

ANALYSIS OF IT RETURNS (INCOME AND EXPENDITURE) OF TAMIL NADU'S MAJOR POLITICAL PARTIES (Financial Year 2004-05 to 2011-12) — An All India Report

**A Report by
Tamil Nadu Election Watch
&
Association for Democratic Reforms**

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

Analysis of IT Returns (Income and Expenditure) of Tamil Nadu's Major Political Parties (Financial year 2004-05 to 2011-12)– An All India Report

Executive Summary

- **Total Income of Political Parties:**

- Major political parties from the State of Tamil Nadu which have been considered for the analysis are AIADMK, DMK, DMDK, VCK, INC, BJP, CPI and CPM
- **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 8 financial years (FY 2004-05 to 2011-12) is Rs 236, 502.95 lakhs (Rs 2,365 crores) followed by BJP: Rs 130,422.23 lakhs (Rs 1,304 lakhs), CPM: Rs 52,110 lakhs and CPI: Rs 1001 lakhs
- The total income of AIADMK in the 8 financial years is Rs 8,195 lakhs and that of DMK: Rs 4,428.26 lakhs
- DMDK was incorporated in 2005 hence IT returns are available only from FY 2005-06 to FY 2011-12 where the total income of the party is Rs 1,967.72 lakhs followed by VCK: Rs 648.87 lakhs

- **Sources of Income:**

- INC has declared the maximum income from **Sale of Coupons** (Rs 1,82,901.02 lakhs) providing 77.34% of the total income between FY 2004-05 & 2011-12.
- BJP has declared maximum income from **voluntary contributions** (Rs 1,09,600.38 lakhs) providing for 84.04% of the total income of the party between FY 2004-05 and 2011-2012
- Tamil Nadu Parties have **Donations/Contributions** as one of their 3 main sources of income INC – Rs 30,694.59 lakhs, CPM: Rs 22,795.18 lakhs, CPI: Rs 525.65 lakhs, DMDK: Rs 347.85 lakhs and VCK: Rs 573.09 lakhs
- The 2 major parties of Tamil Nadu, AIADMK and DMK have listed **nomination fees** as one of the major sources of income for the party: AIADMK – Rs 2,935.57 lakhs (35.82% of the total income) and DMK – Rs 302.17 lakhs (6.82% of the total income)
- **Interest collected** is the also one of the highest sources of income for the parties: AIADMK – Rs 1189.80 lakhs and DMK – Rs 676.14 lakhs
- It is to be noted that **'Net surplus from specific funds' (Rs 2626.08 lakhs) is listed as the top most item of income by DMK details of which are not available in the IT Returns of the party but forms 59.03% of the party's total income**

- **Items of Expenditure:**

- The maximum expenditure for INC has been towards **Election expenses** (Rs 116,871.87 lakhs) followed by expenses towards Aid to Other Expenses (Rs 17,846.98 lakhs) and travelling (Rs 15,276.57 lakhs).
- The maximum expenditure of BJP has been towards **Advertising & Publicity** (Rs 42,853.17 lakhs) followed by travelling (Rs 24,852.57 lakhs) and Meeting (Rs 13,287.93 lakhs)
- **Advertisement and publicity** (Rs 4,172.16 lakhs), **printing and stationery** (Rs 546.51 lakhs) and **donations** (Rs 456.88) are the top three items of expenditure for AIADMK between FY 2004-05 and 2011-12
- DMK has listed **party development expenses** (Rs 706.28 lakhs) and **office expenses** (Rs 303.81 lakhs) as the top items of expenditure
- It is to be noted that **Net deficit from specific fund (Rs 559.11 lakhs) is one of the top three items listed under expenditure by DMK, details of which are not available in the IT Returns of the party but forms 22.09% of the party's total expenditure**

Analysis of IT Returns (Income and Expenditure) of Tamil Nadu's Major Political Parties (Financial Year 2004-05 to 2011-12)– 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 but registered 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 finally available in the public domain. 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 Tamil Nadu (FY 2004-05 to FY 2011-12)

- **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 Tamil Nadu which have been considered for the analysis are AIADMK, DMK, DMDK, VCK, INC, CPI and CPM
- INC has shown the highest income amongst the National Parties. Its total income for the 8 financial years (FY 2004-05 to 2011-12) is Rs 236, 502.95 lakhs (Rs 2,365 crores) followed by BJP: Rs 130,422.23 lakhs (Rs 1,304 lakhs), CPM: Rs 52,110 lakhs and CPI: Rs 1001 lakhs
- The total income of AIADMK in the 8 financial years is Rs 8,195 lakhs and that of DMK: Rs 4,428.26 lakhs
- DMDK was incorporated in 2005 hence IT returns are available only from FY 2005-06 to FY 2011-12 where the total income of the party is Rs 1,967.72 lakhs followed by VCK: Rs 648.87 lakhs
- It is to be noted that the IT Returns of DMK are not available for FY 2009-10, 2011-12 and that of VCK is not available for FY 2004-05, 2010-11 and 2011-12

