

## Analysis of Income of Political Parties in Himachal Pradesh

### 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 1139 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 Himachal Pradesh from 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.
- INC, being one of the major parties has shown the highest income amongst the National Parties. Its total income for the 7 financial years is Rs 2,00,871.74 lakhs.
- BJP has shown the second highest income amongst the National Parties. Its total income for the 7 financial years is Rs 99,476.67 lakhs
- INC had shown a 125% increase in income between FY 2007-08 and FY 2008-09 but a dip of -34.32% between FY 2009-10 and 2010-11 while BJP had shown an increase of 77.75% between FY 2008-09 and FY 2009-10 but a dip of -34.88% between FY 2009-10 and FY 2010-11
- As the details of Income Tax Returns filed by the Bahujan Samaj Party is awaited for the FY 2006-07, the total Income is computed for all the financial years other than FY 2006-07
- BSP: Rs 1,06,222 lakhs (for 6 years) followed by CPM (Rs 41,726.15 lakhs) and CPI (Rs 843.60 lakhs)

| Party | Total Income (Rs. In Lakhs) |               |               |               |               |               |               | Total<br>(Rs. In Lakhs) |
|-------|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------------|
|       | FY- 2004-2005               | FY- 2005-2006 | FY- 2006-2007 | FY- 2007-2008 | FY- 2008-2009 | FY- 2009-2010 | FY- 2010-2011 |                         |
| INC   | 22,207                      | 12,493        | 16,936        | 22,081        | 49,688        | 46,757.87     | 30,708.87     | 2,00,871.74             |
| BJP   | 10,412                      | 3,834         | 8,249         | 12,378        | 22,002        | 25,800.75     | 16,800.92     | 99,476.67               |
| BSP   | 3,658                       | 3,714         | Data Awaited  | 12,088        | 28,735        | 23,954.83     | 34,072.17     | 106,222.00              |
| CPM   | 3,988                       | 4,160         | 6,340         | 5,970         | 6,283         | 7,328.15      | 7,657         | 41,726.15               |
| CPI   | 66                          | 122           | 74            | 124           | 116           | 129.37        | 212.23        | 843.60                  |

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

### Top 3 sources of income of Major Parties of Himachal Pradesh from FY 2004-05 to FY 2010-11

- For INC, the maximum income is derived from Sale of Coupons (Rs1,55,377.18 lakhs)
- National Parties have Donations/Contributions as one of their 3 main sources of income: BJP – Rs 82,000.50 lakhs, BSP- Rs 30,731 lakhs, INC – Rs 27,250.48 lakhs, CPM- Rs 17,546.15 lakhs. And CPI Rs 458.96 lakhs.
- Interest collected is the also one of the highest sources of income for the parties: INC Rs 10,473.33 lakhs, BJP collecting Rs 7,527.83 lakhs followed by CPI collecting Rs 165.83 lakhs

| Party                              | FY 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 (combined) |                      |
|------------------------------------|---|----------------------|
|                                    | Top 3 Source of Income  | Amount (Rs in Lakhs) |
| Indian National Congress           | Sale of coupons   | 1,55,377.18          |
|                                    | Donations   | 27,250.48            |
|                                    | Interest  | 10,473.33            |
| Bharatiya Janata Party             | Voluntary contributions   | 82,000.50            |
|                                    | Interest  | 7,527.83             |
|                                    | Aajwan Sahayog Nidhi  | 6,280.64             |
| Bahujan Samaj Party (BSP)          | Contributions   | 30,731.00            |
|                                    | Membership  | 9,233.80             |
|                                    | Sale of Property  | 1,975.71             |
| Communist Party of India (Marxist) | Voluntary contributions   | 17,546.15            |
|                                    | Levy  | 15,698.98            |
|                                    | Election Fund   | 4,834.92             |
| Communist Party of India           | Party fund, education fund, donation  | 458.96               |
|                                    | Interest  | 165.83               |
|                                    | Membership fee  | 109.41               |

Table: Top 3 sources of income of Major Parties in Himachal Pradesh in their (ITR) from FYs 2004-2005 to 2010-2011.

**Top 3 items of expenditure of Major Parties in Himachal Pradesh from  
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 (Rs 17,116.47 lakhs)
- Publicity is the top item of expenditure for BJP (Rs 35,720.64 lakhs) and BSP (Rs 2,855.03 lakhs) followed by Travelling (BJP: Rs 18,889.46 lakhs and BSP: Rs 833.03 lakhs)
- The other main item of expenditure for BJP was meeting (Rs 10,456.60 lakhs) and for BSP, Organisational expenses (Rs 610.15 lakhs)
- CPM spent the maximum on Salaries expenses (Rs 6,587.81 lakhs) followed by Relief & Donation (Rs 4,491.91 lakhs) and Meeting & Conference (Rs 4,477.59 lakhs)

| Party                              | FY 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 (combined) |                      |
|------------------------------------|---|----------------------|
|                                    | Top 3 Items of Expenditure  | Amount (Rs in Lakhs) |
| Indian National Congress           | Election Expenses   | 92,506.40            |
|                                    | Aid to Other Expenses   | 17,116.47            |
|                                    | Travelling & Lodging  | 10,749.25            |
| Bharatiya Janata Party             | Advertising & Publicity   | 35,720.64            |
|                                    | Travelling  | 18,889.46            |
|                                    | Meeting   | 10,456.60            |
| Bahujan Samaj Party (BSP)          | Publicity Expenses  | 2,855.03             |
|                                    | Tours and Travels   | 833.03               |
|                                    | Organisational  | 610.15               |
| Communist Party of India (Marxist) | Salaries  | 6,587.81             |
|                                    | Relief & Donation   | 4,491.91             |
|                                    | Meeting & Conference  | 4,477.59             |
| Communist Party of India           | Election & Publicity  | 151.41               |
|                                    | Salaries  | 135.51               |
|                                    | Travelling & conveyance   | 54.15                |

Table: Top 3 items of expenditure of Major Parties in Himachal Pradesh 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

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