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THE FUNDING OF POLITICAL PARTIES IN EUROPEAN COMMUNITY MEMBER STATES

POLITICAL SERIES

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Introduction

The sensitive issue of the financial resources of political parties has regularly fuelled discussion in various Member States of the European Community, drawing attention to the need for national legislation on political parties' income and expenditure. Some Member States have decided to impose a ceiling on election campaign expenses. Another group of Member States has decided not to legislate, in order to preserve the autonomy of political parties.

In many Community countries there has been a general and significant increase in the costs of election campaigns, resulting from the use of specialized political consultancy services, the development of private TV networks selling publicity slots to candidates and parties, and the use of new communications technologies. Parties feel the need for a corresponding increase in funds to cover these costs.

This study is not concerned with the question of whether the media and communications technology revolution will eventually render regulatory legislation inevitable. It confines itself to reviewing current legislation in the 12 Member States allowing political parties to obtain the funds needed for operational purposes, to organize election campaigns and to put their message across to the electorate.

1. Belgium

Legal basis

1.1. There is no law providing for public funding of political parties in Belgium. Political parties are *de facto* associations and do not have legal personality; hence their accounts are not subject to any fiscal control. They may not accept donations.

Funding of political parties and groups

1.2. A system of political foundations which support the parties financially and which have non-profit-making association status has been established. Their accounts are subject to the control of the tax authorities.

1.3. Donations made to these foundations by individuals or private corporations are tax deductible up to an amount of BF 2 000 000 (Article 71 of the Income Tax Code).

1.4. Political groups represented in the European Parliament receive subsidies for their administrative expenses in proportion to the number of their representatives. This amount is paid monthly and is index-linked.

In 1988 the subsidy was BFR 728428 (index 291.35) per member per year.

1.5. Political groups represented in the committees of the Chamber of Deputies and the Senate receive an additional amount to pay their secretarial staff. In 1988 this additional grant was set at BFR 89869 (index 291.35) per member per year.

Funding of electoral campaigns

1.6. The electoral code and other legal instruments also provide for a certain number of facilities during the electoral campaign which can be regarded as a form of indirect aid.

- (i) exemption from stamp duty on election posters,
- (ii) free poster space provided by municipal councils,
- (iii) special postage rates for campaign material marked with the words 'document is electoral'
- (iv) free access to the State-owned television network in proportion to the strength of the political group at Community level,
- (v) a free copy of the register of electors (Article 17 of the Electoral Code).

New regulatory proposals

1.7. A proposal for a law to limit and control electoral expenses and regulate the financing and accounts of political parties was passed by the Chamber of Representatives on .../unreadable/

The proposed legislation aims to limit electoral expenses and to set up effective controls for this purpose. It also seeks to ensure parties' independence by giving them an annual grant.

A financial report will be drawn up, listing the income and expenditure of the institutions which receive the funds, as well as the income and expenditure of the political parties.

The proposed law is intended to ensure financial transparency and control.

Denmark

Legal basis

2.1. Law No 940 of 23 December 1986 provides for annual grants to be paid to political parties and individual candidates according to the number of votes gained in elections. Grants have been paid to the parties represented in the Folketing since 1969, to support their political activities. This system is based on the Swedish model, although payments are on a much more modest scale.

Funding of political parties and groups

2.2. Political groups receive a flat-rate amount of DKR 17545.20 per month for each of the members in the Folketing (DKR 8772.60 for those who are members of the government).

All political groups also receive, irrespective of their size, an additional sum of DKR 70 180.79 to fund their administrative expenses.

Before 1 March each year, political groups must produce a financial statement showing how these funds have been spent.

Some political groups use these funds only for secretarial and other support services for members. Others use part of them to cover the costs of research on political and economic topics.

2.3. The total amount paid has increased since the scheme was introduced, partly because of inflation and partly because of the increase in the number of parties represented at the Folketing (from five in 1972 to eight in 1989).

The Danish Constitution, revised in 1953, makes no reference to political parties. They are mentioned only in the internal rules of procedure of the Folketing. In consequence, political parties are not subject to fiscal control and do not have to declare the donations they receive.

Funding of electoral campaigns

2.4. Law No 940, under which political parties and individual candidates receive annual grants, provides financial support for political activity at national, regional and local level. Parties or candidates who have taken part in the previous general election receive DKR 5 per vote obtained. To qualify for this grant, they must obtain at least 1 000 votes. At local and regional elections, parties and individual candidates receive respectively DKR 2 and DKR 3 per vote.

