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THE NATIONAL COUNCIL OF THE SLOVAK REPUBLIC

A LAW

of the National Council of the Slovak Republic

of May 15, 1997

**on Non-Investment Funds and on Changing and Amending the Law no.
207/1996**

Coll.

The National Council of the Slovak Republic has adopted the following law:

Article I

Basic Provisions

Section 1

This law regulates the establishment, formation, abolition, termination, and economic operations of non-investment Funds (hereinafter only “Fund”).

Section 2

(1) A Fund is a not-for-profit legal entity which joins money intended for fulfilling generally beneficial purposes or individually directed humanitarian aid for an individual or a group of persons whose life is at risk or they are in urgent need of assistance due to an occurrence of a disaster of nature.

(2) In particular, this law considers a generally beneficial purpose to be
a) the promotion and protection of spiritual values,

- b) the protection of human rights,
- c) the protection and development of the environment,
- d) the preservation of natural and man-made values,
- e) the protection and support of health and education,
- f) the development of social services.

(3) A Fund can also own items necessary for its operation, in the scope determined by its Statutes.

Section 3

Establishment of a Fund

(1) A Fund can be established by an individual or a legal entity (hereinafter only “Founder”).

(2) If the Founder is an individual, the Fund is established by a Letter of Establishment in the form of a notary record. If there is more than one Founder, the Fund is established by an Establishment Contract. The validity of all signatures has to be officially verified. A Letter of Establishment has to contain all items necessary for an Establishment Contract.

(3) An Establishment Contract can also be concluded by an attorney delegated the power of attorney. The power of attorney declaration containing an officially verified signature of the delegating party should be attached to the Establishment Contract.

Section 4

Name of the Fund

The name of the Fund is the name under which the Fund is entered in the Register of Funds (hereinafter only “Register”). The name of the Fund has to contain the label “Non-Investment Fund” or the abbreviation “n.f.”.

Section 5

Requisites of the Establishment Contract

- (1) (1) An Establishment Contract contains
- a) the name and address of the Fund,
 - b) the time period for which the Fund is established,
 - c) the purpose supported by the Fund,
 - d) the first and last name (name) and permanent residence (address) of the Founders,
 - e) the amount of financial contribution (hereinafter only “contribution”) of each Founder and the deadline for depositing the contribution,

Section 6

The Statutes of the Fund

- (1) In particular, the Statutes of the Fund contain
- a) the name and address of the Fund,
 - b) the purpose supported by the Fund,
 - c) determination of persons who can receive benefits from the Fund, or determination of the geographic area in which benefits will be provided,
 - d) organs of the Fund and their scope of competence,
 - e) stipulations of restrictions of expenditure on the Fund's operation,
 - f) a mechanism for property settlement in case of abolishment of the Fund,
 - g) determination of the person who will overtake the authority of the Founder in case of death or abolishment.

(2) All persons are entitled to view the Statutes of the Fund and make excerpts or manual copies thereof.

(3) The Fund is obligated to make the Statutes of the Fund available on request.

Section 7

The Contribution of the Founder

(1) The contribution of the Founder is the sum of all money which the Founder agrees to deposit in the Fund. The value of the Founder's contribution has to be at least Sk 2,000.

(2) The deposited contribution of the Founder is the property of the Fund. The Founder is required to deposit his contribution before the deadline set in the Establishment Contract.

Section 8

Administration of Contributions to the Fund

(1) Before the establishment of the Fund, the deposited parts of all contributions are administered by the Founder delegated by the Establishment Contract. These deposits become the property of the Fund on the day of its formation.

(2) After the formation of the Fund, the Founder in charge of deposits is required to turn them over to the Fund without unnecessary delay. If the Fund is not formed, he is required to refund them to the Founder who deposited them.

(3) The Founder in charge of deposits is required to issue a written declaration of deposit of a contribution or its part by the individual Founders. This declaration is

higher amount than deposited, he is responsible for all liabilities of the Fund up to the amount of not deposited contributions.