Party	Total Income (Rs. In Lakhs)								Total Income (Rs In Lakhs)
	FY-2004-2005	FY-2005-2006	FY-2006-2007	FY-2007-2008	FY- 2008-2009	FY-2009-2010	FY-2010-2011	FY-2011-2012	
Indian National Congress (INC)	22,207.45	12,492.97	16,937.07	22,082.67	49,687.62	46,757.87	30,708.87	35,628.43	236,502.95
Bharatiya Janata Party (BJP)	10,412	3,834	8,249	12,378	22,002	25,800.75	16,800.92	30,945.56	1,30,422.23
Communist Party of India (Marxist) (CPM)	3,987.79	4,159.84	6,340.18	5,969.95	6,283.43	7,328.15	7,657.00	10,384.65	52,110.99
Communist Party of India (CPI)	65.64	122.66	74.84	124.14	116.45	129.37	212.23	155.74	1,001.07
All India Anna Dravida Munnetra Kazhagam (AIADMK)	117.59	1,295.38	640.05	299.51	1,250.21	974.24	1,420.35	2,198.39	8,195.72
Dravida Munnetra Kazhagam (DMK)	214.83	415.73	266.96	1,681.75	1,206.15	#	642.84	#	4,428.26
Desiya Murpokku Dravida Kazhagam (DMDK)	Party not formed	124.18	189.42	73.83	136.23	79.37	79.37	1285.32	1,967.72
Viduthalai Chiruthaigal Katchi (VCK)	#	0.02	15.37	91.60	173.01	368.87	#	#	648.87

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

- Information on IT Returns of parties denied through RTI; 1st appeal is pending

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

- INC has declared the maximum income from Sale of Coupons (Rs 1,82,901.02 lakhs) providing 77.34% of the total income between FY 2004-05 & 2011-12.
- BJP has declared maximum income from voluntary contributions (Rs 1,09,600.38 lakhs) providing for 84.04% of the total income of the party between FY 2004-05 and 2011-2012
- Tamil Nadu Parties have **Donations/Contributions as one of their 3 main sources of income** INC – Rs 30,694.59 lakhs, CPM: Rs 22,795.18 lakhs, CPI: Rs 525.65 lakhs, DMDK: Rs 347.85 lakhs and VCK: Rs 573.09 lakhs
- **Share of income from voluntary contribution** for INC is 12.98%, CPM: 43.74%, CPI: 52.6%, DMDK: 17.68% and VCK: 88.32%
- The 2 major parties of Tamil Nadu, AIADMK and DMK have listed **nomination fees as one of the major sources of income** for the party: AIADMK – Rs 2,935.57 lakhs (35.82% of the total income) and DMK – Rs 302.17 lakhs (6.82% of the total income)
- **Interest collected** is the also one of the highest sources of income for the parties: AIADMK – Rs 1189.80 lakhs and DMK – Rs 676.14 lakhs
- It is to be noted that '**Net surplus from specific funds**' (Rs 2626.08 lakhs) is listed as the top most item of income by the party details of which are not available in the IT Returns of the party

