

ANALYSIS OF INCOME AND EXPENDITURE OF KARNATAKA'S MAJOR POLITICAL PARTIES – An All India Report

**A Report by
National Election Watch
&
Association for Democratic Reforms**

Association for Democratic Reforms
“Kiwaniis Centre”, 4th Floor,
B-35, Qutub Institutional Area, New Delhi-110016
Email: adr&adrindia.org

Analysis of Income and Expenditure of Karnataka's Major Political Parties – An All India Report

Executive Summary

- **Total Income of Political Parties:**

- The total Income of political parties considered have been calculated from the income to the parties from various sources all over India as submitted in their Income Tax Returns.
- INC has shown the highest income amongst the National Parties. Its total income for the 7 financial years is Rs 2,00,871.74 lakhs.
- Total income of BJP between FY 2004-05 and FY 2010-11 is Rs 99,476.67 lakhs and that of BSP is Rs 48,428.51 lakhs
- Of the State parties, JD(S) has shown the maximum income of Rs 299.94 lakhs during the seven financial years considered for the analysis

- **Sources of Income:**

- INC party has declared maximum income from Sale of Coupons (Rs 1,55,377.18 lakhs) providing 77.35% of the total income between F.Y. 2004-2005 & 2010-2011.
- Karnataka Parties have Donations/Contributions as one of their 3 main sources of income INC – Rs 27,250.48 lakhs, BJP – Rs 82,000.50 lakhs, JD(S) – Rs 292.38 lakhs
- Share of income from voluntary contribution for INC is 13.57%, BJP is 82.43%, JD(S) is 97.48%

- **Items of Expenditure:**

- The maximum expenditure for INC has been towards Election expenses (Rs 92,506.40 lakhs) followed by expenses towards Aid to Other Expenses (Rs 17,116.47 lakhs) and travelling (Rs 10,749.25 lakhs)
- The maximum expenditure of BJP has been towards Advertising & publicity (Rs 35,720.64 lakhs) followed by travelling (Rs 18,889.46 lakhs) and meeting (Rs 10,456.60 lakhs)

Analysis of Income and Expenditure of Karnataka's Major Political Parties – An All India Report

Importance of financial transparency

Political parties act as a link between the citizens and the government and therefore it is a given that the parties must be accountable to the public at large. Political parties are the major stakeholders in a democracy and they seek to undertake activities that are in the interest of the general public. As per the records available with the Election Commission of India, there are 6 national parties and 46 recognized state parties in India. In addition to this, there are 1392 unrecognized parties in India.

Political parties have multiple sources of funding and thus accountability and transparency becomes all the more important. It is essential to have comprehensive and transparent accounting methods and systems which would reveal the true financial position of the parties.

Central Information Commission's order number CIC/AT/A/2007/01029 & 1263-1270, according to which public authorities (Income Tax Departments) holding Income Tax returns of political parties, were directed to make these returns available to the appellant (ADR). Association for Democratic Reforms (ADR) had obtained copies of the IT Returns and Assessment Orders of various political parties through the filing of RTI applications.

Total Income of Major Parties of Karnataka (FY 2004-05 to FY 2010-11)

- The total Income of political parties considered have been calculated from the income to the parties from various sources all over India as submitted in their Income Tax Returns.
- Major political parties from the State of Karnataka are Indian National Congress (INC), Bharatiya Janata Party (BJP) and Janata Dal (Secular) (JD(S))
- INC has shown the highest income amongst the National Parties. Its total income for the 7 financial years is Rs 2,00,871.74 lakhs.
- This followed by total income of BJP between FY 2004-05 and FY 2010-11 being Rs 99,476.67 lakhs and that of BSP being Rs 48,428.51 lakhs
- The details of Income Tax Returns for JD(S) is available only for the FY 2008-09 and 2010-11 and the total income of the party from the two years is Rs 299.94 lakhs

Party	Total Income (Rs. In Lakhs)							Total (Rs. In Lakhs)
	FY- 2004-2005	FY- 2005-2006	FY- 2006-2007	FY- 2007-2008	FY- 2008-2009	FY- 2009-2010	FY- 2010-2011	
Indian National Congress (INC)	22,207	12,493	16,936	22,081	49,688	46,757.87	30,708.87	2,00,871.74
Bharatiya Janata Party (BJP)	10,412	3,834	8,249	12,378	22,002	25,800.75	16,800.92	99,476.67
Janata Dal Secular (JD(S))*	-	-	-	-	276.59	-	23.35	299.94

Table: Total Income declared by Major Parties of Karnataka in their (ITR) from FYs 2004-2005 to 2010-2011 from all over India

* - Income Tax Returns not filed by the party for the FY 2004-05, 05-06, 06-07 & 07-08 – as given by the Income Tax Department
Income Tax Returns of JD(S) for FY 2009-10 is incomplete and hence not considered for the analysis

Top 3 sources of income of Political Parties of Karnataka as declared in their IT returns (FY 2004-05 to FY 2010-11)

