

B.S.P.**BAHUJAN SAMAJ PARTY**

Satish Chandra Misra
National General Secretary



Central Office :
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Ref No

Dated: Sept. 29, 2014

To

Shri Malay Mallick,
Under Secretary,
Election Commission of India,
Nirvachan Sadan, Ashoka Road,
NEW DELHI-110001.



Sub: Guidelines on transparency and accountability in party funds and election expenditure matter- regarding.

Ref : Your letter No.76/PPEMS/Transparency/2013 dated 29.8.2014

Sir,

This has reference to the guidelines on transparency and accountability bearing no. 76/PPEMS/Transparency/2013 dated 29.8.2014 issued by your goodself. We appreciate the effort of Hon'ble Election Commissioner of India to implement much needed transparency and accountability in respect of funds received by political parties. It is also appreciated that the guidance note on accounting and auditing of political parties issued by the Institute of Chartered Accountants of India has also been made mandatory for all political parties which will surely bring uniformity of accounting amongst all political parties.

However, certain anomalies and conflict with the related statute have been observed in the said guidelines. These conflicts are noticed with respect to the proviso of Income Tax Act, which are highlighted below:-

Section 13A of the Income Tax Act specifically mentions special provision relating to income of political party. This section read as under:-

"Any income of a political party which is chargeable under the head "Income from house property" or "Income from other sources" or "Capital gains" or any income by way of voluntary contributions received by a political party from any person shall not be included in the total income of the previous year of such political party;

Provided that -

- (a) *Such political party keeps and maintains such books of account and other documents as would enable the Assessing Officer to properly deduce its income therefrom;*
- (b) *In respect of each such voluntary contribution in excess of twenty thousand rupees, such political party keeps and maintains a record of such contribution and the name and address of the person who has made such contribution; and*
- (c) *The accounts of such political party are audited by an accountant as defined in the Explanation below sub-section (2) of section 288:*

Provided further that if the treasurer of such political party or any other person authorized by that political party in this behalf fails to submit a report under sub-section (3) of section 29C of the Representation of the People Act, 1951 (43 of 1951) for a financial year, no exemption under this section shall be available for that political party for such financial year.

Explanation - For the purposes of this section, "political party" means a political party registered under section 29A of the Representation of the People Act, 1951 (43 of 1951)."

However, para 3 of the guidelines issued by your goodself makes a reference of Section 80 GGB and 80 GGC. This may kindly be appreciated that these sections do not apply to political party instead they apply to the donor. The relevant section for the political party specifically providing for the treatment of income of political party is u/s 13A of the Income Tax Act.

It is a settled principle that any guideline cannot override the act which has been duly passed by the Parliament of India. Therefore, this guideline is not in consonance with Section 13A of the Income Tax Act and thereby violate the provisions mentioned therein. This may also be appreciated that the provisions in Section 13A were inducted, keeping in mind the small donations or contributions which political parties normally receive.

You will also appreciate Sir, that section 13A vide Proviso (b) clearly provides that the political party should keep and maintain a record of each such voluntary contribution in excess of Rs.20,000/- received from any person including the name and address of the person who have made such contribution. By this Proviso Income Tax Act, 1961 clearly allows all political parties not to maintain individual details of voluntary contributions received where the contribution per person is less than Rs.20,000/-. Especially in the case of our party whose members come from the weakest section of society and are very

267

poor and downtrodden. Besides having no proper income the members of the party are mostly illiterate. The members of the party normally contribute by purchasing the coupons of voluntary contribution for petty amount like Rs.100/-, Rs.500/- or Rs.1000/- depending upon their financial capability. Neither the donors nor the party workers receiving the funds are literate enough to record each and every transaction of such petty amounts. In fact, the denominations of amounts contributed are so small in today's economic set up that the cost of recording the transaction will exceed even the value of contribution received.

Since the Commission's guidelines cannot override or replace the statutory provisions, it is requested that your guideline may either be withdrawn or suitably amended so as to ensure its parity with the statutory provisions.

