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THE NATIONAL COUNCIL OF THE SLOVAK REPUBLIC

Law
of the National Council of the Slovak Republic

dated 22nd May, 1996

on foundations

The Government of the Slovak Republic enacted the following law:

Schedule One

FUNDAMENTAL STIPULATIONS

§ 1

This law regulates the establishment, constitution, dissolution, cessation, economic management and control of foundations.

§ 2

(1) A foundation is an expedient compilation of objects, financial means, securities and other valuables, appraisable in terms of money (hereinafter referred to as “**assets of foundations**”) and designated by the founder to meet generally beneficent purposes.

(2) Foundations are juridical persons. Authorities of the state may intervene in matters involving status and activities of foundations only within limits of the law.

(3) Income generated by assets of foundations and other earnings of foundations may only be used for those generally beneficent purposes which the foundations were established for.

(4) The by-laws of the foundation shall show the name of the foundation which shall incorporate the term **foundation**. The name of the foundation shall differ from names of other already registered foundations. The designation **foundation** may only be used by juridical persons registered in accordance with this law.

Schedule Two

ESTABLISHMENT AND CONSTITUTION OF FOUNDATIONS

§ 7

Establishment of the foundation

(1) Foundations are established by natural persons or by juridical persons (hereinafter referred to as **the founder**).

(2) Foundations are established by foundation agreement, or by deed of foundation in cases where the founder is a single subject (hereinafter referred to as **the Charter**).

(3) Natural persons may establish a foundation by their respective last wills, specifying the by-laws of such foundation.

§ 8

Prerequisites of the Charter

(1) The Charter shall contain the following, unless stipulated otherwise by this law:

- a) Name and site of the foundation,
- b) Definition of the period of time for which the foundation was established, or the stipulation that it is established for an unspecified period of time,
- c) The purpose to be supported by the foundation,
- d) Full name (title) and permanent address (site) of the founder,
- e) Value of assets deposited by the founder in the foundation,
- f) Value of registered capital,
- g) Number of members of the Board of Director and Supervisory Board,

rights in respect of such deposits transfer to the foundation as at the date of its constitution. The rights of ownership of real estate are assumed by the foundation by the registration of such real estate in the Land Register, based on a written declaration of the founder showing his attested signature.

(3) The Administrator shall issue a document to the founder certifying payment of the deposit and the accounting separation of assets designated for the foundation from those owned by the founder. The above document shall be attached to the registration proposal. In cases where a higher deposit value than the value of assets actually separated pursuant to paragraph (1) above was certified by the Administrator the latter shall remain liable to back completion of the value of deposits up to the sum of registered capital by the time of constitution of the foundation with his own property.

(4) The Administrator shall transfer the deposits without undue delay to the foundation after constitution of the latter. Should such constitution fail to materialize, the deposits shall be reverted by the Administrator.

Constitution of the foundation

§ 11

(1) The date of establishment of the foundation is that of its entry in the Register of Foundations (hereinafter referred to as **the Register**). The Register is maintained by the Ministry of Interior of the Slovak Republic (hereinafter referred to as **the Ministry**).

(2) The registration proceedings of the foundation shall commence on the basis of a written proposal of the founder or Administrator, submitted within 60 days from the date of verification of the Charter. The proposal shall be accompanied with the Charter, the by-laws, with a document showing the value of deposits in the foundation and with data on the source and origin of such deposits.

(3) Prior to a registration decision the Ministry may request the viewpoints of the central state authority of competence in the field of the purpose of the foundation to be constituted.

(8) The proceedings of registration and decisions in respect of registration of foundations shall be governed by applicable stipulations of the administrative code³⁾ unless specified otherwise by this law.

§ 12

The Ministry shall submit the data field in the Register within 10 days from the date of entry for publishing in the Commercial Gazette.

§ 13

(1) Until constitution of the foundation all matters linked to such constitution shall be jointly handled by the founder or by the Administrator.

(2) Any liabilities accepted by founders or by the Administrator on behalf of the foundation shall be complied with jointly and severally by the founders.

(3) Liabilities having arisen pursuant to paragraph (2) above shall transfer, unless denied within three months from constitution, to the foundation as of the date of its constitution.

Schedule Three

Dissolution and cessation of the foundation

§ 14 Dissolution

Foundations are dissolved:

- a) By passage of the specified time period of existence,
- b) By fulfilment of the purpose of establishment,

3) No. 71:1967 (Digest) law on the administrative procedure.

h) In case of grave or repeated violation of the stipulations of this law by the foundation.

