

March 2007

Rules on the financial accounts  
of political parties etc.  
pursuant to act no. 162/2006



RÍKISENDURSKOÐUN  
*ICELANDIC NATIONAL AUDIT OFFICE*

## **Chapter I General Provisions**

### **Article 1**

These Rules apply to the financial accounts of political parties, i.e. parties and alliances participating in elections to the Althing and municipal governments, cf. Chapter IV of Act No. 162/2006 on the finances and reporting obligations of political parties and electoral candidates. Similarly, they apply also to the financial accounts of candidates in personal elections and pre-elections, cf. Chapter V of the cited Act No. 162/2006. These Rules are minimum rules, and political parties and electoral candidates are therefore permitted to report in greater detail than provided for herein.

### **Article 2**

Political parties and candidates are permitted to accept up to ISK 300 thousand in contributions per year from individual legal persons or legally competent natural persons for their political activities or electoral campaigns, with the limitations established in this chapter.

Contributions in excess of the above maximum shall be returned as promptly as possible. If returning such contributions proves impossible, they shall be preserved separately in the accounts of political parties and individuals and deposited on a separate time-deposit account.

### **Article 3**

Political parties are not permitted to accept contributions from:

- a. anonymous donors;
- b. undertakings which are majority owned by or under the control of the State or municipalities;
- c. public entities other than the State Treasury or municipalities, cf. Chapter II of Act No. 162/2006, such as undertakings which are jointly owned by the State and municipalities;
- d. foreign nationals who do not have the right to vote in Iceland, undertakings or other entities which are registered in other countries.

### **Article 4**

Contributions from related parties, cf. Article 10, shall be added together. Their aggregate annual contributions shall not exceed ISK 300 thousand.

### **Article 5**

General membership fees from individual members of political parties which are collected regularly on a non-discriminatory basis and which do not exceed ISK 100 thousand shall be itemised separately in the financial accounts. Payments from individuals in excess of the above maximum constitute contributions in the understanding of Article 2.

### **Article 6**

Contributions in the understanding of these Rules refer to contributions to the activities of political parties or candidates or electoral campaigns, whether in the form

of direct contributions of cash or other benefits which can be assessed at cash value, regardless of origin or nature, with the limitations established in these Rules. Contributions in this understanding include:

- a. Any discounts, which are not general and public, on the market price of any goods;
- b. Favours and concessions, including discounts which are not general and public on the market price of any services, such as discounts on the market price of advertisements, rent or other payment for the use of real estate.
- c. Free use of staff, i.e. the work of paid employees if the wage cost is borne by parties other than the political party or electoral candidate. Volunteer work does not constitute contribution in the understanding of the Rules.
- d. Free use of facilities and equipment, apart from the use of the personal property of volunteers which is not used for commercial purposes.
- e. Waivers of residual debts, whether in part or in full, unusual loan terms or assistance in financing.

#### Article 7

Exempt from the ISK 300 thousand maximum pursuant to Article 2 are contributions in the form of general and public discounts which are available to anyone on the basis of tariffs or general business practices. General and public discounts shall be itemised separately on the sales invoice.

#### Article 8

If an exclusive discount has been granted on a market price, cf. subsection 6(a), the balance of the market price and actual price shall be itemised as a contribution in the annual financial report. Other contributions, such as the free loan of staff, facilities or equipment, apart from the exceptions referred to in subsection 6(d), shall be assessed at cash value at the going rate or market price as current at any time and itemised in the annual financial report at that price.

#### Article 9

Market price in the understanding of the Rules refers to the normal going price in trading in goods or services on an arm's length basis, taking into account discounts granted in a general and public manner on a commercial basis. In assessing payment which is not in the form of cash, the assessment shall be based, to the extent possible, on the tax assessment of the Directorate of Internal Revenue. In the event that a going price is not available, the assessment of benefits and privileges which have not been given a cash value shall, *inter alia*, take account of the cost that the beneficiary would have had pay for such benefits, unless a specific tax assessment for the benefits is available.

