

Guidelines for reporting in-kind donations and reporting political and business agreements with the donator

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The guidelines are made for political parties, including registration-obligated local chapters, registered according to the Political Parties Act (Act of 17.6.2005 no. 102) chapter 2. The guidelines are based on FAD's comments in the white paper (the "Bill" - Ot.prp no. 84 (2004-2005) section 7.6.6 "More specific on income to be reported" and section 6.4.5 "Agreements in connection with some contributions"

1. Voluntary work

Voluntary work is not considered to be a source of income which the party or party chapter is obligated to report. As voluntary work is considered any service or work contribution for the party or party chapter done by private individuals without compensation. Professional or profession type work done by authorized persons who otherwise have this as a source of income, is not considered voluntary work even if the work is carried out without compensation or price discount. The latter contribution falls in under the definition of in-kind donations and is to be entered as income and reported according to the principles in point 2 below.

Explanation/reference: The ministry commented on the distinguishing between voluntary work from private individuals and free or discounted work from professionals as stated in the white paper Odelting proposition no 84 (2004-2005), section 7.6 page 55:

"The Ministry points out that the consequences of this proposal will be i.e. that a pensioned plumber can carry out plumbing work free of charge for the party without the value of it being reported. The same will in principle be the case for an authorised auditor who works as a carpenter at the moment – and who does not have auditing competence as a part of his income. This person can perform "free" auditing work for the party, but not carpentry work – without this having to be declared in the party's report.

By private persons is also meant party members, regardless of what office they might hold in the party. Based on the Data Inspectorate's questions, the electrical services rendered by a party member or his or her spouse/common law spouse/registered partner or others who have this as a profession, are not regarded as voluntary group work in the eyes of the Party Act and are therefore included in the reporting requirement. If, on the other hand, the party member is employed full-time by the party and at the moment does not have any other earned income, this person's services will be regarded as voluntary group work which is not required to be declared in the party's income accounts.

The Ministry sees that income basis / no income basis can be a somewhat artificial criterion with regard to which services shall be included in the voluntary group work concept. If a rule regarding reporting of non-monetary contributions is introduced, so that the contributions shall not only include objects, but also services, and for which in its turn an exception is granted for certain services for which it is in the interests of society that private persons shall continue to provide free of charge to political parties, a delimitation must be undertaken in one way or another. The Ministry has concluded that the income basis in this connection can be an appropriate division.

So as not to complicate the rule too much, the Ministry does not intend to make a further delimitation of the income basis concept in the form of different percentage rates for part-time work.⁹

⁹ I.e. so that services performed for the party organisation can be regarded as voluntary group work donations if the nature of the work does not exceed 50% or 25% of the total income basis etc.

The purpose of using the income basis criteria as a basis, is to make a practical set of rules, inter alia so that setting a value on the service performed shall be fairly correct. An authorised electrician who at the time works as an electrician is assumed to be in a better position than others to see what the service is worth on the market. Alternatively, one can view it such that the person performing a free service for the party could instead have used his or her working time to perform an equivalent job for another customer for payment. It is precisely the value of the alternative use of time which shall be reported in this case – if it exceeds the “free” statutory limits. Equivalently, reduced payment or discount on such services shall be declared in the income report if the discount exceeds the same limits. One question which is raised in this connection is whether in setting the value of services, (fictitious) value added tax shall be included so that the value of the service will be comparable to a greater degree with what the party would otherwise have to pay for it on the market. The Ministry cannot see that the Committee has discussed this question in-depth. The Ministry sees that it may be more correct to take VAT into consideration, but nevertheless proposes that no requirement shall be made to use VAT considerations as a basis for the setting of the value of a service rendered.

2. In-kind contributions

In-kind contributions are in principle regarded as an income source for the party chapter which has to be reported – on line with monetary contributions. As ”in-kind contributions” are regarded all contributions other than money if the contribution has a market value or implies a contribution which usually is made up in money. In-kind contributions from one and the same contributor which, during the course of the fiscal year, in total do not exceed the amount limits determined in the Political Parties Act section 20, first paragraph, may still be excluded from the income report. The ministry assumes that monetary contributions and in-kind contributions are counted together when assessing whether the amount limitations in section 20 are exceeded. As basis of the economic valuation, objective criteria should be used as far as possible.