The Formation of a Fund

Section 9

(1) The Fund is formed on the day when is recorded in the Register. The proposal for entry in the Register has to be submitted within 60 days from the establishment of the Fund. It is accompanied by the Establishment Contract, the Statutes of the Fund, and a declaration of deposit of contribution or its part by the individual Founders.

(2) The Register is maintained by the regional office according to the seat of the Fund (hereinafter only “Registration Office”).

Section 10

(1) The Registration Office issues a registration decree and makes a record in the Register if the Establishment Contract and the Statutes are in conformance with the law.

(2) The entry in the Register contains
a) the name and address of the Fund,

- b) the identification number,
- c) the purpose supported by the Fund,
- d) the amount pledged by each Founder and the actual amount deposited,
- e) the name of the bank and the number of the account of the Founder, in which the deposited contributions and other money are deposited,
- f) the first and last name and address of permanent residence of the Administrator of the Fund.

(3) A change or abolishment of recorded date will be entered in the Register without unnecessary delay.

(4) The identification number for the Fund is issued by the Registration Office.

(5) The entry in the Register is carried out by the date set in the Proposal for Entry. If the Registration Decree is issued later or the Proposal does not contain a date by which the entry is to be carried out, the entry will be carried out on the date when this decree is issued.

(6) The entries recorded in the Register will be forwarded by the Registration Office within 10 days from registration to be published in the Business Herald ("Obchodny vestnik"). Furthermore, it will forward this date to the ministry for the

(7) The act of registration and the Registration Decree are regulated by the provisions of the general rules of administrative conduct,¹ unless this law stipulates otherwise.

Section 11

(1) Until the formation of the Fund, the Founder, Founders, or one of the Founders determined in the Establishment Contract acts on behalf of the Fund on issues related to the formation of the Fund.

(2) The Founders are responsible together and indivisibly for all liabilities accepted by the Founders or one of the Founders on behalf of the Fund before the day when the Fund is formed.

(3) Liabilities created according to Part 2 are transferred to the Fund when it is formed, unless rejected by the Fund within three months.

Section 12

Abolition of the Fund

¹ The Law no. 71/1997 Coll. on Administrative Conduct (The Administrative Order).

(1) A Fund is abolished

- a) after expiration of the time period for which it was established,
- b) after achieving the purpose for which it was established,
- c) on the day stated in the Founders' or the Board of Directors' decision to abolish the Fund or otherwise, on the day when this decision was adopted,
- d) by a decision of the Founders or the Board of Directors on a merger or a fusion of the Fund,
- e) on the day stated in a ruling of a court to abolish the Fund or otherwise on the day when this decision acquires legal force,
- f) upon declaration of bankruptcy or a rejection of a proposal for bankruptcy due to insufficient property.

(2) A court can rule on the abolition and liquidation of a Fund proposed by a state organ or a person who proves legal interest in the matter if

- a) the Fund has grossly violated or repeatedly violated provisions of the Statutes and of universally binding legal statutes,
- b) for a period longer than two years, the Fund does not pursue the purpose for which it was established or has achieved the purpose for which it was established and the proposal for removal from the Register has not filed.

(3) Before ruling on a proposal to abolish a Fund, the court can determine a deadline for rectifying the reasons for which the abolition has been proposed.

Section 13

Merger and Fusion

(1) The Founder or the Board of Directors can decide to merge or fuse the Fund with another Fund or with a foundation.

(2) In a merger, the property of the abolished Fund becomes the property of the Fund with which the Fund has merged or of the foundation with which the Fund has merged.

(3) In a fusion, the property of the Fund becomes the property of the Fund formed by the fusion or the foundation formed by the fusion.

(4) The Administrator will notify the Registration Office within seven days of all changes arising from the merger or the fusion that are subject to entry in the Register.

Section 14

Termination and Liquidation

(1) The Fund is terminated on the day of removal from the Register. Its termination is preceded by abolition with or without liquidation.