#### Article 10

“Related parties” in the understanding of the Rules refers to legal persons where the same person or persons own a majority of the shares, initial capital and voting rights in both or all the legal persons, provided that the respective share belonging to each of them amounts to a minimum of 10% of the share capital, initial capital or voting rights in the legal persons in question. The same applies if natural or legal persons owning a majority of the shares, initial capital or voting rights in a legal person, with each of them owning at least 10% of the shares, initial capital or voting rights in the party, own, jointly with the legal person in question, a majority of the shares, initial

capital or voting rights in another legal person. Shares and voting rights of a natural person in legal persons pursuant to this Article includes the shares and voting rights of a spouse and relatives in a direct line.

#### Article 11

Political parties are permitted to sell to parties other than those referred to in Article 3 advertisements in public media that they publish for the sole purpose of covering the cost of presenting their candidates, platforms and other matters. Income from the publication may be used only to cover costs which are directly and normally related to the publication.

Similarly, political parties are permitted to rent out their real estate and property at market price, cf. Article 9. Income from renting activities in excess of market price shall be entered under income as contributions and shall in all respects be subject to the same rules and conditions applicable to contributions pursuant to this chapter.

Finances and accounts relating to publication and renting activities pursuant to this article shall be kept financially separate from the finances and accounts of the political party in question, and separate financial reports shall be submitted for each activity. A separate list shall be kept of customers and their respective payments, which shall be included in the notes to the annual financial report, accounts or attachments to such documents.

#### Article 12

Any sales by political parties of services and goods for fund-raising purposes, other than those specified in Article 11, are prohibited. However, informal sales of refreshments by political parties, sales of badges and lottery tickets, bazaars etc., or sales of admission to meetings organised by the parties are permitted, provided that business of this kind with any single natural or legal person does not exceed ISK 100 thousand per year.

### **CHAPTER II**

#### **Financial reporting by political parties**

#### Article 13

In the preparation of the annual financial reports of political parties the substantive provisions of the Annual Accounts Act No. 3/2006 shall be applied to the extent possible. The boards of political parties and managing directors are responsible for the preparation of an annual financial report for each year, and the report shall include an income statement, balance sheet, statement of cash flows, notes, and the report of the board. The annual financial report shall be signed by the board of directors and managing director and endorsed by an auditor.

#### Article 14

Political parties shall report all their assets and liabilities, including commitments and equity, which is the balance of assets and liabilities. Fixed assets shall comprise those assets which are intended for use or ownership on a continuing basis. Current assets

shall comprise those assets which are not intended for use or ownership on a continuing basis.

Outstanding assets, advance payments and debts with a maturity of over one year shall be entered as fixed assets or long-term liabilities, as applicable. Other outstanding assets, advance payments and liabilities shall be entered as current assets or current liabilities, as applicable.

#### Article 15

Political parties shall report all their income and expenses in their income statements, except as otherwise provided by law or statutory accounting standards. The income statement shall, at a minimum, have the following itemisation on the income side.

1. Contributions from the State Treasury
2. Contributions from municipalities
3. Financial contributions from legal persons
4. Contributions from legal persons in the form of discounts on market price, cf. subsection 6(a)
5. Other contributions from legal persons, cf. subsections 6(b) – (e)
6. Financial contributions from natural persons
7. Contributions from natural persons in the form of discounts on market prices
8. Other contributions from natural persons, cf. subsections 6(b) – (e)
9. General membership fees
10. Income from rent of real estate
11. Income from rent of movable assets
12. Service revenues, including admission fees to meetings, entertainments and other similar social events
13. Sales of goods, including income from sales of refreshments, lotteries, raffles etc.
14. Other operating income

The names of the legal persons making contributions should be disclosed in the notes to the annual financial report or in a separate attachment, together with the amount of the contribution.

#### Article 16

Political parties should maintain a consolidated account for all units falling within their scope, such as associations, district councils, holding companies and related foundations (cf. Act No. 33/1999 on foundations engaging in business operations), whether they are registered or not. Consolidated accounts in this context refers to financial reports where the annual accounts of political parties (parent association) and units (subsidiary associations) falling within their scope have been merged into a single account.

