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I. GENERAL PROVISIONS

HEAD OF STATE

13022 ORGANIC LAW 8/2007 of 4 July on the funding of political parties.

JUAN CARLOS I

KING OF SPAIN

Know all men by these presents: That Parliament has approved, and I hereby endorse, the following Organic Law.

STATEMENT OF MOTIVES

The approval in the Congress of Deputies of Organic Law 3/87 on the funding of political parties marked the first regulation on the sources of funding of one of the key institutions on which our democratic system is based. Political parties are private associations which play an essential role in our democratic system because they are instruments for political representation and formation of the popular will.

However, it is felt that the way in which the current law regulates an aspect as important as the funding of political parties, which is an essential factor for guaranteeing the stability of the democratic system, fails to properly guarantee the adequacy, consistency and transparency of their economic activity.

In the twenty years that have passed since the introduction of Law 3/87, society has experienced many political and economic changes, such as the rapid incorporation of new technologies, the integration of the Spanish State into the Economic and Monetary Union and the consolidation of the democratic system, which was only ten years old when the current law on the funding of political parties was approved. Coupled with these changes, it is also worth highlighting the public concern about possible irregularities sometimes associated with political party funding.

There is currently a broad consensus in society and the public opinion, which also extends to political parties, on the need to address a new law on the funding of political parties that will give rise to more transparency and control.

This new law aims to ensure the definite and general acceptance that the exercise of popular sovereignty requires that the political control of the institutions elected in the ballot boxes ultimately lies with the people, giving rise to the essential need to establish guarantees and more resources to ensure that there are no elements of distortion between the will of the people and the exercise of political power in the system of political party funding.

In the exercise of their functions, the freedom of political parties would be harmed if a completely deregulated funding system were allowed, since such a system would inevitably give rise to doubts as to whether a certain political decision had been influenced by contributions received from a given source, and to the rupture of the function of political parties as institutions responsible for channelling the formation of the popular will.

The funding of political parties must be take place through a mixed system which receives, on the one hand, contributions from citizens and, on the other, funds from public authorities in proportion to their representation, as a means of guaranteeing the independence and also the adequacy of the system. Private contributions must come from natural or legal persons not bound by any contract with public administrations, they must be made public and not exceed reasonable and realistic limits.

At the same time, it is necessary to establish audit and oversight mechanisms with sufficient human and material resources to exercise their function with independence and efficacy. This, in turn, generates the need to regulate the penalties derived from the liabilities that may follow an infringement of the regulatory provision.

The objective is therefore to realistically address the funding of political parties so that both the state, through public subsidies, and individuals, whether grassroots members, members or supporters, contribute to their maintenance as a basic instrument for political representation and formation of the popular will, ensuring maximum levels of transparency and publicity and regulating the control mechanisms to prevent deviations from their functions.

Lastly, this Law aims to fulfil the explicit requirement of the Joint Committee for Relations with the Court of Auditors and with the repeated recommendations made in the annual reports of the supreme body which audits the accounts and economic management of the state, which in its session of 30 October 2001 passed the motion concerning the modification of the regulations on the funding and oversight of political parties, to guarantee adequacy, consistency and transparency in the economic activity of these formations.

TITLE I

General provisions

Article 1. Scope of application of the Law.

The funding of political parties, federations, coalitions or groups of voters shall adhere to that established in this Organic Law.

For the purposes of this Law, the expression “political party” shall include, where appropriate, all the entities mentioned in the previous paragraph.

Article 2. Financial resources.