Explanation/reference: For a municipal party chapter, in-kind contributions from one and the same contributor with a total value of NOK 10,000 or more should be included in the income report. For a party chapter on the county community level, included county youth organizations, in-kind contributions from one and the same contributor exceeding a total value of NOK 20,000 or more, have to be included in the income report. For a party chapter on the central level, including the central youth organization, in-kind contributions from one and the same contributor which have a total value of NOK 30,000 or more are to be included in the income report. In addition to the value of the in-kind contribution, the contributor’s name and municipality of residence has to be stated if the contributor is a physical person, or name and postal address if this is a legal entity.

Examples of contributions being counted together: If a country chapter receives a monetary contribution of NOK 13,000 and an in-kind contribution with an estimated value of NOK 6,500 or more from one and the same contributor (that is, a total value of NOK 20,500), the contribution will trigger a reporting requirement according to the principles mentioned above.

Beyond this, see the definition of contribution in the Act section 19, third paragraph.

The ministry stated the following in the White Paper, Ot. prp no 84 (2004-2005), section 7.6 page 55:

Contributions in the form of objects shall be declared in the form of an estimate of the market value of the object. A donor who makes a party organisation a gift of a used car, shall report this together with the value of the car if it exceeds the free statutory limits applicable to the party organisation in

question. The same applies to objects d'art or securities to the same value. Reporting is not required for objects which are not assumed to have any market value worth mentioning, for example, obsolete computer equipment, used furniture, objects which bear the mark of being "jumble" or objects which would be difficult to sell in a market or where it is impossible to fix the value.

3. Political and business agreements with the contributor

The income report has to include information on all written agreements which the party organization has made with possible contributors – concerning business as well as other agreements. In the act or preliminary law texts there are no limitations as to the size of the contributions. Hence, the Ministry assumes that the duty to report on the existence of agreements with contributors is in force regardless of size and form of the contribution; in other words, also in those cases where the contributor/agreement party has contributed a monetary/in-kind contribution below the threshold value stated in section 20, paragraph one.

If inquired, the party or the party unit is obliged to provide information and insight into agreements made with the contributor, cf the Party Act section 21.

Explanation/reference: In the white paper Ot. prp no 84 (2004.2005) section 6.4, page 40 the Ministry states:

“Initially one could imagine that the right of inspection should be limited to agreements which concretely concern or deal with the donors’ support to the party – i.e. agreements where the amount is clearly presented, and that other agreements which the party may have entered into with the donor should not be included in the disclosure obligation or right of inspection. The Department is of the opinion that this will be too narrow a delimitation of the Act. In addition to agreements regarding circumstances which deal with financial compensation, agreements can be entered into which regulate the parties’ reciprocity to the donor or another contractual party. With such narrow delimitation, agreements of the latter category will not be subject to the reporting duty and right of inspection.

The Ministry is therefore in favour of information being declared in income reporting of all agreements the party organisation has entered into with any donors – both business and other agreements. The Ministry sees that in practice this can be done by crossing off a column – or possible in combination with a separate specification column in the annual reports. Further, the parties are obligated to allow public inspection of such agreements upon request. Reference is made to Section 21 in the Bill.”

In its remarks to section 21, page 82, the Ministry says:

“The party or the party organisation shall here indicate whether any agreements of any kind have been entered into with any of the donors who have made financial contributions to the party and who fall under the definition of income according to Section 19. A declaration must also be made of the donors with whom agreements have been entered into. It is an assumption that the agreements are in writing, so that it will be possible to practise the rule regarding inspection. It is assumed that anyone will have the right of inspection of any agreements that have been declared, if a request is made for it. It is emphasised that the declaration only concerns agreements entered into with donors who have supported the party financially, and where the contribution(s) are defined as “income” in accordance with Section 19 of this Act.”