

**Political Parties
(Financing) Law,
5733-1973**

1. In this Law -

Definitions

"party" - as in the Political Parties Law, 5752-1992;

"faction" - one of the following:

- (1) a party which was represented by a faction in the outgoing Knesset, submitted a list of candidates for the Knesset elections, and is represented in the Knesset by at least one representative;
- (2) a party whose representative or representatives in the Knesset have been recognized as a faction by the House Committee;
- (3) a combination of two or more parties which maintain one faction in the Knesset;

"new faction" - a party not represented in the outgoing Knesset, which submitted a list of candidates for the Knesset elections and is represented in the Knesset by at least one representative;

"body connected with a faction" - a body of persons, incorporated or unincorporated, participating in election propaganda or in ongoing activity of a political party, which, in the opinion of the State Comptroller, must be considered an extension of the faction, having taken into account all or some of the following characteristics: its objects and activities; the identity of its owners, managers and members; the intended use of its profits and the sources from which its losses are to be covered; but this shall not include a labour federation or a cooperative society for settlement in relation to activities which, in the opinion of the State Comptroller, it did not engage in as an extension of the faction;

"expenses" - the expenses of a faction for the organization of its activities, for propaganda and information and for the maintenance of organizational and ideological ties with the public, and includes liabilities incurred in respect of such expenses;

"election expenses" means the special expenses of a faction or list of candidates incurred during the election period or for purposes of the elections in the Knesset election campaign;

"ongoing expenses" means the expenses of a faction, other than election expenses;

"monthly financing of a faction for its ongoing expenses" - a faction's financing under sections 3(c) and 12, including financing in accordance with an agreement under s. 12(d);

"interest and linkage payments" - as defined in the Determination of Interest and Linkage Payments Law, 5721-1961.

"parliamentary staff" - employees of a party or faction, permanently employed at the faction's offices in the Knesset to deal with the faction's parliamentary activity in the Knesset;

"the determinative date" - any of the following, as applicable:

- (1) the 101st day before the date of Knesset elections according to section 9 of the Basic Law: Knesset;
- (2) when elections are the result of a Law passed for the dissolution of the Knesset according to section 34 of the Basic Law: Knesset - the third day after the coming into force of that Law;
- (3) when early elections are held according to sections 11(b) or 29(f) of the Basic Law: Government or according to section 36A of the Basic Law: Knesset - the third day after the grounds for early elections were established;

"election period" - the period from the determinative date to election day;

"financing unit" - the amount designated by the Public Committee as the financing unit for the purposes of this Law, as published in the Official Gazette (Reshumot);

"the Public Committee" - the committee established pursuant to section 1A;

"the Elections Law" - the Knesset Elections Law [Consolidated Version], 5729-1969;

"the Knesset Law" - the Knesset Law, 5754-1994;

"list of candidates" - a party with no representation in the outgoing Knesset, which submitted a list of candidates for Knesset elections;

"banking corporation" - as in the Banking (Licensing) Law, 5741-1981.

- 1A. (a) For the purposes of this Law, a Public Committee shall be established, composed of three persons and headed by a judge appointed by the President of the Supreme Court. The other members shall be appointed by the Speaker of the Knesset. One of the Committee's members shall be, at the time of his or her or her appointment, a faculty member of an institution of higher education recognized pursuant to the Council for Higher Education Law, 5718-1958. Public Committee
- (b) The Public Committee shall serve for four years from the day of its appointment; Notice of the appointment of the Committee shall be published by the in the Official Gazette (Reshumot) on behalf of the Knesset.
- (c) A person who has served continuously for two complete terms shall not be appointed to serve as a member of the next Public Committee.
- (d) Where a Committee member ceased serving or was precluded permanently from fulfilling his or her or her duties, a replacement shall be selected as provided in subsection (a) for the balance of the Committee's term.

- (e) The Speaker of the Knesset shall issue directives in respect of the compensation to be paid to members of the Public Committee, which shall be paid from the Treasury.
- Functions of the Public Committee 1B. (a) The Public Committee shall set the amount of the financing unit as provided in section 3.
- (b) Determination of the financing unit shall commence on one of the following dates, as the Public Committee shall decide: January 1, April 1, July 1 or October 1.
- (c) The Public Committee shall not reduce the amount of the financing unit that it set except by unanimous decision.
- (d) A financing unit shall not be set retroactively.
- Linkage 1C. (a) In this section, "index" means the Consumer Price Index published by the Central Bureau of Statistics.
- (b) The financing unit shall be linked to the index, for which purpose the following provisions shall apply:
- (1) Where a change occurred in the index for January of a certain year compared to the index of January for the preceding year, the financing unit shall be changed in accordance with the amount of change in the index;
- (2) The amounts that changed shall be rounded off to the nearest hundred New Israeli Shekels (hereinafter - NIS);
- (3) The committee shall publish notice of the changed amounts in the Official Gazette (Reshumot).
- Right to Financing 2. (a) Every faction shall, in accordance with the provisions of this Law, be entitled to financing for -
- (1) its election expenses in the election period;

