



VELFERÐARRÁÐUNEYTIÐ

Ministry of Welfare

Rent Act, No. 36/1994, as amended by Act No. 65/2006, No. 65/2010, No. 66/2010, No. 162/2010, No. 77/2011 and No. 126/2011.

CHAPTER I

Scope, etc.

Article 1

This Act applies to all leases covering the use of buildings or parts of buildings, including the sub-letting of premises, in return for a consideration.

This Act shall apply both to residential premises and business premises. If premises are let both for residential occupation and for other purposes, the provisions of the Act regarding residential premises shall apply to the agreements involved. Provisions of this Act, which are worded so as to apply to residential premises, shall apply to business premises as appropriate and where no special provisions are to be found in the Act applying to business premises.

Furthermore, this Act shall apply to the use of premises according to a work contract or the annex to such a contract.

This Act shall apply even though the consideration is rendered partly or entirely by a means other than with money, e.g. by means of a labour contribution.

Where leases cover other matters as well as the use of premises in return for a consideration, this Act shall apply to them provided that the latter constitutes their main import.

Where a lease also covers land that is to be used in connection with the use of premises, it shall be subject to this Act unless the land is to be used for agricultural purposes.

This Act shall not apply to agreements made between hotels, guesthouses and comparable entities and their guests. Nor shall the provisions of this Act apply to the short-term rental of premises such as holiday centres, holiday cottages, community centres, gymnasiums, rooms or storerooms in which rent is charged per week, per day or for shorter periods.

Finally, this Act shall not apply to leases for the use of premises that are subject to special rules according to other legislation.

Article 2

Leases may not be made under which the tenant of residential premises undertakes more extensive obligations and acquires less extensive rights than are provided for by this Act unless the Act contains special provisions allowing for such deviations.

The provisions of this Act regarding business premises, on the other hand, are non-obligatory, and shall therefore apply to such premises only where no other terms are agreed.

If residential premises are let to specific groups of persons, e.g. students, the elderly or the handicapped, where particular circumstances call for arrangements other than those provided for under this Act, then notwithstanding paragraph 1 above, deviations may be made from individual provisions of this Act by agreement due to the special nature or purpose of the activity involved.

Article 3

[The provisions of this Act referring to married couples and spouses shall also apply to a man and woman living in a registered partnership or partnership of another type that has lasted for one continuous year. “Registered partnership” refers to the partnership (cohabitation) of a man and a woman which is registered at the National Registry, providing that they have a child together, are expecting a child of which they are the parents or their partnership has been registered for a minimum of one continuous year. The same shall apply to a partnership of individuals of the same sex.]¹⁾

¹⁾ Act No. 65/2006, Article 6.

CHAPTER II

The lease.

Article 4

A lease covering premises shall be in writing.

[The Housing Financing Fund]¹⁾ shall prepare special forms, one for leases covering residential premises and one for leases covering business premises, and also forms for inspection declarations and sample notices of termination and other announcements that are to be made in writing under this Act. These forms shall be available to the public from the offices of the local authorities or housing committees, from tenants’ and landlords’ associations, [the Housing Financing Fund]¹⁾ and other places where there is considered reason to have them available.

[The Housing Financing Fund]¹⁾ may decide on a reasonable fee for these forms, which the distributing parties shall be obliged to collect. The distributing parties may impose a suitable fee to be paid by the recipients of the forms and samples.

¹⁾ Act No. 66/2010, Article 1.

Article 5

[The Ministry]¹⁾ may approve forms that may be produced under Article 4 by landlords’ or tenants’ associations, local authorities, non-governmental organisations or others who let out premises, and the ministry’s approval shall be recorded on the forms.

¹⁾ Act No. 126/2011, Article 187.

Article 6

The following information shall be included in the lease:

1. The names, addresses and ID numbers of the parties.
2. A clear description of the premises to be rented, *cf.* Article 38.
3. The ownership share of the multi-dwelling building or property that is let to the tenant.
4. Whether the lease is for a definite period of time or for an indefinite period.
5. The rent, and whether and how it is to be liable to changes during the rental period.
6. Where and how the rent is to be paid.
7. Whether the tenant is required to put up a deposit, and if so, then in what form.
8. Whether an inspection of the rented premises is to be carried out when the premises are handed over.
9. The tenant’s priority right according to Chapter X.
10. Special provisions, where these are agreed and are permitted by law.

Article 7

If the landlord is unable to honour his obligations towards the tenant, e.g. due to prolonged absence or illness, he shall be obliged to have an agent to whom the tenant may apply. The agent’s name, address and ID No. shall be stated in the lease.

Article 8

All amendments and additions to the lease that are permitted under this Act shall be made in writing and shall be signed by the parties to the lease.

If either party is required under this Act to obtain the approval of the other, he may demand to have it stated in writing.

Article 9

Leases may be made either for a definite period of time or for an indefinite period.

Leases shall be regarded as being for an indefinite period unless other provisions are clearly agreed upon. The provisions of Article 56 shall apply to termination and notice of termination in the case of indefinite-period leases.

Leases made for definite periods shall expire without special notice of termination unless other arrangements are agreed, *cf.* Article 58.

The provisions of Chapter X shall apply to both definite-period and indefinite-period leases regarding the tenant's priority right.

Article 10

If the parties neglect to make a written lease, they shall be regarded as having made a lease for an indefinite period, and all provisions of this Act shall apply regarding their legal relations.

The rent shall be the sum that the landlord is able to demonstrate that the tenant has agreed to pay.

Article 11

The provisions of the Act on Contracts, Agency and Void Undertakings, No. 7/1936, shall apply regarding grounds for setting a lease aside, in its entirety or in part, or amending it, if it could be considered unfair or opposed to good commercial practice to enforce it.

Article 12

Tenants' rights that are based on or derived from the provisions of this Act shall be valid regarding all persons without being specially registered, *cf.*, however, the provisions of paragraph 2.

In other respects, the question of which tenants' rights shall depend on registration, and when and vis-à-vis what persons, shall be subject to the provisions of the Registration Act.

