

Act on the Finances of Political Organisations and Candidates and their Information Disclosure

No. 162 of 21 December 2006

Entered into force on 1 January 2007, with the provisions of the Act on primaries entering into force on 1 June 2007 Amended by Act No. 99/2009 (entered into force on 8 Sept. 2009), Act No. 119/2010 (entered into force on 1 Oct. 2010), Act No. 162/2010 (entered into force on 1 Jan. 2011) and Act No. 126/2011 (entered into force on 30 Sept. 2011).

Any mention in this Act of a Minister or Ministry, without specifying or referring to the function, refers to the Minister of the Interior or the Ministry of the Interior, which administers this Act. Information on the functions of Ministries as provided for by a Presidential Ruling is available here.

CHAPTER I General provisions

■ Art. 1 *Objective*

[The purpose of this Act is to provide for contributions to candidates standing for election as President of Iceland, to the parliament *Althingi* and to municipal government, public and general contributions to political organisations and political activities and to reduce the risk of conflicts of interest and ensure financial transparency.]¹⁾

The objective of the Act is to increase confidence in political activities and to strengthen democracy.

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

■ Art. 2 *Definitions*

For the purposes of this Act the following definitions shall apply:

1. *Political organisations*: Parties or organisations presenting candidates for election to the Althingi or municipal government.

2. *Primaries*: Elections held by political organisations to select candidates for election lists for election to the Althingi or municipal government.

3. [*Candidates*: Participants in single-winner elections for the presidency, in elections to the Althingi and municipal government, and participants in political organisations' primaries.]¹⁾

4. *Contributions*: Contributions to the activities of political organisations or candidates or an election campaign, whether direct monetary contributions or other resources which can be assessed in monetary terms, without regard to their origin or nature. Contributions in this sense shall include all discounts from market prices, concessions and reductions, including discounts on the market price of advertisements, waiving of outstanding debts, abnormal credit terms etc., [as well as the sale by political organisations of goods and services at a price above the normal.]¹⁾ If a discount has been granted from market price, the difference between the market price and the actual price shall be specified as a contribution in accounts. Other contributions, such as unpaid loan of manpower, facilities or equipment, must be assessed in monetary terms at fair value or market price in each instance and specified in accounts at this price.

5. *Related parties*: Legal entities where the same party or parties holds a majority of share capital, guarantee capital or voting rights in both or all legal entities, provided the holding of each of them individually amounts to at least 10% of share capital, guarantee capital or voting rights in the legal entities concerned. The same applies if individuals or legal entities, who

hold a majority of share capital, guarantee capital or voting rights in a legal entity, and each holds individually at least 10% of the share capital, guarantee capital or voting rights in the legal entity, hold together with the legal entity in question a majority of the share capital, guarantee capital or voting rights in another legal entity. Holdings and voting rights of individuals in legal entities according to this point shall furthermore include holdings and voting rights of spouses and relatives in direct ascending or descending line.

6. *Auditors*: Certified public auditors as referred to in the Act on Auditors.

7. *Parliamentary groups*: An organisation of parliamentarians who fulfil the requirements of parliamentary procedure to be considered a parliamentary group.

¹⁾Act No. 119/2010, Art. 2.

CHAPTER II Contributions of the state and municipalities to political activities

■Art. 3 Contributions to political organisations from the Treasury

Each year allocations shall be made from the Treasury for the activities of political organisations who have had at least one person elected to the Althingi or who have received at least 2.5% of votes in the most recent elections to the Althingi, in accordance with a budget decision in each instance. The amount shall be allocated in proportion to the number of votes.

[Political organisations who field candidates in all constituencies in elections to the Althingi may, upon the conclusion of the elections, apply for a special financial grant from the Treasury to cover expenses incurred in their election campaign, of a maximum of ISK 3 million. Applications for grants for election campaigns shall be directed to the [Ministry]¹⁾ and shall be received no later than three months after the elections took place. Applications must include copies of invoices for the expenses which the grant is intended to cover. [The Ministry]²⁾ may set detailed rules on the form of applications and accompanying documentation, as well as on what expenses can be considered election campaign expenses.