- (2) its ongoing expenses every month, beginning from the month following the publication of the results of the Knesset elections and until the month in which the results of the next Knesset elections are published.
 - (3) coverage of the costs for its parliamentary staff.
- (a1) A faction or list of candidates which received more than 1% of the valid votes in the elections, but does not receive seats pursuant to section 81(a) of the Elections Law, is entitled to receive financing for election expenses in the amount of one financing unit, provided that the conditions of section 6(a) are met, mutatis mutandis; 85% of the amount shall be paid immediately after publication of the results of the Knesset elections, and 15% of the amount after the State Comptroller submitted to the Speaker of the Knesset a positive report pursuant to section 10(b). Any advance payment given to the list of candidates under section 4 shall be deducted from the amount of financing to be paid, pursuant to section 4(c) or (c1), as applicable; for this purpose, "valid votes" has the same meaning as in the Elections Law.
- (b) The moneys for financing shall be paid out of the Treasury, through the Speaker of the Knesset, into each faction's bank account, as provided in section 6(a)(3).
3. (a) (1) The financing for the election expenses of a new faction shall be at the rate of one financing unit per seat obtained by the faction in the Knesset elections, plus an amount equal to one financing unit.

Calculation of
Financing

- (2) Where a faction was created in the outgoing Knesset pursuant to a decision of the House Committee concerning reconstitution of Knesset factions, rather than as a result of its party having been elected to the outgoing Knesset, the financing of that faction's election expenses shall be at the rate of one financing unit per seat obtained by the faction in the elections for the incoming Knesset, plus an amount equal to one financing unit.
- (b) The financing for the election expenses of a faction shall be based on the number of financing units which is equal to the average of the number of seats that the faction obtained in the elections to the outgoing Knesset and the number of seats it obtained in the elections to the incoming Knesset, plus an amount equal to one financing unit.
- (c) The monthly financing for ongoing expenses shall be in the amount of 5% of one financing unit for each seat that the faction obtained in the elections to the Knesset, plus 5% of one financing unit.

Financing of
Parliamentary
Staff

- 3A. (a) The yearly sum for financing of parliamentary staff pursuant to section 2(a)(3) shall not be more than 6 million NIS, to be paid from the Treasury; the Speaker of the Knesset shall determine rules by which the amount shall be divided between factions with at least 2 Members of Knesset, taking into account their relative sizes.
- (b) The amount cited in subsection (a) will be linked to the index, and subsections 1C(b)(1) and (2) shall apply, *mutatis mutandis*.

4. (a) A faction which delivers to the Speaker of the Knesset confirmation from the Chairperson of the Central Election Committee that it has submitted a list of candidates for the next Knesset, shall immediately be paid an advance on its election expense financing. The advance shall be 70% of one financing unit in respect of each Member of Knesset who belonged to the faction on the determinative date according to section 1; for this purpose, Members of Knesset who, according to a decision of the House Committee, were found to have broken off from the faction after the determinative date shall not be taken into account.
- (a1) Notwithstanding the aforesaid in subsection (a), a faction with less than ten Members of Knesset may request an advance on its election financing in the amount of 70% of ten financing units, provided that it deposited with the Speaker of the Knesset an independent bank guarantee, to his or her or her satisfaction, for the difference between the amount of the advance pursuant to this subsection and the amount of the advance to which it is entitled pursuant to subsection (a). The bank guarantee shall remain in effect at least until six months after election day, and shall include the bank's undertaking to pay the Treasury the amount of the guarantee, in whole or in part, at the request of the Speaker of the Knesset.
- (a2) A list of candidates may request an advance on its election financing in the amount of 70% of ten financing units, provided that it delivered to the Speaker of the Knesset a certificate by the Chairperson of the Central Election Committee that it has submitted a list of candidates for the next Knesset, deposited a bank guarantee as per subsection (a1), and fulfilled the conditions stated in section 6(a).

Payment of
Election Expenses

- (b) Where in the elections to the incoming Knesset a faction or a new faction obtains at least one seat, it shall be paid, immediately after the publication of the election results, the amount due to it under section 3.
- (c) An advance received by a faction or a new faction under subsection (a) shall be deducted from the payments under subsection (b). Where the advance exceeds the amount due to the faction in respect of election expenses, the excess shall be deducted from the first amount or amounts due to it in respect of ongoing expenses.
- (c1) Where the advance that was paid pursuant to subsections (a1) and (a2) exceeds the amount due to the faction or list of candidates under subsection (b)(1), the Speaker of the Knesset shall order payment of the bank guarantee, in whole or in part, up to the difference between the amount of the advance that was paid and the amount due.
- (d) A new faction shall be entitled to be reimbursed for financing expenses incurred by it in respect of election expenses.
- (e) For the purposes of this section, “financing expenses” means financing expenses paid to a financial institution in connection with a credit granted to a faction for the purposes of election expenses borne by it in the period beginning fifteen days after the determinative date, provided that financing expenses shall not be refunded in respect of a credit in excess of the amount of election-expenses financing to which the faction is entitled under section 3 and which has not yet been paid to it under subsection (a) or (b).

Exception to
Financing

- 4A. Special financing shall not be provided for expenses for repeat elections held in a particular polling station, as provided in section 86(d)(1) of the Elections Law.

