names, Identity Nos. and addresses of board members, if elected, manager, if hired, and all those who are authorized to sign for the partnership as well as the names, Identity Nos. and addresses of accountants or inspectors if elected. The same applies to alternate.

A notification shall be accompanied by a partnership agreement and also articles of association if at hand. If a board is elected, a manager hired and auditors or inspectors elected a certified copy from the minutes shall be enclosed respecting their election as well as their statement to the effect that they accept the task.

In addition thereto the Register of Firms may also demand any data or information necessary to take a stance as to whether upon the establishment Laws and the partnership agreement have been followed.

Article 47

Amendments to a Partnership Agreement or Other Notified Matters

Notice of amendments to a partnership agreement or other notified matters shall be given as soon as possible in accordance with Art. 21 of the Act respecting firms and no later than within a month.

If a registered partnership ceases operations or for other reasons does not fulfill conditions of the registration in the Register of Firms, the Register of Firms shall be given notice thereof and it shall be deregistered.

A partner who has withdrawn from the partnership can give notice thereof himself. The same applies to a board member, a manager, those who have right to sign for the partnership, an auditor or an inspector, if they retire from the partnership.

The provisions of para. 3, Art. 46 apply as applicable.

When notice is given of amendments to a partnership agreement or articles of association in another manner a new complete text with inserted amendments shall be submitted.

Article 48

Parties with Mandatory Notification Duty

A duty to send notifications in accordance with provisions of the present Section rests with all partners, unless a board has been elected, but then the duty rests with it. All partners shall sign a notification or all board members as applicable.

Upon assignment of an ownership share in a partnership and other amendments to that which is registered a duty of notification according to para. 1 rests with those who after the amendment are partners or board members.

Article 49

Faults to Notifications et al.

If notifications do not fulfill the instructions of the present Act or a partnership agreement or decisions are not made in a way that is stipulated in Laws or a partnership agreement registration shall be denied.

If faults can be amended in a simple manner by a decision of a partnership meeting or a board resolution the partnership shall be granted suitable respite for improvement thereof. If improvement is not made within the respite registration shall be denied.

The notifying party shall be advised of the denial in writing and the reasons therefor.

When a registration of a notification may be of importance to a third party the Register of Firms shall notify that party in a sufficient manner.

If a notifying party does not wish to abide by the resolutions according to para. 1 and 2, he can refer the matter to Courts. Proceedings shall be instituted within 6 months as of the time the notifying party became aware of the resolution.

If anyone is of the opinion that his right has been violated with the registration he can refer the matter to Courts, provided that proceedings have been instituted within 6 months as of the time the notification was published in the Legal Gazette. If a party thus requires a free note shall be registered in the Register of Firms regarding the outcome of the case and then published according to Art. 50.

Article 50

Publication in the Legal Gazette

The Register of Firms shall, at the cost of the notifying party, have notifications published in the Legal Gazette regarding partnerships in accordance with the provisions of the Act respecting firms.

Provisions of the Act respecting firms apply regarding legal effects of the publication of notification according to para. 1.

Article 51

Penalties on Account of Negligence to Notify

A party who neglects notifications to the Register of Firms according to the present Act shall suffer penalties. A partnership may also suffer penalties according to Section II A in the General Penal Code on account of negligence of representatives to notify.

Article 52

Authority to lay down Regulations

The Minister may by means of Regulations lay down further provisions relating to the implementation of the present Act, cf. para. 7, Art. 45.

SECTION IX

Entry into Force.

Article 53

The present Act enters into force on 1 January 2008.

Interim Provisions

The rules of the Act regarding the establishment of partnerships do not apply to partnerships established and registered before they enter into force.

Provisions of the second sentence, para. 1, Art. 8 and para. 3, Art. 30 regarding liability of a new partner for prior obligations of the partnership do not apply to partners who have joined the partnership prior to the entry into force of the present Act.