The Accounting Act No. 145/1994

The Accounting Act

No. 145, 29 December 1994

Entered into force on 1 January 1995; took effect pursuant to the instructions in Article 38 for parties having a financial year other than the calendar year.*Amended by*Act 37/1995 (entered into force 9 March 1995), Act 29/1997 (entered into force 16 May 1997), Act 82/1998 (entered into force 1 Oct. 1998); Act 133/2001 (entered into force 1 January 2002, except Art. 1, Art. 3 (a), (b) and (c), Art. 17 (b) and (c), Art. 19 (c), Art. 34, Art. 35 (a), Art. 36 (b), Art. 37, Art. 38, Art. 39, Art. 40, Art. 41(a), Art. 42 and Art. 52, which took effect 31 Dec. 2001, and Art. 44, which took effect 1 Jan. 2003; implemented pursuant to instructions in Art. 56), Act 25/2002 (entered into force 8 April 2002; implemented pursuant to instructions in Art. 10), Act 48/2005 (entered into force 30 May 2005; implemented pursuant to instructions in Art. 20), Act 88/2008 (entered into force 1 Jan. 2009, except for Transitional Provision VII, which took effect 21 June 2008), Act 98/2009 (entered into force 1 Oct. 2009, except for Articles 69 and 70, which took effect 1 Jan. 2010), Act 77/2011 (entered into force 29 June 2011), Act 82/2011 (entered into force 1 Sept., except for transitional provision, which took effect 30 June 2011), Act 111/2011 (entered into force 20 Sept. 2011) and Act 126/2011 (entered into force 30 Sept. 2011).

Chapter I.Requirement to keep accounts

Article 1

The following parties are required to keep accounts:

1. Limited liability companies, [private limited companies][1)] and other companies whose members' liability is limited;
2. co-operative societies and associations of co-operative societies, mutual insurance and underwriting companies and other companies with variable capital and variable membership;
3. partnership companies and other companies whose members' liability is unlimited;
4. [savings banks];[1)]
5. any and all undertakings and organisations owned by the state or municipalities engaged in business operations;
6. bankruptcy estates and other estatesunder winding-up proceedings if engaged in business operations;
7. any other companies, funds or organisations engaged in business operations or in fund-raising or custody of funds;
8. any person engaged in business operations or self-employed.

When two or more parties are together engaged in a specific operation in connection with their own business operation or self-employment they may keep joint accounts regarding their joint operation.The results of the joint accounts shall be entered on an itemised basis in the appropriate accounts of the books of each party in proper proportion as frequently as deemed necessary.

[1)]Act 48/2005, Art. 1

Article 2

Persons who are required to keep accounts according to Article 1 shall use double-entry accounting, subject to the provisions of Article 3.

Article 3

Persons who do not normally use more contracted personnel than corresponds to one employee and are engaged in the following business operations need not use double-entry accounting:

1. the operation of boats less than 10 register tons;
2. the processing of marine catches, provided the majority of the product is sold with the intermediation of a product sales undertaking;
3. farming, provided the majority of the produce is sold through the intermediation of a product sales undertaking;
4. the operation of taxis, vans, lorries and commercial passenger vehicles, as well as the operation of industrial trucks;
5. manufacturing and crafts, including repair work;
6. services, consisting primarily of the sale of labour or professional skills and not including custody of funds in connection with services sold.

Companies, funds and organisations, cf. Point 7 of Article 1, which are not engaged in business operations, and provided their income consists only of contributions collected from members for the purpose of meeting joint expenses, including the hiring of labour corresponding to up to one person in general, shall be exempt from the obligation of double-entry accounting.

Where a person is required to keep accounts for any one part of its operations, the obligation shall apply to all of its business operations.

Persons who are required to keep accounts, but are exempt from the obligation of double-entry accounting according to this Article, shall keep such books as are listed in the fifth paragraph of Article 10.