5. Payments for financing the ongoing expenses of factions shall be made to them at the times prescribed by the Public Committee. Payment of Ongoing Expenses
- 5A. (a) A faction or list of candidates shall appoint an accountant to audit its accounts and give opinions pursuant to section 10(d1). Appointment of Accountant
- (b) The accountant, notification of whose appointment is delivered pursuant to section 6(a)(4) and who consented to serve as such (hereinafter - the accountant), shall serve until a replacement has been appointed for him or her.
- (c) Where the accountant resigned or is unable to fulfill his or her duties, the faction or list of candidates shall, within 30 days from the time it was so notified, appoint another accountant in his or her stead.
- (d) The State Comptroller may prescribe guidelines for accountants appointed for the purposes of this Law in respect of ways and procedures for inspecting the accounts of the factions and lists of candidates.
6. (a) A precondition for payment of the amounts for financing election and ongoing expenses is that, within fifteen days after the determinative date - and for a new faction, within fifteen days after the day on which it was recognized as a faction - Conditions of Payment
- (1) the faction has notified the Speaker of the Knesset of the names of not fewer than two and not more than eight representatives empowered to act on behalf of the faction for the purposes of this Law (hereinafter - "the representatives"); the consent of the representatives shall be attached to the notification; at least one of the representatives shall be a Member of Knesset; at least one of the representatives shall be declared, by the faction and by himself or herself, to be familiar with the faction's financial dealings;

- (2) the faction has submitted to the Speaker of the Knesset a declaration signed by its representatives that it has done everything necessary to ensure the proper keeping of accounts concerning its income and expenditure in accordance with the determinative directives of the State Comptroller;
 - (3) the faction has notified the Speaker of the Knesset of the number or numbers of its account or accounts at a bank or banks;
 - (4) the faction or list of candidates has notified the Speaker of the Knesset of the name of its accountant, his or her address, and additional particulars as prescribed by the Speaker of the Knesset, and has attached the accountant's consent to serve in this capacity.
- (b) A faction may at any time replace or add to its representatives, provided that it has notified the Speaker of the Knesset accordingly and provided that the representatives meet the requirements of subsection (a)(1). It may also notify the Speaker of the Knesset of any change or addition to its bank accounts, as long as it has presented documentation from the bank showing that any account it wishes to replace does not have a negative balance.

Authorized
Signatory

- 6A. (a) Financial obligations of a faction or list of candidates shall be binding only if given by persons determined by the faction, and whose names were published in accordance with the directives of the State Comptroller.
- (b) The provisions of subsection (a) shall not derogate from the power of the State Comptroller to deem the financial obligations given in contravention of subsection (a), as expenses incurred or contributions received pursuant to this Law.

7. (a) Repealed. Limitation of Expenses
- (b) Subject to the provisions of subsection (c), a faction or a new faction shall not incur election expenses exceeding seventy financing units.
- (c) (1) A faction which on the determinative date did not include more than five Members of Knesset shall not incur election expenses exceeding ten financing units;
- (2) A faction which on the determinative date included more than five but less than eleven Members of Knesset shall not incur election expenses exceeding two financing units in respect of each Member of Knesset belonging to that faction;
- (3) A faction which on the determinative date included eleven or more Members of Knesset shall not incur election expenses in an amount exceeding two financing units in respect of each of the first ten Members of Knesset, and one and a half financing units in respect of each remaining Member of Knesset.
- (4) A list of candidates shall not incur election expenses in an amount exceeding the higher of either ten financing units or the amount pursuant to paragraph (2) or (3), according to the amount of Knesset seats it received.
- (d) During the course of one year, a faction shall not incur ongoing expenses in an amount exceeding the higher of either three-fifths of the amount due it for financing its ongoing expenses, or three-fifths of the amount due as aforesaid to a faction with five Knesset seats.
- 7A. A list of candidates or any party without representation in the Knesset, shall not receive loans except from a banking corporation. Limitation of Loans to a Party

- Faction's Bank Account and Limitation of Loans
- 7B. (a) No banking corporation shall issue an unreasonable refusal to open and maintain a regular savings account in Israeli currency on behalf of a party or faction, as long as said party or faction fulfill the basic conditions for maintaining such an account at said banking corporation; however, there is no obligation to grant services which amount to an extension of credit to a party or faction.
- (b) A faction shall not receive a loan from any source, other than -
- (1) a loan from the Treasury pursuant to section 7C;
- (2) a loan from a banking corporation for the purpose of purchasing real property rights and subject to standard conditions for such a loan.
- (c) For the purposes of subsection (b), a negative balance in the bank account into which the financing of ongoing expenses is paid, shall not be considered a loan, as long as the negative balance does not exceed half of the monthly amount paid to the faction in respect of its ongoing expenses.
- (d) A party or faction may receive a bank guarantee or guarantee of another sort, according to directives set by the State Comptroller, including as to amount.
- Loan to Faction
- 7C. (a) A faction is entitled to receive, through the Speaker of Knesset, loans from the Treasury in accordance with the conditions set out in this section, as applicable.
- (b) (1) After the publication of election results and until the earlier of either the determinative date or three years from the convening of the Knesset, a faction may receive a loan in an amount equal to its monthly financing for ongoing expenses multiplied by the number of months until three years will have passed since the Knesset was convened.

- (2) The principal of the loan under paragraph (1) shall be repaid by equal monthly payments deducted from the faction's monthly financing for ongoing expenses, beginning in the first month after receipt of the loan and until three years have passed since the Knesset was convened; this shall not prohibit the faction from early repayment.
- (3) Where a loan under paragraph (1) is requested close to the date of Knesset elections, including after the passing of a draft Law in first reading for the dissolution of the Knesset, the loan shall not be approved unless the Speaker of the Knesset is convinced, upon recommendation of the Public Committee, that the loan is justified under the circumstances; a decision by the Speaker of the Knesset to allow such a loan shall apply to all factions.
- (c) Where the term of a particular Knesset has come to an end before repayment of the entire loan as per subsection (b) and the faction submits a list of candidates for the next Knesset, the outstanding amount of the loan shall be deducted from the advance payment to which the faction is entitled under section 4; where such a faction does not submit a list of candidates, the outstanding amount shall be deducted from the faction's financing for ongoing expenses.
- (d) (1) From the beginning of the fourth year of a particular Knesset and until the determinative date, a faction may receive a loan in an amount that shall not exceed three times the monthly financing for its ongoing expenses, subject to the faction having no other outstanding loans at the time.

