



Electoral Trust Scheme, 2013

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Why in News

For the first time, an **electoral trust (under Electoral Trust Scheme, 2013)** has declared donation through **electoral bonds** and hasn't revealed the names of the political parties that received the money, citing anonymity guaranteed under the **electoral bond scheme**.

According to the **Association of Democratic Reforms (ADR)**, this “practice is against the spirit of the **Electoral Trusts Scheme, 2013** and the **Income Tax Rules, 1962** which make it mandatory for trusts to furnish each and every detail about the donor contributing to the trust.

If Electoral trusts start adopting this precedent of donating through bonds, it will be a complete situation 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.

Key Points

- **About the Electoral Trust Scheme:**

- Electoral Trust is a **non-profit organization** formed in India for orderly receiving of the contributions from any person.
- Electoral Trusts are relatively **new in India** and are part of the ever-growing electoral restructurings in the country.
- **Electoral Trusts Scheme, 2013** was notified by the **Central Board of Direct Taxes (CBDT)**.

The provisions related to the electoral trust are under **Income-tax Act, 1961** and **Income tax rules-1962**.

- **Objective:**
 - It lays down a procedure for grant of approval to an electoral trust which will **receive voluntary contributions and distribute the same to the political parties.**
 - A political party registered under **section 29A of the Representation of the People Act, 1951** shall be an **eligible political party** and an electoral trust shall distribute funds only to the eligible political parties.
- **Criteria for Approval of Trusts:**

An electoral trust shall be considered for approval if it fulfills 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:**
 - **Receive Voluntary Contributions From:**
 - An individual who is a citizen of India;
 - A company which is registered in India; and
 - A firm or Hindu undivided family or an Association of persons or a body of individuals, resident in India.
 - **Shall not accept contributions From-**
 - An individual who is **not a citizen of India.**
 - Any **other electoral trust** which has been registered as a company under **section 25 of the Companies Act, 1956** and approved as an electoral trust under the Electoral Trusts Scheme, 2013;
 - A **Government company** as defined in section 2 of the Companies Act, 2013.
 - A **foreign source** as defined in section 2 of the **Foreign Contribution (Regulation) Act, 2010.**
 - An electoral trust can accept contributions only by cheque, demand draft or account transfer to the bank.
- **Other Points:**
 - The electoral trust may **spend up to 5%** of the total contributions received in a year subject to an aggregate limit of Rs. 5 Lakh in the first year of incorporation and Rs. 3 Lakh in subsequent years.
 - The trust obtains a receipt from the eligible political party indicating the name of the political party, its permanent account number etc.
 - The trust shall **keep and maintain such books of account** and other documents in respect of its receipts, distributions and expenditure.
 - The trust shall also **maintain a list of persons from whom contributions** have been received and to whom the same have been distributed.

- **Significance of Scheme:**

- 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.
- The **Election Commission** had also circulated **guidelines for submission of contribution reports** of electoral trusts to **submit an annual report containing details of contributions** received by the electoral trusts and disbursed by them to political parties in the interest of transparency.

Electoral Bond

- Electoral Bond is a financial instrument for making donations to **political parties**.
- The bonds are **issued in multiples** of Rs. 1,000, Rs. 10,000, Rs. 1 lakh, Rs. 10 lakh and Rs. 1 crore **without any maximum limit**.
- **State Bank of India** is authorised to issue and encash these bonds, which are **valid for fifteen days from the date of issuance**.
- These bonds are **redeemable in the designated account of a registered political party**.
- The bonds are available for purchase by **any person (who is a citizen of India or incorporated or established in India)** for a period of ten days each in the months of January, April, July and October as may be specified by the Central Government.
 - A person being an individual can buy bonds, either **singly or jointly** with other individuals.
 - Donor's name is **not mentioned** on the bond.

Source: TH