

Act on the Financial Affairs of Political Organisations and Candidates and Their Duty to Provide Information

No. 162, 21 December 2006

Legislative history in the Althingi. Legislative Bill.

Entered into force on 1 January 2007. The provisions on primary elections, however, entered into force on 1 June 2007. Amended by Act No. 99/2009 (entered into force on 8 September 2008) and Act No. 119/2010 (entered into force 1 October 2010).

Chapter I. General provisions

Article 1. Purpose

[The purpose of this Act is to regulate donations to candidates standing for election to the position of President of Iceland, to the Althingi and to municipal governments, to regulate public and general financial donations to political organisations and political activities and to minimise the risk of conflicts of interest and ensure transparency in financial affairs.]¹⁾ The object of the Act is to increase trust in political activities and to strengthen democracy.

1) Act No. 119/2010, Article 1.

Article 2. Definitions

In the context of this Act, the words and terms below shall have the following meanings:

1. Political organisation: A party or organisation that presents candidates for election to the Althingi or municipal governments.
2. Primary election: An election held by a political organisation in order to select representatives for its list of candidates for the Althingi or a municipal government.
3. [Candidates: Participants in personal elections, in presidential elections, elections to the Althingi and elections to municipal governments together with participants in primary elections within political organisations.]¹⁾
4. Donation: A contribution towards the activities of a political organisation or candidate or election campaign, whether as a direct financial contribution or other advantage that can be measured in terms of money, irrespective of the contribution's source or nature. A contribution in this respect includes any discount from market prices, favour or concession, including discounts from the market price of advertising, debt remissions, unusual loan terms, etc. [as well as goods and services sold by political organisations at premium prices].¹⁾ If a discount has been given from the market price, the difference between the market price and actual price shall be specified as a donation on the invoice. Other contributions, such as the loan of employees, facilities or equipment without charge, shall be assessed at the going rate or market price at that time and specified on the invoice with that price.
5. Related entities: Legal entities where the same party or parties own a majority of the shares, initial capital or voting rights in both or all of these legal entities, provided that the shareholding of each such party comprise at least 10% of the shares, initial capital or votes in the legal entities concerned. The same applies if individuals or legal entities, owning the greater part of shares, initial capital or voting rights in a legal entity and each owning at least 10% of the shares, initial capital or

voting rights in the legal entity, also own along with the relevant legal entity the greater part of shares, initial capital or voting rights in another legal entity. Pursuant to this item, the ownership and voting rights of spouses and blood relatives are also considered to fall under an individual's ownership and voting rights in a legal entity.

6. Auditor: A chartered accountant according to the provisions of the Act on Auditors.

7. Parliamentary party: An organisation of members of the Althingi that meets the conditions of the Parliament Act for consideration as a parliamentary party.

1)Act No. 119/2010, Article 2.

Chapter II. State and municipal government contributions to political activities

Article 3. State Treasury contributions to political organisations

Funds shall be allocated annually from the State Treasury through the current national budget for the activities of political organisations that achieved at least one person elected to the Althingi or at least 2.5% of the vote in the immediately preceding parliamentary election. Amounts shall be allocated in proportion to the number of votes.

[Political organisations that present candidates for election in all constituencies in elections to the Althingi may, immediately after the elections, apply for a special grant from the Treasury to meet costs incurred during the election campaign. The maximum amount of such a grant is ISK 3 million. Applications for grants due to election campaigns must be directed to the Ministry of Justice and Human Rights. Applications must be submitted no later than three months after elections have taken place. Applications must be accompanied by copies of the cost invoices that the grant is intended to cover. The Ministry of Justice and Human Rights may establish more detailed rules on the form of applications and attached documents and on what costs can be regarded as campaign costs.

A prerequisite for the allocation of funds from the Treasury to political organisations pursuant to the first paragraph is that the organisation in question must have previously fulfilled its duty to provide information to the Icelandic National Audit Office in accordance with the provisions of Article 9[1]

1)Act No. 119/2010, Article 3.