A tenant who by agreement secures more extensive rights than are provided for under paragraphs 1 and 2, and wishes to ensure such rights, may have the lease registered.

When the rental period ends, the tenant shall have the lease, which has been registered, revoked. If he fails to do this within one week, the lease may be revoked at the landlord's demand.

Article 13

If in accordance with the provisions of this Act a party to a lease is obliged to send the opposite party a written communication of any type whatever, such a communication shall be dispatched in a verifiable and secure manner and within the period allowed or by the deadline specified, where appropriate. If this is done, then the communication shall have the significance and the legal effect it is intended to have, even if it arrives in a corrupt form, or late, or does not reach the recipient.

CHAPTER III

Condition of the rented premises.

Article 14

When they are handed over to the tenant, rented premises shall be in such a condition as may generally be regarded as satisfactory in terms of their intended use and their location.

When they are handed over, the premises shall be clean, with whole windowpanes, the locks and electrical switches in working order, and with the sanitary, heating and kitchen appliances, and also the water supply and drainage systems, in working order.

Premises that are let for residential occupation shall include the fixtures that were *in situ* when the premises were displayed unless other arrangements are agreed specially.

Article 15

If the quality of the rented premises deteriorates before the beginning of the rental period, as a consequence of which they become unsuitable for the purpose intended, the lease shall become invalid.

In such a case, the tenant shall not be entitled to compensation unless the damage to the premises is the fault of the landlord himself or he has failed to inform the tenant of it.

Article 16

If it is found that the premises rented are not in the condition described in the lease, or the condition that the tenant could naturally be expected to assume, the tenant shall within a month, from when the premises are handed over, inform the landlord in writing of his criticisms and objections and state the remedial measures he demands to have taken. Otherwise, the tenant shall be regarded as being satisfied with the premises.

The tenant shall report faults in the premises that come to light at a later date and were not evident during a normal inspection within 14 days of their coming to his notice.

Article 17

If the landlord does not take measures within a month to rectify deficiencies in the premises, the tenant shall be permitted to take remedial measures and to deduct the resulting expenses from the rent, providing he first obtains the approval of a building officer, *cf.* Chapter XIV.

If the landlord does not respond to a justifiable demand by the tenant for remedial measures within two months of the presentation of the demand, and if the tenant does not avail himself of his rights under paragraph 1, the tenant may revoke the lease providing there are serious deficiencies in terms of the intended use of the premises.

The tenant shall be entitled to demand a proportional reduction of the rent during the time in which nothing is done to remedy deficiencies in the premises rented.

The reduction of the rent shall be determined by a building officer; however, both parties shall have the right to refer his decision to [the Housing Complaint Committee],¹⁾ *cf.* Article 85.

¹⁾ *Act No. 66/2010, Article 3.*

CHAPTER IV

Maintenance of rented premises.

Article 18

Tenants shall be obliged to treat rented premises well and in accordance with the use of them that was agreed.

If the rented premises or their fixtures are damaged by the tenant, members of his household or other persons whom he permits to make use of the premises or to enter and move about in them, the tenant shall take measures to repair the damage as soon as possible. If the tenant neglects this duty, the landlord may have repairs carried out at the tenant's expense. Before doing so, however, the landlord shall grant the tenant one month in which to complete the repairs. Before having repairs carried out, the landlord shall seek the opinion of a building officer and seek his approval of the expense involved after the work has been completed.

In the circumstances referred to in paragraph 2, the tenant shall be obliged to put up with the movements and activities of the repairmen without any reduction of the rent, even though the tenant's use of the premises is temporarily limited as a result of the repair work.

Article 19

The landlord shall see to the maintenance of the rented premises, both internally and externally (see, however, paragraph 3).

The landlord shall see to the maintenance of windows, electrical appliances, sanitary appliances and other fixtures of the premises if the tenant demonstrates that malfunctions cannot be attributed to neglect or oversight on the part of the tenant or persons associated with him.

The tenant shall be obliged to see to maintenance of locks, water taps, electrical sockets and other small items at his own expense.

The landlord shall at all times maintain the rented premises in a condition fit for rent, this including having the premises painted and replacing floor coverings, carpets and other protective surfacings at suitable intervals, as appropriate in terms of good practice in the maintenance of premises.

In all cases where residential premises are involved, the landlord shall bear the cost of damage for which compensation must be paid under the conditions of ordinary house owners' insurance.

Article 20

If the tenant considers that the maintenance affected by the landlord is insufficient, he shall appeal to the landlord to rectify the situation, explaining what he considers needs attention.

If the landlord does not attend to the tenant's demands regarding remedial measures within two months, the tenant may have the repairs carried out at the landlord's expense and deduct the cost from his rent payments or present the landlord with a separate claim for the costs. Before the work begins, however, the tenant shall be obliged to seek the opinion of a building officer as to whether it is necessary, and to obtain his approval of the costs after the work has been carried out.

Article 21

The landlord shall at all times have repair and maintenance work carried out quickly and effectively so as to cause the tenant the minimum inconvenience.

If, in the opinion of a building officer, repair and maintenance work carried out at the landlord's instigation results in substantially reduced use, or loss of use, the landlord shall compensate the tenant for this by means of a proportional reduction of the rent or in another manner agreed on by the parties. If the parties cannot agree on compensation or a reduction of the rent, they may seek the opinion of a building officer, whose opinion either party may refer to [the Housing Complaint Committee],¹⁾ cf. Article 85.

¹⁾ Act No. 66/2010, Article 3.

Article 22

It may be agreed in a lease covering residential premises that the tenant shall, at his own expense, see to the maintenance inside the premises, partially or entirely, which the landlord is supposed to see to according to this Chapter, providing that the rent is reduced proportionally. In such cases the lease shall state exactly what is covered by the tenant's maintenance obligations.

CHAPTER V

Operating expenses.

Article 23

The cost of operating the rented premises shall be divided as follows: the tenant shall pay the cost of water and electricity consumption, and also heating costs, while the landlord shall pay all property rates, including property tax and insurance premiums.

