

## Analysis of Income & Expenditure of Major Political Parties of Tamil Nadu & Puducherry

### Five Years Report

### (FY 2010-11 to 2014-15)

#### Introduction

Political parties have multiple sources of funding and thus accountability and transparency should be an important aspect of their functioning. It is essential to have comprehensive and transparent accounting methods and systems which should reveal the true financial position of the parties.

The Election Commission of India (ECI), in its [letter](#) dated 19<sup>th</sup> November, '14 addressed to the Presidents/General Secretaries of all political parties, stated that it was mandatory for the parties to submit details of their audited report to the Commission. This report analyses the total income and expenditure incurred by **4 State Parties** of Tamil Nadu (AIADMK, DMK, DMDK and PMK) and **1 State Party** of Puducherry (AINRC) during 5 FYs from 2010-11 to 2014-15, as declared by the parties in their IT Returns submitted to the ECI.

#### Total Income of State Parties of Tamil Nadu & Puducherry: FY 2010-11 to 2014-15

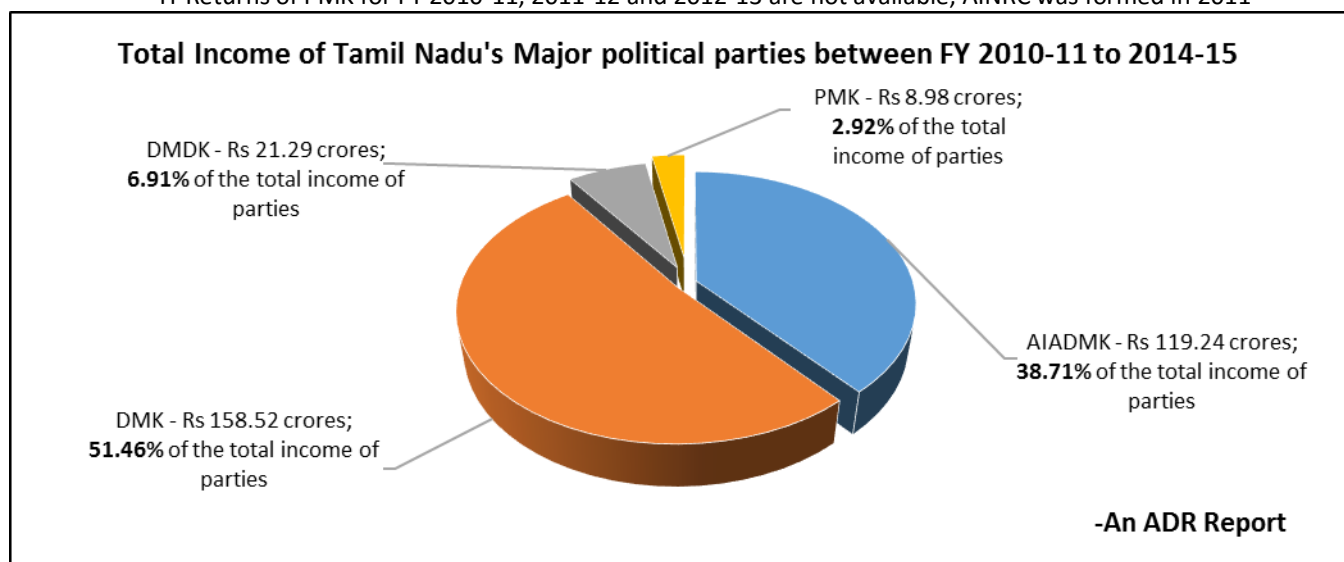
- The total Income of the 5 State Political Parties have been compiled from the income from various sources pan India, as submitted in their Income Tax Returns.
- Four State Parties** of Tamil Nadu (**AIADMK, DMK, DMDK and PMK**), whose IT Returns are available in the public domain, have declared a **total income of Rs 308.05 crores**, collected from all over India. This excludes PMK for 3 years as it has not submitted ITR for FY 2010-11, 2011-12, and 2012-13.
- DMK** has shown the highest income amongst the State Parties with a total income of **Rs 158.52 crores** collectively during 5 FYs 2010-11 to 2014-15. This constitutes **51.46% of the total income of all the 4 State Parties, collectively** during FY 2010-11 to 2014-15.
- AIADMK** declared the second highest income of **Rs 119.24 crores** which forms **38.71%** of the total income of the State Parties.
- PMK** declared the least income of **Rs 8.98 crores** amongst all state parties of Tamil Nadu. This forms a mere **2.92%** of the total income of the State Parties between FY 2010-11 to 2014-15.
- Total Income of parties increased by **165.35%** between FY 2012-13 to 2013-14 where they saw an increase of **Rs 85.55 crores**
- Rs 137.29 crores or **45% of the total income** that was received by regional parties of Tamil Nadu was **during a single year, FY-2013-14**.
- AINRC**, formed in 2011 and state party of Puducherry, is the only party **whose income has increased from FY 2013-14 to 2014-15**. This was an increase of 45.11% or Rs 3.14 lakhs from FY 2013-14.

