

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA
UNSTARRED QUESTION NO.108

TO BE ANSWERED ON MONDAY THE 14th SEPTEMBER 2020/23 BHADRAPADA, 1942 (SAKA)

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108 SHRI MANISH TEWARI:

“Will the Minister of FINANCE be pleased to state:-

- (a) whether the Government proposes to tax left over funds in dedicated bank accounts of Lok Sabha and Vidhan Sabha candidates opened for purposes of fighting 2019 Parliament elections and subsequent assembly elections in Maharashtra, Haryana, Jharkhand etc. in 2019 and 2020, on the instructions of Election Commission and if so, the details thereof;
- (b) the details of accounting treatment which the CBDT proposes to give these left over funds in bank accounts open of all these opened for election purposes;
- (c) the reasons as to why these left over funds are not exempt from Income Tax under the general exemption available to political parties under Section 13-A of the said Act;
- (d) the manner in which these political donations would qualify as income under any of heads of Section 2(24) of Income Tax Act that defines Income; and
- (e) whether Section 56 of the Income Tax Act would apply to these monies, especially when political donations are not income in the hands of the contesting candidates/assesses and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

- (a) As per inputs received from the Election Commission of India (ECI), ECI has not issued any instruction regarding taxation of the left over money in the bank account to be opened for the purposes of fighting 2019 Parliament elections and subsequent assembly election in Maharashtra, Haryana, Jharkhand etc in 2019 and 2020 by contesting candidates exclusively for election expenditure purpose in pursuance of the Commission's letter no. 76/Instructions/2013/EEPS/Vol.IV, dated 15th October, 2013 (copy enclosed). However, it is informed that under Section 78 of the Representation of the People Act, 1951, the contesting candidate has to lodge account of his election expenses with the district election officer within 30 days from the date of election. Commission does not have jurisdiction on liability of tax.
- (b) As per the Income Tax Act, 1961 the left over funds in such bank accounts are not taxable in the hands of the candidates till such time as claimed by the political party as advance given to the candidates & the candidate returns the same to the political party. However, the same is treated as “income” and is taxable in the hands of the candidate if the same is appropriated, not returned, and used for non election purposes by the candidate. Hence, the accounting treatment will depend upon the facts and circumstances of that particular case and will be governed by the IT Act, 1961.
- (c) As in (b).
- (d) As in (b).
- (e) As in (b).