

Analysis of Income of Political Parties in Meghalaya

Importance of financial transparency

Political parties act as a link between the citizens and the government and therefore it is a given that the parties must be accountable to the public at large. Political parties are the major stakeholders in a democracy and they seek to undertake activities that are in the interest of the general public. As per the records available with the Election Commission of India, there are 6 national parties and 46 recognized state parties in India. In addition to this, there are 1139 unrecognized parties in India.

Political parties have multiple sources of funding and thus accountability and transparency becomes all the more important. It is essential to have comprehensive and transparent accounting methods and systems which would reveal the true financial position of the parties.

Central Information Commission's order number CIC/AT/A/2007/01029 & 1263-1270, according to which public authorities (Income Tax Departments) holding Income Tax returns of political parties, were directed to make these returns available to the appellant (ADR). Association for Democratic Reforms (ADR) had obtained copies of the IT Returns and Assessment Orders of various political parties through the filing of RTI applications.

Total Income of Major Parties of Meghalaya from FY 2004-05 to FY 2010-11

- The total Income of political parties considered have been calculated from the income to the parties from various sources all over India as submitted in their Income Tax Returns.
- Political parties contesting in elections from the State of Meghalaya are Indian National Congress (INC), Bharatiya Janata Party (BJP), Nationalist Congress Party (NCP), United Democratic Party (UDP) and Hills State People's Democratic Party (HPDP).
- INC, being one of the major parties has shown the highest income amongst the National Parties. Its total income for the 7 financial years is Rs 2,00,871.74 lakhs.
- Total income of BJP between FY 2004-05 and FY 2010-11 is Rs 99,476.67 lakhs and that of NCP is Rs 16,082.35 lakhs

Party	Total Income (Rs. In Lakhs)							Total (Rs. In Lakhs)
	FY- 2004-2005	FY- 2005-2006	FY- 2006-2007	FY- 2007-2008	FY- 2008-2009	FY- 2009-2010	FY- 2010-2011	
Indian National Congress (INC)	22,207	12,493	16,936	22,081	49,688	46,757.87	30,708.87	2,00,871.74
Bharatiya Janata Party (BJP)	10,412	3,834	8,249	12,378	22,002	25,800.75	16,800.92	99,476.67
Nationalist Congress Party (NCP)	1,210	737	1,580	1,739	4,001	4,484.76	2,330.59	16,082.35

Table: Total Income declared by Major Parties in Meghalaya in their (ITR) from FYs 2004-2005 to 2010-2011 from all over India

**Top 3 sources of income of Major Parties of Meghalaya from
FY 2004-05 to FY 2010-11**

- For INC and NCP, the maximum income is derived from Sale of Coupons (Rs 1,55,377.18 lakhs and Rs 14,206.21 respectively) providing for 77.35% and 88.33% of total income
- National Parties have Donations/Contributions as one of their 3 main sources of income INC – Rs 27,250.48 lakhs, BJP – Rs 82,000.50 lakhs and NCP – Rs 1,303.11 lakhs
- Share of income from voluntary contribution for INC is 13.57%, BJP is
- Interest collected is the also one of the highest sources of income for the parties: INC Rs 10,473.33 lakhs and BJP Rs 7,527.83 lakhs

Party	Total Income (Rs. In Lakhs)	FY 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 (combined)		% share of donations from total income
		Top 3 Source of Income	Amount (Rs in Lakhs)	
Indian National Congress (INC)	2,00,871.74	Sale of coupons	1,55,377.18	77.35%
		Donations	27,250.48	13.57%
		Interest	10,473.33	5.21%
Bharatiya Janata Party (BJP)	99,476.67	Voluntary contributions	82,000.50	82.43%
		Interest	7,527.83	7.57%
		Aajwan Sahayog Nidhi	6,280.64	6.31%
Nationalist Congress Party (NCP)	16,082.35	Receipt From Sale Of Coupons	14,206.21	88.33%
		Donation	1,303.11	8.10%
		Membership, Subscription & Cand	242.55	1.51%

Table: Top 3 sources of income of Major Parties in Meghalaya as declared in their (ITR) from FYs 2004-2005 to 2010-2011.

**Top 3 items of expenditure of Major Parties in Meghalaya from
FY 2004-05 to FY 2010-11**

- The maximum expenditure for INC has been towards Election expenses (Rs 92,506.40 lakhs) followed by expenses towards Aid to Other Expenses (Rs 17,116.47 lakhs) and travelling (rs 10,749.25 lakhs)
- Advertising & publicity is one of the three major expenses of BJP (Rs 35,720.64 lakhs) followed by travelling (Rs 18,889.46 lakhs) and meeting (Rs 10,456.60 lakhs)
- Salaries (Rs 6,587.81 lakhs), Relief & donation (Rs 4,491.91 lakhs) and meeting (Rs 4,477.59 lakhs) are the top three items of expenditure for the Nationalist Congress Party between FY 2004-05 and 2010-11
- It is seen from the percentage shares that INC has spent 53.20% on election expenses while BJP has spent 44.09% on advertising and publicity and NCP 42.18% on Salaries
- While the division of expenses on top three expenditures for NCP is above 25%, expenses of BJP and INC does not seem to be equally divided

Party	Total Expenses (Rs in Lakhs)	FY 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 (combined)		% share of items of expenditure from total expenses
		Top 3 Items of Expenditure	Amount (Rs in Lakhs)	
Indian National Congress (INC)	1,73,884.67	Election Expenses	92,506.40	53.20 %
		Aid to Other Expenses	17,116.47	9.84 %
		Travelling & Lodging	10,749.25	6.18 %
Bharatiya Janata Party (BJP)	81,025.12	Advertising & Publicity	35,720.64	44.09 %
		Travelling	18,889.46	23.31 %
		Meeting	10,456.60	12.91 %
Nationalist Congress Party (NCP)	15,619.42	Salaries	6,587.81	42.18 %
		Relief & Donation	4,491.91	28.76 %
		Meeting & Conference	4,477.59	28.67 %

Table: Top 3 items of expenditure of Major Parties in Meghalaya in their (ITR) from FYs 2004-2005 to 2010-2011

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.

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