(2) Prior to issuance of a dissolution order the court may establish a deadline for the foundation to eliminate the reasons which the dissolution proposal had been based upon.

§ 16

Merger

(1) The Board of Directors may decide on a merger of the foundation with a different foundation under conditions established by this law, unless such mergers are excluded by the Charter.

(2) Any merger-derived changes which are subject to registration shall be notified within seven days to the Ministry by the Administrator of the foundation.

§ 17

Cessation and liquidation

(1) The foundation shall cease to exist as at the day of its erasure from the Register. Such cessation shall be preceded by dissolution of the foundation, with or without liquidation.

(2) Dissolution of foundations with or without liquidation shall be appropriately ruled by the stipulations of the Business code on liquidation of business companies⁴⁾, unless specified otherwise by this law.

(3) No liquidation shall be required in the following cases:

- a) In case the assets of the foundation are transferred to another foundation,
- b) In case a proposal to issue a bankruptcy decree was refused for lack of assets, or

⁴⁾ §69 etc. of the Business Code.

- b) Approval of the annual balance of accounts and annual financial statements,
- c) Decisions on mergers and dissolution of the foundation, unless excluded by the Charter,
- d) Appointment and revocation of the Chairman and members of the board of directors, of the Supervisory Board, the Controller and the Administrator, unless differently stipulated by the Charter or by this law,
- e) Decisions on amendments of the by-laws of the foundation, with exception of stipulations whose amendment was reserved for the founder by the Charter,
- f) Appointment of the liquidator,
- g) Decisions in matters of increase or decrease of the registered capital.

(3) The Board of Directors may be assigned decisive powers also over other facts, to the extent and under conditions as specified by the by-laws.

§ 20

Composition and establishment of the Board of Directors

(1) The Board of Directors has at least three members. Only natural persons legally sound and of blameless reputation are eligible for membership in the Board.

(2) For the purposes of this law being of blameless reputation is defined as not having been convicted for an international criminal offence.

(3) The first members of the Board of directors shall be appointed by the founder, unless stipulated otherwise by the Charter

(4) Membership in the Board of Directors is incompatible with membership in the Supervisory Board of the same foundation.

The Chairman shall convene a meeting of the Board within 30 days from the request of one third of all members of the Board of Directors, or the Supervisory Board (Controller).

§ 23

(1) Unless stipulated otherwise by the Charter, the Board of Directors shall have the quorum in the presence of a clear majority of its members. Resolutions of the Board shall be accepted with clear majority of all present members, unless stipulated differently by this law. In case of equality of votes the vote of the Chairman shall prevail.

(2) Clear majority of votes of all members of the Board of Director shall be required for the election and revocation of the Chairman of the Board and of the Administrator as well as for the acceptance of resolutions on a merger or dissolution of the foundation and on changes of its by-laws.

§ 24

The Supervisory Board (Controller)

(1) The Supervisory Board is the body controlling the foundation. Unless specified otherwise by this law, the methods of establishment of, and membership in the Supervisory Board shall be governed by the same rules relating to the Board of Directors of the foundation. The first Supervisory Board members shall be appointed by the founder.

(2) Members of the Supervisory Board are entitled to scrutinize all documents and records in connection with activities of the foundation, and to control accountancy entries for supportability as well as the activities of the foundation for compliance with general legislation, with the, Charter and by-laws of the foundation.

(3) The Supervisory Board executes the following particular activities:

- a) Scrutiny of annual balances of accounts and financial statements; submission of findings to the Board of Directors,

- (4) Assets of the foundation representing its registered capital shall not be used as surety⁸⁾ or other similar assurance of the fulfilment of liabilities. Other assets of the foundation may be used to assure third-person liabilities in the case that other assets were simultaneously acquired by the foundation enabling the generation of earnings to finance the purposes of the foundation.

§ 29

Earnings generated by assets

Earnings generated by assets of the foundation are mainly:

- a) Earnings generated by lease of assets of the foundation,
- b) Accumulated interest from financial deposits in banks,
- c) Earnings from securities.

§ 30

Income of foundations

(1) The income of foundation is represented mainly by the following:

- a) Earnings generated by assets pursuant to §29 hereto,
- b) Donations and contributions from natural or juridical persons,
- c) Earnings from public collections,
- d) Earnings from lotteries and other similar games¹⁾,
- e) Inheritance,
- f) Earnings acquired by organizing cultural, educational, social or sports events (§5).

⁸⁾ §§151a etc. of the Business code; §299 of the Business Code.