Article 4

Persons who are required to keep accounts shall do so in a clear and accessible manner and prepare annual accounts in accordance with the law, regulations and [statutory accounting rules].1)

1)Act 48/2005, Art. 2

Article 5

The managers of companies, funds and organisations referred to in Points 1-7 of Article 1, and persons responsible for business operations pursuant to Point 8 of the first paragraph of Article 1, cf. also the second paragraph of Article 1, shall ensure, and undertake responsibility, that the provisions of this Act and regulations under the Act are carried out.

Chapter II. Accounting

General provisions on accounting

Article 6

Accounts shall be arranged so that transactions and the use of funds may be traced in an accessible manner. They shall provide such information on operations and financial position as are needed by owners, creditors and public bodies and as necessary to assess revenue and expenditure, assets and liabilities.

The accounts, having due regard to the extent of operations and the nature of the business activity in question, shall be kept in accordance with [accounting procedures and statutory accounting rules]1) as applicable at any time and in accordance with the provisions of law and regulations.

[1)] *Act 48/2005, Art. 3*

Article 7

Double-entry accounting shall be organised with regard to the nature and scope of the business activity.

A written description of the organisation and structure of the accounting system shall be available, including information on the computer system and computer equipment, connections with other computers and their function.If automatic data processing is applied in accounting, a description shall also be available which will enable the follow-up and oversight of the processing of each item without difficulty. The individual accounts of the accounting system shall be individually specified and their use clearly demarcated, as well as a description of the revenue recording.

The accounting system shall be organised so as to make it easy to trace the path from source documents to accounting entries and from accounting entries to source documents and between accounting figures and annual accounts.The organisation and management of the accounting system shall be such as to ensure the safeguarding of accounting documents and normal internal auditing.Internal accounting refers, *inter alia*, to rules of procedure providing for the handling of documents and the division of responsibility and duties with the aim of ensuring reliable accounts, secure use and custody of funds and prevention of damage from errors or misuse.

[The Minister may establish rules on the keeping of electronic accounts, including rules on software for data transfer between data transfer systems, and on the conditions that need to be met for electronic accounts to be kept in compliance with law and regulations.][1)]

[1)] *Act 48/2005, Art. 4*

Article 8

Each accounting entry shall be based on reliable and adequate data which can be traced to the transactions in question. External and internal data shall contain sufficient information for proper entry into the accounting system.

”External source documents” refers to documents from persons with whom business is transacted, such as an invoice, a statement of account, a payment notice, a giro slip, a receipt of payment, a contract, a fax, a telegram or other equally valid source documents. Such documents shall include, as applicable, the identity of the issuer and recipient and such other information as may be necessary to verify the transaction in question.

“Internal source documents” refers to documents created by the party in question that is required to keep accounts, such as invoice duplicates, statements of account, payment notices, giro slips, payment receipts, contracts or telegrams as well as other documents intended to record entries or transfers within the accounts themselves.

The retrieval and printing of documents underlying accounting entries shall always be possible in the event of transmissions between computers.

Article 9

Transactions shall be entered into the accounts as soon as they take place, provided this is in accordance with good bookkeeping practices.Other events shall be entered as soon as possible after they take place.

Entries that are based solely on [electronic documents][1)] shall be entered into the accounts with the same level of security as other entries.

Entries into the accounts shall be organised in numerical order, generally reflecting a correct chronological order of business transactions and other occasions for accounting entries, and provide a fair view of what they are meant to describe.

The entries shall refer to the relevant source documents and include clear information on the substance of business transactions or other events, the names of accounts and dates.

[1)]*Act 48/2005, Art. 5*

Accounting books and the organisation of accounts

Article 10
Accounting books shall be kept in a permanent manner in an organised and secure system of accounting books, cards, loose leaves or a computer system.

The accounts of parties required to use double-entry accounting shall consist of:

1. a journal where all entries are in consecutive order;
2. a list of entries where all journal entries are classified into relevant accounts, subject to paragraph 6;
3. a general ledger with the position of each individual account, see paragraph 12;
4. an annual account, as provided for in Article 22.

