

## Analysis of Income & Expenditure of 5 National Political Parties for FY- 2013-2014

### Introduction

Political parties have multiple sources of funding and thus accountability and transparency should be an important aspect of their functioning. It is essential to have comprehensive and transparent accounting methods and systems which should reveal the true financial position of the parties.

The Election Commission of India (ECI), in its [letter](#) dated 19<sup>th</sup> November,'14 addressed to the Presidents/General Secretaries of all political parties, stated that it was mandatory for the parties to submit details of their audited report to the Commission. This report analyses the total income and expenditure incurred by the **5 National Parties** (less BJP) during FY 2013-14, as declared by the parties in their IT Returns submitted to the ECI.

### Submission of audited reports by the National Parties

- The due date for submission of annual audited accounts for the parties was **30<sup>th</sup> Nov,'14**.
- Out of the six National Parties, BSP, CPI, CPM and NCP submitted their audited report while INC submitted its report [under protest](#) stating that unless necessary amendments were made in the RP Act, 1951, the ECI did not have the power to demand such reports from the parties.
- **BJP**, in its letter dated [9<sup>th</sup> July,'15](#), had requested for 4 weeks' time but is yet to file the required reports.
- **CPM and BSP** were the only two National Parties to submit the audit reports on time.

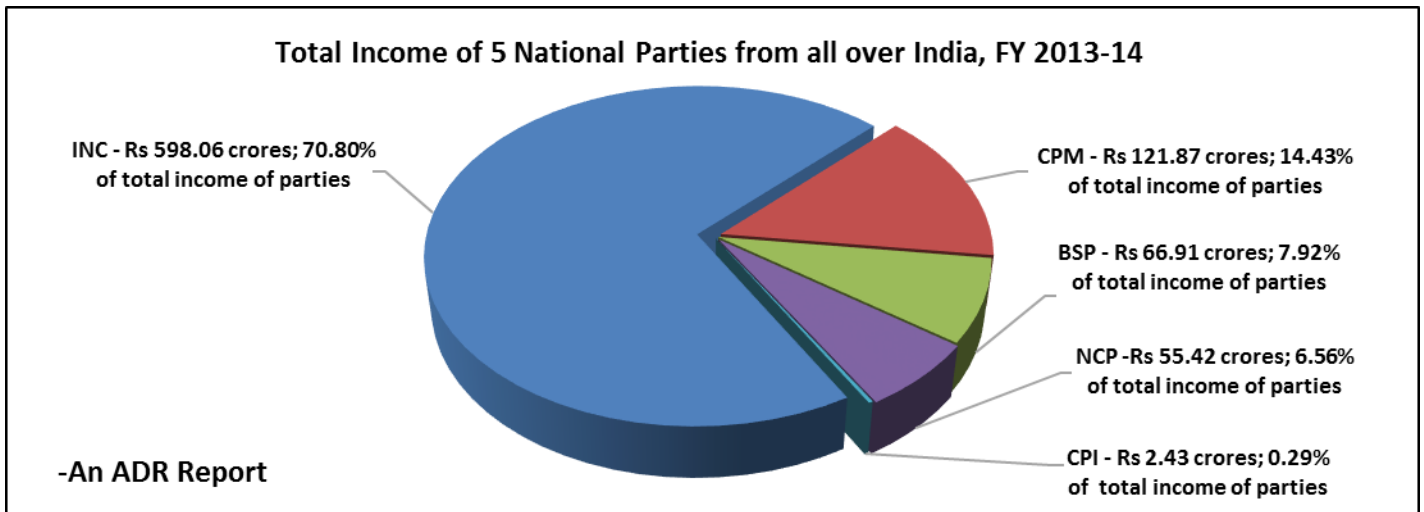
Due date for submission: 30 <sup>th</sup> Nov,'14		
Party	Date of submission	Remarks made by the parties
CPM	29 <sup>th</sup> Sept,'14	-
BSP	9 <sup>th</sup> Oct,'14	-
NCP	17 <sup>th</sup> March,'15	In pursuance of the reminder letter from ECI dated 16 <sup>th</sup> March,'15
CPI	19 <sup>th</sup> March,'15	In pursuance of the reminder letter from ECI dated 16 <sup>th</sup> March,'15
INC	10 <sup>th</sup> July,'15	Under protest
BJP	Not yet submitted	Requested for 4 weeks' time in the letter dated 9 <sup>th</sup> July,'15

### Total Income of 5 National Parties (less BJP), FY 2013-2014

- The total Income of the 5 National Parties has been compiled from the income from various sources pan India, as submitted in their Income Tax Returns.
- The **five National Parties**, whose IT Returns are available in the public domain, have declared a **total income of Rs 844.71 crores**, collected from all over India.
- INC has shown the highest income amongst the National Parties with a total income of Rs 598.06 crores during FY 2013-14. This formed **70.8% of the total income of all the 5 National Parties, together** during FY 2013-14.
- **CPM** declared the second highest income of **Rs 121.87 crores** which forms **14.43%** of the total income of the National Parties.
- **CPI** declared the least income of **Rs 2.43 crores** which forms a mere 0.29% of the total income of the National Parties during the FY 2013-14.