In multi-dwelling buildings, the landlord shall also pay all costs in connection with heating, light and water consumption in the common parts, and all costs of cleaning and other care of the common parts. The landlord shall pay the contribution to the maintenance of the common parts, including lift equipment and also the cost of improvements to the lot or property and the cost of the administration of the building.

If the tenant so wishes, the landlord or the resident's association shall provide him with an itemisation of the cost items comprising the fees paid by the tenant to the residents' association.

Where power and water utilities charge a special fee for the rent of meters or other comparable equipment that they provide, the tenant shall pay such fees. The landlord shall pay rates or annual fees to such utilities that are calculated on the basis of the assessed value of the premises, their volume or another levying basis that is not directly related to the purchase of water or power.

Different arrangements may be made concerning the division of costs, providing such arrangements are clearly stated in the lease.

Article 24

When the service to be paid for by the tenant is sold jointly to several parties, the cost shall be divided according to the provisions of statutes or agreements on the division of the right of use, where this right is jointly owned, and otherwise according to the proportions stated in the declaration of division of ownership. Where no such declaration has been prepared, the cost shall be divided according to the ownership share of each dwelling in accordance with the legal provisions applying to the determination of ownership shares in multi-dwelling buildings.

Article 25

If the landlord makes outlays for operating costs that are to be borne by the tenant under Article 23, they shall fall due for payment on the next rent payment date. If the tenant makes outlays for operating costs that are to be borne by the landlord, he may deduct such costs from the next rent payment.

Article 26

When work is done to connect rented premises with a heating system or district heating system, or when other improvements are made to the premises which reduce the operating expenses for the tenant, the landlord may raise the agreed rent by up to one half the reduction in operating expenses for the tenant that results from such changes.

If the landlord receives a rebate of the outlays he has made in connection with the improvements under paragraph 1, the subsequent reduction of operating expenses shall be to the equal benefit of both parties until the end of the rental period.

CHAPTER VI

Use of the rented premises.

Article 27

The tenant may not use the rented premises in a manner other than that agreed in the lease. However, the landlord may not object to deviations from this provision that are of no significance to him or to other persons who live or work in the building.

Article 28

The tenant may not make alterations or improvements to the rented premises or their fixtures and furnishings without having obtained the approval of the landlord and come to an agreement on the division of the cost and the measures to be taken at the end of the rental period. If this is not done, then the landlord shall acquire ownership of the improvements at the end of the rental period without rendering any specific consideration, unless he chooses, at or before that time, to demand that the tenant restore the rented premises to their original condition, *cf.* Article 66.

Article 29

The tenant shall in all respects treat the rented premises in a manner that conforms to good practice regarding the treatment of premises and their intended use.

The tenant shall inform the landlord without delay of things, both inside and outside the building, that need repair or maintenance.

Article 30

The tenant shall be obliged to treat the rented premises well and keep them tidy and observe the rules set and good practice regarding hygiene and health.

The tenant shall follow accepted patterns of conduct in the treatment of the premises and shall take care not to interfere with the use made of the building by others who have the right to use it or to cause them inconvenience or disturbance.

If rules of conduct have been set in a multi-dwelling building, the tenant shall be obliged to comply with them, and such rules shall be brought to the tenant's attention.

The landlord shall be obliged to use his influence to have other persons, who have the right to use the building in which the rented premises are situated, comply with the set rules of conduct and observe the other provisions of this chapter so as to ensure the interests of the tenant.

Article 31

Tenants of commercial or catering-establishment premises shall be obliged to maintain normal daily operations in the accepted manner except when closures are necessitated due to exceptional circumstances.

Article 32

If the rented premises are in a building that comes under the provisions of the Multi-Dwelling Buildings Act, the provisions of this Chapter shall apply both to the privately owned unit and, as appropriate, to the common parts, both inside and outside the building.

CHAPTER VII

Payment of rent. Deposits.

Article 33

Rent shall be paid on the first day of each month, in advance, for one month at a time, unless other terms are agreed. If a due date falls on a public holiday, it shall be deferred to the next working day thereafter.

Rent and other payments to be made by the tenant shall be paid at an agreed place, and alternatively at the landlord's home, place of work or other place in Iceland that he may specify.

However, the tenant may always make payment in a bank or send payment by post in a verifiable manner. Payment made in this way shall be regarded as having been made in the correct place and on the date that it is handed over in the bank or post office.

If the tenant fails to make payment within seven days of the due date, the landlord shall be entitled to demand arrears interest on the rent at the maximum rate permitted by law up to the date of payment.

Article 34

If the parties to a lease on residential premises agree on the payment of rent in advance for a period longer than three months, whether this is done at the beginning of the rental period or later, the consequence of this shall be that the tenant shall acquire the right to rent the premises for three times the period for which he has paid rent. This shall apply even if the parties have agreed on a shorter rental period.

If the tenant of residential premises has paid a deposit according to item 4 of paragraph 1 of Article 40, he may not also be required to pay rent in advance for a period longer than one month.

The tenant shall present a written demand to the landlord regarding a definite or extended rental period under paragraph 1 within two months of making the payment. Otherwise, his right in this respect shall lapse. In his letter, he shall give the landlord the option of repaying any advance payment in excess of three months' rent with arrears interest. If the landlord repays this sum within 10 days of his receipt of this demand, the advance payment shall not have the legal effects described in paragraph 1.

Article 35

If the tenant hands over to the landlord bonds, bills of exchange, cheques or other commercial documents as payment of rent in advance, this shall be regarded as advance payment under Article 34 with the restrictions and legal consequences specified there.

Unless otherwise demonstrated, payment of rent by the method referred to in paragraph 1 shall be considered as having been received by the landlord providing that payments are made on the correct due dates. If this assumption proves to be unfounded and defaults occur, the landlord may apply measures to meet non-performance by the tenant under this Act, including rescission of the lease under item 1 of Article 61.