The consolidated account shall comprise an income statement, balance sheet, statement of cash flows and notes. Consolidated accounts should give a clear and comprehensive view of the results, assets and changes in cash of both the parent association and its subsidiary associations. In the preparation of a consolidated account similar income and expense entries and asset and liability entries should be

added together. All necessary adjustments should be made in respect of specific factors which apply only to the consolidated account.

Party units may be excluded from the consolidated accounts if their income is less than ISK 300 thousand per year. In other respects, the provisions of Chapter VII of the Annual Accounts Act shall apply to the consolidated accounts of political parties, as applicable.

#### Article 17

In the event that two or more political parties organise a joint electoral campaign in a specific electoral district a separate financial report shall be prepared for the joint campaign.

### **Chapter III**

#### **Financial reporting of electoral candidates in personal elections**

#### Article 18

Electoral candidates should keep the finances of their campaign separate from their private finances. They shall submit to the Icelandic National Audit Office a separate financial report on their electoral campaign within six months from the time of the election. The accounts and financial reports are subject to the provisions of the Accounting Act, as applicable.

Electoral candidates in personal elections are exempt from the obligation on financial reporting if the cost of the electoral campaign does not exceed ISK 300 thousand.

#### Article 19

A candidate must always open a separate bank account for the campaign, through which all cash deposits and withdrawals in connection with the campaign must pass. Separate accounts shall be kept of expenses relating to the campaign, as well as income, whether in the form of cash payments or contributions in other form. All entries in the accounts shall be based on adequate source documents or data, such as the originals of invoices, receipts for contributions received, etc.

#### Article 20

Electoral candidates shall specifically state their own contributions in their accounts, whether in the form of cash or out-of-pocket expenses. Costs paid by the candidate shall be entered as the personal contribution of the candidate to the campaign.

Candidates shall maintain a separate register of individual contributions which can be valued in cash, stating the name and ID number of the sponsor in question. Contributions, e.g. in the form of free use of staff, sponsoring of advertisements or other services or goods, shall be credited as contributions to the campaign, and the expenses in question shall be expensed in the accounts. If a candidate is granted a discount on market price, the discount shall be entered in the same way as a contribution to the campaign. The goods or services in question shall then be expensed at market price, while the discount is entered as income.

#### Article 21

If a campaign is financed through borrowings, a detailed account shall be given of the lender, the amount of the borrowing and lending terms in the notes in the financial report of the campaign. If the term of a loan extends beyond the accounting period, the National Audit Office shall be informed annually of the position of the debt of the campaign.

Cancellations of debts and obviously favourable loan terms shall be assessed as a contribution by the lender to the campaign.

#### Article 22

Candidates are not permitted to accept contributions from a single person in excess of ISK 300 thousand, regardless of whether the contributor is a legal or natural person, cf. Chapter I of these Rules.

The total cost of candidates in pre-election campaigns shall not exceed the sum of ISK 1 million, in addition to a supplement calculated as follows:

In an electoral district with more than 50,000 inhabitants 18 years and older, ISK 75 per inhabitant.

In an electoral district with 40,000 - 49,999 inhabitants 18 years and older, ISK 100 per inhabitant.

In an electoral district with 20,000 - 39,999 inhabitants 18 years and older, ISK 125 per inhabitant.

In an electoral district with 10,000 - 19,999 inhabitants 18 years and older, ISK 150 per inhabitant.

In an electoral district with less than 10,000 inhabitants 18 years and older, ISK 175 per inhabitant.

The calculation of the supplement pursuant to paragraph 2 shall be based on the number of inhabitants in the electoral district on 1 December immediately prior to the date of the pre-election.

#### Article 23

These Rules, which are established on the authority of Act No. 162/2006 on the finances and reporting obligations of political parties and electoral candidates, are effective immediately.

Icelandic National Audit Office, 21 March 2007