

Possible changes to political donation rules in the Electoral Act

Introduction

There is a clear public interest in understanding the potential financial influences on political parties and candidates. The rules around political financing – especially donations – are important to maintain public trust in the integrity of our electoral system.

The rules must balance the needs of public transparency and democratic participation.

The Ministry of Justice has identified several potential changes to the current rules that could be made before the 2023 General Election.

Together, these changes are intended to improve the overall transparency and openness of political funding without unduly restricting donors' ability to donate, or parties' and candidates' ability to raise the funds they need.

The proposed changes are also seeking to simplify the administrative complexity of the rules, to help support compliance. The changes would work best as a package but are not mutually dependent.

The Government is considering whether changes should be made to the rules that apply to political donations in New Zealand before the next General Election in 2023.

We want your feedback

We are seeking your feedback on four questions:

1. Do you think the proposed changes to **disclosure rules and thresholds** would improve transparency and openness?
 - If yes/no, why? (please specify which proposal(s) you are commenting on)
2. Do you think the proposed changes to **reporting** would help support compliance?
 - If yes/no, why? (please specify which proposal(s) you are commenting on)
3. What factors do you think are most important when considering changes to anonymous donations?
4. Is there any other feedback you would like to provide on these proposed changes?

To send us your feedback on the questions above, you can:

- [Complete an online questionnaire](#)
- Email your feedback to electoral@justice.govt.nz.

For us to consider your feedback, we need to receive it by **5pm on Tuesday, 25 January 2022**.

Te Tāhū o te Ture – the Ministry of Justice is leading the project because it administers the Electoral Act 1993. This is the Act that sets the rules for political donations in New Zealand.

Background information

What are the current rules for political donation settings?

The Electoral Act 1993 includes rules that determine how political donations can be made, how much donors can contribute, and how these contributions are reported on once they are received.

[These rules are summarised on the Electoral Commission website.](#)

What are the changes being considered?

The seven specific changes being considered include:

1. Lowering the thresholds for political parties to disclose the identity of donors from \$15,000 to \$1,500 (to align with the disclosure threshold for donations to candidates)
2. Increasing the frequency of reporting of donations by parties
3. Removing the requirement that the identity of donors making donations over \$30,000 must be reported to the Electoral Commission *within 10 days* (alongside proposal 2)
4. Requiring more detailed disclosures of in-kind (non-cash) donations
5. Requiring disclosure of the volume and total dollar amount of donations under \$1,500
6. Requiring parties to release their annual financial statements, and simplifying the audit requirements to make audit reviews more meaningful
7. Introducing a requirement for candidates to disclose loans.

A ban on anonymous donations is also being considered. If introduced, such a ban would impact on a number of parts of the Electoral Act.

Why are these changes being proposed?

Regulation of political donations needs to weigh up competing factors such as:

- preventing political donations from having an improper influence on electoral outcomes
- preserving freedom of political expression (i.e. freedom to support any eligible candidate or party one chooses) and association and supporting donors' privacy (where there is no public interest in disclosing personal information)
- ensuring political parties can access financial support to play a robust role within an MMP system

- the need for rules to be efficient and practical for participants (e.g. candidates, parties and promoters) and the Electoral Commission.

The size and scope of potential issues within the system are difficult to determine. This is due, in part, to the [rules](#) around what information candidates and parties are required to provide to the Electoral Commission.

This lack of visibility can contribute to a sense of public confusion and concern about who is funding political parties; confusion that can affect public trust and confidence in the donation regime and, by extension, in the political parties themselves.

Recent incidents involving donations to political parties or candidates have raised public concerns about the level of transparency in, and complexity of, our donations regime.

Each incident has been different in nature and this suggests there may be a number of vulnerabilities in the current settings that warrant further attention.

Public concerns relating to fundraising activities (e.g. dinners and auctions) and in-kind donations (which can include goods, services and expertise donated free-of-charge) suggest further transparency could help reduce any vulnerability in these areas.

Why is a ban on anonymous donations being considered?

The issue of anonymous donations is often raised in the public debate around the transparency of political donations because it seems counter-intuitive to be able to donate anonymously in a system that aims to promote transparency and openness.

Banning anonymous donations (similar to the existing ban on overseas donations) could be a significant and principled shift towards transparency.

The counter argument to this is the need to protect donor privacy in respect of political affiliations (consistent with the secrecy of the ballot) and the potential dampening effect a ban could have on donor participation for those who value anonymity above this form of political participation.

There is a provision in the law (Section 208A of the Electoral Act 1993) which enables New Zealand persons to maintain their anonymity (in relation to both the party and the public) by donating to the party via the Electoral Commission.

This provision is separate from other settings relating to anonymous donations.