

Electoral trust scheme, 2013

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In news

The Paribartan Electoral Trust, backed by the MP Birla Group, has **donated Rs 3 crore using electoral bonds in 2019-20**, in what is likely the first time an electoral trust has done so.

Against Electoral Trusts Scheme & IT rules

This practice is against the spirit of the Electoral Trusts Scheme, 2013 and Rule 17CA of the Income Tax Rules, 1962 **which make it mandatory for trusts to furnish each and every detail** about the donor contributing to the trust.

Consequences of such move

If Electoral trusts start adopting this precedent of donating through bonds, which do not permit disclosure norms and discourage transparency rules/laws then it is like going back in time before the Electoral Trusts Scheme, 2013 was incorporated. In such a scenario, it will be a complete mayhem of unfair practices i.e. total anonymity, unchecked and unlimited funding, free flow of black money circulation, corruption, foreign funding, corporate donations and related conflict of interest etc.

What does Rule 17CA of the Income Tax Rules, 1962 say?

- It says that the electoral trusts can receive voluntary contributions from any company or individual for funding of political parties.
- These trusts are approved by the Central Board of Direct Taxes (CBDT) in accordance with the Electoral Trust Scheme of 2013.
- As per **recent amendment to Rule 17CA of I-T Act**, an **electoral trust will not be allowed to accept**

contributions from “a government company” as well as “a foreign source” as defined under the Foreign Contribution (Regulation) Act, 2010.

About Electoral Trusts Scheme, 2013

- Electoral trusts are not-for-profit companies and distribute contributions received from various sources to the political parties.
- Electoral Trusts are designed to bring in more transparency in the funds provided by corporate entities to the political parties for their election related expenses.
- Electoral Trusts Scheme, 2013 was notified by CBDT under Income-tax Act.
- **Objectives of the Scheme** .- To lay down a procedure for grant of approval to an electoral trust which will receive voluntary contributions and distribute the same to the political parties.

Criteria for approval .- An electoral trust shall be considered for approval if it fulfills all of the following conditions, namely:

- The company registered for the purposes of section 25 of the Companies Act, 1956.
- The object of the electoral trust shall not be to earn any profit or pass any direct or indirect benefit to its members or contributors.

Contributions to Electoral Trusts

The following categories of persons can contribute to an electoral trust:

- Indian citizens
- Domestic companies which are registered in India
- Firm or Hindu Undivided Family
- Group of persons or individuals, who reside in India.

An electoral trust cannot accept contributions from:

- Any person who is not an Indian Citizen.
- Foreign Entity.
- Any other electoral trust.

Procedure for Accepting Contributions

An electoral trust can accept contributions only by cheque, demand draft or account transfer to the bank. An electoral trust after receiving the contribution must allocate the same to the political parties.

Electoral Trust Administration

An electoral trust can distribute funds only to the eligible political parties. However, the electoral trust can for the purposes of managing its affairs, spend up to 5% of the total contributions received in a year

Receipt of contribution

A receipt indicating the following shall be issued by the trust immediately on receipt of any contribution indicating the following:

- Name of the electoral trust
- Permanent account number of the electoral trust
- date and number of approval by the prescribed authority;
and
- Name and designation of the person issuing the receipt.

Extra reading: <https://journalsofindia.com/electoral-bonds-3/>