National Party	INC	CPM	BSP	NCP	CPI
<b>Total Income</b>	Rs 5,98,06,19,472 (Rs 598.06 crores)	Rs 1,21,87,38,362 (Rs 121.87 crores)	Rs 66,91,38,004 (Rs 66.91 crores)	Rs 55,42,55,886 (Rs 55.42 crores)	Rs 2,43,54,022 (Rs 2.43 crores)
<b>Share of Income</b>	<b>70.80%</b>	<b>14.43%</b>	<b>7.92%</b>	<b>6.56%</b>	<b>0.29%</b>
<b>Grand Total</b>	<b>Rs 8,44,71,05,746 (Rs 844.71 crores)</b>				

Table: Total income declared by 5 National Parties in their ITR for FY 2013-14 (All over India)



Graph: Total income declared by 5 National Parties in their ITR for FY 2013-14 (All over India)

### Declaration of sale of coupons and donations by National parties: FY-2013-2014

- The audit report of political parties contains information on the various sources of income and items of expenditure of the parties over a financial year.
- Collection from sale of coupons** was one of the major sources of income where **INC** declared collection of **Rs 477.316 crores** while **NCP** declared collection of **Rs 8.32 crores** from the sale of such coupons.
- A total of **Rs 485.64 crores** was collected by **INC and NCP**, together, via sale of coupons which contributed to **57.49% of the total income of the five national parties**.

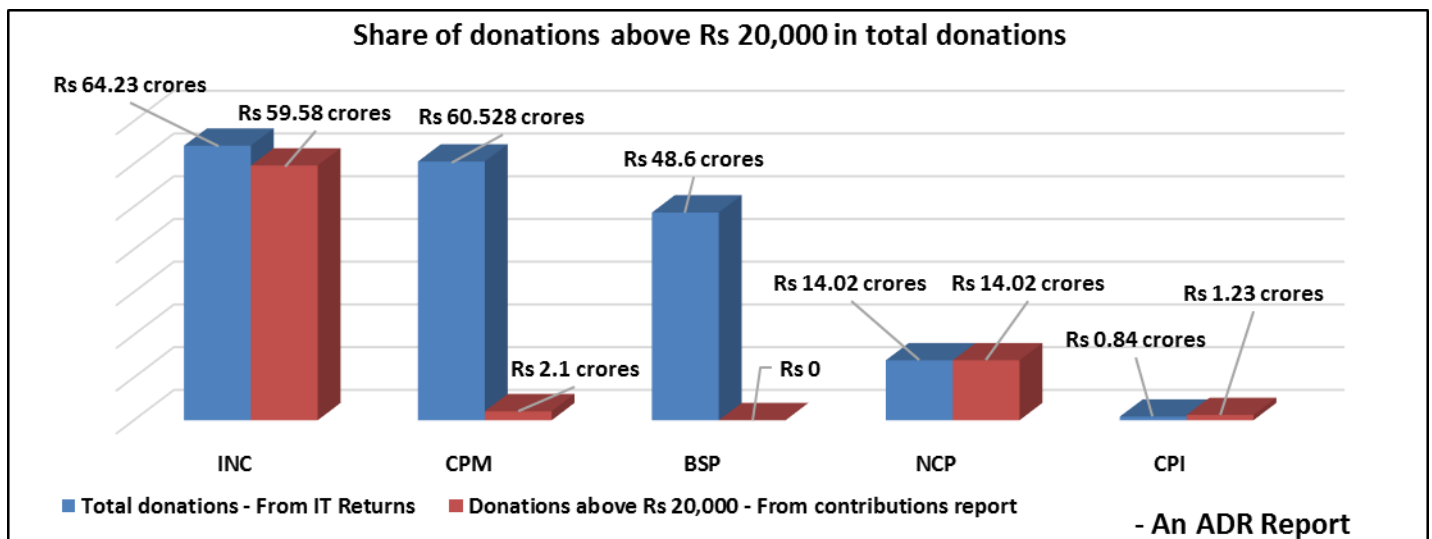
Share of donations/ sale of coupons in total income of the parties – FY 2013-14 (Rs in crores)							
Income Details	INC	BSP	NCP	CPI	CPM	Total	Share in total income
Collection by Issuing Coupons/Sale of Publications	477.316	0	8.32	0	0	Rs 485.64 crores	57.49%
Grant/Donation/Contributions/Funds	64.233	48.60	14.02	0.84	60.53	Rs 188.22 crores	22.28%
Other sources of Income	56.51	18.313	33.083	1.595	61.345	Rs 170.85 crores	20.23%