- INC has declared maximum income from Sale of Coupons (Rs 1,55,377.18 lakhs) providing 77.35% of the total income between FY 2004-05 & 2010-11.
- BJP has declared maximum income from voluntary contributions (Rs 82,000.50 lakhs) proving for 82.43% of the total income to the party between FY 2004-05 and 2010-11
- Karnataka Parties have Donations/Contributions as one of their 3 main sources of income INC – Rs 27,250.48 lakhs, BJP – Rs 82,000.50 lakhs, JD(S) – 292.38 lakhs
- Share of income from voluntary contribution for INC is 13.57%, BJP is 82.43%, JD(S) is 97.48%
- Interest collected is the also one of the highest sources of income for the parties: INC Rs 10,473.33 lakhs, BJP Rs 7,527.83 lakhs

Party	Total Income (Rs. In Lakhs)	FY 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 (combined)		% share of source of income from total income
		Top 3 Source of Income	Amount (Rs in Lakhs)	
Indian National Congress (INC)	2,00,871.74	Sale of coupons	1,55,377.18	77.35%
		Donations	27,250.48	13.57%
		Interest	10,473.33	5.21%
Bharatiya Janata Party (BJP)	99,476.67	Voluntary contributions	82,000.50	82.43%
		Interest	7,527.83	7.57%
		Aajwan Sahayog Nidhi	6,280.64	6.31%
Janata Dal (Secular) (JD(S)*)	299.94	By Receipt from Contribution, Coupon sales, Membership Fees & sale of Membership books	292.38	97.48%
		Rent Received	3.43	1.14%
		Party Organisation Election	2.26	0.75%

Table: Top 3 sources of income of Major Parties of Karnataka as declared in their (ITR) from FYs 2004-2005 to 2010-2011

* Top 3 Sources of Income of JD(S) calculated from the available ITR for the FY 2008-09 and 2010-11

Top 3 items of expenditure of Political Parties of Karnataka as declared in their IT Returns (FY 2004-05 to FY 2010-11)

- The maximum expenditure for INC has been towards Election expenses (Rs 92,506.40 lakhs) followed by expenses towards Aid to Other Expenses (Rs 17,116.47 lakhs) and travelling (Rs 10,749.25 lakhs).
- The maximum expenditure of BJP has been towards Advertising & publicity (Rs 35,720.64 lakhs) followed by travelling (Rs 18,889.46 lakhs) and meeting (Rs 10,456.60 lakhs)
- Election Expenses (Rs 358.60 lakhs), Printing and Publication (Rs 73.95 lakhs) and travelling expenses (Rs 17.62 lakhs) are the top three items of expenditure of Janata Dal (Secular) between FY 2004-05 and 2010-11
- It is seen from the percentage shares that INC has spent 55.74% on election expenses while BJP has spent 44.09% on advertising and publicity, JD(S) spent 70.84% on election expenses

Party	Total Expenses (Rs in Lakhs)	FY 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 (combined)		% share of items of expenditure from total expenses
		Top 3 Items of Expenditure	Amount (Rs in Lakhs)	
Indian National Congress (INC)	1,65,971.67	Election Expenses	92,506.40	55.74%
		Aid to Other Expenses	17,116.47	10.31%
		Travelling & Lodging	10,749.25	6.48%
Bharatiya Janata Party (BJP)	81,025.12	Advertising & Publicity	35,720.64	44.09 %
		Travelling	18,889.46	23.31 %
		Meeting	10,456.60	12.91 %
Janata Dal United (JDU)	506.20	Election Expenses	358.60	70.84%
		Printing and Publication	73.95	14.61%
		Travelling Expenses	17.62	3.48%

Table: Top 3 items of expenditure of Major Parties of Karnataka declared in their (ITR) from FYs 2004-2005 to 2010-2011

Issues related to disclosure of financial statements by political parties

Sections 13A of the Income Tax Act clearly indicates that the object is to ensure that there is transparency in the process of financial functioning of the political parties. ADR, while gathering the income tax returns of political parties by filing of RTIs in the respective Income Tax department/circle, has come across various instances where many state/regional parties recognized by ECI have not filed their income tax returns.

Political parties have been exempted from paying tax, however, to claim such exemption, they have to maintain audited accounts and comply with provisions of the Income Tax Act. Some regional parties have defaulted on this account on a regular basis. They have been openly flouting the provisions of the Income Tax Act and are not filing their annual income returns, which is a violation of the mandatory provisions laid down in law. Many of these parties are major regional parties in their respective state/region and their financial position is not known.

Need for a strict mechanism for reporting financial information

To ensure that there is financial transparency and accountability on the part of the political parties, there must be a strict mechanism with respect to reporting of financial information. The procedures and reporting framework must be standardized to ensure that a true picture of the financial position of the political parties is revealed to the general public. Institute of Chartered Accounts of India (ICAI) has put forward a set of recommendations on the request of the Election Commission of India (ECI). These recommendations relate to a standardized and comprehensive reporting framework of financial statements of political parties. ADR feels that there is a dire need for these recommendations to be implemented at the earliest.

Contact Details

National Election Watch/Association for Democratic Reforms

Media and Journalist Helpline +91 80103 94248 Email: adr@adrindia.org	Anil Bairwal, National Coordinator National Election Watch, and Association for Democratic Reforms 011 4081 7601, +91 9999310100 adr@adrindia.org , anil@adrindia.org	Prof Jagdeep Chhokar IIM Ahmedabad Founder Member National Election Watch, Association for Democratic Reforms +919999620944 jchhokar@gmail.com	Prof Trilochan Sastry IIM Bangalore Founder Member, National Election Watch, Association for Democratic Reforms +919448353285, trilochans@iimb.ernet.in
---	---	---	--