The financial resources of political parties shall be made up of:

One. Resources from public funding:

a) The public subsidies for electoral expenses, in the terms established in Organic Law 5/1985, on the general electoral system, and in the legislation which regulates the electoral processes of the legislative assemblies of the autonomous regions and the general assemblies of the historical Basque territories.

b) The annual state subsidies for operating expenses, regulated in this Law.

c) The annual subsidies established by the autonomous regions for operating expenses in the sphere of the respective autonomous region, as well as the subsidies granted by the historical Basque territories and, as the case may be, the local councils.

d) The extraordinary subsidies for propaganda campaigns that may be established in the Organic Law which regulates the different kinds of referendums.

e) The contributions which, as the case may be, political parties may receive from the parliamentary groups of the houses of Parliament, the legislative assemblies of the autonomous regions and the general assemblies of the historical Basque territories, as well as from the groups of representatives in the bodies of the local administrations.

Two. Resources from private funding:

a) The fees and contributions from their members and supporters.

b) The income from the proper activities of political parties, the revenue from managing their own assets, the benefits from their promotional activities, and those that they may obtain from services rendered in relation to their specific aims.

c) The cash or in kind donations received in the terms and conditions established in this Law.

d) The funds from the loans or credits that political parties may have taken out.

e) The inheritances or legacies that political parties may receive.

TITLE II

Sources of funding

CHAPTER ONE

Public resources

Article 3. Subsidies.

One. The state shall grant political parties with representation in the Congress of Deputies unconditioned annual subsidies to meet their operating expenses, which shall be charged to the national budgets.

Likewise, an annual allocation may be included in the national budgets to meet the security expenses incurred by political parties in performing their political and institutional activity.

Two. These subsidies are to be distributed according to the number of seats and votes obtained by each political party in the most recent elections to the Congress of Deputies.

To assign the above-mentioned subsidies, the respective budget allocation shall be divided into three equal amounts. One is to be distributed in proportion to the number of seats obtained by each political party in the most recent elections to the Congress of Deputies, and the other two are to be divided in proportion to all the votes obtained by each party in said elections.

Three. Likewise, the autonomous regions may grant political parties with representation in their respective legislative assemblies unconditioned annual subsidies to meet their operating expenses, which shall be charged to their respective autonomous region budgets.

These subsidies are to be distributed according to the number of seats and votes obtained by each political party in the most recent elections to the above-mentioned legislative assemblies, in proportion to and in accordance with the criteria established in the respective autonomous region legislation.

The subsidies referred to in this section may also be granted by the historical Basque territories.

Four. The subsidies referred to in the previous points shall be incompatible with any other economic or financial support included in the national budgets, the budgets of the autonomous regions or those of the historical Basque territories destined to the operation of political parties, except those mentioned in point one of article 2 of this Law.

Five. Once a procedure to ban a political party has been initiated under that established in article 11.2 of Organic Law 6/2002 of 27 June, on political parties, the judicial authority, on the suggestion of the Minister of the Interior, may decide, as a precautionary measure, to suspend the payment of public funding to the political party concerned, regardless of the type or nature of the funding.

CHAPTER TWO

Private resources

Article 4.

One. Contributions from members.

Political parties may receive, in accordance with their articles of association, fees and contributions from their members and supporters.

Two. Private donations to political parties.

a) Political parties may receive cash or in kind donations, for unspecified purposes and bearing the donor's name, from natural or legal persons, within the limits and in accordance with the requirements and conditions established in this Law.

The donations received in accordance with that established in this Law, which shall be irrevocable, must be destined to carrying out the activities of the receiving entity.

The value of in kind donations shall be established in accordance with that provided in Law 49/2002 of 23 December, on the tax scheme applicable to non-profit entities and fiscal incentives for patronage.

b) The donations from legal persons shall require a prior agreement adopted in due form by the company's governing body, specifically mentioning in the minutes that the donation is in keeping with the provisions of this Law.

Political parties may not accept or receive, directly or indirectly, donations from public organisations, entities or companies.

c) Political parties may also not accept or receive, directly or indirectly, donations from private companies which, under a contract in force, render services or perform work for public administrations, public organisations or companies in which the state has a controlling interest.

d) The funds donated to political parties must be paid into accounts in financial institutions which have been opened exclusively for that purpose. Only donations may be deposited into these accounts.

e) With regard to the donations covered in this article, a record must be kept of the date and the amount of the deposit, as well as the name and the fiscal identity number of the donor. The financial institution where the deposit is made shall be obliged to provide the donor with a document confirming the details mentioned above.

f) With regard to donations in kind, their effective reception shall be confirmed in a certificate issued by the political party, specifying, together with the identity of the donor, the public document or other authentic document that confirms the transfer of the donated good, with express mention of the irrevocable nature of the donation.