(2) Liquidation is not required if monetary instruments of the Fund are transferred to another Fund or foundation after a merger or a fusion. The removal of the terminated Fund from the Register is carried out, and the entry of the Fund or foundation formed by the fusion is carried out on the same day. The removal of the merged Fund and the entry of changes for the Fund or foundation with which the terminated Fund has merged are also carried out on the same day.

(3) The remainder after liquidation can only be transferred to another Fund or a foundation.

(4) The reward for the liquidator is determined by whoever has appointed the liquidator.

(5) Liquidation expenses are covered from the property of the Fund.

(6) Appropriate provisions of the Commercial Code on abolition and termination of commercial entities² are applied to the abolition of a Fund with or without liquidation, unless this law stipulated otherwise.

Organs of a Fund and Their Authority

² Section 68 through 75 of the Commercial Code

Section 15
Organs of a Fund

Organs of a Fund are

- a) the Board of Directors,
- b) the Administrator,
- c) other organs, if so enacted by the Statutes.

Section 16
The Board of Directors

(1) The Board of Directors is the highest organ of the Fund.

(2) Exclusive competencies of the Board of Directors include

- a) approval of the budget of the Fund and decisions on the use of the Fund's money,
- b) approval of the annual accounting statement and the annual report of the Fund,
- c) decisions on a merger, fusion, and abolition of the Fund, if so enacted in the Establishment Contract,
- d) determination of the amount for expenses of the Fund on its administration in accordance with the Statutes,
- e) appointment of a liquidator,

f) carrying out changes in the Status, if so allowed by the Establishment Contract.

(3) The Board of Directors also makes decisions on other issues in the scope and under the conditions determined in the Statutes.

Section 17

The Composition and Formation of the Board of Directors

(1) A member of the Board of Directors can only be an individual capable of legal acts and irreproachable. A person who has been validly convicted for an intentional criminal act is not considered irreproachable.

(2) A person who receives benefits from the Fund can not be a member of the Board of Directors.

(3) the members of the Board of Directors are appointed and dismissed by the Founder, unless stated otherwise in the Statutes.

(4) The number of members of the Board of Directors, their term of duty, and the manner of their appointment and dismissal are determined by the Statutes.

(5) Membership in the Board of Directors is voluntary and unpaid. The members of the Board of Directors are entitled to compensation for documented expenses related to the carrying out of their duties according to the provisions of a special regulation.³

(6) Membership in the Board of Directors is terminated

- a) due to death,
- b) after the expiration of the term of duty,
- c) due to resignation,
- d) through dismissal due to a loss of prerequisites listed in Part 1, or due to a member's lack of interest to serve on the Board of Directors, defined as unexcused absences from three consecutive sessions.

(7) The Board of Directors is headed by a chairperson. The chairperson is appointed and dismissed by the Founder.

(8) Details regarding the competencies, convening sessions, deliberations, and resolutions of the Board of Directors are determined by the Statutes, unless this law stipulates otherwise.

(9) Adoption of a decision on a merger, fusion, or abolition of the Fund requires the agreement of an absolute majority of all members of the Board of Directors.

³ The Law No. 119/1992 Coll. on Travel Compensation as amended by the subsequent regulations.

(10) Minutes are taken from sessions of the Board of Directors and kept for a period of time determined by the Statutes, but not less than five years.

Section 18

The Administrator

(1) The Administrator is a statutory organ of the Fund, who directs its activities. He makes decisions on all activities of the Fund with the exception of those reserved for other organs of the Fund by this law, the Establishment Contract, or the Statutes.

(2) The Establishment Contract, Statutes, or a resolution of the Board of Directors can restrict and Administrator's entitlement to act on behalf of the Fund. These restrictions are, however, not valid vis-à-vis other persons if they were unaware or unable to be aware of them.

(3) The Administrator is elected and dismissed by the Board of directors. His term of duty is determined by the Statutes.