Article 36

When the tenant is entitled to a reduction of the rent, e.g. because the premises are in an unsatisfactory condition at the beginning of the rental period, *cf.* Article 17, because of repairs that he has had carried out at the landlord's expense, *cf.* Article 20, or because of an abridgement of his right of use, *cf.* Article 21, he shall present the landlord with his invoice, together with supporting documents and the signed approval of a building officer, on the next due date for the payment of rent.

A decision by the landlord to have a court rule on the legality of such an invoice shall not release him from the obligation to regard the invoice provisionally as the equivalent of lawful payment of rent.

The landlord's right to refer the legality of the invoice to a court shall lapse if no proceedings have been instituted within three months of the presentation of the invoice by the tenant or the completion of assessment in cases where the decision by a building officer is referred to court-appointed assessors.

Article 37

The parties may agree on the rent, and on whether, and if so how, it is to be liable to changes during the rental period. However, the rent shall at all times be fair and natural from the point of view of both parties.

Article 38

When the rent is determined with reference to the rented premises size in square meters, the lease shall state the basis on which the calculation of the area is made. If this is not done, and a dispute arises between the parties, the most commonly used basis and methods shall be used. The party who considers his rights are being encroached upon may demand a fresh calculation of the area and a corresponding adjustment of the rent.

[The Minister]¹⁾ may issue instructions on the calculation of the area of rented premises in the form of regulations, which shall then be used as a reference base unless clear and unequivocal provisions in the lease specify other terms of reference.

¹⁾ *Act No. 126/2011, Article 187.*

Article 39

Before the rented premises are handed over, the landlord may demand that the tenant put up a deposit for the full performance of his side of the lease, i.e. for the payment of rent and of compensation for damage to the rented premises for which the tenant is liable according to the provisions of this Act and general rules.

Article 40

Deposits under Article 39 may take one of the following forms:

1. A guarantee from a bank or comparable party (a bank guarantee).
2. A personal guarantee by one or more third parties.
3. An insurance policy covering rent payments and the return of the rented premises in good order, purchased by the tenant from a recognised insurance company.
4. A monetary deposit paid by the tenant to the landlord and kept safe by the latter. The landlord may not dispose of this money or make deductions from it without the tenant's approval unless a court judgement has been delivered establishing compensatory liability on the part of the tenant. The landlord shall, however, be permitted to use the deposit as payment of rent that is in arrears at all times both during the rental period and at the end of the rental period. The deposit in the landlord's keeping shall be index-linked, but shall not bear interest. At the end of the rental period the landlord shall state as soon as possible whether he lays claim to the deposit or reserves the right to do so. Alternatively, he shall repay the deposit to the tenant, with indexation adjustment, without undue delay. At no time may the landlord retain a deposit in his keeping without laying a claim to it for more than two months after the return of the premises, *cf.* paragraph 1 of Article 64.
5. A deposit of a type other than those listed in items 1-4 above which the tenant proposes and the landlord accepts as valid and satisfactory.

The monetary sum, or maximum of a deposit under items 1-3 and 5 of paragraph 1 shall be as agreed between the parties, but a deposit under item 4 of paragraph 1 may not amount to more than the equivalent of three months' rent.

The landlord may choose between the types of deposit in paragraph 1, but the tenant shall have the right to refuse to advance a monetary deposit according to item 4 of paragraph 1, providing he offers another type of deposit instead which the landlord regards as satisfactory.

The deposit under items 1-3 and 5 shall expire and become invalid when two months have elapsed from the return of the premises unless the landlord has made a claim that is covered by the deposit before that time, *cf.* paragraph 1 of Article 64. When the deposit or guarantee under this paragraph has

expired, the landlord shall return to the tenant all negotiable documents or other certificates that he has submitted as a deposit and that the tenant has a legally-protected right or reasonable claim to have returned to him.

When a deposit is put up under items 1-3 and 5 of paragraph 1, the landlord shall take measures, to the extent that can be regarded as natural and reasonable, to ensure that the guarantors or insurers are informed of non-performance by the tenant and of other matters that may have a bearing on their interests and liability.

CHAPTER VIII

Access by the landlord to the rented premises.

Article 41

The landlord shall have the right of access to the rented premises, with suitable notice and in consultation with the tenant so as to avoid going against his interests and those of the tenant, in order to have improvements made to the rented premises and to inspect their condition and the way they are being treated. However, the landlord may never enter the rented premises when the tenant or his agent is not present without first obtaining the tenant's permission.

During the last six months of the rental period, the landlord may display the rented premises for a certain length of time each day, though never for more than two hours per day, to prospective tenants or purchasers, but shall at all times announce such visits with at least one day's notice. When the premises are displayed in this way, the tenant or his agent shall always be present. The parties may, however, agree between themselves on another arrangement.

CHAPTER IX

Sale of rented premises, assignment of the right to rent, sub-letting, etc.

Article 42

The sale of rented premises shall not be subject to the approval of the tenant. Thus, the landlord may assign his right of ownership of the rented premises, and thus his rights and obligations vis-à-vis the tenant under this Act and the lease.

When such an assignment takes place, the original landlord shall normally be released from all connections and obligations towards the tenant, and the purchaser shall replace him completely in this respect.

If no other arrangements are agreed, the purchaser shall take over all the seller's rights and obligations regarding the tenant as from the agreed day of transfer of the property.

The general legal status of the tenant shall remain unaltered and identical despite the change of ownership: his obligations shall not be increased nor his rights reduced.

When a change of ownership of rented premises takes place as a result of the bankruptcy of the landlord or a sale in execution, special rules shall apply under the Bankruptcy Act and the Sales in Execution Act, which provide for exceptions from the general rules set forth above.

Article 43

When rented premises are sold, the original landlord shall inform the tenant of the sale and change of ownership in a verifiable manner without unreasonable delay and not less than 30 days after the signature of the purchase agreement.

The announcement shall state the name, address and ID No. of the new owner, the time on which the change of ownership is based as regards the tenant, how rent payments are to be made and all other matters and details which it is necessary for the tenant to be informed about.