- (2) The principal of the loan under paragraph (1) shall be repaid by equal monthly payments deducted from the faction's monthly financing for ongoing expenses, beginning in the first month after receipt of the loan and until the last month that financing is paid for ongoing expenses in respect of that particular Knesset; this shall not prohibit the faction from early repayment.
 - (3) Where the term of the Knesset comes to an end before its time according to section 9 of the Basic Law: Knesset, the time period for repayment of the outstanding loan shall be recalculated.
- (e) The loan request shall be submitted by the faction to the Speaker of the Knesset and shall include the loan amount requested and the repayment period.
 - (f) The Speaker of the Knesset shall not approve a loan pursuant to this section to a new faction with an outstanding loan from a banking corporation under section 7A until the faction provides the Speaker with a plan, to his or her satisfaction, for the repayment of said outstanding loan.
 - (g) A loan under this section shall be repaid together with payments of interest and shall be linked to the index.
 - (h) Any unpaid debt of a party or faction in respect of a loan under this section, which cannot be deducted and repaid according to this section, shall be repaid immediately; otherwise, the debt shall be deducted from any amount to which the party or faction is entitled under this law or any other law. This shall not abrogate the right to secure repayment by other legal means. The Speaker of the Knesset shall send notification of any said unpaid debt to the Ministers of Finance, Justice and Interior.

- (i) The House Committee shall not approve any changes in the constitution of factions in the Knesset or representation of a new party in the Knesset, until it is satisfied that such a decision will not operate to prevent repayment of a loan under this section.
8. (a) A faction, party or list of candidates shall not receive, directly or indirectly, any contribution from a body corporate whether in Israel or abroad. For the purposes of this provision, "body corporate" includes a registered partnership. Limitation of
Income
- (b) During the course of a year, a faction shall not receive, directly or indirectly, contributions which, in total, exceed 1,000 NIS from an individual and his or her household.
 - (c) In regard to a year in which elections to the Knesset or general Municipal elections are held, the amount of 2,300 NIS shall be substituted for the aforesaid amount in subsection (b).
 - (c1) A party which is not represented in the Knesset shall not receive contributions which exceed five times the amounts pursuant to subsections (b) and (c).
 - (c2) Notwithstanding subsections (c) and (c1), a party or faction which submitted a list of candidates but did not receive any seats in the Knesset may, during the 12 months following the day of Knesset elections and for the purpose of paying its debts in respect of election expenses, receive a contribution which fulfills the criteria of subsection (a) in an amount that shall not exceed ten times the amount cited in subsection (c).
 - (d) The amounts stated in subsections (b) and (c) shall be linked to the index and shall be rounded off, as provided in section 1C(b).

- (d1) A faction or party shall not receive contributions other than from a voter within its meaning in the Elections Law.
- (d2) A faction or party shall not receive, directly or indirectly, any anonymous contributions. For this purpose, a contribution given by a person whose identity and address are not checked and verified by or on behalf of the faction or party are deemed to have been given anonymously.
- (e) (1) Where the State Comptroller finds that a faction or party received a contribution in violation of this section, the faction or party shall transfer to the Treasury, at the time prescribed by the State Comptroller, an amount twice the amount of said contribution. However, the State Comptroller may determine that the faction must transfer to the Treasury a lesser amount if he or she deems it proper to so act under the circumstances.
- (2) Where there is no positive balance in the faction's bank accounts to transfer the amount to the Treasury, the State Comptroller shall so inform the Speaker of the Knesset, and the Speaker of the Knesset shall deny the faction the amount due as aforesaid and shall transfer it to the Treasury.

Contribution from
Kibbutz or
Agricultural
Society

8A. A contribution which a kibbutz or agricultural society makes to a faction or party in lieu of individual contributions by its members and the amount of which in the opinion of the State Comptroller is reasonable in the circumstances of the case, shall not be regarded as a contribution by a body corporate within the meaning of section 8.

For this purpose,

"kibbutz" - including a cooperative *moshav* and any cooperative society for agricultural settlement the income of which is not, in the main, distributed among its members;

“agricultural society” - any other cooperative agricultural society the members of which have individually empowered it to contribute to the faction.

- 8B. (a) A contribution given to a cultural or educational enterprise of a faction, a party or a body connected with a faction (hereinafter - a cultural enterprise) for use as part of an educational or cultural purpose, as applicable, shall not be regarded as a contribution within the meaning of section 8, subject to the provisions of subsection (c). Cultural or Educational Enterprises - Contributions and Expenses
- (b) Where the State Comptroller determines that an expense incurred by a cultural enterprise was used to finance election propaganda or party activity, the expense incurred shall be considered an expense of the faction or party.
- (c) Where the State Comptroller determined as aforesaid in subsection (b) and subsequently determines that the cultural enterprise once again incurred an expense as aforesaid, the expense shall be regarded as a contribution, and the State Comptroller may rule that the contribution is a prohibited contribution pursuant to section 8 and the provisions of subsection (a) shall not apply to said cultural enterprise.
- (d) Where the State Comptroller determined as aforesaid in subsection (c), the recipient of the contribution shall not be charged with an offense pursuant to this section unless the State Comptroller had previously notified the cultural enterprise that subsection (a) does not apply to it.