It is a condition for an allocation of funds from the Treasury to political organisations as referred to in the first paragraph that the organisation concerned has previously fulfilled its information disclosure obligation to the National Audit Bureau as provided for in Art. 9.]³⁾

¹⁾Act No. 126/2011, Art. 444. ²⁾Act No. 162/2010, Art. 188. ³⁾Act No. 119/2010, Art. 3.

■Art. 4 Contributions to parliamentary groups from the Treasury

Each year an allocation shall be made from the Treasury for activities of parliamentary groups in the Althingi in accordance with a budget decision in each instance. An equal amount, referred to as a unit, shall be paid for each member of parliament. One unit shall also be paid for each parliamentary group. In addition, an amount shall be allocated equivalent to twelve units to those political organisations which are not members of the government, to be divided pro rata among them. The Althingi Presidium can set detailed rules on payments provided for in this Article.

■Art. 5 Contributions to political organisations from municipalities

Municipalities with over 500 inhabitants must, and other municipalities may, grant political organisations which have had at least one person elected to the local government or have received at least 5% of the votes in the most recent municipal elections, an [annual]¹⁾ monetary contribution for their activities. The local government shall take a decision on such a contribution in tandem with approving its annual budget. The amount shall be allocated in proportion to the number of votes.

[The Board of the National Association of Local Authorities may adopt guidelines to encourage harmonised implementation of the payment of contributions from municipalities to political organisations as provided for in this Article. In a year when municipal elections are held, the allocation of contributions shall be made so that political organisations receive contributions for the latter half of that year in accordance with the votes they received in the newly concluded elections.]¹⁾

¹⁾Act No. 119/2010, Art. 4.

CHAPTER III General contributions for political activities

■Art. 6 *Acceptance of contributions*

Political organisations and candidates may accept contributions for their activities or an election campaign with the restrictions which result from the second to fifth paragraphs of this Article and the provisions of Article 7.

Contributions from anonymous donors may not be accepted. [If a political organisation or candidate receive contributions from an unknown donor, the contribution shall be delivered to the Treasury if there was no opportunity to refuse its acceptance.]¹⁾

Contributions from enterprises in which a majority is owned, or which is controlled by, the state or municipalities may not be accepted.

Contributions may not be accepted from public bodies not included under the provisions of Chapter II.

Contributions may not be accepted from foreign citizens, enterprises or other parties registered in other countries. This prohibition shall not apply, however, to contributions from foreign citizens who have voting rights in Iceland as provided for in the third paragraph of Art. 2 of Act No. 5/1998, on municipal elections.

¹⁾Act No. 119/2010, Art. 5.

■Art. 7 *Maximum contributions, guidelines and election campaign expenses*¹⁾

Political organisations and candidates may not accept contributions from legal entities exceeding ISK [400,000]¹⁾ per year. Exempt from such ceilings are, however, contributions in the form of discounts, as long as this concerns general discounts granted publicly from market prices and such discounts are separately designated in accounts. Legal entities which make contributions to political organisations or candidates, must separately designate such contributions in their annual financial statements. The contributions of connected parties shall be combined.

[Initial contributions, i.e. contributions from legally competent individuals and legal entities provided in direct connection with the establishment of political organisations, may amount to a maximum of double the maximum contributions provided for in the first paragraph.]¹⁾

Political organisations and candidates may accept contributions from legally competent individuals amounting to up to [ISK 400,000]¹⁾ per year. ...¹⁾

Candidates' total expenses [in an election campaign for national or municipal elections]¹⁾ may not exceed ISK 1 million, plus a premium as follows:

In an electoral district with over 50,000 residents 18 years of age and older, ISK 75 per person.

In an electoral district with 40,000-49,999 residents 18 years of age and older, ISK 100 per person.

In an electoral district with 20,000-39,999 residents 18 years of age and older, ISK 125 per

person.

In an electoral district with 10,000-19,999 residents 18 years of age and older, ISK 150 per person.

In an electoral district with fewer than 10,000 residents 18 years of age and older, ISK 175 per person.

[A candidate's total expenses in an election campaign in a presidential election may not exceed double the amount specified in the fourth paragraph per resident on the electoral rolls for the entire country.]¹⁾

¹⁾Act No. 119/2010, Art. 6.