The tenant should pay rent, and direct all communications, complaints and notices concerning the rented premises, to the original landlord until he has received a notification regarding a different arrangement in accordance with paragraphs 1 and 2.

Article 44

The tenant may not assign his right of tenancy or sub-let the rented premises without the landlord's approval unless other provisions are made in this Chapter.

It shall not be regarded as constituting assignment of the right of tenancy or as sub-letting if the tenant permits close family relations or relatives by marriage to live in the rented premises together with him or his immediate family, providing that the number of persons in the home remains within normal limits in terms of the size and design of the rented premises.

Article 45

If the tenant dies before the end of the rental period, the tenant's estate at death may terminate the lease with the normal notice even though the lease was made for a longer term. The tenant's surviving spouse, family relations or relatives by marriage who were members of the tenant's household at the time of his death, or made their living from employment pursued in the premises, and who wish to take over the lease with its rights and obligations, shall be permitted to do so in place of the tenant unless the landlord presents valid reasons why they should not do this.

Article 46

If a tenant moves out of premises on which he has entered into a lease, his spouse who has lived with him in the premises shall have the right to retain the lease in the same way as is provided for in Article 45.

Article 47

When a married couple have rented residential premises jointly and their marriage is dissolved, the entitlement to rent the premises shall be subject to the provisions of the Act in Respect of Marriage.

The spouse who uses business premises to the greater extent due to his or her employment shall have a priority right to the continuing rental of the premises, irrespective of which spouse signed the lease.

The landlord's right to terminate a lease due to a dissolution of marriage shall be subject to the final provision of Article 45, as appropriate.

Article 48

Neither spouse shall be able to waive in a legally binding manner the right guaranteed to the other under the provisions of this Chapter to take over the lease.

Article 49

If the tenant of business premises dies and his estate at death decides to sell the business operations that were pursued there, the landlord shall not be able to base the termination of the lease or a demand for an amendment to the substance of the lease specifically on these circumstances, providing that the sale value of such business operations depends on the continuing use of the leased premises and the fact that the same use will continue to be made of them. The same shall apply, as appropriate, if the reason for the sale of the business operations is the dissolution of the tenant's cohabitational relationship or marriage, or the tenant's bankruptcy.

Article 50

When the tenant is an employee of the landlord and has received residential premises for rent as a consequence of this employment, the lease shall expire without special notice if the tenant stops work at his own request or is lawfully dismissed from his job because of offences committed at work or because his period of employment, as agreed in advance, has expired.

CHAPTER X

Priority rights of the tenant.

Article 51

At the end of an agreed rental period, the tenant of residential premises shall have a priority right to rent the premises, providing that they are available for rent for at least one year.

The tenant's priority right to rent shall not apply:

1. In the case of a single person's room.
2. If the rented premises are in the same building as the landlord himself lives in.

3. If the dwelling is rented with furniture, either fully-furnished or furnished to a substantial degree.
4. If the landlord takes the premises over for his own use.
5. If the landlord puts, or intends to put, the premises at the disposal of his relations in direct line of descent, adoptive children, foster-children, siblings, nephews or nieces or parents-in-law.
6. If the landlord intends to sell the premises during the six months following the end of the rental period. If the sale is intended during this period, or during the six months following, the parties may, notwithstanding other provisions of this Act, agree on an end to the rental period with particular conditions and on evacuation when the premises are to be handed over to the new owner. If the new owner intends to continue to let the premises out, the tenant shall have a priority right to rent them, though with the same limitations that applies under the other items of this paragraph.
7. If substantial repairs, maintenance work or alterations are planned during the six months following the end of the rental period, which, in the opinion of a building officer, would render the premises, unfit for habitation for at least two months.
8. If the tenant is an employee of the landlord and has been provided with the rented premises because of the job or in connection with it.
9. If the tenant has, during the rental period, been guilty of non-performance or violation of the lease that may justify its rescission.
10. If the tenant has in some other way neglected his obligations or conducted himself in such a way as to make it natural to suppose that the landlord does not wish to continue to rent him the premises, or if important reasons of another type argue against the tenant's having a priority right.
11. If a fair assessment of the interests of both parties and the overall circumstances argues against the tenant's having a priority right.

Article 52

If the tenant wishes to exercise his priority right under paragraph 1 of Article 51, he shall notify the landlord of this in writing by verifiable means at least three months before the expiry of the lease at the end of the notice period or the end of the rental period. Otherwise his priority right will lapse.

If the landlord considers that the tenant does not have a priority right due to the reasons stated in paragraph 2 of Article 51, he shall, within 14 days of his receipt of the notification according to paragraph 1, give the tenant a reasoned account of his point of view, in writing, stating the reasons preventing the tenant from exercising his priority right. If he does not do this, he shall be regarded as having recognised the tenant's priority right, unless circumstances are such as to make such an announcement unnecessary, e.g. if reasons are stated clearly in the lease or the notice of termination which exclude the exercising of the priority right.

Article 53

When a lease is renewed under the provisions of Articles 51 and 52, the rent shall be normal and fair from the point of view of both parties. It is likely that the rent that applied previously will be fair, and it shall be up to the party who disagrees with this view to demonstrate the contrary. Other conditions set for the renewal of the lease shall also apply providing they are not unfair or contrary to good rental custom.

In other respects, the conditions of a renewed lease shall be the same as those of the original lease.

Article 54

If, e.g. by means of an agreement concluded purely as a simulated contract or by deception, the landlord intentionally takes over rented premises, or takes action that results in the tenant's losing his priority right, then he shall compensate the tenant for any demonstrable financial loss incurred.

The tenant shall submit a claim for compensation under paragraph 1 in a verifiable manner within six months of the date on which he vacates the premises. Otherwise his right to compensation shall lapse, except where the landlord has employed deception.

CHAPTER XI

Expiry of the lease, termination, etc.

Article 55

Either party to a lease that is for an indefinite period may terminate the lease.
Notice of termination shall be stated in writing and sent in a verifiable manner.

