

## Analysis of Income of Political Parties in Karnataka

### Importance of financial transparency

Political parties act as a link between the citizens and the government and therefore it is given that the parties must be accountable to the public at large. Political parties are the major stakeholders in a democracy and 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 1139 unrecognized parties in India.

Political parties have multiple sources of funding and thus accountability and transparency becomes crucial. 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 Political Parties of Karnataka for FY 2007-08, 2008-09, 2009-2010 and 2010-2011

- INC, being one of the major parties has shown the highest income amongst the parties analyzed. Its total income for the four financial years is ₹ 1492.35 crore while for BJP it is ₹ 769.81 crore.
- Total Income of Janata Dal (Secular) is ₹ 4.63 crore (FY 2007-08 and FY 2009-10)
- As per the RTI response, JD(S) has not filed Income Tax Returns (ITR) for the FY 2008-09 and FY 2010-11

Party	Total Income (Rs. In crore)				Total (Rs in Crore for three years)
	2007-2008	2008- 2009	2009- 2010	2010- 2011	
Indian National Congress (INC)	220.81	496.88	467.57	307.08	1492.35
Bharatiya Janata Party (BJP)	123.78	220.02	258.00	168.00	769.81
Janata Dal (Secular) (JD(S))	0.24	ITR NOT FILED	4.39	ITR NOT FILED	4.63

Table: Total Income declared by Political Parties in Karnataka in their (ITR) for FYs 2007-2008 to 2010-2011.

Top 3 sources of income of Major Parties of Karnataka for  
FY 2007-08, 2008-09, 2009-2010 and 2010-2011

- For INC, the maximum income is derived from Sale of Coupons (₹ 1171.61 crore).
- All the three parties analyzed have Donations/Contributions as one of their main sources of income: BJP - ₹ 644.77 crore, INC - ₹ 183.82 crore and JD(S) - ₹ 4.58 crore.
- Interest collected is also one of the highest sources of income for all the three parties: INC ₹ 82.15 crores, BJP collecting ₹ 53.41 crores and JD(S) ₹ 94 thousand.

FY 2007-2008, 2008-2009, 2009-2010 and 2010-2011 (combined)		
Party	Top 3 sources of income	Amount (Rs in Crore)
Indian National Congress	Sale of coupons	1171.61
	Donations	183.82
	Interest	82.15
Bharatiya Janata Party	Voluntary contributions	644.77
	Interest	53.41
	Aajiwan Sahayog Nidhi	50.34
Janata Dal (Secular)*	Donation	4.58
	Rental	0.02
	Interest	0.0094

Table: Top 3 sources of income of Major Parties in Karnataka in their (ITR) for FYs 2007-2008 to 2010-2011.

\*ITR not filed for FY 2008-2009 and FY 2010-2011.

Top 3 items of expenditure of Major Parties in Karnataka for  
FY 2007-08, 2008-09, 2009-2010 and 2010-2011

- The maximum expenditure for INC has been towards Election expenses amounting to ₹ 716.03 crores followed by expenses towards Aid (₹131.18 crores)
- Publicity is one the top three items of expenditure for INC and BJP with the latter spending approximately ₹ 271 crores while the former ₹ 87.42. BJP spends a large sum of money on travelling (₹ 141,15 crores) and meetings (₹ 77.97 crores).

FY 2007-2008, 2008-2009, 2009-2010 and 2010-2011 (combined)		
Party	Top 3 items of expenditure	Amount (Rs in Crore)
Indian National Congress	Election	716.03
	Aid to other	131.18
	Publicity	87.42
Bharatiya Janata Party	Advertising & Publicity	271.00
	Travelling	141.15
	Meeting	77.97
Janata Dal (Secular)	Income and Expenses not filed	

Table: Top 3 items of expenditure of Major Parties in Karnataka in their (ITR) for FYs 2007-2008 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 an exemption, they have to maintain audited accounts and comply with the 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 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 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 believes that there is a dire need for these recommendations to be implemented at the earliest.