Also, the guidelines, as referred to above, are issued under Article 324 of the Constitution. As per clause (4) of Article 324 of the Constitutions of India, the functions conferred on the Election Commission are as per clause (1) of the said Article. So, clause (1) is reproduced herein below:

"324. Superintendence, direction and control of elections to be vested in an Election Commission

- (1) *The superintendence, direction and control of the **preparation of the electoral rolls**, for, and the conduct of, all elections to Parliament and to the Legislature of every State and of elections to the offices of President and Vice-President held under this Constitution shall be vested in a Commission (referred to in this Constitution as per the Election Commission)."*

From clause (1) of Article 324, it is clear that the Commission has been conferred upon the powers to **Superintendent, direct and control the preparation of the electoral rolls** for conduct of elections. As is obvious, there appears to be no power conferred on the Election Commission either in the above cited clause (1) or in any other of 5 remaining clauses of Article 324 to issue suchlike guidelines to the political parties of India. Therefore, it is to be seen as to how these guidelines are enforceable as mandatory, which are neither backed by Article 324 of the Constitution nor by any other statutory provision.

Yours sincerely,



(Satish Chandra Misra)
National General Secretary



A. K. G. 63 (K)

Communist Party of India (Marxist) Central Committee

General Secretary : Prakash Karat

October 9, 2014

Mr. Malay Mallick
Under Secretary
Election Commission of India
Nirvachan Sadan
Ashoka Road
New Delhi

Dear Sir,

Sub: Guidelines on transparency and accountability in party funds and election expenditure matter.

Ref: No. 76/PPEMS/Transparency/2013 dated 29th August 2014.

We wish to point out the following practical difficulties in implementing some of the instructions in the guidelines on transparency and accountability in party funds and elections expenditure sent to us.

Paragraph 3 (iii) of the guidelines states that a political party should maintain name and address of all such individuals, companies or entities making donation to it, excepting petty sums, donated by the public only during its public rallies. It further directs that the amount/donation so received in cash shall be duly accounted in the accounts books and deposited in the party's bank account within a week of its receipt. However, the party is allowed to retain a reasonable amount required for day to day functioning of the party and for defraying the cash expenses.

Many of these directives are vague and there are possibilities of different interpretations and misinterpretations. First, there is no clarity on what constitutes a "petty sum". Secondly, that this exception is further narrowed to donations collected from the public at public rallies implies that any other form of donation, no matter how small is subject to the requirement of this guideline and has to be accounted in the accounts book which then have to be audited. Thirdly, the quantum of 'a reasonable amount' that can be retained by the party for meeting the day to day functioning of the party and defraying the cash expenses is also not specified.



Communist Party of India (Marxist) Central Committee

General Secretary : Prakash Karat

We would like to bring to the attention of the Election Commission to the following comments we submitted on October 9, 2013 when the draft guideline was sent to us:

"The Communist Party of India (Marxist) has more than one million members and more than one lakh Party units such as branches, local committee, area/zonal committees, district committees, state committees and the Central Committee. The members and the units of the Party are engaged in multifarious activities among the people. The funds for meeting the expenditure of the Party for the activities of the units and members are collected from the Party members and the general public. 31.2 per cent of the income of the Party during the year 2012-13 is from the Party members as membership fee and levy. The rest of the income is collected from millions of donors or contributors by more than one lakh units of the Party at different levels. Three forms or methods are used for fund collection such as receiving fund and issuing appropriate acknowledgement or receipts, sale of coupons to donors or contributors and by hundi collections. Proper receipts or acknowledgement or coupons are issued by the respective units when funds are collected from individuals and companies and all records are kept appropriately at that level. Hundi collection is mass fund collection of small amounts in public meetings or in street collection. Such mass collections are usually done by receiving contribution in boxes or in buckets or in sheets. The total amount received in hundi collection is properly recorded in each day by each unit separately in the accounts of the Party as hundi collection.

"All necessary records of fund collection, including hundi collections, are kept at each level of the Party units as required for audit purpose, confirming to accounting standards. The office-bearers at every level and units are authorized to keep the accounts of income and expenditure and to issue appropriate acknowledgement/receipt or coupon for every amount of contribution or donation other than in the case of hundi collections. The respective unit of the Party will send the statement of the total income and expenditure, including the amounts involved in hundi collection, to the next higher committee. State committees collect details of accounts of income and expenditure from all lower level units and sent to the Central Committee for consolidation and submission before the Election Commission and Income Tax authorities.