Three. Assimilated transactions.

Political parties may not accept, directly or indirectly, third parties effectively assuming the cost of their acquisitions of goods, works or services or any other expense incurred in their activity.

Infringements of that provided in the previous paragraph shall be penalised in accordance with that established in article 17 a) of this Law.

Article 5. Restrictions on private donations.

Political parties may not accept or receive, directly or indirectly:

1. Anonymous donations.
2. Donations from a same natural or legal person amounting to more than 100,000 euros a year.

Donations in kind of real estate property are not subject to the above-mentioned limit, provided that the requirements established in letter f) of section two of article 4 are met.

Article 6. Proper activities.

One. Political parties may not carry out any kind of commercial activity.

Two. The proper activities referred to in letter b) of section two of article 2 are not considered to be commercial activities.

Three. The earnings from the proper activities of political parties, the revenue from managing their own assets and from their promotional activities, and the earnings that they may obtain from services rendered in relation to their specific aims shall require the identity of the transferor if the transfer to the political party amounts to 300 euros or more.

Article 7. Contributions from foreign persons.

One. Political parties may receive donations for unspecified purposes from foreign persons, in accordance with the limits, requirements and conditions established in this Law with regard to private contributions, and provided that the requirements established in the legislation in force on the control of foreign exchange and movement of capital are met

Two. Notwithstanding that provided in the previous paragraph, political parties may not accept any funding whatsoever from foreign governments or foreign public organisations, entities, companies or other companies directly or indirectly related to them.

Article 8. Justification of fees and contributions.

One. The fees and contributions from members and supporters must be paid into accounts held with financial institutions which have been opened exclusively for that purpose. The payments made into these accounts can only be for said fees, and they must be made through direct debit from an account whose title holder is the member, or by means of a transfer to the account designated by the political party which must bear the member's name.

Two. Other private contributions must be paid into a different bank account from the one mentioned in the previous paragraph. In any case, a record must be kept of the date of the deposit, the amount of the deposit and the full name of the member or the payer. The financial entity where the deposit is made shall be obliged to issue a document confirming the above-mentioned details.

TITLE III

Tax scheme

Article 9. Purpose and scope of application.

One. The purpose of this title is to regulate the tax scheme applicable to political parties, as well as the tax scheme applicable to the fees, contributions and donations made by natural or legal persons to contribute towards the funding of political parties.

Two. When not provided in this title, the general tax regulations shall apply, in particular those related to non-profit entities.

CHAPTER ONE

Tax scheme for political parties

Article 10. *Income exempt from tax.*

One. Political parties shall be exempt from Corporation Tax on the income obtained to finance the activities that are part of their specific purpose or aim in the terms established in this article.

Two. The exemption referred to in the previous paragraph shall apply to the following income and capital gains:

- a) The fees and contributions paid by their members.
- b) The subsidies received in accordance with that established in this Law.
- c) The private donations made by natural or legal persons, and any other capital gains arising from acquisitions for gainful purposes.
- d) The revenues obtained in the exercise of their proper activities. When involving revenues from their own economic operations, the exemption must be expressly recognised in advance by the tax authorities.

The exemption shall also apply to income earned in the transfer of property or rights for consideration related to the proper purpose or aim of the political party, provided that the revenue from the transfer is used to make new investments related to the proper purpose or aim of the political party or to finance its activities within the periods established in the Corporate Tax regulations.

- e) The revenue from the goods and rights that are part of the assets of the political party.