(4) The Administrator can only be an individual capable of legal acts and irreproachable.

(5) The position of the Administrator can be occupied by a member of the Board of Directors only if so resolved in the Statutes.

Section 19

The Property of a Fund and its Acquisition

(1) The property of a Fund is made up of financial contributions of the Founder and the following financial instruments:

- a) financial gifts and contributions of individuals or legal entities,
- b) proceeds of public collections,⁴
- c) inheritance in the form of money or the proceeds from the sale of inheritance acquired in another form,
- d) proceeds from lotteries and other similar games,⁵
- e) proceeds from organizing cultural, educational, social, and sport events,
- f) proceeds from the sale of the Fund's own literature supporting the purpose of the Fund,
- g) interest on financial deposits in banks,
- h) income from government bonds,

⁴ The Law of the Slovak National Council no. 63/1973 Coll. on Public Collections and on Lotteries and Other Similar Games as amended by the Law of the Slovak National Council no. 194/1990 Coll.

The Resolution of the Interior Ministry of the Slovak Socialist Republic no. 64/1973 Coll. which executes certain provisions of the Law of the Slovak National Council no. 63/1973 Coll. on Public Collections and on Lotteries and Other Similar Games.

⁵ The Law of the Slovak National Council no. 194/1990 Coll. on Lotteries and Other Similar Games as amended by the Law of the Slovak National Council no. 68/1992 Coll., the Law of the National Council of the Slovak Republic no. 249/1994 Coll., the Law of the National Council of the Slovak Republic no. 224/1996, and the Law of the National Council of the Slovak Republic no. 386/1996 Coll.

i) income from the remainder from liquidation of another Fund.

(2) Other movable and immovable assets necessary for the administration of the Fund are also the property of the Fund (Section 2 Part 3).

(3) Income of the Fund can also include subsidies from the state budget,⁶ the budget of a state Fund, or a municipal budget.

(4) Subsidies from the state budget for any given purpose can only be provided from one place; it is usually the place related to the dominant activities of the Fund. Expenses on administration of the Fund can not be covered by the subsidies from the state budget.

Section 20

Public Collection

(1) A Fund is authorized to hold a public collection⁴ in order to obtain money to finance its purpose (Section 2 Part 1).

(2) The Administrator notifies the Registration Office in writing of the intent to hold a public collection⁴ and of the purpose for which its proceeds will be used.

⁶ The Law of the National Council of the Slovak Republic no 303/1995 Coll. on Fiscal Rules as amended by the Law of the National Council of the Slovak Republic no 386/1996 Coll.

(3) The notification according to Part 2 has to be sent to the Registration Office at least 15 days before the commencement of the public collection.⁴

(4) The Registration Office prohibits the organization of an announced public collection⁴ if the notification according to Part 2 implies that the stated purpose of the collection does not correspond with the purpose of the Fund determined in the Statutes.

(5) The Registration Office that has been notified of the organization of the public collection⁴ can temporarily suspend its execution if it establishes that the Fund does not follow the legal regulations on public collection.⁴

(6) Unless this law states otherwise, provisions of legal regulations on public collection⁴ will be appropriately applied to organizing a public collection⁴ and to its manner of execution.

Section 21

Expenses of a Fund

(1) Expenses of a Fund are

a) expenses on financing the purpose of the Fund in accordance with the Statutes of the Fund,

b) expenses on administration of the Fund.

(2) Expenses of the Fund according to Part 1 are budgeted according to the aims and the manner of use. They can also be budgeted according the subjects to which they are provided.

(3) Expenses on administration of the Fund according to Part 1 Letter b) include all expenses of the Fund for a given budgetary period related to administration of the Fund, expenses on advertising the purpose of the Fund and expenses related to operation of the Fund, including salaries and bonuses paid to the employees of the Fund and compensation paid to members of its organs for expenses incurred in carrying out their duties.