Accounting books according to Points 1-3 of paragraph are collectively referred to as financial accounts.

The accounting books of parties falling within the scope of paragraph 2 shall contain, as applicable:

1. a cash book showing cash payments into and out of the account, see Article 13;
2. an accounts receivable ledger, as provided for in Article 15.

The accounting books of parties who are exempt from the obligation of using double-entry accounting according to Article 3 shall include:

1. a cash book showing cash payments into and out of the account, see Article 13;
2. an itemisation book, see Article 14;
3. an annual account, see Article 22.

In accounting books kept by hand the requirements according to Point 2 of paragraph 2 are fulfilled with entries in the appropriate accounts in the journal, see Point 1 of paragraph 2. The combination of a cash book and a journal is permitted, which shall then be referred to as a cash journal.A cash book and a cash journal shall be in bound form with numbered pages; in cases when a party keeps both a cash book and a cash journal, the latter may be a loose leaf book. In accounts kept by hand the general ledger shall be in bound form with numbered pages and the annual account may be entered into the general ledger.

…[1)]

[1)]*Act 25/2002, Art. 1*

[Article 10

A. Accounting books shall be available in Iceland.Their text shall be in Icelandic and all amounts in Icelandic krónur.

Notwithstanding the provisions of the first paragraph above companies falling within the scope of the first paragraph of Article 1 of the Act on annual accounts may be permitted to keep their accounts in a foreign currency and draw up and publish their annual accounts in that currency, see paragraph 2 of Article 11 of the Act on annual accounts.The text in the accounting books shall be in English, Danish or English.][1)]

[1)]Act 25/2002, Art. 2

Article 11

The organisation of accounts in the accounting books shall normally be such that accounts shall show, respectively, net assets, liabilities, expenditures and income. Accounts shall be kept in the accounting system which are necessary for a normal itemisation to be achieved with respect to the type and extent of the business activity.

Instead of itemisation into related accounts, the maintenance of one or a few accounts in the financial accounts is permitted, provided they are itemised in a separate subsidiary system. Such subsidiary systems shall be linked to the financial accounts in a clear and secure manner through special accounts which are not used for any other purpose.Entries originating in such subsidiary systems shall be entered into a special journal and be carried over to the financial accounts in a regular and secure manner.Entries into the subsidiary system shall always refer to source documents.

As circumstances permit, the organisation of accounts shall be such that sufficient internal control is made possible.

Article 12

The general ledger shall reflect the position of each individual account at the end of each accounting period in accordance with an entry list or journal in the case of accounting books kept by hand.The general ledger figures shall in each instance include all entries which up to that time have taken place during the accounting year.

Article 13

All payments into and out of cash shall be entered into the cash book so as to make it easy to compare net cash with the balance in the cash book at the end of each working day or working session, depending on the kind of activity.

Each payment shall be entered separately. However, the income of daily payments from sales against cash may be entered in a single sum.Subsidiary accounts recording the breakdown of cash payments may also be kept, provided that their entries are arranged in the same manner as in the cash book itself.The result figures in the subsidiary accounts must be entered daily into the cash book itself and reference shall be made therein to the subsidiary accounts as proof of entries. Subsidiary accounts to the cash account may be in loose-leaf form.

The maintenance of a cash account may be omitted if an equally secure recording system of inpayments and outpayments is available.

Article 14

Parties who are exempt from the requirement of double-entry accounting shall itemise their business transactions in a separate book, an itemisation book, where changes during the year in assets and liabilities, income and expenditure are categorised by type. Result figures from subsidiary accounts in the accounting system may be entered in a single figure, including the sums of issued invoices during the accounting period.At the end of each accounting period, the changes in cash at hand during the period shall be checked against entries in the itemisation book in the light of accounts receivable and accounts payable at the beginning and end of the accounting period.

The results in the itemisation book shall be traceable to the annual accounts.