Article 4. Contributions from the State Treasury to parliamentary groups

Funds shall be allocated annually from the State Treasury through the current national budget for the activities of parliamentary groups. An equal amount, called a unit, shall be paid for each member of parliament. One unit shall also be paid for each parliamentary group. In addition, an amount equalling twelve units shall be allocated to parliamentary groups of the political organisations that have no seats in the government, dividing these units among them on a proportional basis. The Presidential Committee of the Althingi may set further rules on payments pursuant to this Article.

Article 5. Contributions from municipalities to political organisations

Municipalities with over 500 inhabitants must, while other municipalities may, [annually]1) contribute funds for the activities of political organisations that had at least one person elected to the local council or that received at least 5% of votes in the immediately preceding municipal election. The municipal government decides on such contributions while approving the budget. The amount shall be allocated in proportion to the number of votes.

[The Board of the Association of Local Authorities may establish guidelines to promote harmonised execution of the payment of contributions from municipal governments to political organisations pursuant to this Article. During the year in which municipal government elections are held, political organisations will be allocated contributions for the latter part of that year in accordance with the weight of votes that they received in the recently held elections.]1)

1)Act No. 119/2010, Article 4.

Chapter III General donations to political activities

Article 6. Accepting donations

Political organisations and candidates may accept donations for their activities or electoral campaigns subject to the limitations entailed in the second to fifth paragraphs of this Article and the provisions of Article 7.

Donations may not be accepted from unknown donors. [In the event that a political organisation or a candidate receives a donation from an unknown donor, the donation must be transferred to the State Treasury, given that there was no opportunity to refuse to accept the donation.]1)

Donations may not be accepted from enterprises owned or controlled for the greater part by the State or by municipalities.

Donations not falling under the provisions of Chapter II may not be accepted from public sector bodies.

Donations may not be accepted from foreign citizens, enterprises or other entities registered in countries other than Iceland. However, this prohibition does not include donations from foreign citizens who enjoy voting rights in Iceland, cf. the third paragraph of Article 2 of Act No. 5/1998, on municipal elections.

1)Act No. 119/2010, Article 5.

Article 7. [Maximum donations, guidelines and campaign costs]1)

Political organisations and candidates may not accept higher donations from a legal entity than [ISK 400,000]1) annually. Donations in the form of discounts are exempt from this maximum, provided that they are general discounts from the market price, are given publicly and are itemised in invoices. Legal entities that make donations to political organisations or candidates shall itemise the total amount of such donations in their annual financial statements. Donations from related entities shall be accounted for jointly.

[Initial contributions, i.e. donations from legally competent individuals and legal entities that are provided in connection with the establishment of political organisations, may be of a maximum amount equivalent to two times the maximum amount pursuant to the first paragraph.]1)

No political organisation or candidate may accept donations from any legally competent individual that are higher than [ISK 400,000]1) annually. ...1)

The total campaign cost of a candidate in [an election to the Althingi or a municipal government]1) may not exceed ISK 1 million, added to a supplement as indicated below:

In an electoral district with more than 50,000 inhabitants aged 18 and above, ISK 75 per person

In an electoral district with 40,000 to 49,999 inhabitants aged 18 and above, ISK 100 per person

In an electoral district with 20,000 to 39,999 inhabitants aged 18 and above, ISK 125 per person

In an electoral district with 10,000 to 19,999 inhabitants aged 18 and above, ISK 150 per person

In an electoral district with fewer than 10,000 inhabitants aged 18 and above, ISK 175 per person.

[The total campaign costs of a candidate in presidential elections may not exceed the equivalent of two times the amount specified in the fourth paragraph per person on the electoral poll for the whole country.]1)

1)Act No. 119/2010, Article 6.

Chapter IV. Presentation of financial statements by political organisations and their duty of disclosing information

Article 8. Financial statements of political organisations

A political organisation shall prepare consolidated financial statements for all of the units that it includes, such as separate associations, constituency councils, holding companies and related non-

profit institutions. An individual party unit may be excluded from preparing consolidated financial statements if its income does not exceed [ISK 400,000]1) annually. Annual financial statements shall be drawn up according to subject rules of the Annual Accounts Act, as applicable. The Icelandic National Audit Office shall issue further instructions on accounting practices for political organisations.