(4) The amount for expenses of the Fund according to Part 1 Letter b) is determined in every fiscal year by the Board of Directors, but is not to exceed 15% of total expenses of the Fund for the given fiscal period. Expenses on organizing events according to Section 20 Part 1 aimed at obtaining money for financing the purpose of the Fund, expenses for conduction an audit, expenses for documenting the manner in which the money of the Fund is used, and payments for publishing the date recorded in the Business Herald are not included in the set level of expenses so determined.

Section 22
The Budget of the Fund

- (1) The Fund operates according to an approved budget.
- (2) The budget of the Fund contains all budgeted income items and expenditures of the Fund. The budget of the Fund is compiled and approved for the given calendar year.
- (3) A budget proposal is submitted by the Administrator for approval by the Board of Directors no later than one month before the beginning of the calendar year for which the budget is being compiled. The Board of Directors approves the budget no later than on March 31 of the calendar year.

Section 23
Usage of the Fund's Money

- (1) Money of the Fund can not be used for entrepreneurial activities and for financing the activities of political parties and political movements.
- (2) If an individual or a legal entity has provided a gift or a contribution to the Fund for a defined purpose, the Fund is entitled to use it for a different purpose only with the previous written consent of the entity that has provided the gift or the contribution.

(3) The Fund can use the proceeds of a public collection⁴ only for the purpose for which the public collection was organized and to the limited extent for administration of the Fund. The use of unused proceeds from a public collection is determined by the Board of directors of the Fund which informs the public in the same manner as when the public collection was announced.

(4) The person to whom the Fund has provided money from the budget of the Fund is obligated to

- a) use the money only for the purpose for which it was provide,
- b) at the Fund's request, to show within three months that the money provided by the Fund has been used for the given purpose.

(5) Money of the Fund intended for financing a generally beneficial purpose can not be provided to its Founder, members of the Fund's organs, and associated persons⁷ or to members of organs of legal entities that have provided a gift or a contribution to the Fund.

(6) The Fund is entitled to demand of a person to whom it has provided money to return the money or their part if they have not fulfilled their obligation according to Part 4.

⁷ Section 116 of the Civil Code

(7) Details regarding the conditions of use of money of the Fund will be determined by the Statutes of the Fund.

Section 24

Book-Keeping

- (1) The Fund keeps books according to a special regulation.⁸
- (2) The annual accounts have to be verified by an audit if the sum of total income and expenditure of the Fund for a calendar year exceeds the amount of Sk 5,000,000.
- (3) A copy of the annual accounts verified by an audit according to Part 2 is sent by the Fund to be published in the Business Herald⁹ no later than April 15.

Section 25

The Annual Report

- (1) The Fund is required to prepare an annual report for the past calendar year always before March 31.

⁸ The Law no. 563/1991 Coll. no Book-Keeping as amended by the Law of the National Council of the Slovak Republic no. 272/1996 Coll.

⁹ The Resolution of the Government of the Slovak Republic no. 100/1993 Coll. on the Business Herald.

(2) The annual report of a Fund contains

- a) an overview of the activities undertaken in the period under evaluation stating their relationship to the purpose of the Fund,
- b) the annual accounts and an evaluation of the basic data included in it and the auditor's verdict on it, if an audit was required,
- c) an overview of gifts and contributions provided to the Fund,
- d) an overview of income items according to their origin,
- e) the amount of assets and liabilities of the fund as of December 31,
- f) overall expenses divided into expenses according to the types of activities of the Fund and separately, the amount of expenses on administration of the Fund,
- g) changes carried out in the Statutes and in the composition of organs that have taken place in the period under evaluation,
- h) other data determined by the Board of Directors.

(3) The annual report has to be published in the manner determined in by the Founder in the Statutes. One copy of the annual report is sent by the Fund to the Registration Office before April 15.

Section 26

Oversight

finding shortcomings, it notifies organs of the Fund of them, demands correction, as well as fulfillment of obligations set by law. If correction does not take place, the Registration Office can file a proposal for abolition of the Fund.