Article 15

The financial accounts, or separate customer ledger linked to the financial accounts, shall contain accounts covering transactions with each customer other than sales against cash. However, the combination of insignificant transactions into a single or a few accounts is permitted.

If a separate customer ledger is used as a subsidiary system of the financial accounts, it must meet the following conditions:

1. The customer ledger shall be linked to the financial accounts in a clear manner as regards certain specific accounts which are used for no other purpose.
2. The customer ledger shall be so arranged as to enable the retrieval of the position of an individual customer's account as well as that of all customers.The total shall be traceable to specific accounts in the books, see Point 1.
3. Entries into the customer ledger shall be transferred between the financial accounts and the accounts receivable ledger in a regular and secure manner.
4. When entries originate in the customer ledger, a journal shall be kept to cover those entries in the same manner as in the financial accounts.
5. Entries in the customer ledger shall always refer to source documents.

Article 16

An inventory shall be taken at the end of each accounting year and its value shall be calculated. The inventory lists or inventory books shall show the name, quantity, unit price and calculated value of each individual product type along with a total sum. The takers of the inventory shall sign the inventory lists or inventory books.

Those who use a continuous inventory system are not bound by the provisions of paragraph 1, provided that inventories are taken by means of organised counts and that inventory registers are adjusted at regular intervals.

If inventories are valued at their selling price, it shall be made clearly and readily apparent how the cost price is calculated.

Article 17

The income registration of parties required to keep accounts shall be based on a clear and secure system, which ensures that it will be possible to verify the disclosure of all income.A secure system in this context shall include, for instance, invoices, statements of account and giro slips, provided that these documents are placed in a secure and organised numerical system, and cash registers used for the retail sale of goods and services, as well as other comparable and secure systems for income registration, provided other acts of law do not dictate otherwise.

Article 18

A cash book, a cash journal or a journal in accounts kept by hand shall be closed regularly and at an interval of no less than two months.The results of individual accounts shall be entered into the general ledger.The entries into the general ledger shall be normally be completed no later than one month after the end of each accounting period.

Those exempt from the requirement to keep double-entry accounts shall detail their entries in a an itemisation book as necessary and at a minimum at the close of the accounting year.

When the annual accounts are drawn up a detailed and complete closure of all accounting books shall take place.

The amounts in the annual accounts shall be consistent with those in the general ledger.

Source documents and the preservation of accounting records

Article 19
Source documents in the accounts shall numbered in a regular manner and they shall be cited at entries into the accounts. They shall be kept in a consecutive numerical order.

Any party required to keep accounts shall be required to keep in an organised manner all incoming letters, faxes and telegrams relevant to such party's business. Such party shall also keep duplicates of all letters, faxes and telegrams sent to others which are relevant to the party's business.

Article 20
All accounting books required under this Act, along with accounting records and documents, as well as letters, faxes and telegrams or their duplicates, including documents kept [in electronic form],[1)] microfilm or by any other comparable method, shall be kept in Iceland in a secure and safe manner for seven years from the closure of the accounting year in question.Persons who use cash registers are not required to keep internal paper rolls longer than three years from the close of the accounting year in question, provided the accounts have been fully closed and signed annual accounts are available.

[Notwithstanding the provisions of paragraph 1, companies which have been permitted to keep their accounts and prepare their annual accounts in a foreign currency pursuant to the first paragraph of Article 11a of the Act on annual accounts may preserve the documents provided for in paragraph one outside Iceland for up to six months. However, government authorities may demand access to them in Iceland, in which case they shall be submitted within a reasonable time. Accounting documents in electronic form shall be available at all times to government authorities..][2)]

[If computer equipment necessary to retrieve accounting records is changed or destroyed, all records must be transferred to a new machine-readable medium so that they can continue to retrieved.][2)]

An annual account shall always be preserved for 25 years.

[1)]Act 48/2005, Art. 6. [2)]Act 25/2002, Art. 3.