Article 56

The notice period for termination of a lease that is for an indefinite period shall be:

1. One month for both parties in the case of individual rooms, storage sheds and similar types of premises, irrespective of the purpose for which they are used.
2. Six months for both parties in the case of dwellings; by “dwelling” is meant any type of premises in which a family is able to have normal home facilities. If the tenant has rented the dwelling for more than five years, the notice period for termination by the landlord shall be one year.
3. Six months for both parties in the case of business premises for the first five years of the rental period, nine months for the next five years and then one year after a rental period of ten years.

Article 57

The notice period shall be regarded as beginning on the first day of the month following that in which the notice of termination is sent. The tenant shall have completed the evacuation and clearing up of the rented premises by 13.00 hours on the day following the end of the notice period.

Where the length of the notice period under Article 56 depends on the length of the rental period, this shall be the time up to the date when the notice of termination is sent.

Article 58

A lease made for a definite period shall expire on the agreed date without special notice of termination or announcement by the parties.

A lease made for a definite period may not be dissolved by termination during the agreed rental period. It may, however, be agreed that such a lease may be terminated due to special grounds, events or circumstances, which shall then be stated in the lease. Termination of this type shall be made in writing, with reasons stated, and the mutual notice period for termination shall be at least three months.

Article 59

When two months have elapsed following the end of the rental period according to the notice of termination or the provisions of a lease made for a definite period, and the tenant continues to utilise the rented premises, the landlord may demand to have the lease renewed indefinitely. The tenant may make the same demand if the landlord has not requested him to vacate the premises after the end of the rental period.

CHAPTER XII

Rescission of the lease.

Article 60

The tenant may revoke the lease in the following cases:

1. If the landlord does not rectify deficiencies in the rented premises in accordance with Article 17.
2. If there is a substantial delay in the handing over of the premises. If the landlord is responsible for such a delay, the tenant shall also be entitled to compensation.
3. If, for reasons that can not be attributed to the tenant, the quality of the premises deteriorates during the rental period to such an extent that they can no longer be used for the intended purpose or are regarded as posing a health hazard in the opinion of the health authorities.
4. If the landlord is guilty of repeated, substantial or deceitful failure to honour his obligation to maintain the premises in a rentable condition and carry out the necessary repairs and maintenance work quickly and effectively. It shall be a condition for rescission under this item

that the tenant shall previously have requested the landlord to make good his failure to honour these obligations, giving him a reasonable period in which to do so.

5. If the tenant's right is substantially abridged as a result of legislation or other public instructions or because it is at variance with other restrictions that rest on the property. The landlord shall also be liable to compensate for direct loss sustained by the tenant as a result of such abridgement if he knew of the abridgement, or could have been expected to know of it, when the lease was made and neglected to bring it to the tenant's attention.
6. If the tenant's normal use or domestic peace is substantially disrupted by disturbances or inconvenience arising from substantial or repeated violations, by other persons who are entitled to make use of the same building, of the rules of conduct or local rules, providing that the landlord has neglected his obligation under paragraph 4 of Article 31, in spite of the tenants requisition, or the circumstances are in other respects such that it is fair and natural that the tenant should be able to revoke the lease. Such circumstances may depend, for example, on the nature of the violations and disturbance, and also on whether further violations and disturbances are foreseeable and likely.
7. If the landlord repeatedly or substantially violates the tenant's right to have the agreed undiminished control and use of the rented premises, e.g. by obstructing or restricting utilisation or by entering or occupying the rented premises without authorisation, or if the landlord is guilty of a punishable offence against the tenant or his family.
8. If the landlord fails to honour other obligations under the lease or this Act in such a substantial or deceitful manner as to make rescission by the tenant natural or necessary.

If the tenant does not exercise his right of rescission under paragraph 1 within two months of his becoming aware of the non-performance by the landlord, or if the landlord has fully rectified whatever was found to be deficient, the tenant's right of rescission shall lapse.

The tenant's right to claim compensation from the landlord following rescission shall be subject to the general rules of the law of claims and obligations.

Article 61

The landlord shall be entitled to revoke the lease in the following circumstances:

1. If the tenant does not pay the rent or his contribution to the shared expenses under Chapter V on the correct due date and does not respond within seven days to a written demand by the landlord for payment, providing that the demand was sent after the due date and that the landlord stated in it his intention to exercise his right of rescission.
2. If the tenant is to pay part or all of the rent in the form of labour and grossly neglects this obligation or displays gross incompetence in his work.
3. If the tenant uses the premises in a manner other than that provided for in this Act or in the lease and otherwise permitted in law and does not desist from misusing them in this way despite a written demand by the landlord.
4. If the tenant assigns his right of tenancy or misuses his right to sub-let the premises according to Chapter IX, or if the sub-tenant is guilty of any conduct of the type that entitles the landlord to revoke the lease with the original tenant.
5. If, without valid reasons, the tenant denies the landlord, or other persons, access to the rented premises in violation of Article 18.
6. If the tenant vacates the premises before the end of the rental period without having taken the necessary measures to look after them and protect them.
7. If the quality of the premises deteriorates while they are in the care of the tenant due to bad treatment and carelessness on the part of persons for whom the tenant is responsible and he does not respond immediately to a demand by the landlord to rectify the situation, *cf.* Article 18.
8. If, despite demands from the landlord, the tenant neglects his duty to ensure that good order is maintained in the rented premises and that they are treated well, *cf.* Article 30, or is guilty of acts of personal malice against the landlord or his family.
9. If, notwithstanding complaints by the landlord, the tenant of commercial or catering premises neglects his duty to maintain normal activities and traditional operations, *cf.* Article 31.

10. If the tenant neglects his obligations under the lease or this Act in ways other than those listed above in such a gross manner as to make it natural or necessary that he should be made to vacate the premises.

If the landlord does not exercise his right of rescission under paragraph 1 within two months of becoming aware of non-performance on the part of the tenant, or if the tenant completely remedies the situation, the landlord's right of rescission shall then lapse. This shall not apply, however, when the tenant has failed in a deceitful manner to perform his obligations or when the grounds for rescission are failure to pay the rent at the right time, *cf.* item 1 of paragraph 1.

