

What are Electoral bonds?

January 13, 2022

In news- The sale of the 19th tranche of electoral bonds recently began.

About Electoral bonds-

- In India, Electoral bonds (EB) are instruments or securities that can be used to donate funds to political parties.
- They have been proposed as a way of reforming election funding in the Union Budget 2017.
- EB were introduced to ensure that all the donations made to a party would be accounted for in the balance sheets without exposing the donor details to the public.
- They are **interest-free bearer instruments** used to donate money anonymously to political parties.
- A **bearer instrument** (in the nature of a promissory note) **does not carry any information about the buyer or payee** and the holder of the instrument (which is the political party) is presumed to be its owner.
- A citizen of India or a body incorporated in India are eligible to purchase the bond.
- These bonds can be purchased for any value in multiples of ₹1,000, ₹10,000, ₹10 lakh, and ₹1 crore from any of the specified branches of the State Bank of India.
- There is no limit on the number of bonds an individual or company can purchase.
- The purchaser will be allowed to buy electoral bonds only on due fulfillment of all the extant KYC norms and by making payment from a bank account
- The electoral bonds are available for purchase for 10 days at the beginning of every quarter.
- The first 10 days of January, April, July and October have been specified by the government for purchase of electoral bonds.

- An additional period of 30 days shall be specified by the government in the year of Lok Sabha elections.
- The bonds will have a life of 15 days (15 days time has been prescribed for the bonds to ensure that they do not become a parallel currency).
- They can be used to make donations to registered political parties that have secured not less than 1% of the votes polled in the last election to the Lok Sabha or Assembly.
- The bond shall be encashed by an eligible political party only through a designated bank account with the authorized bank.
- A donor will get a deduction and the recipient, or the political party, will get tax exemption, provided returns are filed by the political party.