Contributions in
Case of Waiver of
Financing

8C. Where, no later than either the day for presenting the list of candidates pursuant to the Elections Law or the determinative date, whichever is later, a list of candidates or a faction gives written notice to the Speaker of the Knesset that it does not desire to have its expenses financed under this Law, then regarding said list or faction the relevant amount in section 8(c) shall be read as 126,100 NIS; said list or faction shall not be entitled to election financing in regard to that election campaign and the provisions of section 8(d) shall apply to said amount.

New Party Which
Submits a List of
Candidates

8D. (a) A party which is not represented by a faction in the outgoing Knesset and which submits a list of candidates may, within 14 days from the date of submitting the list, receive a contribution from an association of individuals, whether or not a body corporate, which existed before the party was registered where most of its members are among the party's founders, provided that -

- (1) the source of the contribution is moneys received by the said association of individuals, within the limitations prescribed in section 8 regarding a faction;
 - (2) said association of individuals kept accounts from either the time of its founding or for the period of a year preceding submission of the its list of candidates.
- (b) The accounts kept as provided in subsection (a) shall be delivered to the State Comptroller together with the accounts of the faction or list of candidates pursuant to section 10(a).
- (c) The State Comptroller shall have, regarding an association of individuals as aforesaid, the same powers granted him or her in regard to a faction pursuant to sections 9(b) and (c).

9. (a) From the fifteenth day after the determinative date and so long as it is entitled to have its expenses financed, a faction shall - Keeping of
Accounts
- (1) keep a set of accounts, and enter its income and expenditures therein, in accordance with the directives of the State Comptroller;
 - (2) hold the moneys designated for its expenses in the bank accounts referred to in section 6(a)(3).
- (b) The said set of accounts and the bank accounts shall be subject to audit by the State Comptroller, who for this purpose shall have all the powers vested in him or her with regard to an audited body under or in accordance with a Basic Law or other Law.
- (b1) The provisions of section 28W(d) of the Political Parties Law, 5752-1992 shall apply mutatis mutandis to contributions made under this Law by credit card.
- (c) The State Comptroller may at any time demand from the representatives of a faction a declaration signed by them as to the completeness or correctness of the entries in the set of accounts or as to the character or nature of a particular item of income or expenditure. A declaration as aforesaid may be made according to the knowledge or best of the knowledge of the declarants, and the Comptroller may at his or her discretion accept it as evidence.
- (d) Upon the request of at least six members of a faction, the faction shall make available for their review the set of accounts referred to in subsection (a).
- (e) Repealed.
- (f) Repealed.
- (g) The provisions of this section shall apply mutatis mutandis to a party, as of the determinative date.

Penalties

- 9A. (a) A person who does any of the following shall be liable to imprisonment for a term of one year -
- (1) knowingly makes a financial undertaking that is not in accordance with the permission given and published pursuant to section 6A;
 - (2) knowingly fails to comply with a demand made pursuant to section 10B;
 - (3) knowingly makes a contribution in violation of the provisions of this Law;
 - (4) knowingly receives on behalf of a faction or on behalf of a list of candidates a contribution in violation of the provisions of this Law.
- (b) A person who knowingly makes a false declaration under section 9(c) regarding a material particular shall be liable to imprisonment for a term of three years.
- (c) A person who orders an expenditure or who, having proper authority from the faction or list of candidates, authorizes an expenditure, knowing that with said expenditure the faction or list will have overstepped the relevant limits on expenditures, and the expenditure was in fact made, shall be liable to imprisonment for a term of one year or a fine pursuant to section 61(a)(3) of the Penal Code, 5737-1977; provided that the faction or list of candidates did indeed overstep the limits on expenditures under section 7.

10. (a) Within 16 weeks from the day on which the election results are published, the representatives of a faction or list of candidates shall submit to the State Comptroller its accounts for the election period. Where they fail to do so and the State Comptroller notifies the Speaker of the Knesset that in his or her opinion its omission was unjustified, the Speaker of the Knesset shall direct that no payment under this Law be made to the said faction or list until notification is received from the State Comptroller that the accounts were submitted and that they comply, on the face of it, with his or her directives. Where such notification is received after the Speaker of the Knesset cut off funding as aforesaid, the outstanding amount to which the faction or list of candidates is entitled shall be paid, after deducting an amount as recommended by the State Comptroller that shall not exceed 15% of said outstanding amount.
- Reports of State Comptroller
- (b) Within 22 weeks after receiving the accounts referred to in subsection (a), the State Comptroller shall deliver to the Speaker of the Knesset a report of the results of the audit thereof, indicating -
- (1) whether the faction or list of candidates kept their set of accounts in accordance with his or her directives;
 - (2) whether the faction's or list's expenses and income in the election period were within the limits stated in section 7 and section 8.