Party	Total Income (Rs. In Lakhs)	FY 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 & 2011-2012 (combined)		% share of source from total income
		Top 3 Sources of Income	Amount (Rs in Lakhs)	
Indian National Congress (INC)	236,500.17	By Collection from Sale of coupons	182,901.02	77.34%
		Donations	30,694.59	12.98%
		Interest on FDR	13,253.62	5.60%
Bharatiya Janata Party (BJP)	1,30,422.23	Voluntary contributions	1,09,600.38	84.04%
		Interest From Banks	9,081.50	6.96%
		Aajiwani Sahayog Nidhi	7,581.47	5.81%
Communist Party of India (Marxist) (CPM)	52,110.80	Voluntary contributions	22,795.18	43.74%
		Levy	19,862.35	38.12%
		Election Fund	4,834.92	9.28%
Communist Party of India (CPI)	999.34	Party Fund, Education Fund, Donation	525.65	52.60%
		By Interest Received	206.85	20.70%
		Membership Fee	137.19	13.73%
All India Anna Dravida Munnetra Kazhagam (AIADMK)	8,195.72	State Assembly & local body election nomination fees	2,935.57	35.82%
		Sale of Application	1,622.48	19.80%
		Interest Receipts	1189.80	14.52%
Dravida Munnetra Kazhagam (DMK)	4,428.26	Net Surplus from specific funds	2,626.08	59.30%
		Interest on bank deposits	676.14	15.27%
		Election candidate nomination fees	302.17	6.82%
Desiya Murpokku Dravida Kazhagam (DMDK)	1,967.72	MP, MLA, Local Body & Party Org. Election Nomination Fee	1,276.71	64.88%
		Contributions	347.85	17.68%
		Membership Fee Received	331.93	16.87%
Viduthalai Chiruthaigal Katchi (VCK)	648.87	Voluntary Contributions	573.09	88.32%
		Subscriptions for Namadhu Tamil Nadu Mann	68.64	10.58%
		Interest Received	6.55	1.01%

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

Top 3 items of expenditure of Political Parties of Tamil Nadu as declared in their IT Returns (FY 2004-05 to FY 2011-12)

- The total expenditure of the political parties considered have been calculated from the expenses incurred by the parties on various items, all over India as submitted in their Income Tax Returns
- The maximum expenditure for INC has been towards **Election expenses** (Rs 116,871.87 lakhs) followed by expenses towards Aid to Other Expenses (Rs 17,846.98 lakhs) and travelling (Rs 15,276.57 lakhs).
- The maximum expenditure of BJP has been towards Advertising & Publicity (Rs 42,853.17 lakhs) followed by travelling (Rs 24,852.57 lakhs) and Meeting (Rs 13,287.93 lakhs)

- **Advertisement and publicity** (Rs 4,172.16 lakhs), **printing and stationery** (Rs 546.51 lakhs) and **donations** (Rs 456.88) are the top three items of expenditure for AIADMK between FY 2004-05 and 2011-12
- DMK has listed **party development expenses** (Rs 706.28 lakhs) and **office expenses** (Rs 303.81 lakhs) as the top items of expenditure
- It is to be noted that **'Net deficit from specific fund'** (Rs 559.11 lakhs) is one of the top three items listed under expenditure by the party, details of which are not available in the IT Returns of the party

Party	Total Expenses (Rs in Lakhs)	FY 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 & 2011-2012 (combined)		% share of items of expenditure from total expenses
		Top 3 Items of Expenditure	Amount (Rs in Lakhs)	
Indian National Congress (INC)	204,030.31	Election Expenses	116,871.87	57.28%
		Aid to Other Expenses	17,846.98	8.75%
		Travelling & Lodging	15,276.57	7.49%
Bharatiya Janata Party (BJP)	1,00,709.25	Advertising & Publicity	42,853.17	42.55%
		Travelling	24,852.57	24.68%
		Meeting	13,287.93	13.19%
Communist Party of India (Marxist) (CPM)	36,179.76	Salaries & Allowances	7,945.55	21.96%
		Relief & Donation	5,884.82	16.27%
		Meeting & Conference	5,032.98	13.91%
Communist Party of India (CPI)	745.98	Election & Publicity	191.16	25.63%
		Salaries & Allowances	165.82	22.23%
		Travelling & conveyance	63.96	8.57%
All India Anna Dravida Munnetra Kazhagam (AIADMK)	7,227.18	Advertisement & Publicity	4,172.16	57.73%
		Printing & Stationery	546.51	7.56%
		Donation	456.88	6.32%
Dravida Munnetra Kazhagam (DMK)	2,530.99	Party Development Expenses	706.28	27.91%
		Net deficit from specific fund	559.11	22.09%
		Office Expenses	303.81	12.00%
Desiya Murpokku Dravida Kazhagam (DMDK)	1,340.09	Advertisement & Publicity	420.32	31.37%
		Election Expenses-MP	289.90	21.63%
		Printing and Stationery	155.91	11.63%
Viduthalai Chiruthaigal Katchi (VCK)	372.70	Donation	103.70	27.82%
		Publicity Expenses	81.26	21.80%
		Relief Expenses	49.82	13.37%

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

Issues related to disclosure of financial statements by 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

Tamil Nadu Election Watch:

Dr. Sudarsan Padmanabhan

+91-044 2257-426, +91-94447-82884

sudarsanp@iitm.ac.in

National Election Watch/Association for Democratic Reforms

Media and Journalist Helpline	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 (Retd.) 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