- INC** declared the maximum income from donations which amounted to **Rs 64.233 crores** followed closely by **CPM** with **Rs 60.53 crores** and **BSP**, with **Rs 48.60 crores**.
- Out of the total income of **Rs 844.71 crores** declared by the National Parties during FY 2013-14, **Rs 188.22 crores** was from donations/ voluntary contributions. This formed **22% of the total income of the parties**.

### Share of donations above Rs 20,000 in total donations

- Apart from submitting details of their audit report to the Election Commission of India, political parties are also required to annually provide details of donors who contributed **above Rs 20,000** to the parties in a financial year.
- A **comparison of total donations** declared by the parties in their **IT returns** (both above and below Rs 20,000) and that declared in the **donations report** shows that only **41%** of the total donations of the parties came from **voluntary contributions above Rs 20,000**.
- A total of **Rs 111.29 crores (59%)** of the total donations to National Parties was collected during FY 2013-14 from donors whose **details are not available in the public domain**.
- Out of **Rs 60.528 crores** declared by **CPM** as total donations of the party, only **Rs 2.1 crores**, or a mere **3%**, came from donors whose details are declared in the donations report of the party.
- **CPI** had declared **Rs 84 lakhs** as donations received in its **IT returns** while the party declared receiving **Rs 1.23 crores** from donors who donated above Rs 20,000 in its **contributions report** to the ECI. Hence the share is **146%**.

% share of contributions in total Income of National Parties for FY-2013-2014						
Party	Total Income	Source of Income – IT Returns	Total Contributions/ Donations	Share of Contributions in total income	Donations above Rs 20,000 – Contribution report	Share of Contributions above Rs 20,000 in total donations
INC	596.06	Grant/Donation/ Contributions	64.23	11%	59.58	93%
BSP	66.91	Voluntary Contributions / Coupon Sale	48.60	73%	0	0%
NCP	55.42	Donations Received	14.02	25%	14.02	100%
CPI	2.43	Party Fund, Education Fund, Election Fund and Donations	0.84	34%	1.23	146%
CPM	121.87	Donations	60.528	50%	2.1	3%
<b>Grand Total</b>	<b>Rs 844.71 crores</b>		<b>Rs 188.22 crores</b>	<b>22%</b>	<b>Rs 76.93 crores</b>	<b>41%</b>