Party	Total Income (Rs. In crores)					Total	Share in Total Income
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15		
State Parties of Tamil Nadu							
All India Anna Dravida Munnetra Khazagam (AIADMK)	14.203	21.983	9.43	38.479	35.143	Rs 119.24 crores	38.71%
Dravida Munnetra Kazhagam (DMK)	6.428	12.19	41.518	88.20	10.185	Rs 158.52 crores	51.46%

Party	Total Income (Rs. In crores)					Total	Share in Total Income
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15		
Desiya Murpokku Dravida Kazhagam (DMDK)	0.79	12.853	0.79	5.954	0.90	<b>Rs 21.29 crores</b>	6.91%
Pattali Makkal Katchi (PMK)*	-	-	-	4.656	4.33	<b>Rs 8.98 crores</b>	2.92%
<b>Total</b>	<b>Rs 21.42 crores</b>	<b>Rs 47.03 crores</b>	<b>Rs 51.74 crores</b>	<b>Rs 137.29 crores</b>	<b>Rs 50.56 crores</b>	<b>Rs 308.03 crores</b>	100%
<b>State Party of Puducherry</b>							
All India N.R. Congress (AINRC)	-	-	-	0.069	0.10	<b>Rs 0.17 crores</b>	-
<b>Total</b>	-	-	-	<b>Rs 0.069 crores</b>	<b>Rs 0.10 crores</b>	<b>Rs 0.17 crores</b>	-

**Table: Total income declared by Major State Parties of Tamil Nadu and Puducherry in their ITR for 5 FYs 2010-11 to 2014-15**

\*IT Returns of PMK for FY 2010-11, 2011-12 and 2012-13 are not available; AINRC was formed in 2011



**Graph: Total income declared by 4 State Parties of Tamil Nadu in their ITR for FYs 2010-11, 2011-12, 2012-13, 2013-14 & 2014-15**

\* IT Returns of PMK for FY 2010-11, 2011-12 and 2012-13 are not available; AINRC was formed in 2011

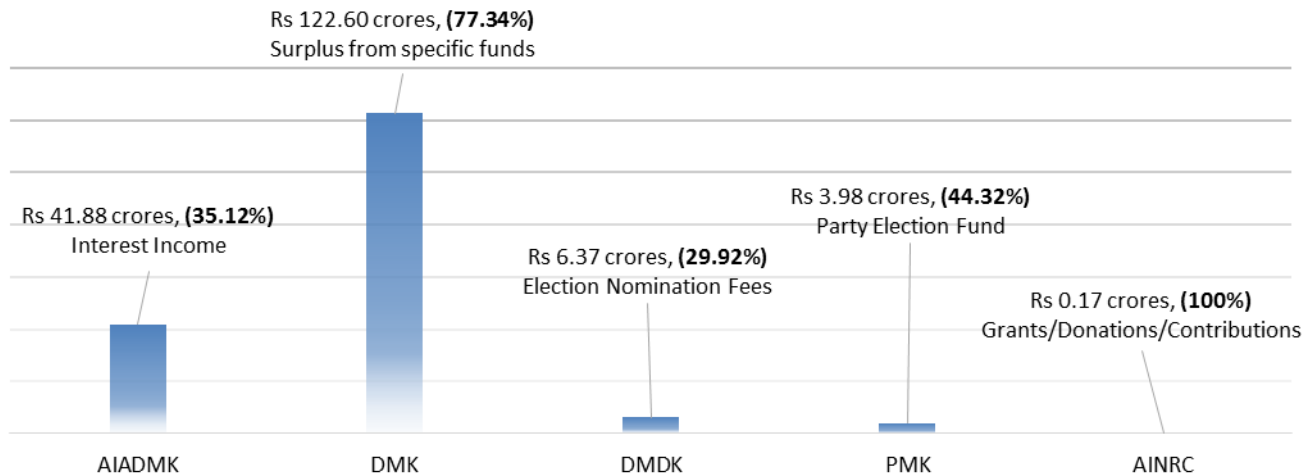
### Top 3 sources of income of 4 State Parties of Tamil Nadu from FY 2010-11 to 2014-15