- (c) The representatives of a faction or list of candidates shall deliver to the State Comptroller its annual accounts no later than the first of May every year. Where they fail to do so and the State Comptroller notifies the Speaker of the Knesset that in his or her opinion its omission was unjustified, the Speaker of the Knesset shall direct that no payment under this Law be made to the said faction or list until notification is received from the State Comptroller that the accounts were submitted and that they comply, on the face of it, with his or her directives. Where such notification is received after the Speaker of the Knesset cut off funding as aforesaid, the outstanding amount to which the faction or list of candidates is entitled shall be paid, after deducting an amount as recommended by the State Comptroller that shall not exceed 15% of said outstanding amount.
- (c1) For the purposes of this section -
- (1) a year in which Knesset elections are held shall be deemed to terminate at the end of the month in which the election results are published, and the accounts referred to in subsection (c) shall be delivered together with the accounts referred to in subsection (a);
 - (2) the year following elections shall be deemed to commence at the beginning of the month following publication of the election results and to terminate at the end of the following fiscal year.
- (d) No later than the first of October each year, the State Comptroller shall deliver to the Speaker of the Knesset a report on the results of the audit of the accounts referred to in subsection (c); however, where the accounts are submitted at the date referred to in subsection (c1)(1), the State Comptroller shall submit the report by the date referred to in subsection (b). The report under this subsection shall include -

- (1) whether the faction or list of candidates has kept a set of accounts in accordance with his or her directives;
 - (2) whether the expenses and income of the faction or list of candidates during the year were within the limits stipulated in section 7 and section 8.
- (d1) The accounts delivered pursuant to this section shall have attached to them an opinion of the accountant of the faction or list of candidates in regard to their correctness and completeness and in regard to whether the accounts comply with the directives of the State Comptroller.
- (e) (1) If the report under subsection (b) is unfavourable, the Speaker of the Knesset shall order the return to the Treasury of an amount equal to 15% of the election financing that was paid to the faction under section 3, to be deducted in equal monthly payments for a period of 6 months from the financing due to the faction to cover its ongoing expenses. If the report under subsection (d) is unfavourable, the Speaker of the Knesset shall deny the faction or list of candidates, for a period of six months, half of the monthly financing due to the faction for its ongoing expenses.

- (2) Notwithstanding the provisions of paragraph (1), if the report pursuant to subsection (b) or (d) is unfavourable due to expenditures in excess of the amounts prescribed in section 7(a) or (b), the Speaker of the Knesset shall return to the Treasury or shall withhold, as the case may be, an amount equal to one-third of the excess expenditure, subject to the proviso that the amount returned or withheld shall not exceed 20% of the amount that the faction or list of candidates is entitled to under section 2(a)(1) or of the annual amount that the faction or list of candidates is entitled to under section 2(a)(2), as the case may be. The deduction shall be made from the forthcoming amounts of financing for ongoing expenses due to the faction or list of candidates, as applicable, but shall not exceed half of the monthly amount due to a faction for its ongoing expenses.
- (3) Notwithstanding the provisions of paragraph (1), where a faction or list of candidates has kept a set of accounts pursuant to the directives of the State Comptroller but not in strict adherence thereto, the Speaker of the Knesset shall withhold from the forthcoming payments for financing the ongoing expenses of the faction or list of candidates, as the case may be, amounts smaller than those specified in paragraph (1), as the State Comptroller may recommend having regard to the nature and extent of the deviation; the same shall apply with regard to a faction or list of candidates which exceeded expenditure limits pursuant to section 7 or which received a contribution in violation of the provisions of section 8, where the State Comptroller found that under the circumstances it is proper to act toward it as stated in this paragraph. The amount withheld each month shall not exceed half of the amount due to the faction for financing of its ongoing expenses.

- (4) Repealed.
 - (5) The withholding rules of this section shall take precedence over other deductions according to this Law or the Municipalities (Election Financing) Law, 5753-1993.
 - (6) The State Comptroller may decide, upon request from the faction or list of candidates, that the repayment period for funds to the Treasury pursuant to this subsection shall extend for longer than cited in this subsection, but shall end no later than the end of the term of that Knesset.
 - (7) Where the term of the Knesset ends before the entire amount of repayment under this subsection has been repaid, the balance shall be deducted from the advance payment due to the faction pursuant to section 4.
 - (8) The Speaker of the Knesset shall transfer to the Treasury any amounts deducted under this section.
 - (f) The Finance Committee of the Knesset may, upon receipt of the approval of the State Comptroller, extend any of the time periods set by this section. The decision of the Committee shall be published in the Official Gazette (Reshumot).
- 10A.(a) For the purposes of section 7, expenditures of a body connected with a faction shall be regarded as expenditures of the faction. Body Connected with Faction
- (b) For the purposes of section 8 -
 - (1) a contribution received by a body connected with a faction shall be deemed to have been received by the faction;
 - (2) a contribution received by a faction from a body connected with the faction shall not be regarded as a contribution by a body corporate.

- Ancillary Powers of Accountant
- (c) The provisions of section 9 relating to a faction shall apply also to a body connected with a faction. The accounts of every body as aforesaid shall be delivered at the same time as the accounts of the faction are delivered under section 10.
- 10B. The accountant of the faction or list of candidates may at any time demand its representatives to provide him or her with information, documents, explanations, and any other material necessary for him or her to audit the accounts.
- Opinion
11. (a) A faction may at any time ask the Chairperson of the Central Election Committee for an opinion as to whether a particular expenditure or kind of expenditure constitutes an election expense. The Chairperson of the Central Election Committee shall give his or her opinion after consultation with his or her Deputies unless he or she considers the matter urgent.
- (b) The opinion shall be given within seven days and be delivered to the Speaker of the Knesset, the State Comptroller, the faction which asked for the opinion and all the other factions.
- (c) A faction may at any time ask the State Comptroller for an opinion as to whether a particular expenditure or kind of expenditure constitutes ongoing expenses. The opinion shall be given within twenty-one days and be delivered to the Chairperson of the Central Election Committee, the Speaker of the Knesset, the faction which asked for the opinion and, if the State Comptroller deems it desirable, the other factions.
- Provisions as to Parties Maintaining a Single Faction
12. (a) Where a faction is a combination of two or more parties which maintain a single faction in the Knesset, then in regard to the provisions relating to the financing of ongoing expenses or to loans pursuant to section 7C, those parties shall be deemed to be separate factions.