Parties and candidates must make an annual declaration affirming that the aid received during the previous year has been spent on political activities.

3. Federal Republic of Germany

Legal basis

3.1. The Federal Republic of Germany was the first European country to introduce direct public funding of political parties. Details are covered by the Law on Parties of 1967, which was updated and thoroughly revised in 1969, 1970, 1974, 1979, 1983 and 1988.

Public funding of parties was first introduced in 1954. In accordance with the revised Income Tax Law of 21 December 1954, expenditure to further public policy objectives was made tax-deductible up to 10 % of income or 2% of turnover and expenditure on wages and salaries. This tax concession was specifically intended for gifts to political parties. However, in 1958 the Federal Constitutional Court in Karlsruhe ruled that this system of tax deductions for donations was unconstitutional. Because of the progressive nature of taxation and hence the greater inducement for higher-salaried persons to make political donations, the system *de facto* favoured parties with a positive attitude towards capital. In this connection it should be stressed that the Court has always endeavoured to apply the principle of equality to the various political groupings, to enable small parties and individuals, too, to take part in political life.

3.2. In 1959 the Federal budget contained 'subsidies to promote political education by the parties' for the first time. The funds were allocated to the parties represented in the Bundestag in proportion to their strength. Since 1963, 20% of the subsidies have been allocated equally to parties represented in the Bundestag, and the remainder is allocated in proportion to the number of MPs they have.

3.3. In 1966 the Federal Constitutional Court declared that this procedure was unconstitutional on the grounds that it could place constraints on the internal autonomy of the parties and make the parties part of the organized structure of the State. These problems could have been "solved by limiting subsidies to the reimbursement of costs incurred during election campaigns. The court also referred to Article 21 of the Grund-gesetz (Basic Law: GG), according to which the internal structure of parties must be in line with democratic principles and parties must be publicly accountable in respect of the source of their funds. The Law on Parties was then adopted in 1967, pursuant to which the reimburseable costs of election campaigns are set at a lump sum of DM 2.50 per registered elector. This sum is allocated in accordance with votes obtained at the Bundestag elections to those parties which receive at least 2.5% of the valid second votes.

3.4. Following a further judgement of the court in Karlsruhe, the 2.5 % threshold was reduced to 0.5 % of valid second votes. In 1974 the lump sum per registered elector was raised from DM 2.50 to DM 3.00.

Funding of political parties and groups, and of electoral campaigns

3.5. Since then there have been a number of amendments concerning the tax-deductibility of contributions and donations and the inclusion of candidates who do not belong to any party. Following increasing public criticism, in 1982 — at the request of the chairmen of the SPD, CDU, CSU and FDP — the Federal President appointed a commission to revise the system of party funding. It submitted its report in 1983 and on 22 December 1983 the Bundestag adopted a revised version of the Law on Parties which incorporated most of the commission's recommendations. One major feature of the reform of party funding was an increase in the lump sum to DM 5.00 per registered voter. At the same time — and reflecting the legal position of 1955 — the Bundestag introduced tax deductibility for party contributions and donations: there is a percentage ceiling, but no ceiling on the actual amounts involved. To avoid being ruled Unconstitutional, this tax scheme was supplemented by the introduction of an 'equality of opportunity clause' (paragraph 22a, Law on Parties 1983). This clause stipulates that all parties which have won at least 0.5% of the valid second votes will receive every year — on the basis of a very complex procedure — a sum from the Federal budget in the form of compensatory payments. These compensatory payments are to offset the tax advantages accruing to the party with the largest revenue from members' contributions and donations in proportion to (lie number of votes won at the last Bundestag election. Finally, the Law on Parties of 1983 states that the total sum of election expenditure reimbursed by the State must not exceed the other income of the parties.

3.6. In addition to regulations on the details of the reimbursement scheme, and the publication of income, expenditure and assets in an annual report, in 1983 the Bundestag also paid particular attention to private donations.

3.7. The Law on Parties was most recently updated in 1988. In addition to the lump sum for election expenditure, an 'extra award to the lowest paid' amounting to 6 % of total election expenditure was also introduced. A new distribution formula was used for equality of opportunities. The changes to the Income Tax Law and the Corporation Tax Law resulting from the amendment to the Law on Parties resulted in an increase in the tax-deductibility of members' contributions and donations.