Article 11. *Tax rate, income not subject to tax withholding and obligation to declare.*

One. The positive tax base corresponding to non-exempt income shall be taxed at a rate of 25 per cent.

Two. Exempt income by virtue of this Law shall not be subject to tax withholding or on-account payment. The accreditation of political parties procedure for purposes of exclusion from the obligation to withhold shall be established in the respective regulations.

Three. Political parties shall be obliged to file and sign a tax return for Corporate Tax in relation to non-exempt income.

CHAPTER TWO

Tax scheme for the fees, contributions and donations made to political parties.

Article 12. *Tax incentives.*

One. Membership fees, as well as all other contributions made to political parties, shall be deductible from the Personal Income Tax tax base, with a limit of 600 euros a year, provided that such fees or contributions are justified in accordance with article 8.1.

Two. The donations to political parties referred to in article 4 shall be subject to the deductions established in Law 49/2002 of 23 December, on the tax scheme for non-profit entities and tax incentives for patronage.

Article 13. *Justification of fees, contributions and donations.*

The application of the tax scheme established in the previous article shall be subject to the natural or legal person being in possession of the document confirming the payment of the contribution, donation or fee issued by the receiving political party.

TITLE IV

Accounting obligations.

Article 14. Ledger books of accounts.

One. Political parties must keep detailed ledger books of accounts in a way that they always show the political party's financial situation and its compliance with the obligations established in this Law.

Two. The treasury, inventory and balance sheet ledgers must contain, in accordance with generally accepted accounting principles:

- a) The annual inventory of all the assets.
- b) The revenue account, which is to include at least the following categories of revenue:
 - The global amount of the fees and contributions received from its members.
 - The revenue from its own assets.
 - The revenue from the donations referred to in article 4 of this Law.
 - The public subsidies.
 - The revenue from the party's activities.
- c) The expenditure account, which is to include at least the following categories of expenses:
 - Personnel expenses.
 - Expenses from the acquisition of goods and services (current).
 - Financial expenses from loans.
 - Other administration expenses.
 - Expenses from the party's activities.
- d) The capital transactions related to:
 - Credits or loans from financial institutions.
 - Investments.
 - Debtors and creditors.

Three. The highest management body of political parties which receive any of the public subsidies established in article 3 of this Law is obliged to present the annual accounts for each financial year, itemising and documenting the party's income and expenditure.

Four. The consolidated annual accounts shall extend to the state, autonomous region, regional and provincial spheres. The consolidated annual accounts of federations and coalitions of parties are to include those of the federated and coalesced parties.

Five. The annual accounts shall include the balance sheet, the profit and loss account and an explanatory report of both the latter. In any case, the report is to include a list of the public subsidies and the private donations received from natural or legal persons, specifically providing the identification details of each donor and the amount of the capital received.

The report must also include an annex specifying in detail the stipulated contract conditions of the credits or loans of any kind held by the party with financial institutions. The annex must provide the identification details of the lending financial institution, the amount of the credit or loan, the interest rate, the amortisation period of the credit or loan

and the debt outstanding at the end of the respective financial year, providing any relevant contingency concerning the fulfilment of the agreed conditions.

Six. Notwithstanding that provided in the previous paragraph, in rendering the accounts to the parliamentary groups of Parliament, the legislative assemblies of the autonomous regions, the general assemblies of the historical Basque territories and the local councils, political parties should adhere to that established in the respective specific regulations or local legislation.

Seven. The duly formalised consolidated annual accounts shall be sent to the Court of Auditors prior to 30 June of the year following the one the accounts make reference to.

TITLE V

Inspection and control

Article 15. Internal control.

Political parties must have an internal control system in place that guarantees the adequate audit and reporting of all the acts and documents from which rights and obligations of an economic nature are derived, in accordance with their articles of association. The report resulting from the internal review should be attached to the documentation submitted to the Court of Auditors.

Article 16. External control.

One. The Court of Auditors is exclusively responsible for controlling the economic-financial activities of political parties, without prejudice to the responsibilities conferred to the inspection bodies of the autonomous regions established in their respective regulations.