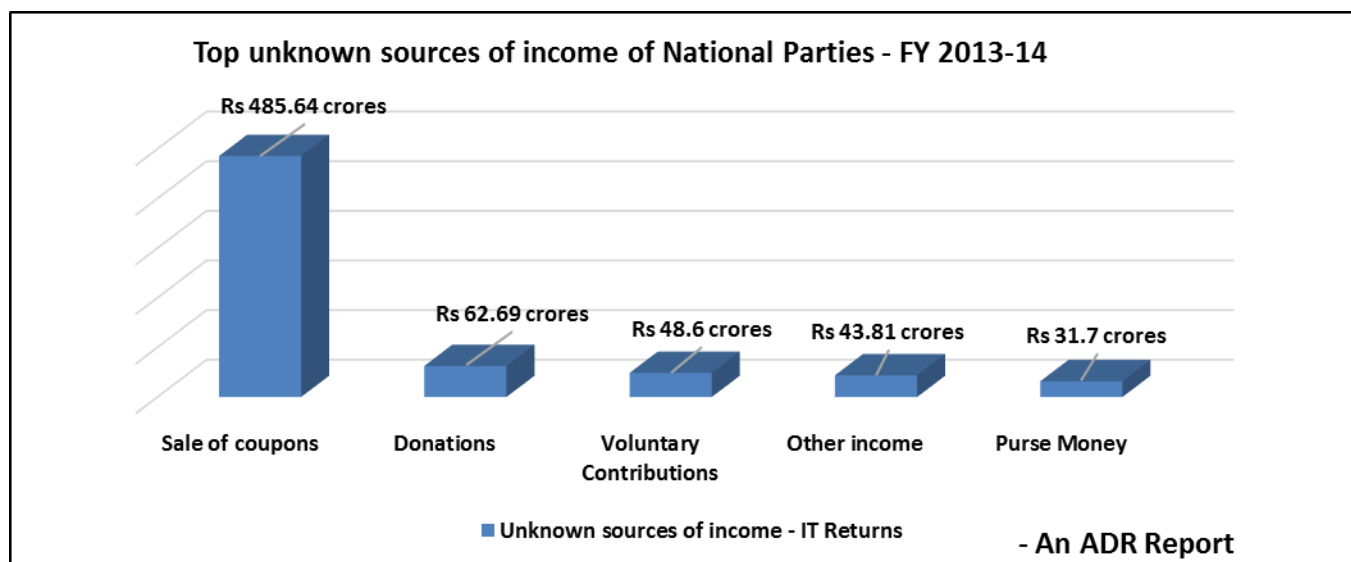


### Unknown sources of income of National parties for FY- 2013-2014

- The contribution statements, submitted by the political parties declaring names and other details of donors who contribute above Rs 20,000, are the only **known source**.
- The **unknown sources** are income declared in the IT returns but **without giving source of income for donations below Rs.20,000**. Such unknown sources include 'sale of coupons', 'Purse money', 'relief fund', 'miscellaneous income', 'voluntary contributions', 'contribution from meetings/ morchas' etc. The details of donors of such voluntary contributions are not available in the public domain.
- **Total income of political parties from unknown sources** (income specified in the IT Returns whose sources are unknown), for the FY 2013-14 is **Rs 673.08 crores**, which is **79.68%** of the total income of the parties.
- **Donations/ voluntary contributions** declared in the table below has been computed **after adjusting for donations above Rs 20,000**.

Unknown sources of Income (lakhs)	INC	BSP	NCP	CPI	CPM	Total
Sale of coupons	477.32	0.00	8.32	0.00	0.00	485.64
Donations	4.65	0.00	0.00	-0.39*	58.43	62.69
Voluntary contribution	0.00	48.6	0.0003	0.00	0.00	48.60
Other income	42.02	0.00	0.00	0.00	1.79	43.81
Sale of forms and Purse money	0.00	0.00	31.70	0.00	0.00	31.70
Advertising money	0.00	0.00	0.56	0.00	0.00	0.56
Flags and badges	0.00	0.00	0.08	0.00	0.00	0.08
Miscellaneous Income	0.00	0.00	0.00	0.0032	0.00	0.0032
<b>Total</b>	<b>Rs 523.99 crores</b>	<b>Rs 48.6 crores</b>	<b>Rs 40.66 crores</b>	<b>Rs -0.39 crores</b>	<b>Rs 60.22 crores</b>	<b>Rs 673.08 crores</b>

\* - The donations above Rs 20,000 declared by CPI was more than total donations declared by the party in its IT Returns



### Top 3 sources of income of 5 National Parties for FY-2013-2014

- The maximum income declared by INC was **Rs 477.32 crores** from collection by **issuing coupons/sale of publications**. This formed 79.81% of the total income of the party.
- National Parties have declared **donations/contributions** as one of their 3 main sources of income. INC – Rs 64.23 crores, BSP- Rs 48.60 crores, NCP – Rs 14.02 crores, CPM- Rs 60.52 lakhs and CPI – Rs 84 lakhs.
- **Interest collected** is the also one of the highest sources of income for the parties. CPM collected Rs 14.35 crores, BSP Rs 6.67 crores, followed by CPI which collected Rs 76 lakhs.

National Party	Total Income	Financial Year- 2013-2014		
		Top 3 Source of Income	Amount (Rs in crores)	Share of Income
INC	Rs 598.06 crores	Collection by Issuing Coupons/Sale of Publications	477.32	79.81%
		Grant/Donation/Contributions	64.23	10.74%
		Fee & Subscriptions	14.49	2.42%
		<b>Other Income</b>	42.03	7.03%
BSP	Rs 66.91 crores	Voluntary Contribution/Coupon Sale	48.6	72.63%
		Bank Interest	6.67	9.97%
		Profit on Sale of Property	5.41	8.09%
		<b>Other Income</b>	6.23	9.31%
NCP	Rs 55.42 crores	Collection from Sale of Forms & Purse Money	31.7	57.20%
		Donation Received	14.02	25.30%
		Coupon Receipts	8.32	15.01%
		<b>Other Income</b>	1.38	2.49%
CPI	Rs 2.43 crores	Party Fund Education Fund, Election Fund and Donation	0.84	34.57%
		Interest Received	0.76	31.28%
		Membership Fee	0.50	20.58%
		<b>Other Income</b>	0.33	13.58%
CPM	Rs 121.87 crores	Donation	60.52	49.66%
		Levy	44.85	36.80%
		Bank Interest	14.35	11.77%
		<b>Other Income</b>	2.15	1.76%