Article 62

If the lease is revoked for any of the reasons listed in Article 61, the tenant shall compensate the landlord for the damages resulting directly from his non-performance. If the lease was for a definite period, the tenant shall also pay compensation equivalent to rent until the end of the rental period, or alternatively until the time when he should have vacated the premises according to the notice of termination.

However, the landlord shall immediately take the necessary measures to let the premises out as soon as possible in return for suitable rent, and the rent income he receives, or should receive, in this manner shall set off the rent compensation under paragraph 1.

CHAPTER XIII

Return of the rented premises.

Article 63

At the end of the rental period, the tenant shall return the premises to the landlord, together with their fixtures, in the same condition as when he took them over. The tenant shall be liable, without limit, for all deterioration in the condition of the premises or damage to them to the extent that such cannot be considered the natural consequence of the normal or agreed utilisation of the premises, or to the extent that it results from circumstances or events in which the tenant was demonstrably not involved.

Article 64

The landlord shall present his demand for compensation from the tenant in writing, or reserve the right to do so, within two months of the date on which the premises are returned to him.

If the damage or deterioration was not evident when the premises were returned to the landlord, then it shall also be described in the same way within two months of its being noticed.

If this time limit is not observed, the landlord's right to compensation shall lapse except where the tenant has acted deceitfully.

Article 65

If the landlord and tenant do not agree on a compensation sum to cover damage to the rented premises, a building officer shall assess the damage. Either party shall nevertheless have the right to demand an assessment of the compensation amount by court-appointed assessors within two months of their being informed of the building officer's assessment.

Article 66

The tenant may take with him furnishing units and other similar fixtures that he has contributed to the premises at his own expense, providing that he restores the premises to their original condition, *cf.* however Article 28.

Article 67

If the tenant has changed locks in the premises, he shall be obliged to hand over to the landlord all the keys to the locks without any special consideration.

Article 68

Before vacating the premises, the tenant shall give the landlord an address to which any communications and announcements that the landlord have to deliver to him, including announcements under Article 64, may and shall be sent.

CHAPTER XIV

Inspection of rented premises.

Article 69

Inspections provided for by this Act shall be made by a building officer of the relevant local authority. The local authority may, however, entrust a housing committee or one of its employees with this function.

The person who makes the inspection shall perform his inspection duties with diligence, at all times preserving complete impartiality towards both parties. He shall also be treated as confidential all information regarding persons' private lives and circumstances of which he may become aware in the course of his work.

The local authority may charge a fee for inspections and certificates, which the building officer or other party, *cf.* paragraph 1, issues under this Act.

Article 70

When an inspection is made at the beginning or the end of a rental period, the parties to the lease shall pay equal shares, in cash, of the cost of the inspection.

When a building officer is called in to assist for reasons other than those stated in paragraph 1, the party to the lease who called him in shall bear the cost. At the request of the party, the building officer shall decide whether the other party is to pay this cost if he is evidently the cause of the subject of the dispute, or whether the cost is to be divided between the parties if they can both be regarded as being to blame for the dispute.

Article 71

If either party so demands, the parties to a lease shall be obliged to have an inspection of the rented premises made when they are handed over to the tenant or returned to the landlord at the end of the rental period.

A building officer in the presence of the landlord and the tenant or their agents shall make the inspection. The most detailed possible description of the rented premises shall be recorded in a special inspection report, and the tenant shall be able to state his criticisms immediately and request that matters at fault be rectified.

The inspection report shall state the property reference number of the rented premises, list all fixtures and state the date of the lease and the names of the parties to the lease.

Article 72

Inspection reports shall be prepared in triplicate and signed by the parties to the lease and the building officer, and each of these persons shall retain one copy. The inspection report shall be used as a foundation if disagreement arises regarding the liability of the tenant to pay compensation when he returns the premises to the landlord.

The parties shall furnish the building officer with a copy of the lease, which he shall keep together with the inspection report.

CHAPTER XV

Rental agencies.

Article 73

Only those who have received a special license from [the Minister]¹⁾ may operate agencies covering rented premises under this Act, with the aim of arranging leases or handling sub-letting or exchanges of rented premises. The professional designation of a person who operates a rental agency shall be "rental agent".

[The Minister]¹⁾ shall issue licences to rental agents, who shall pay licence fees to the Treasury under the Treasury Additional Revenues Act. Licences shall be issued for five years at a time.

¹⁾ Act No. 162/2010, Article 14.

Article 74

Any person who meets the following conditions may receive a licence from [the Minister]¹⁾ to operate a rental agency, *cf.* paragraph 1 of Article 73:

1. ...²⁾
2. Is legally competent and has the right to manage his own financial affairs.
3. Can demonstrate that he has a good knowledge of the legislation on rent and other relevant legislation, and has the necessary bookkeeping skills according to the provisions of regulations set by [the Minister]¹⁾.
4. Puts up security, as determined by [the Minister]¹⁾ in regulations, for the payment of costs and damages that the parties to leases may incur due to him.

A person may be denied this licence if paragraph 2 of Article 68 of the Criminal Code applies to him.

Announcements of the granting of licences to persons to operate as rental agents shall be published in the Official Gazette. Announcements of the withdrawal of licences, *cf.* Article 81, shall be published in the same way.

¹⁾ Act No. 162/2010, Article 14. ²⁾ Act No. 77/2011, Article 11.

Article 75

Landlords' or house-owners' associations, tenants' associations, local authorities and societies and institutions may operate rental agencies in normal connection with their other activities, provided that the rental agency is under the direction of a rental agent licensed under Article 74.

Article 76

A rental agent shall have an office where he runs his business.

Rental agents shall be responsible for ensuring that leases are made in accordance with this Act. They shall be obliged to inform the parties of the rights and obligations they undertake by signing a lease, and also of the general legal effects of the lease, to the extent that there is reason to do so.

Rental agents shall at all times exercise care when drawing up leases and ensure that they contain all important information.

A rental agent may not become a party to a lease, which he has been entrusted with arranging.