3.8. The current rules on party funding are as follows.

3.8.1. The level of reimbursement of election campaign expenditure is regulated by Article 18 of the Law on Parties.

(i) Election expenditure consists of a lump sum of DM 5 per registered voter and the 'extra awards to the lowest paid'.

(ii) The lump sum is allocated in proportion to second votes obtained to parties which have obtained 0.5% of the valid second votes, or 10% of the first votes cast in a constituency if in the Land in question a party was not allowed to present a *Land*

list. In this case reimbursement is DM 5 for each vote in such constituencies.

(iii) These regulations apply correspondingly to independent candidates, provided they win at

least 10 % of the valid first votes cast in a constituency.

(iv) Parties, which have won at least 2% of the valid second votes cast in the electoral area, receive, in addition to the lump sum, an extra award amounting to 6% of the total lump sum. The extra award must not exceed 80% of any party's share of the lump sum (see second indent).

3.8.2. The rule introduced in 1983, whereby the total amount of election expenses reimbursed by the State must not exceed a party's total income, still applies. Sums reimbursed which exceed this ceiling must be deducted from the next payment due.

3.8.3. Details of the reimbursement scheme are covered by Articles 19 and 20 of the Law on Parties. Parties satisfying the conditions specified in Article 18 are granted on request advance payments in respect of the sum reimbursed. Advance payments may be made in the second and third year of the electoral period of the German Bundestag and in the year in which the election is held; they must not exceed 20% of the total sum of money reimburseable in accordance with the result of the previous election. The President of the German Bundestag is responsible for determining and paying the sums.

3.8.4. The Federal *Länder* are empowered to enact regulations on the reimbursement of election expenditures for Landtag elections. However, they must keep within the constraints of the reimbursement scheme set out in the foregoing.

3.8.5. Pursuant to paragraph 24 of the Law on Parties, a report has to be drawn up specifying all income, expenditure and assets (including properties, land and other possessions). The report is audited at the end of the year by an independent auditor. If no irregularities are found the annual report and the audit report are submitted to the party executive. All reports must be submitted by 30 September to the President of the German Bundestag who verifies and publishes them. The President reports to the German Bundestag once a year on the parties' annual reports and on the trend in party funding. The Federal Audit Office verifies implementation of the electoral expenditure reimbursement scheme by the Federal President.

3.8.6. The acceptance of private donations is largely covered by Article 25 of the Law on Parties. In accordance with paragraph 1 of this Article, parties may not accept the following contributions:

- (i) contributions from political foundations;
- (ii) contributions from associations or organizations which are non-profit-making, charitable or religious in nature;
- (iii) contributions from abroad, unless:
 - the contributions emanate from the assets of a German citizen within the meaning of the GG or a company, more than 50% of whose shares are held by German citizens;
 - the contributions are from a foreign party represented in the European Parliament and belonging to one of the Groups represented in that Parliament or a foreign Member of the European Parliament;
 - The amounts involved are less than DM 1000;
- (iv) contributions from professional associations which have received money donated specifically for political parties;
- (v) individual contributions in excess of DM 1 000 if there is no proof of the contributor

- (vi) contributions made in expectation of a financial or political gain.

Article 25 also includes the following regulations:

Contributions to a party or to one or more of its territorial associations, the total value of which exceeds DM 40 000 in any one calendar year, must be included in the annual report with details of the name and address of the person making the contribution and the total amount of the contribution.

In addition, contributions and membership fees of up to DM 60000 (or DM 120000 in the case of joint assessment of married persons) are tax-deductible.

Article 23a of the Law on Parties which was adopted when the law was updated in 1983 covers infringements by parties of statutory regulations. If a party has obtained contributions unlawfully or has not used funds in accordance with the regulations of the law or has not published them in the annual report, it loses an entitlement to reimbursement of election campaign expenses to the amount of twice the sum thereby obtained. Unlawfully obtained contributions must also be paid over.

3.9. In conclusion, it should also be pointed out that a number of other areas are also covered by 'party funding' in the broadest sense:

- (i) free broadcasting in the media in accordance with the strength of the individual parties in the Bundestag,
- (ii) State subsidies to the political groups in the German Bundestag, which — in contrast to the parties — have the status of organs of the State,
- (iii) the granting of lump-sum subsidies to political institutions close to the parties (this is subject to some interpretation since these institutions are legally independent)
- (iv) the granting of special subsidies for purposes such as financing periods of study conferences, and trips abroad for youth organizations, etc.