CHAPTER IV Financial reporting and information disclosure by political organisations

■Art. 8 *Financial reporting by political organisations*

Political organisations must keep consolidated accounts for all units they are comprised of, such as subsidiary associations, constituency boards, holding companies and related self-governing institutions. Party units with income less than [ISK 400,000]¹⁾ per year may be omitted from the consolidated account reporting. In compiling annual financial statements, the substantial rules on annual financial statements shall be complied with as applicable. The National Audit Bureau shall issue further guidelines on account keeping by political organisations.

Political organisations shall entrust auditors with auditing their financial statements. The auditors shall comply with the guidelines of the National Audit Bureau and verify that the consolidated financial statements are prepared in accordance with the provisions of this Act and general accounting rules and confirm this by endorsing the financial statements. The National Audit Bureau may, at any time, request all documentation to verify [accounts and]¹⁾ that contributions from individuals and legal entities are within the limits set in Chapter III.

¹⁾Act No. 119/2010, Art. 7.

■Art. 9 *Information disclosure on accounts of political organisations*

[Political organisations must, prior to 1 October each year, send the National Audit Bureau their accounts from the previous year, cf. Art. 8, endorsed by auditors. The National Audit Bureau shall, as soon as possible thereafter, publish an excerpt from the annual financial statements of political organisations in a co-ordinated manner. This shall give an account of total expenditures and total revenues. The excerpt shall provide a breakdown of revenues by origin, distinguishing between state contributions, contributions from municipalities, contributions from legal entities, membership fees and contributions from individuals, and also provide the key figures of the balance sheet. An account shall be provided of all discounts received from market prices, as well as sales of services, goods or assets at a premium price. The names of all legal entities providing contributions to political activities and the respective amounts shall be published. In addition, the names of all individuals providing contributions valued at over ISK 200,000 shall be published.]¹⁾

¹⁾Act No. 119/2010, Art. 8.

CHAPTER V Financial reporting and information disclosure in single-winner elections

■Art. 10 *Financial reporting of candidates in single-winner elections*

[Candidates must prepare financial results of their election campaigns, listing all contributions and expenses in connection with it in accordance with general accounting rules;

the results must be endorsed by an auditor or examiner with accounting expertise. The period included in the results shall be based on the point in time when the candidate's election campaign begins. In the case of primary elections, the period included in the results shall be based on the point in time when the primary is advertised, unless the candidate's election campaign began sooner. In the case of presidential elections, the period included in the results shall be based on the point in time when notification of candidacy is delivered to the [Ministry]¹⁾, unless the candidate's election campaign began sooner. The end of the result period shall be based on that point in time when the accounts are delivered to the National Audit Bureau as referred to in Art. 11. The National Audit Bureau shall issue guidelines on accounting results of election campaigns and information disclosure requirements for the results.

The National Audit Bureau may, at any time, request all documentation to verify that the expenses of the election campaign and contributions from individuals and legal entities to the candidate are within the limits set in Chapter III.

Candidates are exempt from the obligation to provide results if their total income or total expenses do not exceed ISK 400,000.]²⁾

¹⁾Act No. 126/2011, Art. 444. ²⁾Act No. 119/2010, Art. 9.

■Art. 11 Information disclosure on accounts of election campaigns

[Candidates must deliver their endorsed financial statements to the National Audit Bureau no later than three months after elections took place. The National Audit Bureau shall, as soon as possible thereafter, publish an excerpt from the statements in a co-ordinated manner. This shall give an account of total expenditures and total revenues. The excerpt shall provide a breakdown of revenues by origin, distinguishing between state contributions, contributions from municipalities, contributions from legal entities, membership fees and contributions from individuals, and also provide the key figures of the balance sheet. An account shall be provided of all discounts received from market prices, as well as sales of services, goods or assets at a premium price. The names of all legal entities providing contributions to the candidate's election campaign and the respective amounts shall be published. In addition, the names of all individuals providing contributions valued at over ISK 200,000 to the candidate's election campaign shall be published.

If the results in connection with an election campaign show a positive or negative outcome, the candidate must deliver new results to the National Audit Bureau each year, or until such time as the excess amount has been disposed of or the debt paid.]¹⁾

¹⁾Act No. 119/2010, Art. 10.