Communist Party of India (Marxist) Central Committee

316

General Secretary : Prakash Karat

"As per the provisions of law, list of donors above Rs. 20,000 are collected from all units and sent to Election Commission and Income Tax Department by the Central Committee. The Central Committee is filing the consolidated statement of accounts before the Election Commission and Income Tax Department regularly every year.

"As stated above, there are practical difficulties in issuing individual acknowledgement or receipts or coupons to the donors in hundi collection. Considering the practical difficulties involved, appropriate clarification need to be made in the case of hundi collection with regard to the issuance of acknowledgement/receipt or coupons to the donors in the proposed guideline."

We would like to stress that the Party units make mass collections from the people through hundies, buckets and boxes. These are undertaken in markets, streets and door to door visits. For these small amounts donated by people, individual receipts or coupons cannot be given. In fact, our Party encourages its units to make mass collections through small amounts rather than getting big amounts from individual donors.

So, we request that the guidelines should not be an obstacle to this form of mass collection.

We request that appropriate changes in the guidelines should be made based on our comments. We have also suggested that the Election Commission should call a meeting of the political parties before finalization of the guidelines. We again request the Election Commission to call a meeting of the political parties for making appropriate corrections and clarifications on various points in the guidelines.

With regards,

Yours sincerely

(Prakash Karat)
General Secretary



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23019080

INDIAN NATIONAL CONGRESS

24, AKBAR ROAD, NEW DELHI-110011

To
Shri Malaya Mallick
Under Secretary
Election Commission of India
Nirvachan Sadan
Ashoka Road
New Delhi



Subject: Guidelines on transparency and accountability in party funds and election expenditure matter – regarding

Ref. No. 76/PPEMS/Transparency/2013 dated 29th August 2014

Sir,

With reference to your aforesaid letter, kindly also refer to our earlier letters dated 15.10.2013 and 12.03.2014 and further note as under:

The aforesaid 'Guidelines' are purportedly passed under the powers vested with the Election Commission of India under Article 324 of the Constitution. Article 324(1), which is the relevant sub-clause, vests the 'superintendence, direction and control' of the conduct of elections *inter alia* to Parliament and to State Legislatures in the Election Commission. The Hon'ble Supreme Court has time and again held that Article 324 is to be resorted to only in respect of areas left unoccupied by legislation. The limitation of the powers under Article 324 is that when the Parliament or any State Legislature has made a valid law in connection with a matter relating to elections, the Election Commission is to act in conformity with the provisions of such law. It is in light of this that we reiterate the issues highlighted in our earlier letters regarding problems in your earlier drafts that have persisted in these guidelines. There are also some fresh issues that have arisen in these guidelines.

Para 3(ii) directs all political parties to submit to the Election Commission a copy of their audited annual accounts with an auditor's report for each financial year on 31st October of each year. In this regard, it is pertinent to note that the subject of submission of accounts by political parties to the Election Commission is not an unoccupied field and is specifically dealt with in Section 29C of the Representation of Peoples Act, 1951. The Section provides that declaration of contributions received in excess of Rs. 20,000 by political parties is to be submitted to the Election Commission before the due date of furnishing the return of income to the Income Tax authorities. The new requirements constitute a significant deviation from the statutory norms and are not backed by a corresponding power with the Election Commission to impose such requirements. Such a requirement cannot be imposed without amendment to the Representation of Peoples Act, 1951.

In para 3(iii), a requirement has been introduced for a political party to maintain the names of individuals, companies and entities making donation to it excepting petty sums donated by the public during public rallies. It is further directed that the amount / donation so received in cash shall be duly accounted in the account books and deposited in the party's bank account within a week of its receipt. However, the party is allowed to retain a