(2) Registration offices are directed in registration of Funds and oversight duties by the ministry.

Section 27

Protection of Anonymity of a Donor

If a donor insists on maintaining anonymity, his first and last name (company name) can not be listed in the overview of donors or otherwise published.

Section 28

Taxation of the Fund

The taxation of income and property of the Fund takes place according to special legal regulations.¹⁰

Section 29

¹⁰ For instance, the Law no. 286/1992 Coll. on Income Taxes as amended by the subsequent regulations, the Law of the Slovak National Council no. 317/1992 Coll. on the Real Estate Tax as amended by the subsequent regulations, the Law of the Slovak National Council no. 318/1992 Coll. on the Inheritance Tax, Gift Tax, and the Tax on Transfer and Passing*** of Immovable Property as amended by the Law of the National Council of the Slovak Republic no. 81/1993 Coll.

Salaries of Employees

Salaries of employees are governed by a special regulation.¹¹

Section 30

Foreign Funds

A legal entity with a seat outside of the territory of the Slovak Republic which is a Fund according to the laws in effect in the state, in the territory of which it has its seat or the seat of one of its organizational units, can be active in the territory of the Slovak Republic under the same conditions and in the same scope as a Fund formed according to this law, if it fulfills the conditions for entry into the Register set by this law.

Section 31

Temporary Provisions

(1) Funds formed under previously valid regulations are considered to be Funds according to this law if they will be entered in the Register at a proposal according to Section 9 before August 31, 1997.

¹¹ The Law no 1/1992 Coll. on Wages, Reward for Work Readiness, and on Average Earnings as amended by the subsequent regulations.

(2) A Fund created under previously valid regulations can be transformed into a different legal type of a not-for-profit organization or decide on its abolition and on entering into liquidation before August 31, 1997.

(3) The liquidator or the state organ notifies the regional office which maintains the Register of Funds according to previously valid regulations of abolition of the Fund or its entry into liquidation, without unnecessary delay.

(4) A Fund that has been transformed into a different legal type of a not-for-profit organization will notify the regional office in the region of which it was Registered of this no later than August 31, 1997. The regional office executes the removal from the Register which it maintains according to previously valid regulations.

(5) If the measures according to the provisions in Part 1 and 2 are not carried out or if the Registration Office rejects the registration proposal, the regional office in the region of which the Fund was registered according to previously valid regulations will abolish the Fund and order its liquidation within three months from the deadline in Part 1.

(6) Until the entry of the Fund into the Register according to Part 1 goes into effect or during the transformation into another type of a not-for-profit organization according to Part 2, the legal status of a Fund formed before this law came into effect is regulated by previously valid regulations, unless this law states otherwise.

(7) While international agreements determining the conditions for the provision of foreign aid to the Slovak Republic which are binding for the Slovak Republic are in effect, provisions of Section 2 Parts 1 and 2 and the ban on the use of money for entrepreneurial activities (Section 23) does not apply to Funds formed according to Section 20b of the Civil Code before this law went into effect, if their establishment was a condition for receiving foreign aid for the Slovak Republic and as of the date when this law goes into effect, they use their money to support entrepreneurial activities.

Article II

The Law of the National Council of the Slovak Republic no. 207/1996 Coll. on Foundations is changed and amended as follows:

Section 42 is extended by Part 6 which states:

“(6) While international agreements determining the conditions for the provision of foreign aid to the Slovak Republic which are binding for the Slovak Republic are in effect, provisions of Sections 3 and 5 do not apply to foundations formed according to Section 20b of the Civil Code before this law went into effect, if their establishment was a condition for receiving foreign aid for the Slovak Republic and as of the date this law goes into effect, they use their money to support entrepreneurial activities.

Article III

This law acquires its legal force on June 1, 1997.

The President of the Slovak Republic

The Chairman of the National Council of the Slovak Republic

The Prime Minister of the Government of the Slovak Republic