Article 21
All entries into books or accounts shall be clear and legible with permanent writing.An entry shall not be obliterated or made otherwise illegible once it has been written, even if it was originally entered by mistake.If an entry must be changed, it shall be done by means of another entry or in such a manner that the incorrect entry is legible following the correction.

The correction of a wrong entry shall be made by means of a separate source document stating which entry is being corrected and why.

Chapter III Annual financial reports

Accounting year and signature

Article 22
Persons who are required to keep accounts shall draw up annual accounts for each accounting year according to this Act, provided that stricter demands are not made in other laws. The annual accounts shall, at a minimum,

contain an income statement and a balance sheet and notes, as applicable.The annual accounts shall constitute a composite whole.

[The financial year shall be twelve months, calculated from the beginning of a month.A new financial year begins the day after the preceding financial year ends.At the commencement or end of operations or when making changes to the financial year this period may be shorter or longer but shall never exceed 18 months.Changes to the financial year are permitted only when special circumstances warrant.The change and its reasons shall be indicated in the notes with the accounts.][1)]

The annual accounts shall be fully completed and signed no later than six months after the end of the accounting year. They shall be signed by the parties responsible for the keeping of the accounts, see Article 5.

Should anyone who is required to sign the annual accounts have objections to the accounts, such party shall sign the accounts with a reservation inscribed on the accounts. The nature of the reservation shall be made apparent.

[1)]Act 48/2005, Art. 7

Balance sheet and income statement

Article 23
[The balance sheet shall constitute a systematic record of assets and liabilities, including obligations, and equity, which constitutes the balance of assets and liabilities.

An asset shall be entered in the balance sheet when it is probable that the company will derive financial benefits from the asset in the future and its value can be assessed in a reliable manner.

A liability shall be entered in the balance sheet when it is probable that it will be paid and its value can be assessed in a reliable manner.

The accounts shall be sufficiently detailed so as to give a fair view of assets, liabilities and equity at the end of the year in accordance with this Act and generally accepted accounting principles, as applicable.][1]

[1)]Act 48/2005, Art. 8

Article 24
[All income and all expenditures over the accounting year shall appear in the income statement unless otherwise provided in this Act or statutory accounting rules.

The income statement shall systematically display total income and total expenditure, sufficiently itemised to give a fair view of the operating results during the accounting year in accordance with this Act and statutory accounting rules, as applicable.][1)]

[1)]Act 48/2005, Art. 9

Article 25
[The income statement and the balance sheet shall be set up in a comparable manner from one year to the next, unless special circumstances warrant otherwise.If changes are made they shall be accounted for in the notes.

No set-off is permitted between asset and liability items, or between income and expense items.

Their text of the annual accounts shall be in Icelandic and all amounts in Icelandic krónur.][1)]

[1)]Act 48/2005, Art. 10

Article 26

Intangible rights shall only be capitalized if they were acquired for valuable consideration.The same applies to costs of research and development.

Article 27

The disposal of profit or loss shall be accounted for in annual accounts or notes thereto.

Valuation of assets

Article 28

Monetary assets and liabilities shall be specified in the balance sheet in the amount that actually corresponds to their value. Fixed tangible assets shall normally be shown at cost net of reasonable annual depreciation.In case of deviation from this rule, this shall be made clear in the annual accounts.

The cost of fixed tangible assets consists of their purchase price and the cost resulting from their acquisition and improvement up to the time they are brought into use.

[Inventory shall be valued at cost price or spot price, whichever is lower.If inventory is valued at a spot price which is significantly lower than the cost price this shall be explained in the notes on the accounts.The cost price of inventory includes all cost of the acquisition or accrued cost of production of the goods. In addition, the cost price of inventory includes all the cost of transporting the goods to their current location and bringing them into their current state.Distribution costs may not be included in the cost price of inventory.][1)]

If major changes are made in the valuation of assets or liabilities from the previous balance sheet, the annual accounts shall clearly reflect such changes.