CHAPTER VI Penalties, entry into force and repeal of statutory provisions

■Art. 12 Penalties

[Anyone receiving contributions, or their equivalent, which may not be accepted according to Art. 6, or higher contributions than provided for in Art. 7, shall be subject to fines or imprisonment of up to two years.

[Anyone failing to provide information or reports to the National Audit Bureau in accordance with the provisions of this Act within the specified time limits shall be subject to fines. The same shall apply if the information provided does not comply with the rules set.

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

Punishment shall be applied for violations under this Article whether committed

deliberately or through negligence.

An attempt to commit or participation in a violation under this Article is liable to punishment as prescribed in Chapter III of the Criminal Code.

Unauthorised contributions accepted or contributions accepted in excess of limits provided for in this Act may be confiscated by the Treasury, as stated in Chapter VII A of the Criminal Code.]¹⁾

¹⁾Act No. 119/2010, Art. 11.

■ Art. 13 *Entry into force and repeal of statutory provisions*

This Act shall enter into force on 1 January 2007. Provisions of the Act on primary elections shall not, however, enter into force until 1 June 2007.

...

Chapter VII ...

Temporary Provisions

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

■ [II. The National Audit Bureau shall, at the request of political organisations accept and publish information on all direct contributions made to them as well as other contributions assessed as amounting to ISK 200,000 or more during the period from 2002-2006 inclusive, both to national political parties as well as to all units included under them, or which are connected to the party's operations and assets, such as subsidiary associations, constituency boards, holding companies and related self-governing institutions Party units may, however, be exempted if their income is less than ISK 300,000 annually.

The National Audit Bureau shall, at the request of candidates in a preselection or primary election of a political organisation prior to national or municipal elections in 2006 and 2007, accept and publish information on all direct contributions made to them as well as other contributions assessed as amounting to ISK 200,000 or more during the period from 1 January 2005 to 31 May 2007. Furthermore, the National Audit Bureau shall, in the same manner at the request of candidates in elections to the two highest positions within political organisations, the chairman and vice-chairman, accept and publish information on all direct contributions made to them as well as other contributions assessed as amounting to ISK 200,000 or more during the period from 2005 to 2009 inclusive. If the total amount of contributions to a candidate is less than ISK 300,000, the candidate may send a simple statement to the National Audit Bureau that this is the case without any more detailed specification or breakdown of amounts, cf. the fourth paragraph.

In interpreting the concepts of political organisation, primaries and related parties, regard shall be had for the definitions in Art. 2 of the Act.

The National Audit Bureau shall, to this end, accept information from the political organisations and candidates concerned on contributions made to them during the specified period, cf. the first and second paragraphs, and the information provided shall be classified according to its origin, so as to distinguish between state contributions, contributions from municipalities, contributions from legal entities, membership fees and contributions from individuals. The information shall be accompanied by a statement from the political organisation or candidate concerned that the information provided is in accordance with the

party's best knowledge; the National Audit Bureau may demand further information or explanations if it deems the information disclosure to be flawed. Information disclosure to the National Audit Bureau from political organisations and their candidates requesting the processing and publication of information must be completed by 15 November 2009. The National Audit Bureau may, however, extend this deadline by up to one month.

The National Audit Bureau shall harmonise the information provided to it pursuant to the fourth paragraph and publish in a harmonised manner before the end of 2009 the outcome for each political organisation and its candidates as follows:

- a. The total amount of annual contributions in accordance with available information.
- b. The total amount of annual contributions from individuals according to available information.
- c. The total amount of annual contributions from legal entities according to available information.
- d. Those parties who have contributed amounts equivalent to ISK 500,000 or more shall be listed specifically. If a legal entity has requested confidentiality concerning its contributions to the political organisation in question information on the amount of the contribution shall nonetheless be published but information on the name of the party concerned shall not be published. In the case of an individual, publication of his/her name as contributor shall always depend upon his/her consent.

The National Audit Bureau may set rules as to the manner in which contributions which are not direct monetary contributions shall be assessed in monetary terms.

Apart from what is provided for in the fifth paragraph, the National Audit Bureau shall keep confidential all information provided to it by political organisations and their candidates under this provision.

The provision of Art. 12 of the Act does not apply to information disclosure in accordance with this provision.]¹⁾

¹⁾Act No. 99/2009, Art. 1.