Article 77

Rental agents shall be entitled to a fee from the landlord for arranging a lease. This fee shall be fair in terms of the work done by the agent and the interests involved.

Rental agents may not collect fees from tenants for arranging and drawing up leases. A rental agent may, however, demand a reasonable fee or charge for costs from the tenant in cases involving special services provided for the tenant. This shall be agreed in advance.

Article 78

Rental agents may undertake the collection and receipt of rent, supervision of the way premises are treated and the execution of maintenance work, the division of operating costs, the safekeeping of deposits and such other work in connection with the implementation of the lease as the parties, jointly or separately, may entrust them with on their behalf.

Authorisation entrusting a rental agent to carry out such functions shall be in writing and witnessed, and both parties to the lease shall receive a copy of it.

Consideration to the rental agent for carrying out these functions shall be fair and in proportion to the effort it costs him.

Article 79

Rental agents may not divulge anything they find out about in the course of their work concerning the personal circumstances of their customers, or matters that they entrust him with in confidence.

Article 80

Rental agents shall be obliged to keep books in accordance with the Bookkeeping Act.

Rental agents shall keep a register of the premises that they are entrusted with renting out, and shall keep copies of all leases that they make.

Rental agents shall be obliged to furnish [the Ministry]¹⁾ with all information it may request regarding their rental agency work.

¹⁾ Act No. 162/2010, Article 14.

Article 81

If in the course of his work a rental agent displays gross negligence or is guilty of a violation of the provisions of this Act, or no longer meets one or more of the conditions for granting a licence, [the Minister]¹⁾ may withdraw his licence, either temporarily or for the remainder of the licence period. A rental agent whose licence is withdrawn shall cease rental agency operations. The relevant police commissioner shall be obliged to assist with stopping the operations and, if necessary, sealing the premises of the rental agency.

¹⁾ Act No. 162/2010, Article 14.

Article 82

[The Minister]¹⁾ shall issue regulations²⁾ containing further provisions on rental agencies, including the conditions for granting them rental agents' licences and provisions on rates to be used as guidelines when determining fees due to rental agents.

¹⁾ Act No. 162/2010, Article 14. ²⁾ Regulations No. 675/1994.

CHAPTER XVI

Housing committees.

Article 83

Where local authorities' housing committees are [appointed by the local authorities under the Housing Act, No. 44/1998],¹⁾ they shall monitor renting affairs under this Act in their respective local authorities' areas to the extent that they are able. They shall also be obliged to provide guidance to those parties to leases who so request regarding their disputes and attempt to resolve such disputes.

¹⁾ Act No. 66/2010, Article 5.

CHAPTER XVII

[The Housing Complaint Committee.]¹⁾

Article 84

[[The Minister]¹⁾ appoints Housing Complaint Committee for terms of three years at a time. It shall consist of three members, two of whom shall be lawyers and one engineer. The House Owners' Association nominates one member who shall be a lawyer. Two shall be appointed by the Minister and one of them shall be engineer, but the other one shall meet the general condition for being a district court judge and shall be chairman. Alternates shall be appointed in the same manner and the vice-chairman shall meet the general condition for being a district court judge. The committee may summon experts to give it advice and assistance if it deems necessary.

Treasury shall pay the operating costs of the Housing Complaint Committee.]²⁾

¹⁾ Act No. 162/2010, Article 14. ²⁾ Act No. 66/2010, Article 6.

Article 85

If a dispute arises between the parties to a lease concerning its contents and/or application, they may, individually or jointly, apply to [the Housing Complaint Committee]¹⁾ and request a statement on the matter in dispute.

Applications to [the Housing Complaint Committee]¹⁾ shall be made in writing, stating clearly the matter in dispute, the demands presented by the applicant and the reasoning on which they are based.

[The Housing Complaint Committee]¹⁾ shall give the opposite party an opportunity to express his position and demands. He shall be given a short period in which to do this. [The Housing Complaint Committee]¹⁾ may call for all necessary information and materials and request the comments of the relevant housing committee and other parties affected by the matter if this is necessary.

[The Housing Complaint Committee]¹⁾ shall present its rationalised statement as soon as possible, and at all times within two months of its receipt of the request. Disputes may not be referred to other government authorities.

If [the Housing Complaint Committee]¹⁾ considers that a violation of this Act has taken place and the rights of one of the parties have been encroached upon, it shall call on the opposite party to rectify the situation.

The parties may refer their dispute to the courts in the normal manner.

[The Housing Complaint Committee]¹⁾ may also examine cases on its own initiative and in accordance with instructions and information received from other parties, such as [the Ministry],²⁾ [the Housing Financing Fund],³⁾ building officers, rental agents, the House Owners' Association and the Tenants' Association. In such cases, the committee may issue statements and recommendations, and the rules of this Article regarding procedure shall apply as appropriate.

[The Minister]²⁾ shall issue regulations⁴⁾ containing further provisions regarding applications to [the Housing]¹⁾ Complaint Committee, its functions, the matters it may consider, its powers, working conditions, etc.

¹⁾ Act No. 66/2010, Article 3. ²⁾ Act No. 162/2010, Article 14. ³⁾ Act No. 66/2010, Article 1. ⁴⁾ Regulation No. 878/2001.

CHAPTER XVIII

Publicising of this Act, etc.

Article 86

[The Housing Financing Fund]¹⁾ shall see to the publicising of this Act and of regulations issued hereunder.

[The Housing Financing Fund]¹⁾ shall monitor the state of affairs and changes in the rental market in consultation with the local authorities' housing committees.

[The Minister]²⁾ may issue regulations containing further provisions on the application of this Act.

¹⁾ Act No. 66/2010, Article 1. ²⁾ Act No. 162/2010, Article 14.

CHAPTER XIX

Commencement.

Article 87

This Act shall take effect as from 1 January 1995. Leases made before that date shall be reviewed in accordance with this Act by 1 March 1995.

...

*[This translation is published for information only.
The original Icelandic text is published in the Law Gazette.
In case of a possible discrepancy, the original Icelandic text applies.]*