(4) By decision of the Board of Directors, Supervisory Board or of the Charter the powers of the Administrator, to act on behalf of the foundation may be limited. Such limitations shall not be effective in respect of third persons.

(5) The Administrator is not eligible for membership in the Board of Directors of Supervisory Board; he is entitled to participate in meetings of the Board of Directors without voting rights.

(6) Natural persons legally sound and of blameless reputation are eligible for the position of the Administrator (§20, paragraph [2]).

§ 26

(1) The Board of Directors shall recall the Manager in the following cases:

- a) Legally valid conviction of the Administrator for a criminal offence in connection with the execution of the function of the Administrator or for an intentional criminal offence,
- b) Loss or limitation of legal capacity of the Administrator,
- c) By own request of the Administrator.

(2) The Board of Directors may recall the Administrator in the following cases:

- a) Inability to execute his functions for health reasons lasting more than six months as determined by a medical report,
- b) Failure to execute obligations derived from his position as the Administrator, continuing after the lapse of a deadline specified in a notification issued by the Board of Directors.

(3) Proposals for revocation of the Administrator may be submitted by any member of the Board of directors or of the Supervisory Board.

§ 32

Budgets

- (1) Foundations manage their economies in accordance with their approved budgets.
- (2) The budget of a foundation shall specify all budgetary income and expenses of the foundation. Budgets are constructed and approved for calendar year periods.
- (3) Budget proposals are submitted by the Administrator for approval to the Board of Directors at least one month prior to commencement of the calendar year. The Board shall approve the budget until March 31 of the calendar year latest.

§ 33

Utilization of assets

- (1) Foundations having obtained a donation or contribution from a juridical person or physical person for specified purposes may use such means for different purposes only with prior approval of the respective donor or contributor.
- (2) Earnings generated by public collection may only be used by the foundation for the declared purpose of such collection.
- (3) Persons bestowed with budgetary means of foundations:
 - a) May only use means extended to them by the foundation for the purpose specified,
 - b) Must submit proof of use of the means extended by the foundation for the specified purpose.
- (4) The foundation shall not extend its means to its founder and members of its official bodies and/or relatives thereof¹⁰⁾ or to members of official bodies of juridical persons who have donated means to the foundation.

¹⁰⁾ §116 of the Civil Code.

- c) Review of donations and contributions obtained by the foundation,
- d) Review of earnings itemized by sources and their origins,
- e) The situation and movements in respect of assets and liabilities of the foundation,
- f) Total expenses, itemized by the individual activity types of the foundation and separately by its administration expenses,
- g) Changes of the by-laws and in the composition of official bodies of the foundation in the report period,
- g) Other data as may be specified by the Board of Directors.

(3) The annual report of the foundation shall be published by methods specified in the by-laws. A copy of the annual report shall be submitted to the Ministry by the foundation by April 15 latest.

Schedule Six

JOINT, TEMPORARY AND CONCLUDING STIPULATIONS

§ 36

Inspection

The Ministry carries out inspections to establish whether the purpose of establishment of the foundation has been met; with this objective, the Ministry evaluates contents of annual reports, notifies official bodies of foundations on any detected discrepancies and requests elimination of such discrepancies as well as the fulfilment of lawful obligations by the foundations. In case of failure of the foundation to effect corrective measures the Ministry may submit a proposal pursuant to §15, paragraph (1) hereto.

§ 37

Protection of anonymity of donors

§ 41

Foreign foundations

Juridical persons who have their sites outside of the territory of the Slovak Republic and who are foundations in compliance with the law of the country of their respective sites may perform activities in the territory of the Slovak Republic under identical conditions and in identical ranges as the foundations or organizational components of foundations established pursuant to this law, provided that the lawful conditions of registration have been met by the aforesaid juridical persons.

§ 42

Temporary stipulations

(1) Foundations (funds), established pursuant to present legislation shall be deemed foundations pursuant to this law if entered in the Register (§11) within 12 months from the date of effectivity of this law.

(2) The Board of Directors of a foundation (fund) may, instead of submitting a proposal pursuant to paragraph (1) above, decide within 12 months from the date of effectivity of this law on the dissolution with liquidation of the foundation (fund); the Board may also decide on transformation of the foundation (fund) to a different legal form.

(3) The liquidator shall notify the body having had the foundation registered pursuant to present legislation on the dissolution with liquidation of the foundation.

(4) Should the measures as stipulated by paragraphs (1) and (2) above remain unrealized, or should the Ministry deny registration, the foundation shall be dissolved and its liquidation ordered by the body having had the foundation registered pursuant to present legislation within three months from the deadline specified in paragraph (1) above.