- The biggest source of income for DMK during FY 2010-11 to 2014-15 was '**Surplus from specific Funds**' through which the party received a whopping sum of **Rs 122.60 crores**, which constitutes **77.34%** of its total income.
- Majority of the State Parties of Tamil Nadu have declared **Election Nomination Fees** as one of their 3 main sources of income; AIADMK – Rs 40.82 crores, DMK - Rs 13.18 crores, DMDK – Rs 6.37 crores.
- Interest Income** is the second highest source of income for these parties, after the **Election Nomination Fees**. AIADMK collected Rs 41.88 crores, DMK Rs 10.65 crores, followed by DMDK which collected Rs 2.18 crores. This totals to Rs 54.71 crores.
- Membership Fees & Subscription** is the third highest and the most commonly shared source of income. AIADMK collected Rs 35.68 crores, DMK Rs 8 crores, followed by PMK which collected Rs 2.37 crores and

DMDK which collected Rs 1.67 crores. This totals to Rs 47.72 crores.

- **AINRC**, formed in 2011, has received **100% of its total income from Grants/Donations/Contributions**. This was worth **0.17 crores**.

### Top Source of income of Tamil Nadu & Puducherry state parties for FY 2010-11 to 2014-15



-An ADR Report

Party	Total Income	FY 2010 -11, 2011-12, 2012-13, 2013-14 & 2014-15 (combined)		Share of donations from total income
		Top 3 Source of Income	Amount (Rs in crores)	
AIADMK	Rs 119.24 crores	Interest Income (including on Income Tax Refund)	41.88	35.12%
		Election Nomination Fees	40.82	34.23%
		Membership Fees & Subscription, Collection from Issuance of Membership Forms	35.68	29.92%
		Other Income	0.86	0.72%
DMK	Rs 158.52 crores	Surplus from specific Funds	122.60	77.34%
		Election Candidate Nomination Fees & Party Election Candidate Fees	13.18	8.31%
		Interest on Bank Deposits	10.65	6.72%
		Other Income	12.09	7.63%
DMDK	Rs 21.29 crores	Election Nomination Fees (Local Bodies, MLAs and MPs Elections Nominations fees)	6.37	29.92%
		Donations/Contributions	4.29	20.15%
		Interest on Deposits	2.18	10.24%
		Other Income	8.45	39.69%
PMK*	Rs 8.98 crores	Party Election Fund	3.98	44.32%
		Fee & Subscriptions	2.37	26.39%
		Grants / Donations / Contributions	1.95	21.71%

Party	Total Income	FY 2010 -11, 2011-12, 2012-13, 2013-14 & 2014-15 (combined)		Share of donations from total income
		Top 3 Source of Income	Amount (Rs in crores)	
		Other Income	0.68	7.57%
AINRC	Rs 0.17 crores	Grants/Donation/Contributions	0.17	100%
		Other Income	0	0%

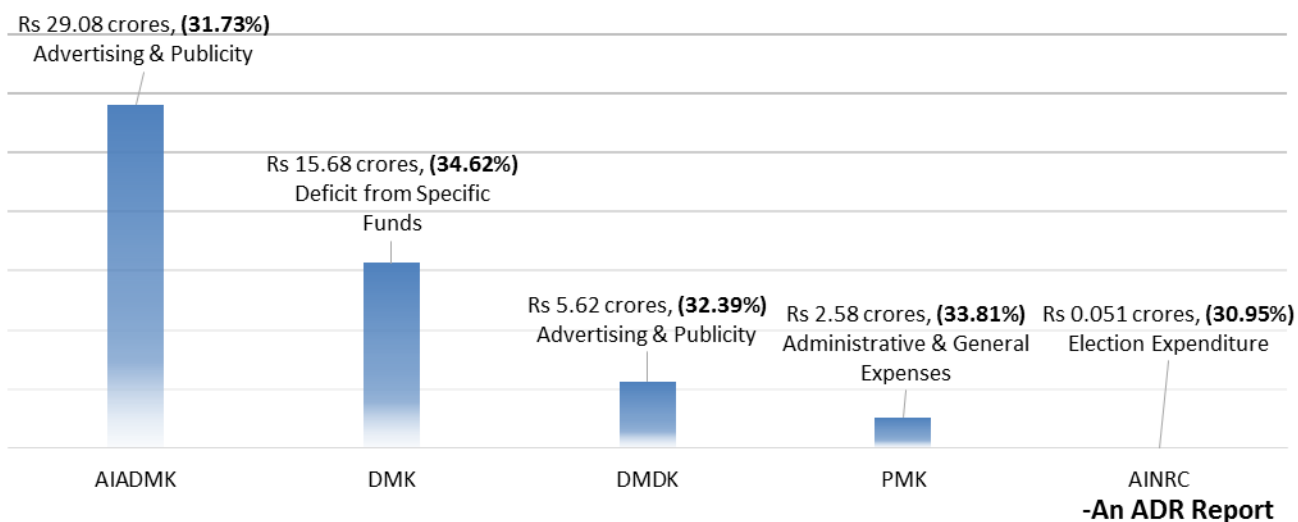
Table: Top 3 Sources of Income of 4 State Parties of Tamil Nadu in their ITR for 5 FYs 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15