- (b) (1) A faction which is a combination as specified in subsection (a) shall, through its representative or his or her substitute under section 25 of the Elections Law, submit to the Speaker of the Knesset, notice of the party affiliation of its members at the time of publication of the election results, and payments for financing ongoing expenses shall be made accordingly; where a member of the faction ceases to be a Member of Knesset, the faction may amend its notice accordingly.
 - (2) Said notice shall include the details concerning the representative of each of the participating factions and their substitutes for the purpose of this Law. Each of the separate factions may replace their representatives or substitutes at any time by written notice to the Speaker of the Knesset. Every notice concerning the appointment or replacement of representatives or substitutes shall be published in the Official Gazette (Reshumot) on behalf of the Knesset.
 - (3) Where a list of candidates submitted an agreement under section 59(2) of the Knesset Law, the notice concerning the party affiliation of its members shall be in accordance with said agreement.
- (c) Where one faction joined with another faction, or two or more factions decided to become one faction, they may give the Speaker of the Knesset notice that they request to be considered as separate factions in regards to the financing of ongoing expenses. In their aforesaid notice, the factions shall indicate the number of members for whom each faction then received financing of ongoing expenses, and payments for financing ongoing expenses shall be made accordingly; the details regarding each faction's representative and substitute shall also be included, and the provisions of subsection (b)(2) shall apply.

- (d) (1) Notwithstanding subsection (b), at the time of submission of a notice under subsection (b)(1) a faction which is a combination of factions under subsection (a) may notify the Speaker of the Knesset that a portion of the financing due to a specific faction under section 3(c) shall be paid to another of the factions within that combination of factions, subject to said payment being pursuant to an agreement between those two parties which was submitted to the Chairperson of the Central Election Committee with the submission of the list of candidates. The portion of financing as aforesaid shall not exceed the amount of one mandate under section 3(c), or other larger amount if a change had occurred in the relative numbers of the members of the two separate factions during the term of that Knesset and the factions had determined within said agreement that the financing of ongoing expenses shall continue to be paid in accordance with the number of members of each faction as set out in the aforesaid notification under subsection (b)(1).
- (2) A notification submitted to the Speaker of the Knesset under this subsection shall not be amended or cancelled during the course of the term of that Knesset. Said notification shall continue in force even where the faction splits pursuant to section 59(2) of the Knesset Law, unless the aforesaid agreement under paragraph (1) specifically stipulated that in the event the faction splits, each separate faction shall receive financing of its ongoing expenses in accordance with the amounts set by section 3(c).

13. (a) Where a faction in the Knesset split or factions in the Knesset merged as provided in sections 59 and 60 of the Knesset Law, the financing of ongoing expenses of the parties that split shall be calculated according to their new number of members, beginning from the month following the House Committee's approval of the change.
- (b) In every other case, Members of Knesset who seceded from a faction shall not be entitled to financing of ongoing expenses, and the financing of the expenses of the faction from which they seceded shall not be changed.
- (c) The provisions of subsection (a) shall not apply to a split of a Knesset faction under section 59(1) of the Knesset Law which takes place either during the first two years of the term of a Knesset or from the determinative date and thereafter; in such a case, the provisions of subsection (b) shall apply unless notification of the split was submitted to the House Committee according to section 60 of the Knesset Law by a majority of the faction's members or with their approval.
- (c1) Amounts shall be deducted from the financing of ongoing expenses under section 3(c) that is due to a part of a faction which split pursuant to subsection (a), in relation to that part's relative portion of the following debts and payments due from the original faction:
- (1) a debt in relation to an excess advance payment that the faction received under section 4(c);
 - (2) an outstanding loan, given to the faction under section 7C before the split;
 - (3) payments withheld from the faction under section 10;

Changes in
Composition of
Factions

- (4) a debt of a parent faction under the Municipalities (Election Financing) Law, 5753-1993.
- (c2) Where a Knesset faction splits pursuant to section 59(1) or (3) of the Knesset Law, an amount shall be deducted from the advance payment due to the part of the faction that split under section 4, in relation to its portion of the debts and payments under subsection (c1), at the time of the payment, which shall be calculated as its portion of the number of its members out of the number of members of the entire faction before it split.
- (d) (1) A part of a faction which split off from it shall participate in the repayment of the debts of the party which the faction represented in the Knesset, in relation to the amount of the financing for ongoing expenses which the original faction lost due to the split; said repayment of the part of the faction shall be deducted from the financing due to it for its ongoing expenses, subject to the proviso that an amount equal to one mandate under section 3(c) shall be reserved for the part that split for its ongoing expenses.
- (2) The obligation of the part which split to participate in the repayment of the faction's debts pursuant to paragraph (1) shall begin when the said part becomes entitled to financing for its ongoing expenses and shall cease at the end of the term of that Knesset.
- (3) The accountant of the faction, from which the part split, who was appointed pursuant to section 5A shall determine, as soon as possible, the debts of the faction for the purposes of this subsection, and shall give notification of same to the Speaker of the Knesset and the representative of the part of the faction which split.