4. Greece

Legal basis

4.1. In Greece, political parties do not have legal personality, although they are explicitly referred to in the Constitution.

4.2. Law No 1443 of May 1984 provides for public funding of political parties in order to cover their organizational expenses and their expenditure on election campaigns.

Funding of political parties and groups, and of electoral campaigns

4.3. An amount corresponding to 0.001% of the national income is distributed every year to political parties represented in Parliament (Article 1). In order to qualify for these subsidies, parties must have obtained at least 3% of the total votes cast and must have presented lists in at least two-thirds of the constituencies during the previous legislative elections.

4.4. Coalitions of parties are also entitled to grants provided they obtain 5% of the total votes cast if the coalition is composed of two parties, and 6% if the coalition is composed of three or more parties (Article 2).

4.5. The Minister of the Interior must, before 1 April each year, distribute funds according to the rules laid down in Article 3. 10% of the total sum is equally shared among the qualified parties; the rest is then divided by the total number of votes. The result thus obtained is then multiplied by the number of votes obtained by each party to calculate its subsidy.

4.6. The subsidies are to be used exclusively by the parties and may not be transferred to other organizations; they are not taxable.

4.7. According to Article 4, each party is obliged to keep accounts which must be available at its headquarters. All income and expenditure are to be listed according to an established model.

4.8. As regards expenditure, funds must be devoted exclusively to the parties' organizational expenses or to the reimbursement of their electoral campaign costs (cost of election meetings, transport, election material, rents, staff costs, etc.).

4.9. Each party is obliged to publish its accounts in two Athens newspapers before 1 April each year.

4.10. The 'income' section must list in detail: State subsidies, members' annual subscriptions, members' special contributions, MPs' contributions, donations from party supporters, income from property, profits from business ventures, bank interest, loans, gifts and proceeds from fund-raising. The expenditure section must list rents, staff costs, publicity activities, and election expenses.

4.11. The source of contributions and donations, whether from individuals or corporations, does not have to be disclosed. However, if they exceed DR 200000 per year, the donor's

name and address has to be explicitly mentioned in the financial statement.

4.12. A copy of the financial statement, together with copies of the two newspapers in which it was published, must be sent by each party to the President of the Parliament and to the Minister for the Interior.

4.13. A parliamentary committee composed of MPs belonging to the various political groups and chaired by the President of the Chamber is required to examine the accounts within three months of publication to ensure they comply with the law (Article 5).

5. Spain

Legal basis

5.1. Article 6 of the Constitution of 1978 defines the role of political parties, describing them as the expression of political pluralism, an essential instrument of political participation and noting that they play a part in formulating and expressing the will of "the people."

5.2. The importance of the role which political parties are considered to play has influenced State funding of their activities, following models provided by other countries and enshrined in Organic Law No 3 of 2 July 1987 on the funding of political parties.

Funding of political parties and groups

5.3. Article 3 of Organic Law No 3/1987 provides for the general State budget to set a certain sum each year for funding the parties represented in the Chamber of Deputies. The amount of the grant for each party is based on the number of seats and votes obtained at the last general election.

Funding of electoral campaigns

5.4. Organic Law No 5/1985 on the general electoral system stipulates that the State should subsidize political-parties' expenses during general elections. For elections to the Chamber of Deputies and Senate, the rules are as follows:

PTA 1 550000 for each seat obtained in the Chamber of Deputies or Senate,

PTA 60 for each vote for each list of candidates for the Chamber of Deputies if at least one member of that party wins a seat,

PTA 20 for each vote for each candidate elected to the Senate.

5.5. It can also be considered a State subsidy that premises, media advertising space and similar benefits are made available to political parties during election campaigns.

5.6. It must also be pointed out that parliamentary groups receive financial assistance as laid down in the parliamentary budget. This principle has been adopted by the Chamber of Deputies and the Senate. The grant is made up of a fixed amount for all the groups and a variable amount depending on the number of their members.

5.7. Organic Law No 3/1987 on the funding of political parties lists the following sources of private finance:

- (a) members' subscriptions,
- (b) bank loans,
- (c) income from sale of publicity materials, etc.,
- (d) donations from individuals and legal entities.

Article 4 of the Organic Law imposes certain restrictions. Thus, donations from an individual or legal entity may not exceed PTA 10 000 000 per year. Anonymous donations may not be higher than 5% of the amount fixed by the general State budget,

5.8. Organic Law No 3/1987 stipulates that all income and expenditure of parties in receipt of State grants must be audited internally, and by the Court of Auditors.