Two. This control shall extend to the legality of the public and private resources of political parties, as well as to the accounting regularity of the economic-financial activities carried out.

Three. Within a period of six months from the reception of the documents listed in article 13 of this Law, the Court of Auditors shall issue a report on the legality and compliance with that established in this Law, or, as the case may be, it shall expressly specify the infringements or irregular practices observed.

Four. The above-mentioned report shall be submitted, where appropriate, to Parliament for approval, and subsequently published in the Official State Gazette.

TITLE VI

System of penalties

Article 17.

Without prejudice to the legal responsibilities of any kind derived from that established in Spain's body of laws and, in particular, that established in this Law, the Court of Auditors may decide to impose pecuniary sanctions on the infringing political party:

a) When a political party obtains donations that contravene the limits and requirements established in this Law, the Court of Auditors may propose the imposition of a fine equivalent to twice the amount of the illegally received contribution. The amount of said fine shall be deducted from the following payment of the annual subsidy to cover the party's operating expenses.

b) If for no justified reason a political party fails to present the accounts for the previous financial year or the accounts are so poorly presented that the Court of Auditors is unable to carry out its inspection task, the Court of Auditors may propose the non-payment of the annual subsidies to cover the infringing party's operating expenses.

Article 18.

The sanctioning procedures referred to in sections a) and b) of the previous article shall be initiated upon the decision of the full bench of the Court of Auditors.

One. The decision to initiate the above-mentioned proceedings shall include at least the following:

- a) Identification of the allegedly responsible political party.
- b) The facts that motivated the initiation of the proceedings, their possible legal characterisation and the penalties that may apply.
- c) The examining magistrate, with express indication of the steps the political party must take if it wishes to object to him or her acting as examining magistrate in the proceedings.

The initiation decision shall be notified to the examining magistrate and to the accused political party, informing the latter that it has a period of fifteen days to submit all the allegations, documents and information that it deems opportune, to request the opening of a period for the gathering, submission and consideration of evidence and to propose the means of proof that it deems appropriate.

The initiation decision shall be accompanied by the documents and the evidence taken into account by the Court of Auditors prior to initiating the proceedings.

Two. A period for the gathering, submission and consideration of evidence shall be opened in the following instances:

- a) When so requested by the political party concerned during the allegations period established in the previous article, proposing the specific means of proof.
- b) When, in the absence of a specific request by the political party concerned, the examining magistrate deems it necessary in order to clarify the facts and to establish who is responsible. In this case, the examining magistrate shall give a period of five days to the parties concerned to propose the means of proof they deem opportune.
- c) The period for the gathering, submission and consideration of evidence shall last thirty working days.
- d) The examination of the evidence shall be carried out in accordance with that established in article 81 of Law 30/1992, on the Legal System for Public Administrations and the Common Administrative Procedure.

Three. Once the period for the gathering, submission and consideration of evidence has concluded, the examining magistrate shall issue a proposal for settlement, which must contain:

- 1) If it is upheld that an infringement and liability exists:
 - a) The facts considered to be proven and the weighing up of the evidence on which that consideration is based.
 - b) The political party considered to be responsible, the legal principles and the weighing up of the evidence on which that consideration is based.
 - c) The legal principles characterising the infringements under which the events are considered to be classed, and the reasons for that consideration, which can only be those that appear in sections a) and b) of article 17 of this Law.
 - d) The penalties considered to be appropriate, as per the terms of article 17 of the Organic Law on the funding of political parties, the legal principles on which the penalties are based, the circumstances considered, the legal principles and the weighing up of the evidence on which that consideration is based, as well as, where appropriate, the proposal to suspend, fraction or modify the enforcement of the penalty and the reasons for the proposal.

- 2) If it is upheld that no infringement or liability exists:
 - a) The acquittal proposal.