[1)]Act 48/2005, Art. 11

Article 29

[If the market price of fixed assets is lower than their book value and the reasons for this can not be viewed as short-term, their value shall be reduced to the extent regarded as necessary.][1)]

Longterm investment and risk capital may be valued at their market value on the accounting date if the market value is lower than their book value.The value of such assets shall be reduced where necessary, e.g. in the event of a risk that outstanding claims cannot be collected or for other reasons.

Changes in valuation according to this Article shall be entered in the income statement.

[1)]Act 48/2005, Art. 12

[Application of financial reporting rules][1)]

[1)]Act 48/2005, Art. 13

Article 30

[Parties who are required to keep accounts, but do not fall within the scope of the provisions of other acts of law on the preparation of annual accounts, are permitted to use statutory accounting rules in the preparation of their annual financial reports. The notes shall provide an account of the use of such rules.][1)]

[1)]Act 48/2005, Art. 13

Notes

Article 31
Notes to annual accounts shall provide information regarding the following points with a reference to the appropriate items in the balance sheet and income statement, to the extent that they are not readily apparent there:

1. changes in fixed tangible assets during the year;

2. official valuation of assets, if available;

3. the nominal value of shares in companies;

4. changes in equity accounts;

5. mortgaging of assets and guarantees undertaken;

6. other material items influencing the assessment of operations and financial position which are not revealed elsewhere.

Examination of accounts

Article 32
[Shareholders of companies provided for in Point 7 of Article 1 who control a minimum of one fifth of the votes in a company may, at a meeting, call for the election of at least one auditor, auditing firm or examiner.

Examiners pursuant to paragraph 1 shall be of legal age and competent to manage their own finances. They shall have the experience of accounting and business procedures necessary to discharge their functions, having regard to the activities and the size of the company.The qualification criteria laid down in Article 9 of Act No. 18/1997 on auditors shall also apply to examiners.

If an auditor or examiner no longer qualifies and no alternate is available to take his place, the board of the company shall ensure that a new auditor or examiner is chosen as soon as possible and he shall hold the office until a new election can take place.

The provisions of the Act on auditors shall apply to the work of an auditor elected pursuant to paragraph 1.][1)]

[1)]Act 48/2005, Art. 14

Article 33
[Auditors and examiners][1)] shall at all times have access to the accounts in order to carry out such inspections and surveys as they deem necessary.The board of directors shall also ensure that [auditors and examiners][1)] are provided with such documents, information and assistance that they consider necessary.

[1)] *Act 48/2005, Art. 15*

Article 34
[If an examiner or examiners are elected from the ranks of members along with an auditor or examiner pursuant to paragraph 1 of Article 32 in accordance with the articles of association of the company, such examiners shall inscribe the annual accounts.[1)] The inscription shall note that the assets and liabilities listed in the balance sheet do in fact exist and that changes in equity are in accordance with the accounting books.The examiners shall also ascertain that the decisions of members' meetings and the board of directors regarding the acquisition, disposition and investment of assets and other aspects of operation have been observed.If an examiner is of the opinion that these decisions have not been observed, the examiner shall sign the annual accounts with appropriate reservations.

If an examiner is of the opinion that the annual accounts or the report of the board are missing necessary information, or that information is misleading, and furthermore if the examiner is of the opinion that events have taken place which could give rise to managerial liability, the examiner shall draw attention thereto in his inscription. The inscription and signature of an examiner shall be viewed as a part of the annual accounts and shall be preserved with annual accounts.

[Examiners pursuant to paragraph 1 shall not serve on the board of directors of the company or undertake managerial tasks for the company.][1)]

[1)] *Act 48/2005, Art. 16*

Article 35
[Auditors and examiners][1)] are entitled to be present at meetings where annual accounts are discussed.

[Auditors and examiners][1)] are not permitted to disclose information to individual members or other parties regarding the state of the company.