5.9. Parliamentary groups in regional assemblies also receive grants, pursuant to their rules of procedure. Since 1990, the Basque parties have been funded by the general budget of the autonomous community. Of the PTA 252 million provided, 84 million are divided according to the number of seats obtained in the Autonomous Chamber, and 158 million according to the number of votes for the different parties.

6. France

Legal basis

6.1. Funding of political parties and groups in France is now governed by Laws Nos 88/226 and 88/227 (both of 11 March 1988) and by Law No 90/55 of 15 January 1990.

Parties have legal personality in the sense that they are constituted as an association under the law of 1901.

Until recently, State funding was limited to a system of indirect benefits designed to reduce the parties' financial needs. They were also given free media access during election campaigns.

The law of 11 March 1988 was born of a desire to give a firm moral basis to the funding of French political life. This law establishes the principle that certain elected member should declare their assets, regulates election campaign funding and sets up a system of State funding for political parties.

The law of 15 November 1990, amending the law of 11 March 1988, aims to limit the increase in election campaign expenses which had first been regulated by the law of March 1988; to prevent too great a disparity in the wealth of parties and candidates at elections; to allow parties and candidates to obtain resources by legal means and to ensure the greatest possible transparency in the funding of electoral campaign and political parties.

The new regulation is essentially composed of two elements, one on funding of political parties, the other on presidential and general election campaigns.

Funding of political parties and groups

6.2. Now that the elements of a regulatory framework are in place, in that political part and groups now enjoy legal status, they can receive assistance in the form of appropriations in the draft annual finance bill, on the basis of a joint proposal to the government from the Bureaux of the National Assembly and Senate.

Parties and groups are funded by grants proportional to the number of MPs declaring to their Assembly's Bureau that they are members of or affiliated to a political group (this declaration must be made during the month following the opening of the first ordinary session each year).

6.3. These funds are not subject to normal financial control. According to Law 90/55, however political parties can receive funds only through the intermediary of an agent, either an individual or a finance association.

The new legislation includes private financing of parties. This is now legal, official and transparent.

6.4. Ceilings have been established for donations to political parties; donations from individuals may not exceed FF 50000 or FF 500000 from corporations. Any donation of more than FF 1 000 must be paid by cheque.

Donations from corporate bodies governed by public law are prohibited, as are those from corporate bodies governed by private law if the majority shareholder is a body governed by public law, a casino, a foreign corporate body or a foreign State. Political parties and groups must keep accounts; their annual accounts must be certified by two auditors and lodged with

the National Commission for Campaign Accounts and Political Funding, which publishes a summary in the Official Journal.

Funding of election campaigns

6.5. Candidates may receive funds only through the intermediary of an electoral finance association or an individual who has been appointed as their financial agent.

The association must open a bank account for financial transactions; it is automatically closed three months after the end of the election campaign when the net assets must be transferred either to another electoral finance association, to a finance association for a political party, or to an organization recognized as being in the public interest.

6.6. The ceiling for election expenses for deputies is FF 500 000 per candidate, except for constituencies with a population of less than 80 000 inhabitants where it is FF 400 000.

Private donations may not exceed FF 30 000 from an individual or PF 50000 from a corporation. Any donation of more than FF 1 000 must be paid by cheque.

It is prohibited to receive donations for party funds from corporate bodies governed by public law and from the other bodies already mentioned above.

6.7. A system of reimbursement is provided for candidates who receive 5% of the votes in the first round; the flat-rate reimbursement is equivalent to one tenth of the ceiling. In no circumstances may the amount reimbursed exceed the expenditure shown in the candidate's campaign account.

6.8. The National Commission for Campaign Accounts and Political Funding scrutinizes campaign accounts. It can approve, reject or revise the accounts. If it does not approve the accounts, no reimbursements can be made.

7. Ireland

Legal basis

7.1. There is no law in Ireland providing for public funding of political parties.

Funding of political parties and groups

7.2. Under the legislation governing remuneration of public representatives, leaders of political parties in the Dail receive allowances to help them carry out their parliamentary activities. Political groups with at least seven members are entitled to these grants. In 1988, the following grants were made:

Fine Gael: IRL 113314
Labour Party: IRL 73105,
Fianna Fail: IRL 96666,
Progressive Democrats: IRL 73105.

7.3. Political parties are generally regarded as unincorporated associations or private" voluntary organizations and their existence is not regulated by the law.