Four. The acquittal proposal shall be notified to the interested parties, informing them that they have a period of fifteen days to submit allegations. In the notification, the interested parties shall also be informed that during said period the dossier of the case shall be made available to them for consultation and making copies of documents.

Once the submission of allegations period has ended, the examining judge shall immediately submit the proposal for settlement to the full bench of the Court of Auditors, together with the documents, allegations and information held in the dossier, for a judgement to be delivered.

Five. The examining magistrate, stating his or her grounds, may extend the above-mentioned allegations and evidence periods only once by a number of days equal to or fewer than the number of days established above for said periods, provided that, owing to the volume and nature of the evidence to be examined, the complexity of the factual situations and the legal questions analysed or other appropriate reasons, such extension is considered to be necessary to adequately establish the facts in issue and the responsibilities or to guarantee the effective defence of the accused.

Six. Decisions by the examining magistrate to refuse the opening of a period for the gathering, submission and consideration of evidence or for examining any means of proof proposed by the parties may be appealed within a period of three days, and the examining judge's failure to reply to the application for appeal shall mean that the application has been dismissed.

Seven. The full bench of the Court of Auditors shall deliver a reasoned judgement which shall address all the aspects put forward by the political party concerned and those derived from the proceedings. The judgement settling the proceedings shall contain the information established in section three of this article.

The full bench of the Court of Auditors, the competent authority to deliver a judgement, may only make changes to the statement of facts provided in the proposal for settlement in order to clarify them or take others into account only when such changes are beneficial to the accused. In the decision, the competent authority to deliver a judgement shall give the specific reasons for making such changes to the statement of facts.

If the judgement is not notified within a period of six months from the initiation of the proceedings, it means that the action has lapsed. The lapsing of the above-mentioned six-month period shall be interrupted whilst the proceedings are at a standstill for reasons attributable to the parties concerned.

Eight. The sanctioning decisions adopted by the Court of Auditors may be appealed through the contentious-administrative channel in the Supreme Court. When such sanctioning decisions resolve to reduce or not to pay the annual subsidies for operating expenses, the filing of the appeal shall automatically suspend the enforcement of the decision adopted by the Court of Auditors.

Article 19. Duty to co-operate.

One. Political parties shall be obliged to supply whatever documents, records, data and justifications may be required by the Court of Auditors to carry out its inspection task.

Two. When in the exercise of the inspection function, the authorities or civil servants of the Court of Auditors have knowledge of data, reports or records which affect the privacy of persons, they shall be obliged to preserve the strictest total secrecy in relation to them. Failing to fulfil this obligation, they shall be held liable for the administrative or penal responsibilities that may be applicable.

Likewise, and only in these cases, political parties may fulfil the obligation referred to in section one of this article by making the required information available to the Court of Auditors in the head office or offices designated by them.

Three. Entities which have held relations of an economic nature with political parties shall be obliged, if so required by the Court of Auditors, to provide it with detailed information and justification of their transactions with the political parties, in accordance with generally accepted external audit standards, for the sole purpose of verifying observance of the limits, requirements and obligations established in this Law.

First additional provision.

Letter c) of section 3 of article 9 of the Revised Text of the Law on Corporate Tax, approved by Royal Legislative Decree 4/2004 of 5 March, shall remain worded as follows:

“c) Professional associations, business associations, official chambers and workers’ unions.”

Second additional provision.

Letter d) of section 2 of article 28 of the Revised Text of the Law on Corporate Tax, approved by Royal Legislative Decree 4/2004 of 5 March, shall remain worded as follows:

“d) Professional associations, business associations, official chambers and workers’ unions.”

Third additional provision.

Number 28 is added to section one of article 20 of Law 37/1992 of 28 December, on Value Added Tax, with the following text:

“28. Provisions of services and deliveries of goods carried out by political parties on occasion of public meetings aimed at obtaining financial support to pursue their specific aims and organised for their exclusive benefit.”

Fourth additional provision.