- (4) Said accountant shall allow the representative of the part that split, or his or her representative, to peruse the documentation concerning the faction's debts; where a disagreement arises as to the amount of the faction's debts, it shall be brought before the Speaker of the Knesset, who shall decide in the matter within 30 days.
- (5) For the purposes of this subsection, "the faction's debts" refers to the difference between the total expenditures and total income of the faction during the period when the part which split was a part of said faction, as well as a similar calculation for the period of the preceding election campaign; however, expenditures for the purchase of property remaining with the faction after the split shall not be included in said calculation, and neither shall debts or payments under subsections (c1) and (c2).

13A. Repealed.

13B. Where two or more existing factions merge during the election period (such factions hereafter in this section referred to as "the former factions"), the representatives of the faction replacing them shall include the accounts of the former factions relating to the election period in the accounts delivered by them to the State Comptroller under section 10(a).

Merger of
Factions During
Election Period

13C.(a) Where a faction which received an advance payment to finance election expenses under section 4(a) does not obtain a seat in the elections, the provisions of this Law regarding the audit of its accounts shall continue to apply to in relation to the election period under section 10.

Faction Which
Received
Advance Payment
but No Knesset
Seat

- (b) Where the State Comptroller's report under section 10(b) concerning a faction as referred to in subsection (a) is unfavourable, the persons who were the representatives of the faction shall be jointly and severally liable for the return to the Treasury of 15 percent of the advance payment received by the faction.
- Faction Which Received Ongoing Expenses and Ceased to Exist 13D.(a) Where, owing to a split or a merger as referred to in section 13(a) or to the resignation of its members from the Knesset, a faction ceases to exist prior to the date for the delivery of its accounts to the State Comptroller under section 10(c), the persons who were the representatives of the faction shall deliver to the State Comptroller, within ten weeks from the date when the faction ceased to exist, the accounts of the faction as to its income and ongoing expenses in that part of any year in which it existed as a faction. If the faction ceased to exist because it was not reelected to the Knesset, its accounts shall be submitted on the date set under section 10(c1)(1).
- (b) Within twelve weeks after receiving accounts under subsection (a) - or until the date set in section 10(d) where the reports were submitted by the date set in section 10(c1)(1) - the State Comptroller shall deliver to the Speaker of the Knesset a report on the results of the audit of the accounts, as provided in section 10(d). For this purpose, the limitation of expenditures under section 7(b) shall be calculated according to the ratio between the period to which the accounts relate and a entire year.
- (c) Where the report under subsection (b) is unfavourable, the persons who were the representatives of the faction shall be jointly and severally liable for the return to the Treasury of 15 percent of the monthly financing received by the faction under this Law during the period to which the report relates.

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| 13E. Where a faction ceases to exist after receiving financing under this Law, the persons who were its representatives shall, after paying its debts, return the balance of the amounts in their possession to the Treasury. | Repayment by
Faction Which
Ceases to Exist |
| 14. Notices and declarations by a faction under this Law shall be submitted by the representative of the faction, or his or her substitute, as designated under section 25 of the Elections Law or, in regard to separate factions, as designated pursuant to section 12(b)(2) or (c) of this Law. | Notices by
Factions |
| 15. The amounts due to a faction under this Law shall not be subject to a lien or attachment. | Bar to Charge and
Attachment |
| 16. Repealed. | New Factions |
| 17. (a) (1) Amounts which under a decision of the General Federation of Labour in Eretz Israel are received by a faction for financing an election campaign in that Federation and in the trade unions organized therein or allotted for the purposes of the parties represented in that Federation in accordance with the size of their representation (hereafter - the amounts) shall not be deemed a contribution under section 8, provided that the faction did not exceed the provisions of section 7(d). | Amounts
Received From
the General
Federation of
Labour |
| (2) Expenses that a faction incurs relating to an election campaign or its ongoing activity in the General Federation of Labour in Eretz Israel and in the trade unions organized therein (hereafter - the activity), shall not be deemed ongoing expenses under section 7(d), provided that the faction attributed the expenses to activity, in its customary manner existent on the eve of commencement of this Law. A change in attribution as aforesaid shall not be made unless approved by the State Comptroller. | |

- (b) Notwithstanding the provisions of subsection (a), the provisions of section 7(d) shall not apply if the faction expended them solely for the activity, maintained them separately, and reflected them in its accounts such that the State Comptroller could identify, certify and total them, employing customary inspection procedures, and if it recorded in the same manner the acts that constitute expenditure of the amounts. Amounts or parts thereof that are not used for the purpose of the activity shall be deemed a contribution received pursuant to the provisions of section 8.

17A. Repealed.

Transportation of
Voters

18. The transportation for the purpose of voting in elections to the Knesset of persons entitled to vote from the area of one locality to that of another and back shall be financed out of the Treasury through the Central Election Committee. It shall be carried out along such routes and over such distances as the Committee may prescribe and in accordance with such procedures and arrangements as it may direct. It shall take place on the day of the elections, but the Committee may permit it to take place shortly before that day by reason of the great distance between two localities.

19. Repealed.

Implementation

20. The Speaker of the Knesset is charged with the implementation of this Law.