

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2878

ANSWERED ON:29.08.2012

ELECTIONEERING AND P NOTES

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Will the Minister of FINANCE be pleased to state:

- (a) the specific stand of the Government on the electioneering costs and investment in stock markets through the Participatory Note route as per the statement issued through the white paper on black money;
- (b) whether the Government has plans to do away with black money; and
- (c) if so, the steps proposed to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (Shri S.S.PALANIMANICKAM)

a) There are existing provisions under the Income Tax Act, 1961 relating to registered political parties and political donations. As per section 13A, certain incomes of political parties are exempt, from taxation subject to prescribed conditions. Section 13B provides for tax exemption to voluntary contributions received by an electoral trust. Sections 80GGB and 80GOC provide for 100% deduction of any contributions made by certain persons to a political party or an electoral trust.

Besides, the Income Tax department and its officials assist the Election Commission of India in keeping a watch on election related expenditure, thus curbing the role of money power in the electoral process.

With regard to Participatory Notes, the Government have noted that with increasing sophistication of derivative instruments, new opportunities for investing and making profits without being subjected to taxes and regulations are opening up. Such innovative instruments, including participatory notes, may not be adequately covered by regulatory mechanisms and hence have potential for misuse. SEBI has been taking measures to ensure that PNs are not used as conduits for black money or terrorist funding. As per SEBI regulations, PNs can be issued to only those entities that are regulated by an appropriate regulator in the countries of their incorporation and are subject to compliance of 'Know Your Client' norms. FIs are also required to declare that these PNs have not been issued to Indian residents or non-resident Indians. Entities issuing PNs are required to submit to SEBI a monthly report which includes details of subscribers and details of securities underlying PNs.

b) It is the endeavour of the Government to drastically reduce the scourge of black money, and aims for its elimination altogether.

c) The drive against tax evasion is a continuous and ongoing exercise. The Income Tax department takes several preventive and punitive measures for preventing and detecting violations of direct tax laws. The department has built a national computer network with a large data-base of financial and other information, which is collated and utilized for scrutiny of returns, surveys, search and seizure actions. Penal proceedings are initiated in cases of tax evasion, and prosecution is also launched in appropriate cases leading to imprisonment and fine.