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Electoral Bond Scheme amended

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In News: The Government has recently approved the issuance of the 23rd tranche of the electoral bond that was opened for sale from November 9 - 15. On November 7, 2022, the Ministry of Finance issued a notification amending the electoral scheme to provide an additional period of 15 days for their sale.

What is an electoral bond?

An electoral bond is a financial instrument in the nature of a promissory note or bearer bond which can be purchased by any individual, company, firm, or association of person who is a citizen of India or incorporated in India. Electoral bonds have been pitched as an alternative to cash donations made to political parties as part of the efforts to bring transparency in political funding

Taxpayers can take advantage of tax deductions by buying Electoral Bonds for donations to political parties under section 80GGC/80GGB of the Income Tax Act

Why it is needed?

According to Association for Democratic Reforms (ADR), most political parties use lax regime on donations to accept cash donations from anonymous sources. Nearly 70% of Rs. 11,300 crore in party funding over an 11-year period came from unknown sources. The electoral bonds will prompt donors to take banking route to donate, with their identity captured by the issuing authority. Promoting transparency in funding and donations received by political parties. Building a transparent system of acquiring bonds with validated KYC and an audit trail.

What the recent data on Electoral Bond shows?

The electoral bonds have always been criticized for favouring the ruling party, in the current case the BJP. Recently, the State Bank of India (SBI) shared data that reveals that donations to political parties through electoral bonds (EBs) have crossed the Rs 10,000-crore mark. In the 21st sale of EBs that happened in July 2022, political parties received another Rs 389.5 crore from EB purchases.

The total amount collected by parties has surpassed Rs 10,246 crore since 2018 since the introduction of the EB scheme.

The recent data by the SBI came in response to an RTI application where the bank revealed that a total of 741 electoral bonds have been sold during the 22nd tranche, 96 per cent of which were of the denomination of Rs 1 crore each. Nearly 90 per cent of the donations through the electoral bonds went to four parties – the BJP, the Congress, the Nationalist Congress Party, and the Trinamool Congress, it said.

What is the recent amendment intended to?

The Ministry of Finance on November 7 issued a notification for amending the scheme to provide “an additional period of 15 days” for their sale “in the year of general elections to the Legislative Assembly of States and Union Territories with Legislature”.

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The bonds under this scheme are usually made available for purchase by any person for a period of ten days each in the months of January, April, July and October, when specified by the Union government. The original scheme had provided for an additional period of thirty days, as specified by the government, in the year when Lok Sabha elections are held, while the amendment adds another 15 days.

Since assembly elections to various states and union territories are held every year, the amendment effectively means that there will be 15 additional dates annually during which the opaque bonds can be sold.

What are all the concerns?

The critics claimed that preliminary it was supposed to be available only for the Lok Sabha elections. Now it is open for every state assembly election. Now it was opened for a specific number of days and now it will be open for 15 additional days. So, they believe that in the next few years, it is likely that will be available all around the year.

The government's decision is "shocking" for many critics, especially when the matter on stay of the scheme is due to be heard by the Supreme Court on December 6, 2022.

Why public scrutiny?

The public scrutiny came as the amendment was pushed just days ahead of the assembly elections in Gujarat and Himachal Pradesh. Although, according to the BJP national spokesperson, this decision has been taken by the election commission depending on the request of the people from the corporate sector who want to donate.

"The party in power wants electoral bonds to be available on tap, whenever you feel the need for the electoral bond, it should be available. That is the aim. If they do it in one go, they might be criticised. So, they are doing it gradually," states the Founding Member & Trustee of the Association of Democratic Reforms (ADR).