TAXATION OF POLITICAL PARTIES

In case of income of political parties, the taxation treatment on the same is given by section 13A – Special Provisions related to Incomes of Political parties under **Chapter III, Incomes which do not form a part of Total Income**.

The same maybe discussed as under:

Any income of a political party which is chargeable under the head

a. "Income from house property" or
b. "Income from other sources" or
c. "Capital gains" or
d. any income by way of voluntary contributions received by a political party from **any person**

shall not be included in the total income of the previous year of such political party :

Provided that—

a. such political party keeps and maintains such books of account and other documents as would enable the Assessing Officer to properly deduce its income there from;
b. in respect of each such voluntary contribution in excess of ₹ 20000, such political party keeps and maintains **a record of such contribution and the name and address of the person who has made such contribution**; and
c. the accounts of such political party are audited by an accountant as defined in the Explanation below sub-section (2) of section 288 i.e. A chartered accountant.

Provided further that if the treasurer of such political party or any other person authorized by that political party in this behalf fails to submit a report under sub-section (3) of section **29C of the Representation of the People Act, 1951** (43 of 1951) for a financial year, no exemption under this section shall be available for that political party for such financial year.

Explanation.—For the purposes of this section, "political party" means a political party registered under section 29A of the Representation of the People Act, 1951 (43 of 1951).

Thus, the following points need to be borne in mind when solving any problem related to taxation of political parties.

1. IFHP, IFCG, IFOS and voluntary contributions received from any persons shall not be included in the income of the political party.
2. If any person has made any contributions above ₹ 20000 and if the name and address of the person is a secret or not recorded then the same shall be made taxable.
3. The party should be registered under section 29A of the Representation of the People Act, 1951.
4. The accounts of the political party should be audited and treasurer or any other authorized person should submit the report required under Section 29C of the Representation of the People Act, 1951.
5. It may also be noted that under the provisions of section 139(4B) of the Income tax Act, a political party has to file its return of income if, before claiming exemption under section 13A, it has taxable income. Also, according to section 140, the return of a political party is to be signed by its Chief Executive Officer.