

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

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LOK SABHA

STARRED QUESTION No. \*36

TO BE ANSWERED ON FRIDAY, THE 3<sup>rd</sup> February, 2017  
MAGHA 14, 1938 (SAKA)

**“New Guidelines on Donations to Political Parties”**

\*36: SHRI M. Raja Mohan Reddy:

Will the Minister of Finance be pleased to state:-

- a) the details of National and State political parties, which have filed income Tax Returns during the last two years;
- b) whether any mechanism exists whereby Political Parties are permitted to receive donations and if so, the details of such mechanism along with donations received during the said period, party-wise.
- c) whether the Government proposes to formulate new guidelines on reporting donations to political parties below rupees twenty thousand and also accord exemption from payment of Income Tax; and
- d) if so, the details thereof and the steps taken by the Government in this regard?

**ANSWER**

**FINANCE MINISTER**

**(SHRI ARUN JAITLEY)**

(a) to (d): A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO.36 SHRI M. RAJA MOHAN REDDY, HON'BLE MEMBER OF PARLIAMENT FOR REPLY ON 3<sup>RD</sup> FEBRUARY, 2017

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1. Section 13A of Income-tax Act, 1961 ('Act') provides that the following categories of income derived by a political party is not included in computing its total income:-

- a. any income which is chargeable under the heads "Capital gains" or "Income from house property" or "Income from other sources", or
- b. any income by way of voluntary contributions.

Exemption under this provision is not available unless the political party fulfils the following conditions, namely:-

- i. the political party keeps and maintains such books of accounts and other documents as would enable the Assessing Officer to properly deduce its income therefrom;
- ii. the political party keeps and maintains a record of each voluntary contribution in excess of Rs. 20,000 and of the names and addresses of persons who have made such contributions;
- iii. the accounts of the political party are audited by an accountant as defined in the *Explanation* below sub-section (2) of section 288 of the Act; and
- iv. the treasurer of political party or any other person authorised by that political party in this behalf submits a report under sub-section (3) of section 29C of the Representation of the People Act, 1951.

2. The Explanation to section 13A of the Act defines the term "political party" as one registered under section 29A of the Representation of the People Act, 1951 (43 of 1951). Hence, tax exemption under this provision is available only in cases of political parties which satisfy the above conditions.

3. As per database of the Income-tax Department, Return of Income has been found to have been filed in ITR-7 by five National Political Parties and twenty-two State Political Parties for assessment year 2014-15. Further, for assessment year 2015-16, five National Political Parties and twenty-four State Political Parties have filed the said returns of income.

4. It has further been provided u/s 80GGB and 80GGC of the Act that contributions made by specified contributors to registered political parties or approved electoral trusts can be claimed as deduction by such contributors. The term 'electoral trust' has been defined in clause (22AAA) of section 2 of the Act.

5. The Finance Bill, 2017 proposes to amend the provisions of section 13A of the Act to provide for certain additional conditions for availing the existing benefit of exemption from income-tax in case of political parties under the said section which are as under:

- (i) No donation of Rs.2000/- or more is received otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds.
- (ii) Political party mandatorily furnished a return of income for the previous year in accordance with the provisions of sub-section (48) of section 139 in the prescribed form and verified in the prescribed manner on or before the due date as per section 139.

6. So far as the individual details of the National and State Political Parties about their status of return filing and contributions received is concerned, such disclosure of information in respect of specific tax payer is prohibited except as provided under section 138 of the Act.

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