Table: Top 3 sources of income of 5 National Parties in their ITR from FY 2013-14

### Top 3 items of expenditure of 5 National Parties for FY 2013-2014

- The maximum expenditure for **INC** was towards **Election expenses** where the party declared spending a total of **Rs 347.25 crores** followed by **expenses towards administrative and general expenses** of **Rs 264.79 crores**.
- The maximum expenditure for **BSP** has been towards **election expenses** of **Rs 16.20 crores** followed by expenses towards **office maintenance** of **Rs 1.33 crores**.
- **CPM** spent the maximum of **Rs 19.91 crores** on **allowance and wages** followed by expenditure of **Rs 8.45 crores** on **depreciation** and **Rs 7.76 crores** on **meeting expenses**.

National Party	Total Expenditure	Financial Year- 2013-2014		
		Top 3 Items of Expenditure	Amount (Rs in crores)	% of Expenditure
INC	Rs 644.33 crores	Election Expenditure	347.25	53.89%
		Administrative and General Expenses	264.79	41.10%
		Employee Costs	13.43	2.08%
		<b>Other Expenditure</b>	18.86	2.93%
BSP	Rs 19.98 crores	Election Expenditure	16.2	81.08%
		Office Maintenance Expenses	1.33	6.66%
		Organisation Expenses	1.27	6.36%
		<b>Other Expenditure</b>	1.18	5.91%
NCP	Rs 35.94 crores	Lok Sabha Election Exp	11.8	32.83%
		Rashtrawadi Welfare Trust	3.58	9.96%
		Publicity & Advertisement	3.13	8.71%
		<b>Other Expenditure</b>	17.43	48.50%
CPI	Rs 1.31 crores	Election & Publicity Expenses	0.38	29.01%
		Salary and Allowances	0.34	25.95%
		Travelling & Conveyance	0.16	12.21%
		<b>Other Expenditure</b>	0.43	32.82%
CPM	Rs 72.61 crores	Allowance and Wages	19.91	27.42%
		Depreciation	8.45	11.64%
		Meeting Expenses	7.76	10.69%
		<b>Other Expenditure</b>	36.49	50.25%

Table: Top 3 items of expenditure of 5 National Parties in their ITR for FY-2013-14

### 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.

### Recommendations of ADR

- While the ECI had **issued guidelines** to the political parties in order to **promote transparency** in the parties' functioning and to aid the Commission **to conduct free and fair elections**, INC submitting its details **under protest** displays a **lack of enthusiasm** from the party in **promoting and practicing** the desired quality of transparency and accountability in its functioning. Those parties playing a decisive role at the national political arena should **lead by example** rather than curtailing any attempt at transparency.
- The Supreme Court gave a judgment on September 13, 2013 declaring that no part of a candidate's affidavit should be left blank. Similarly, **no part of the Form 24A submitted by political parties providing details of donations above Rs 20,000 should be blank.**
- Full details of all **donors should be made available for public scrutiny under the RTI.** Some countries where this is done include Bhutan, Nepal, Germany, France, Italy, Brazil, Bulgaria, the US and Japan. In none of these countries is it possible for **80% of the source of funds to be unknown**, but at present it is so in India.
- Those parties not following the ICAI guidelines for auditing of reports should be scrutinized by the IT department.
- **The National and regional political parties must provide all information on their finances under the Right to Information Act.** This will only strengthen political parties, elections and democracy.

### Contact Details

Media and Journalist Helpline  +91 80103 94248 Email: adr@adrindia.org	Maj Gen Anil Verma (Retd.) Head National Election Watch and  Association for Democratic Reforms +91 8826479910 anilverma@adrindia.org	Prof Jagdeep Chhokar IIM Ahmedabad Founder Member National Election Watch, Association for Democratic Reforms +919999620944 jchhokar@gmail.com	Prof Trilochan Sastry IIM Bangalore Founder Member, National Election Watch, Association for Democratic Reforms +919448353285, trilochans@iimb.ernet.in
---	---	--	---