

FAQs: Legal Aspects of Donations to Political Parties

1. What rules govern political parties when it comes to accepting voluntary contribution from an individual or a company?

According to section 29B of Representation of People's Act, every political party may accept any amount of contribution voluntarily offered to it by any person or company other than a Government company provided that no political party shall be eligible to accept any contribution from any foreign source defined under clause (e) of section 2 of the Foreign Contribution (Regulation) Act, 1976.

Furthermore, under **Section 29-C of the RPA**, it is made mandatory for the political parties to submit to the Election Commission a list of donations they received of over Rs. 20,000 in Form 24-A and where such a political party fails to submit a report then such political party shall not be entitled to any tax relief under that Act.

2. In what circumstance would the income from contribution not be included in total income of the year?

As per **section 13A of the I.T Act**, any income of a political party which is chargeable under the head "Income from house property" or "Income from other sources" 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 enables the Assessing Officer to properly deduce its income there from;
- (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.

3. What is the role of a Treasurer in a political party?

Section 29C of Representation of People's Act states that the treasurer of a political party or any other person authorized by the political party in this behalf shall, in each financial year, prepare a report in respect of the contribution in excess of twenty thousand rupees received by such political party from any person in that financial year.

4. What are the exemptions enjoyed by the donors who give voluntary contributions to political parties?

Any contribution made by an individual to a political party (registered under Section 29A of the Representation of the People Act, 1951) is fully deductible under **section 80GGC of the Income Tax Act and under section 80GGB** in case the contribution is made by the companies.

5. What laws govern the Companies which give voluntary contribution to political parties?

Section 293A of Company's Act, 1956 states that no company which has been in existence for less than three financial years shall contribute any amount or amounts, directly or indirectly to any political party or for any political purpose to any person.

Besides, as per **section 293A of the Company's Act**, a company, incorporated under the Companies Act, can donate up to 5% of its profit in a year, and the company is bound to disclose the amount in its profit and loss account. This exercise should be conducted with the approval of its board of directors through a resolution. If a company makes any contribution in contravention of the provisions of this section, the company shall be punishable with fine which may extend to three times the amount so contributed; and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years and shall also be liable to fine.

Section 293 A(4) of the Companies Act requires the companies making the donations to political parties to disclose the same with the details explicitly in their respective profit & loss account statements. The ministry of corporate affairs should cause a verification of this and take necessary action in case there is any infringement.

6. Who are not permitted under law to contribute to political parties?

Section 293A of Company's Act, 1956 and **Section 293A (1)(a) of Companies Act** state that no Government company shall contribute any amount or amounts, directly or indirectly to any political party or for any political purpose to any person.

Under **Sections 3 & 4 of Foreign Contributions (Regulation) Act (FCRA), 1976**, political parties are not permitted to accept contributions from foreign companies or companies controlled in India by foreign companies.