A political organisation shall submit its financial statements to chartered accountants for auditing. The auditors shall operate according to guidelines from the Icelandic National Audit Office and verify that the consolidated statements were prepared in accordance with provisions of this Act and general accounting principles, confirming that opinion by signing the statements. The Icelandic National Audit Office may at any time call for all documents in order to verify [invoices and]1) that donations by individuals and legal entities have remained within the limitations stated in Chapter III.

1)Act No. 119/2010, Article 7.

Article 9. The duty of providing information on the financial statements of political organisations [Political organisations must, before 1 October each year, send the Icelandic National Audit Office its financial statements for the preceding year, in accordance with Article 8, and signed by auditors. Subsequently, the National Audit Office shall, as soon as possible, co-ordinate and publish a summary of the financial statements of each political organisation. The financial statements must contain information on total revenues and total costs. The summary must itemise income according to source, distinguishing among State contributions, municipal contributions, donations from legal entities, membership fees and donations from individuals and must also state the principal amounts on the political organisation's balance sheet. Specific mention must be made of all accepted discounts from market prices as well as sales of services, goods or assets at premium prices. The name of every legal entity that donates to political activities must be published as must the amount donated. Furthermore, the names of individuals that have provided donations valued at more than ISK 200,000 must also be published.]1)

1)Act No. 119/2010, Article 8.

Chapter V. Presentation of financial statements and the duty of providing information relating to individual-candidate elections

Article 10. Financial statements of candidates in individual-candidate elections

[Candidates must prepare financial statements for their campaign, listing all donations and costs in accordance with generally accepted accounting principles. The statements must be endorsed by an auditor or an examiner familiar with accounting practices. The accounting period must be based on the date when the candidate's campaign begins. In the event of primary elections, the accounting period must be based on the date when the primary is advertised unless the candidate's campaign begins earlier. In the event of presidential elections, the accounting period must be based on the date when the candidature is submitted to the Ministry of Justice unless the candidate's campaign begins earlier. The end of the accounting period must be based on the date when the financial statements are submitted to the Icelandic National Audit Office pursuant to Article 11. The Icelandic National Audit Office shall issue guidelines for preparing financial statements for election campaigns and on the duty to provide information on the statements.

The Icelandic National Audit Office may at any time call for all documents in order to verify that campaign costs and donations by individuals and legal entities to the candidate have remained within the limitations stated in Chapter III.

Candidates are exempt from the duty to provide financial statements if the total income or total cost of her/his election campaign does not exceed ISK 400,000.]1)

1)Act No. 119/2010, Article 9.

Article 11. The duty of providing information through financial statements for an election campaign [Candidates must provide the Icelandic National Audit Office with her/his endorsed financial statements no later than three months after the election took place. Subsequently, the National Audit Office shall, as soon as possible, co-ordinate and publish a summary of the financial statements. This summary must contain information on total income and total costs. The summary must itemise income according to source, distinguishing among State contributions, municipal contributions, donations from legal entities, membership fees and donations from individuals and must also state the principal amounts on the political organisation's balance sheet. Specific mention must be made of all accepted discounts from market prices, as well as sales of services, goods or assets at premium prices. The name of every legal entity that donates to the candidate's campaign must be published, as must the amount donated. Furthermore, the names of individuals that have provided donations to the candidate's campaign valued at more than ISK 200,000 must also be published. If the accounts of the campaign reveal a positive or negative financial result, the candidate must annually submit new statements to the National Audit Office until the excess amount has been disposed of or the debt has been paid.]1)

1)Act No. 119/2010, Article 10.

Chapter VI. Penalties, entry into force and repealed statutory provisions

Article 12. Penalties

[Any person who accepts donations, or their equivalent, that may not be accepted pursuant to Article 6, or who accepts higher donations than permitted pursuant to Article 7, shall be subject to fines or imprisonment for up to two years.