[1)] *Act 48/2005, Art. 17*

[Chapter IVPenalties and procedure][1)]
[1)] *Act 37/1995, Art. 1*

[Article 36
Anyone who through intent or gross negligence violates the provisions of this Act in the manner described in Articles 38 – 40 shall be subject to fines, while violation of Article 37 and other major violations of Articles 38 shall be subject to ...[1)] up to six years' imprisonment, pursuant to the second paragraph of Article 262 of the General Penal Code, or a fine if there are significant extenuating circumstances.][2)]

[1)] *Act 82/1998, Art. 218.* [2)] *Act 37/1995, Art. 1.*

[Article 37
The following actions of a person required to keep accounts or the agent of a legal entity shall always constitute a major violation of law:

1. If he does not keep required accounts for himself or a legal entity in such a manner as to meet the requirements of law in major respects.

2. If he does not preserve source documents or other accounting records or does so in such an inadequate manner that it is impossible to trace accounting entries to business transactions and base accounts or the annual accounts thereon.
3. If he falsifies accounts or accounting documents, creates documents that have no substance in business transactions with other parties, systematically underreports income or otherwise keeps accounts so that they present a false view of business transactions and the use of assets, provided the violation is not subject to Article 158 of the Penal Code.
4. If he destroys his accounting records or those of a legal entity, in whole or individual accounting books, conceals them or obstructs access to them in another manner. The same applies to any accounting records to which accounting entries can be traced.
5. If he neglects to draw up annual accounts in accordance with the conclusions of the accounting records, or if the annual accounts do not contain necessary accounts or notes or if it is otherwise misdrawn in whole or in part, provided the violation is not subject to Article 158 of the Penal Code.

The same applies if a person assists another person required to keep accounts or the agent of a legal entity in committing such violations as described in Points 1-5 or contributes to them in another manner.][1)]

[1)]Act 37/1995, Art. 1

[Article 38

A person required to keep accounts or the agent of a legal entity will become guilty of a punishable offense against this Act through his actions or inaction as follows:

1. If he neglects to keep individual account books or arranges his accounts, accounting entries, handling of accounting records or the drawing up of annual accounts in contravention of law and regulations, provided that heavier penalties against violations are not prescribed in such law or other laws.
2. If he does not keep his accounting records in a sufficiently clear, secure and accessible manner, on the basis of adequate records or in accordance with generally accepted accounting principles or if the recording of income is not based on a clear and secure system so that income and other transactions or the use of funds may be traced.
3. If he neglects to ensure the preservation of accounts, accounting records or annual accounts or does not keep the organisation and structure of the accounts in a secure manner.
4. If he does not record the business transactions in accordance with generally accepted accounting principles, does not make entries in a numerical or chronological sequence and with appropriate accounting codes.
5. If he does not draw up annual accounts or individual segments thereof so as to give a fair view of operating results for the accounting year and of assets and liabilities at year-end in accordance with [this Act and statutory accounting rules].[1)]
6. If he neglects to compile an inventory, if the inventory does not contain appropriate information on quantity, unit price and the calculated value of each product type, or if the valuation of inventory is substantially incorrect.

The same applies if a person assists another person required to keep accounts or the agent of a legal entity in committing such violations as described in Points 1-6 or contributes to them in another manner.][2)]

[1)]Act 48/2005, Art. 18. [2)]Act 37/1995, Art. 1.

[Article 39

Attempted violation and participation in any violation of this Act, other than described in Articles 37 and 38 of this Act, is punishable according to the provisions of Chapter III of the General Penal Code.][1)]

[1] *Act 37/1995, Art. 1*

[Article 40

A legal person may be subjected to fines for violation of this Act, regardless of whether the violation can be traced to the criminal conduct of an agent or employee of the legal person. If the agent or employee of a legal person has been found guilty of a violation of this Act the legal person may, in addition to the punishment imposed on the agent or employee, be subjected to fines and deprived of its licence to operate, provided that the violation was committed for the benefit of the legal person or the legal person has profited from the violation.][1]

[1] *Act 37/1995, Art. 1*

[Article 41

[The Office of the Special Prosecutor][1] is responsible for the preliminary investigation of [criminal proceedings][1]resulting from violation of this Act. The Directorate of Tax Investigations may at any stage of an investigation refer a case to [police investigation][2] *ex officio* or at the request of a suspect if the suspect does not consent to the case being brought before the State Internal Revenue Board for resolution.