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'reasonable amount' required for day to day-functioning and for defraying cash expenses. Firstly, the guideline is vague as there is no clarity on what constitutes a 'petty sum'. Secondly, the fact that this exception is further narrowed to donations collected from the public at public rallies implies that any other form of donation, no matter how petty, is subject to the requirement of this guideline and has to be accounted in the account books which then have to be audited and submitted to the Election Commission under para 3(i). This is again beyond the powers of the Election Commission as this is not an unoccupied field and the direction is not in conformity with Section 29C of the Representation of People's Act, 1951 which imposes a requirement on a political party to submit a report to the Election Commission with regard to contributions in excess of Rs. 20,000 received from any person in a financial year. The present direction effectively does away with this limit and amounts to modification of the legislative intent, which is to monitor and report contributions in excess of Rs. 20,000 received in a financial year. The direction to deposit all such amounts / donations in the party's bank account within a week of its receipt is also not as per applicable law and cannot be enforced by way of guidelines. This would require a substantive amendment to the Representation of Peoples Act, 1951. Further, there is no clarity on what constitutes a 'reasonable amount' that can be retained by a political party for its day-to-day expenses. This results in uncertainty and vests unbridled power in the hands of the Election Commission as the administering authority to decide what is a reasonable amount, thereby allowing it to determine at will what constitutes a violation of these guidelines.

In para 3(iv), it has been stated that Section 40A(3) of the Income Tax Act, 1961 provides that all payments exceeding Rs. 20,000 by any business entity to a person in a day are 'required' to be made by account payee cheque/draft. As we had brought to your kind attention earlier, this is a misstatement of the provision. Section 40A(3) merely states that where payment(s) made to a person in a day, otherwise than by an account payee cheque / bank draft, exceeds Rs. 20,000, no deduction shall be allowed in respect of such expenditure. This cannot by any stretch be construed as a prohibition. The guideline in para 3(iv) is therefore based on a misconstruction of a statutory provision. It is a well settled legal proposition that where the action of an authority is based on misconstruction of a statute, the exercise of power by the authority would be vitiated. Therefore, the guideline in para 3(iv) in its present form is liable to be set aside on judicial review.

While we fully support the endeavour of the Election Commission to bring in more transparency and accountability, it is our view that the present guidelines are legally untenable and are liable to be set aside on judicial review. Any such wide ranging changes can and should be made only by the legislature by way of amendment to the Representation of Peoples Act, 1951 and not by way of administrative directions given contrary to the statute and the express legislative intent by an authority lacking the power to make the directions. We suggest that the present circular be kindly withdrawn and the matter be placed before the Parliament for due consideration and necessary action.

Thank you.

Yours faithfully,


(Motilal Vora)



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ALL INDIA CONGRESS COMMITTEE

MOTILAL VORA, MP
TREASURER

24, Akbar Road
New Delhi-110011

October 7, 2014

To,

Shri Mallya Malik,
Secretary,
Election Commission of India
Nirvachan Sadan, New Delhi.



Sub: Guidelines on transparency and accountability in party funds and election expenditure matter dated 29th August, 2014 - regarding.

Dear Sir,

Kindly refer to our earlier letter dated 22nd September, 2014 regarding the guidelines proposed to be issued by the Election Commission of India on the aforementioned subject wherein its legality and constitutionality has also been questioned. Further no consultation has been done with the political parties before issue of such guidelines. The issue involves all the recognized political parties and before any such guidelines are issued by the Commission, it may be necessary to have joint meeting of all the political parties on the subject and also the matter needs to be referred to the Ministry of Law and Justice for taking appropriate action.

It is therefore, requested that before giving effect to the Guidelines, the Commission may be pleased to hold a meeting of the all the political parties on the subject and also refer the matter to the Ministry of Law and Justice for taking appropriate action as per law.

You are therefore requested accordingly.

With regards,

Yours sincerely,

Motilal Vora
(Motilal Vora)

SHARAD YADAV

Member of Parliament
(Rajya Sabha)

PRESIDENT
Janata Dal (United)

Chief Election Commissioner
Election Commission of India,
Nirvachan Sadan,
Ashoka Road,
New Delhi

Sub: Guidelines on transparency and accountability in party funds and election
matter-regarding

Sir,

On the aforesaid subject, the guidelines are passed under the powers vested with the Election Commission of India under Article 324 of the Constitution. Hon'ble Supreme Court of India has held that Article 324 is to be resorted to only in respect of areas left unoccupied by legislation. The limitation of the powers under Article 324 is that when the Parliament or any State Legislature has made a valid law in connection with matter relating to elections, the Election Commission is to act in conformity with the provisions of such law. There are some issues that have arisen in these guidelines.