Any person who does not submit information or reports in accordance with the provisions of this Act to the National Audit Office within the specified time limits shall be subject to fines. The same applies if the information provided is not in accordance with the established rules.

Legal entities shall be fined for violations of the first or second paragraph.

Violations of this Article are punishable if carried out intentionally or through negligence.

Attempts at and participation in violations of this Article are punishable as provided for under Section III of the Penal Code.

Donations that are accepted without authorisation or in excess of authorisations provided in this Act may be confiscated by the State Treasury as provided for in Chapter VII A of the Penal Code.]1)

1)Act No. 119/2010, Article 11.

Article 13. Entry into force and repealed statutory provisions

This Act shall enter into force on 1 January 2007. The Act's provisions on primary elections, however, shall not enter into force until 1 June 2007.

Chapter VII

Temporary provisions.

I. The Prime Minister shall, no later than 30 June 2010, appoint a committee of representatives of all of the political parties in the Althingi to review this Act and its implementation.

[II. The National Audit Office shall, at the request of political organisations, accept and publish information on all direct donations to such organisations as well as other donations valued at ISK 200,000 or more during the years 2002 to 2006, both years included, equally to the national parties as well as all units thereunder or which are connected to the operation and assets of the parties, such as special associations, constituency councils, holding companies and related self-owned organisations. An individual party unit, however, may be excluded if its income does not exceed ISK 300,000 annually.

The National Audit Office shall, at the request of candidates in pre-selections or primaries within political parties for parliamentary or municipal elections 2006 and 2007, accept and publish information on all direct donations to them as well as other donations valued at ISK 200,000 from 1 January 2005 to 31 May 2007. Moreover, the National Audit Office shall, in the same manner at the request of candidates in elections to the two most senior positions within political organisations, i.e. Chairman and Vice-Chairman, accept and publish information on all direct donations to them as well as other donations valued at ISK 200,000 or more during the years 2005 to 2009, both years included. If the total amount of donations to a candidate is less than ISK 300,000, the candidate may submit a simple statement to the National Audit Office to such effect without further explanation or itemisation, as provided for in the fourth paragraph.

On interpreting the terms political organisations, primary elections, donations and related parties, account must be taken of the definitions of these terms as provided in Article 2 of this Act.

For this purpose, the National Audit Office shall accept information from the political organisations and candidates on their donations during the specified period, as described in the first and second paragraphs. The information provided must be itemised according to source so that a distinction is made between State contributions, municipal contributions, donations from legal entities, membership fees and donations from private persons. Attached to the information must be a statement from the political organisation or candidate in question that the information is provided to the best of their knowledge. The National Audit Office may request further information and explanations if it considers there are any shortcomings in the information. Dissemination of information to the National Audit Office from political organisations and their candidates who request the processing and publication of information must be completed before 15 November 2009. The National Audit Office, however, may extend this deadline for up to one month.

The National Audit Office shall co-ordinate the information provided to the Office according to the fourth paragraph and publish in a co-ordinated manner, before the end of 2009, the results for each political organisation and their candidates as follows:

- a. The total amount of annual contributions according to available information.
- b. The total amount of annual donations from individuals according to available information.
- c. The total amount of annual donations from legal entities according to available information.
- d. Parties donating ISK 500,000 or more must be specifically identified. In the event that a legal entity has requested that its donation to the political organisation in question remain confidential, the amount of the donation must nevertheless be published while information on the entity in question shall not be published. In the event of a private person, the publication of his/her name as donor must always be based on his/her approval.

The National Audit Office can establish rules on the manner in which contributions that are not direct financial donations are to be valued.

In respects other than specified in the fifth paragraph, the National Audit Office must keep confidential all information that political organisations and their candidates provide to the Office pursuant to this provision.

The provisions of Article 12 of this Act do not apply to the submission of information pursuant to this provision.]1)

1)Act No. 99/2009, Article 1.