\* IT Returns of PMK for FY 2010-11, 2011-12 and 2012-13 are not available; AINRC was formed in 2011

### Top 3 items of expenditure of 4 State Parties of Tamil Nadu from FY 2010-11 to 2014-15

- The maximum expenditure of **AIADMK** between FY 2010-11 and 2014-15 was towards **Advertising & Publicity** where the party declared spending a total of **Rs 29.08 crores**, closely followed by expenses towards **Election Expenditure** of **Rs 27.95 crores**.
- The maximum expenditure of **DMK** during the same period was **Rs 15.68 crores** towards **Deficit from Specific Funds**, followed by **Party Development Expenses** of **Rs 13.81 crores** and expenses towards **Depreciation** of **Rs 9.06 crores**.
- DMDK** spent the maximum amount of **Rs. 5.62 crores** on **Advertising & Publicity** followed by **Rs 3.70 crores** on expenditure on **Charity and Welfare** and **Rs. 2.88 crores** on **Election Expenses**.
- Election Expenses, Advertising & Publicity, Donations** and **Depreciation** are the highest and most common items of expenditure for state parties of both Tamil Nadu and Puducherry.
- 50.61%** of the total expenditure of **AINRC** was towards Election Expenditure, Publicity Expenses, Printed Materials, Pamphlets, Posters, Media, Newspapers, Magazines & Rally, collectively.

### Top item of Expenditure of Tamil Nadu & Puducherry state parties during FY 2010-11 to 2014-15



Party	Total Expenses	FY 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 (combined)		Share of items in total expenses
		Top 3 Items of Expenditure	Amount (Rs in crores)	
AIADMK	Rs 91.66 crores	Advertising & Publicity	29.08	31.73%
		Election Expenditure	27.95	30.49%
		Family Benevolent Fund Payments and Medical Relief	8.02	8.75%
		Other Expenditure	26.91	29.03%
DMK	Rs 45.29 crores	Deficit from Specific Funds	15.68	34.62%
		Party Development Expenses	13.81	30.49%
		Depreciation	9.06	20.00%
		Other Expenditure	6.74	14.88%
DMDK	Rs 17.35 crores	Advertising & Publicity	5.62	32.39%
		Charity and Welfare	3.70	21.33%
		Election Expenses	2.88	16.60%
		Other Expenditure	5.15	29.68%
PMK*	Rs 7.63 crores	Administrative & General Expenses	2.58	33.81%
		Donation	1.70	22.28%
		Election Expenditure	0.98	12.84%
		Other Expenditure	2.37	31.06%
AINRC	Rs 0.1648 crores	Election Expenditure	0.051	30.95%
		Publicity Expenses, Printed Materials, Pamphlets, Posters, Media, Newspapers, Magazines & Rally	0.0324	19.66%
		Staff Salary	0.0282	17.11%
		Other Expenditure	0.0532	32.28%

**Table: Top 3 Items of Expenditure of 4 State Parties of Tamil Nadu in their ITR for 5 FYs 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15**

\* IT Returns of PMK for FY 2010-11, 2011-12 and 2012-13 are not available; AINRC was formed in 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.

## Recommendations of ADR

- The ECI had **issued guidelines** in 2014 to the political parties in order to **promote transparency** in the parties' functioning and to aid the Commission **to conduct free and fair elections**. Those parties playing a decisive role in the political arena should **lead by example** and voluntarily disclose details of their financial transactions to the ECI every financial year.
- Those parties not following the ICAI guidelines for auditing of reports should be scrutinized by the IT department.
- **The National and regional political parties must provide all information on their finances under the Right to Information Act.** This will only strengthen political parties, elections and democracy.

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