A new article 61 bis is added to Law 35/2006 of 28 November, on Personal Income Tax and on the partial modification of the laws on Corporate Tax, Income Tax for Non-Residents and Wealth Tax, with the following wording:

“Article 61 bis. *Reduction for fees and contributions to political parties.*

Membership fees and contributions to Political Parties, Federations, Coalitions or Groups of Voters may be subject to a reduction in the tax base, with a maximum limit of 600 euros a year.”

Fifth additional provision.

A new letter e) is added to article 45.1 A) of the Revised Text of the Law on Property Conveyances and Documented Legal Acts, approved by Royal Legislative Decree 1/1993 of 24 September, with the following wording:

“e) Political parties with parliamentary representation.”

Sixth additional provision.

One. The global amount of the allocation included in the National Budgets to pay the subsidies regulated in article 3 of this Law shall be adjusted every year at least in line with the Consumer Price Index.

Two. The same adjustment shall be made in the amounts that appear in the other articles of this Law.

Seventh additional provision. *Foundations and Associations related to political parties.*

The donations received by Foundations and Associations organically related to political parties with representation in Parliament shall be subject to the oversight and control mechanisms and to the system of penalties established, respectively, in Titles V and VI of this Law, without prejudice to their own applicable regulations. Likewise, such donations shall be subject to the limits and requirements established in Chapter Two of Title II of this Law, with the following particulars:

a) The limit referred to in section 2 of article 5 shall be 150,000 euros per natural or legal person and year.

b) That established in letter c) of section two of article 4 shall not be applicable to them.

c) Donations of more than 120,000 euros made by legal persons shall, in addition, require that the donating entity formalises the donation in question in a public document.

Eighth additional provision.

The Court of Auditors shall, within a period of 6 months from the approval of this Law, draw up a specific Chart of accounts for political formations which must respect the limits

and provisions of this Law, in accordance with the criteria manifested by the Court of Auditors in the different Oversight of Political Parties reports approved in each financial year. The Chart of accounts is to be approved by the Court after being analysed and debated by the Joint Congress-Senate Committee for Relations with the Court of Auditors.

Ninth additional provision.

The quantitative limit established in article 5.2 of this Law shall be updated every year in accordance with the increase in the Consumer Price Index.

Tenth additional provision.

That established in Title III and in the first and fifth additional provisions of this Law shall be understood without prejudice to the regional tax schemes in force in the Basque Autonomous Region and the Autonomous Region of Navarra.

Eleventh additional provision.

That established in section two of article 7 of this Law shall not be applicable to political parties which perform political functions as parties legally established in other foreign States, provided that the purpose of the subsidies is to perform those functions.

First transitional provision.

Political parties, where appropriate, shall adapt their articles of association and internal regulations to that established in this Organic Law within a period of one year.

Second transitional provision.

Political parties may reach agreements on the conditions of debts held by them with financial institutions. Such agreements shall be in keeping with the customs and practices in ordinary commercial activity between the parties and the requirements and limits established in Titles I and II of this Law shall not be applicable to them. Such agreements must be reported to the Court of Auditors and to the Bank of Spain.

Third transitional provision.

For the financial year 2008, the annual state subsidy for the operating expenses of political parties and the annual allocation to meet their security expenses are established, respectively, at 78,100.00 thousands of euros and 4,010.00 thousands of euros.

Repealing provision.

The following provisions remain repealed:

Organic Law 3/1987 of 2 July, on the Funding of Political Parties.

Any other provisions which contradict this Law.

Final provision.

This Organic Law shall enter into force the day after it is published in the «Official State Gazette». Nevertheless, the regulations related to Corporate Tax contained in Section 1 of Title III shall be applicable as of the first financial year commencing after the Law has entered into force.

Therefore,

I call on all Spaniards, individuals and authorities, to observe and ensure the observance of this Organic Law.

Madrid, 4 June 2007

JUAN CARLOS R.

The President of the Government
JOSÉ LUIS RODRÍGUEZ ZAPATERO