

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:889
ANSWERED ON:27.02.2015
CONTRIBUTION TO POLITICAL PARTIES
Ahlawat Smt. Santosh

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) the details of the existing provisions of the law and other statutory directions of the Government regarding contribution to political parties by the companies;
- (b) whether the companies are required to reflect it in their balance sheet presented for audit and to various authorities, if so, the details thereof;
- (c) whether the Government proposes to end this practice on the basis of demands made by the companies, if so, the details thereof;
- (d) whether the Government proposes to initiate the process to review and repeal the Companies (Donations of National Funds) Act, 1951; and
- (e) if so, the details thereof along with the time by which it is likely to be done?

Answer

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

(a) to (c):- Contributions to political parties are governed by Section 182 of the Companies Act, 2013. A company that is not a Government company and which is in existence for at least last three financial years may contribute up to 7.5% of its average net profits during the last three years to a political party/parties registered under the representation of Peoples Act, 1951. This is subject to further elaborations, disclosures and restrictions in the said section. Following permission to establish Electoral Trust companies under the Income Tax Act, a company can also make contributions within the above limits and restrictions to 'Electoral Trust Companies' and reflect these contributions in their books of accounts. The Electoral Trust Companies are required to indicate the amounts passed on to them by companies and contributed by them to a political party or parties in the manner laid down in section 182(3) of the Companies Act, 2013. There is no proposal to review the above arrangements.

(d) to (e):- The relevant provisions of the Companies (Donations to National Funds) Act, 1951 have already been incorporated in the Companies Act, 2013. Section 181 and 183 of the Act allows companies to contribute to bonafide and charitable funds and to national funds etc. The Ministry of Corporate Affairs has concurred with the Legislative Department of Ministry of Law and Justice for inclusion of repeal of Companies (Donation to National Funds) Act, 1951 in the common Bill for repealing of this and other Acts.