They are therefore under no obligation to keep accounts or to publish them, although some do. Parties may appoint trustees to manage their assets and be their legal representative in court. They are, however, not legally obliged to do so and the appointment of trustees does not make the party a 'trust' in the legal sense.

Political parties are not obliged to disclose the donations they receive and there is no legal provision for tax relief in respect of donations.

Funding of electoral campaigns

7.4. The electoral system, being based on individual candidates and not on party lists, does not presuppose the existence of parties, although they are recognized in the rules of procedure of the Dail and Senate. A ceiling for election campaign expenses was set by the Electoral Act of 1963.

8. Italy

Legal basis

8.1. The question of public funding of political parties, which has been a bone of contention for many years in Italy, was settled by Law No 195 of 2 May 1974. In June 1978 a referendum called by the Radical Party almost succeeded in abolishing it (56.4% of Italians voted in favour of public aid and 43.6% voted against). The Law was amended by Laws No 159 of 18 November 1981, No 22 of 27 January 1982 and No 413 of 8 August 1985. However, as far as reimbursement of election expenses is concerned, Law No 422 of 8 August 1980 extended the provisions of Law No 195 to regional and European elections, and Law No 441 of 5 July 1982 instituted the 'declaration of assets' for Members of Parliament, members of the Government and members of the regional councils. Although this latter initiative is not strictly related to public funding it is part of a wider scheme to establish control over the assets of political parties and of their central offices.

8.2. Law No 195/74 and its subsequent amendments established two funds: an electoral fund from which payments are made only in general election years and an organizational fund, from which annual payments are made.

Funding of electoral campaigns

8.3. All the parties standing for election in at least two-thirds of the constituencies and obtaining at least 300 000 votes or 2% of the total votes cast can qualify for the electoral fund. A different system applies in regions with a special status, protecting linguistic minorities, where a party can be reimbursed provided it can win at least one seat ('quota') in one of the two Chambers. A total sum of LIT 30 billion (before 1986 it was 15 billion) is paid out at each election in the following way: 20% shared equally among all the parties and the rest distributed according to the number of votes polled by each party.

Funding of political parties

8.4. The second fund, for party organizational expenses, amounts to a total of LIT 82866 billion, of which over one-third is allocated to the Senate and almost two-thirds to the Chamber of Deputies. At the end of January each year, the Presidents of the two Chambers distribute the available funds as follows: 2 % is shared equally among the groups in Parliament, 23 % is divided equally among those parties which presented...../three missing pages/

9. Luxembourg

Legal basis

9.1. Political parties in Luxembourg do not have legal personality and there is no law providing for State grants to parties or the reimbursement of their electoral campaign expenses.

Funding of political parties and groups

9.2. However, groups represented in the Chamber of Deputies receive subsidies in order to finance their parliamentary activities as set out in Article 14, Section 7 of the Rules of Procedure of the Chamber:

'In order to support the work of the political groups, the Bureau of the Chamber shall put at their disposal the necessary office space and facilities together with financial assistance in proportion to the number of representatives in each group'.

9.3. The amounts are fixed at present as follows:

For the five first representatives in a group, LFR 600 000 per representative each year (this basic amount has to be multiplied by a certain coefficient to take account of the cost of living: for 1988 the coefficient was 428.67, the basic amount being 100).

For every additional representative LFR 50000 (index linked).

9.4. Political parties do not have to keep accounts and they are not obliged to publish their annual balance sheets. Donations are not tax deductible and are not usually disclosed.

Funding of electoral campaigns

9.5. For electoral campaigns free postal services are provided for each candidate.

10. Netherlands

Legal basis

10.1. Political parties in the Netherlands have traditionally been reluctant to accept State subsidies. Indeed, in order to prevent the State and the business world encroaching upon their autonomy, and in order to avoid the effects of changes of government, political groups have preferred to rely on their members' subscriptions and on small donations.

However, the Decree of 28 January 1972 provides for grants to foundations affiliated to the parties represented in the Second Chamber. It has thus been possible to assist political parties financially without affecting their status, since they have no legal personality in the Netherlands.

Funding of political parties and groups

10.2. It is estimated that subscriptions are still the main source of income of political parties; for example in 1984 about 60% of the total expenditure of PvdA (Labour Party) organizations was financed by subscriptions. Some parties link their annual subscription to the income or age of their members. Subscriptions and donations from individuals are tax deductible provided that they are equivalent to at least 1% but do not exceed 10% of the gross annual income of the citizen concerned (Article 47 of the Income Tax Code).