Para 3(ii) directs all political parties to submit to the Election Commission a copy of their audited annual accounts with an auditor's report for each financial year on 31st October of each year. In this regard, it may be mentioned that the subject of submission of accounts by political parties to the Election Commission is not an unoccupied field and is specifically dealt with in Section 29 C of the Representation of Peoples Act, 1951. This section provides that declaration of contributions received in excess of Rs. 20,000 by political parties is to be submitted to the Election Commission before the due date of furnishing the return of income to the Income Tax authorities. New requirements constitute a significant deviation from the statutory norms and are not backed by a corresponding power with the Election Commission to impose such requirements.

In para 3(iii), there is a requirement for the political party to maintain the names of individuals, companies and entities making donations to it excepting petty sums donated by the public during public rallies. This guideline is vague as there is no clarify as to what constitutes a petty sum and further exception is narrowed to donations collected from the public rallies implies that any other form of donation, no matter how petty, is subject to the requirement of this guideline and has to be

JANATA DAL (U)

SHARAD YADAV

Member of Parliament
(Rajya Sabha)

PRESIDENT
Janata Dal (United)



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accounted in the account books which then have to be audited and submitted to the Election Commission of India under para 3(i). This is again beyond the powers of the Commission as this is not an unoccupied field. Further, there is no clarity in so far as the reasonable amount that can be retained by the political party for its day to day expenses, and the donations so received to be deposited in the party's bank account within a week of its receipt as this cannot be enforced by way of guidelines.

In para 3(iv), section 40A(3) of the Income Tax Act, 1961 merely states that where payment made to a person in a day, otherwise than by an account payee cheque/bank draft, exceeds Rs. 20000 no deduction shall be allowed in respect of such expenditure. Therefore, para 3(iv) of the guidelines is not in conformity with the statutory provision. It is a well settled legal proposition that where the action of an authority is based on misconstruction of a statute, the exercise of power by the authority would be vitiated.

In view of the above, we would suggest that the present circular may kindly be withdrawn and the matter may be referred to Parliament for due consideration as the guidelines as mentioned above are not legally tenable and are liable to be set aside on judicial review.

Thanking you,

Yours faithfully,


(SHARAD YADAV)





राष्ट्रीय जनता दल

RASHTRIYA JANTA DAL

(केन्द्रीय कार्यालय)

13, V.P. House, Rafi Marg,
New Delhi - 110001
Telefax : 23357182

Date: 07.10.2014



To
Shri Malaya Mallick
Under Secretary
Election Commission of India
Nirvachan Sadan
Ashoka Road
New Delhi

Subject: Guidelines on transparency and accountability in party funds and
Election expenditure matter-regarding

Ref. No.: 76/PPEMS/Transparency/2013 dated 29th August 2014

Sir,

With reference to your aforesaid letter, we like to submit as under:

The aforesaid 'Guidelines' are purportedly passed under the powers vested with the Election Commission of India under Article 324 of the Constitution. Article 324(1), which is the relevant sub-clause, vests the 'superintendence, direction and control' of the conduct of elections *inter alia* to Parliament and to State Legislatures in the Election Commission. The Hon'ble Supreme Court has time and again held that Article 324 is to be resorted to only in respect of areas left unoccupied by legislation. The limitation of the powers under Article 324 is that when the Parliament or any State Legislature has made a valid law in connection with a matter relating to elections, the Election Commission is to act in conformity with the provisions of such law. It is in light of this that we reiterate the issues highlighted in our earlier letters regarding problems in your earlier drafts that have persisted in these guidelines. There are also some fresh issues that have arisen in these guidelines.

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In para 3(iii), a requirement has been introduced for a political party to maintain the names of individuals, companies and entities making donation to it excepting petty sums donated by the public during public rallies. It is further directed that the amount / donation so received in cash shall be duly accounted in the account books and deposited in the party's bank account within a week of its receipt. However, the party is allowed to retain a

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While we fully support the endeavour of the Election Commission to bring in more transparency and accountability, it is our view that the present guidelines are legally untenable and are liable to be set aside on judicial review. Any such wide ranging changes can and should be made only by the legislature by way of amendment to the Representation of Peoples Act, 1951 and not by way of administrative directions given contrary to the statute and the express legislative intent by an authority lacking the power to make the directions. We suggest that the present circular be kindly withdrawn and the matter be placed before the Parliament for due consideration and necessary action.

Thanking you

Yours Sincerely,
for Rashtriya Janata Dal

[Authorized Signatory]