The Tax Board shall rule on fines for violations of this Act unless the matter is referred to ...[2] investigation and proceedings before a court of law according to paragraph 1. The Directorate of Tax Investigations shall refer cases to the State Internal Revenue Board and represent the government before the Board when decisions are made concerning fines.Decisions of the State Internal Revenue Board are final.Alternate sanctions shall not be attached to its decisions on fines.

Fines for violations of this Act accrue to the Treasury.

The limitation period of criminal liability pursuant to this Act is six years from the date of initiation of an investigation of a natural person as a suspect by the Directorate of Tax Investigations or the [Office of the Special Prosecutor][1] or their legally trained agents, provided that there are no unreasonable delays in the investigation of the case or the imposition of sanctions.][3]

[1] *Act 82/2011, art. 5.* [2] *Act 88/2008, art. 234.* [3] *Act 37/1995, art. 1.*

[Section V. Further provisions

[1] *Act 37/1995, Art. 1*

[Article 42)[1]

[The Minister][2] may, by a government regulation, establish further provisions regarding the enforcement of this Act, such as the requirement to keep accounts, exemptions from the use of double-entry accounting, the organisation of accounting books, accounting records and the use of computers in accounting and the storage of data.

[1] *Act 37/1995, Art. 1.* [2] *Act 126/2011, Art. 203.* [3] *Reg. 598/1999, cf. Reg.15/2001.Reg. 600/1999.*

[Article 43][1]

[The Ministry][2] shall keep a register of certified bookkeepers. No persons other than those who have been entered in the register may title themselves as certified bookkeepers or by any other means indicate that they have been certified by the Minister according to this Article.

A person who seeks to be certified as a bookkeeper and is entered into the register according to paragraph 1 shall fulfil the following conditions:

1. [Be domiciled in Iceland. However, the condition of domicile shall not apply to citizens of other member states of the European Economic Area, a party to the Convention establishing the European Free Trade Association or the Faeroe Islands.][3)]
2. Be legally competent and in possession of his estate.
3. Have passed an examination according to paragraph 3.

[The Minister][2)] shall arrange for ...[4)] examinations to be held regularly for persons seeking certification as bookkeepers.Certification by the Minister confirms that the person concerned has passed an examination in accounting, the principal aspects of financial reporting and laws and regulations regarding tax returns.

[The Minister shall appoint an examination board of three members to conduct examinations for persons seeking certification as bookkeepers.The board shall be appointed for a term of four years. A regulation[5)] issued by the Minister shall include further conditions for permission to take the examination, fields of examination, the conduct of the examinations and the minimum requirements for passing. The cost of examinations, including the remuneration to the members of the examination board, shall be covered by an examination fee to be decided by the Minister. The amount of the fee shall be determined so as to be no higher than the cost..][4)]][6)]

[1)]Act 37/1995, Art. 1. [2)]Act 126/2011, Art. 203. [3)]Act 77/2011, Art. 9, [4)]Act 111/2011, Art. 1, [5)]Reg. 473/2001, cf. Regs. 296/2003 and 447/2004.[6)]Act 29/1997, Art. 1

[Article 44][1)]
This Act shall enter into force on 1 January 1995. …However, for persons with an accounting year that differs from the calendar year this Act shall not enter into force until the beginning of the first accounting year commencing after 1 January 1995.

[1)]Act 37/1995, Art. 1

[Transitional Provision In the first financial report following the entry into force of this Act the revaluation reserve formed pursuant to Article 30 shall be dissolved and entered under other retained earnings in the balance sheet.][1)]

[1)]Act 133/2001, Art. 55