10.3. Donations made by private corporations are also tax deductible but the minimum amount is fixed at HFL 500 and the maximum at 6% of the total profit (Article 16 of the Corporate Taxation Code).

10.4. However, it must be pointed out that contributions to parties from private companies are not a common practice and, in order to avoid possible problems, some parties have decided to restrict the number and type of donations which they can accept.

10.5. The foundations affiliated to political parties fall into three groups:

- (a) Research institutes, which have received subsidies since 1972. The amounts are calculated in proportion to the size of the groups in the Second Chamber and cannot exceed the institute's income from other sources on the grounds that if a foundation is unable to raise funds on its own it should not be kept alive artificially by State aid.
- (b) Educational institutes, which have received State subsidies since 1975. These grants must not amount to more than 30% of their expenditure.
- (c) Youth movements, which have benefited from State aid since 1976 (up to 1981 temporarily and since then more permanently), but such aid is limited to funding not more than 10% of their staff salaries and 30% of their expenditure.

10.6. Subsidies must be applied for in writing, and the necessary financial documents must be enclosed with the application; an advance can be granted for the current or the next financial year but the total amount of the subsidies can be fixed only after the Central Accounts Department of the Ministry of Finance has approved the financial report of each party.

10.7. Parliamentary groups also receive subsidies but in the case of the Netherlands it is debatable whether they should be considered a source of income. They are calculated as follows:

HFL 1 060 per month for each representative; this sum scarcely covers one-third of the secretarial expenses of an MP;

an annual contribution calculated on the basis of the size of the group by multiplying HFL 1 000 for the leader of the group and HFL 300 for the other members by an annually adjusted rate.

10.8. It must also be emphasized that free access to the media, which in other countries is regarded as an indirect form of aid, is treated as direct aid in the Netherlands. The Dutch Government allows all parties represented in the Second Chamber free broadcasting time. Regardless of its size, each party has ten minutes of air time every two weeks on radio and ten minutes every three months on television. In order to meet the production costs in 1984 each party could claim HFL 28000.

Funding of electoral campaigns

10.9. With regard to election campaign expenditure the authorities provide free space for posters and free media access of two ten-minute periods on radio and the same on television; this aid is provided for parties not represented in the Second Chamber but which present candidates in all 18 electoral constituencies. Although the organization of the election and the counting of votes are at the Government's expense, everything else must be paid for by the parties. However, it must be pointed out that electoral campaigns in the Netherlands are not expensive; the total expenditure is estimated at an average of HFL 1 per voter, whereas this figure is seven times higher in the USA and 20 times higher in Germany.

11. Portugal

Legal basis

11.1. Article 63 of Law No 77 of 1 July 1988 provides for subsidies to be paid to political parties and parliamentary groups.

Funding of political parties and groups

According to law No 77 of 1988, an annual subsidy is granted to every party represented in the Assembly of the Republic and presenting election candidates, even as part of a coalition with common objectives. Applications must be made to the President of the Assembly of the Republic.

11.3. The subsidy is equivalent to 1/225th of the minimum national salary for each vote obtained at the previous general election.

11.4. In the case of a coalition, the amount allocated to the coalition is distributed to the various parties on the basis of the number of their elected deputies.

11.5. A subsidy for deputies' secretarial costs is given to the parliamentary groups. This amount is equivalent to four times the minimum salary, plus one third of the minimum salary multiplied by the number of deputies in the group.

11.6. When applying the provisions given in the previous paragraph, parliamentary groups representing coalition parties are considered as a single parliamentary group.

11.7. The subsidies concerned are paid in twelfths, from special appropriations entered in the budget of the Assembly of the Republic.

12. United Kingdom

Legal basis

12.1. There is no system of public funding of political parties in the UK. There is, however, very limited financial assistance for opposition parties represented in Parliament. This system was set up by a resolution adopted by Parliament on 20 March 1975 and amended in February 1978, March 1983, March 1987 and June 1988.

Funding of political parties and groups

12.2. Opposition parties in the House of Commons have received subsidies to finance their parliamentary activities since 1975. These subsidies, however, can be considered as compensation to offset the advantages enjoyed by the party in power. The amounts the parties receive are calculated as follows:
UKL 2 250 for each seat won by the party, plus UKL 5.10 for every 200 votes at the last general election. Parties qualify for the subsidy if they have at least two members elected or one member elected and a minimum of 150000 votes.

12.3. Subsidies are not allocated automatically but only if the party makes an application to the Accounting Officer of the House of Commons with proof that the request is for expenses incurred solely in the course of parliamentary activities. The Leader of the House has recommended that most of the funds should be allocated to the Front Bench research department (shadow ministers), the Opposition Whips' Office (Opposition Chief Whip) and the staff of the Leader of the Opposition.

12.4. The following amounts were paid to each party in 1988:

	<i>(UKL)</i>
Labour Party	883135.75
Social and Liberal Democratic Party	139965.87
Liberal Party	30786.94
Social Democratic Party	72633.65
Scottish Nationalist Party	21812.30
Plaid Cymru	6034.40
Ulster Unionist Party	39887.89
Ulster Democratic Unionist Party	6796.20
Social Democratic Labour Party	2270.00
Total .	1 203322.97

These figures include back payments for activities carried out in 1987. In 1988 the Liberal Party and a wing of the SDP joined to form the Social and Liberal Democrat Party.

Funding of electoral campaigns

12.5. Another aspect of the financing of political parties is the ceiling imposed on electoral campaign expenditure. The law sets strict limits on the use of political parties' funds, and the sums which may be paid out by or on behalf of each candidate. This issue is covered by the Corrupt Practices Prevention Acts of 1854 and 1883, established after successive reviews of electoral legislation. The most recent is the Representation of the People Act of 1983, amended in 1985.

12.6. The law is concerned with the financial organization of election campaigns and lays down rules for controlling expenditure and the activities of the election agent. According to the law, candidates or their representatives must nominate someone as their election agent. The deadline for doing so is the same as the deadline for withdrawing an election candidature. (Representation of the People Act, 1983, Part 3, Article 67). The name and address of the agent must be declared to the appropriate official. Candidates may act as their own agent, in which case they must comply with the provisions of the Act both as candidate and as election agents.

12.7. The agent appoints all those employed on behalf of the candidate and is also responsible for making all payments during the election campaign (Articles 72 and 73). Any payment over UKL 20 must be evidenced by an invoice or receipt. Funds provided by anyone other than the candidates (gift, loan, advance, deposit, etc.) to cover campaign expenses must be paid to the candidates or their agents.

12.8. The candidates in an election may themselves pay any personal expenses up to UKL 600; above that sum, payment must be made by the agent (Article 74). Expenses may be incurred only by the candidates, their agents or anyone authorized by the candidates to organize public meetings, take charge of campaign publicity, etc. This is not intended to restrict the publication of information about the election in a newspaper or TV broadcast (Article 75).

12.9. Candidates and their agents may not make payments or incur expenses above the amount fixed for the conduct and management of the election campaign (Article 76), which is as follows:

(a) for a candidate in a general election:

in a county (rural) constituency, UKL 3 370, plus 3.8p for each name on the register of electors (as first published),

in a borough (urban) constituency, UKL 3 370, plus 2.9p for each name on the register of electors (as first published);

(b) for a candidate in a local government election:

for each local election, UKL 150 plus 3.4p for each name on the register of electors (as first published).

12.10. Within 35 days of the declaration of the election results, the agent must send the appropriate officer a report of all payments made, evidenced by invoices and receipts.

12.11. In May 1975 the Labour Government set up a 12-member committee on financial assistance. This committee, chaired by Lord Houghton, reported to Parliament in August 1976. Four members — Conservatives and Scottish Nationalists — rejected the proposed recommendations. The Houghton Report's main recommendations were as follows:

(i) a system of State financial assistance to political parties should be introduced,

(ii) this assistance should take the form of an annual grant from public funds to be paid to the parties' central organizations for general expenses, and, at local level, limited reimbursement of election expenses,

(iii) to qualify for this grant the parties should have saved their deposits in at least six constituencies at the previous election, or have had at least two candidates elected, or one candidate elected and at least 150000 votes.

12.12. The amount of the grant should be calculated on the basis of 5p per vote cast. Since this report, the question of political party funding has not been raised again in the UK.

Recent developments

12.13. In June 1989 the Government announced its intention of reviewing the law on the limits imposed on candidates' expenses at by-elections. These elections, at which a constituency elects a new member when the seat becomes vacant, are increasingly becoming major national events attracting great attention from the media and political commentators. The Government has taken an initial step by tabling a bill to impose a ceiling on by-election expenses, which would be four times that for general election expenses, which would remain unchanged.