

Government of India
Ministry of Finance
Department of Revenue
[Central Board of Direct Taxes]

INCOME-TAX

NOTIFICATION

New Delhi, the 31st January, 2013

S.O. 309 (E). — In exercise of the powers conferred by clause (22AAA) of section 2 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby makes the following scheme for approval of electoral trusts, namely:-

1. **Short title, commencement and application.**- (1) This Scheme may be called the Electoral Trusts Scheme, 2013.
(2) It shall come into force on the date of its publication in the Official Gazette.
(3) The scheme shall apply for the approval of any electoral trust under clause (22AAA) of section 2 of the Act.

2. **Objectives of the Scheme.** — To lay down a procedure for grant of approval to an electoral trust which will receive voluntary contributions and distribute the same to the political parties.

3. **Definitions.**— In this Scheme, unless the context otherwise requires,-

(a) "Act" means the Income-tax Act, 1961 (43 of 1961);

(b) "Rules" means the Income-tax Rules, 1962;

(c) "Scheme" means the Electoral Trusts Scheme, 2012; and

(d) the words and expressions used herein but not defined and defined in the Act shall have the same meanings as assigned to them in the Act.

4. **Eligibility.**— A company registered for the purposes of section 25 of the Companies Act, 1956 (1 of 1956) satisfying all of the following conditions shall be eligible to make an application for approval as an electoral trust, namely:-

a) the company is registered on or after the 1st day of April, 2012 for the purposes of section 25 of the Companies Act, 1956 (1 of 1956) ;

b) the name of the company registered for the purposes of section 25 of the Companies Act, 1956 (1 of 1956) shall include the phrase "electoral trust";

c) the sole object of the electoral trust is to distribute the contributions received by it to the political party, registered under section 29A of the Representation of the People Act, 1951(43 of 1951); and

d) the electoral trust shall have a permanent account number.

5. **Procedure for approval.**— (1) The procedure for approval of an electoral trust shall be as follows, namely:—

a) the application for approval under clause (22AAA) of section 2 of the Act shall be made in duplicate in FORM A, on or before the 31st day of July of the previous year relevant to the assessment year for which the approval is sought, to the Commissioner of Income-tax or the Director of Income-tax, as the case may be, having jurisdiction over the applicant;

- b) the applicant shall also send a copy of the application to the Member (Income-tax), Central Board of Direct Taxes accompanied by the acknowledgement receipt evidencing submission of application form in duplicate to the Commissioner of Income-tax or Director of Income-tax, as the case may be, having jurisdiction over the case ;
- c) if any defect is noticed in FORM A or any document referred to therein is not attached with it, the Commissioner of Income-tax or the Director of Income-tax, as the case may be, shall intimate the defect to the applicant within thirty days from the date of receipt of the application form in his office;
- d) the applicant shall remove the defect within a period of fifteen days from the date of such intimation or within such further period which, on an application made in this behalf, may be extended. However, the total period for removal of defect shall not exceed thirty days;
- e) if the applicant fails to remove the defect within the period so allowed, the Commissioner of Income-tax or the Director of Income-tax, as the case may be, shall send his recommendation to the Member (Income-tax), Central Board of Direct Taxes for treating the application as invalid;
- f) the Central Board of Direct Taxes, if satisfied, may pass an order treating the application as invalid;
- g) if the application form is complete in all respects, the Commissioner of Income-tax or the Director of Income-tax, as the case may be, may make such inquiry as he may consider necessary regarding the genuineness of the electoral trust and send a report to the Member (Income-tax), Central Board of Direct Taxes for grant of approval or rejection of the application;
- h) the Central Board of Direct Taxes may, on receipt of the report referred to in sub-clause (g), call for such documents or information from the applicant, any authority or other person as it may consider necessary and get any further inquiry conducted in this regard;

- i) the Central Board of Direct Taxes shall, after considering all the information in its possession and the result of enquiry conducted, if any, grant approval to the electoral trust or reject the application;
- j) the Central Board of Direct Taxes may also impose any conditions, subject to which the approval shall be valid;
- k) no order treating the application as invalid or rejecting the application or withdrawing the approval shall be passed by the Central Board of Direct Taxes without giving the applicant an opportunity of being heard and without recording the reasons for the same in writing;
- l) the order of approval or rejection shall be passed by the Central Board of Direct Taxes within six months from the end of the month in which the application form was received from the applicant in the office of Member (Income-tax), Central Board of Direct Taxes;
- m) the period of limitation of six months referred to in sub-clause (l) shall exclude the period beginning from the date of the intimation of the defect under clause (c) by the Commissioner of Income-tax or the Director of Income-tax, as the case may be, to the date the applicant removes such defect;
- n) a copy of the order invalidating or rejecting the application or withdrawing the approval shall be sent to the applicant, the Assessing Officer and the Commissioner of Income-tax or the Director of Income-tax, as the case may be;
- o) the approval shall be valid for the assessment year relevant to the financial year in which such application has been made and for a further period, not exceeding three assessment years, as may be specified in such approval.

(2) The application in FORM A shall be accompanied by the following documents, namely:-

- (a) an attested copy of the certificate evidencing the registration of the company for the purposes of section 25 of the Companies Act, 1956 (1 of 1956);
- (b) a certified copy of the memorandum and articles of association;
- (c) complete name, permanent account number and address of the electoral trust and its members (including members of its Executive Committee, Governing Committee or Board of Directors);
- (d) initial share capital of the company and its source;
- (e) details of beneficiaries, if available;
- (f) an undertaking in the form of an affidavit stating that the receipts shall be distributed only to the political parties registered under section 29A of the Representation of the People Act, 1951 (43 of 1951); and
- (g) copy of accounts of the applicant for the last one, two or three years, as may be applicable.

(3) Any change in the shareholders, subsequent to the approval granted under the Scheme, shall be intimated to the Board within thirty days of the change.

6. Criteria for approval.— An electoral trust shall be considered for approval if it fulfills all of the following conditions, namely:—

- (a) the company registered for the purposes of section 25 of the Companies Act, 1956 (1 of 1956), which satisfies the conditions referred to in paragraph 4 of this Scheme;
- (b) the object of the electoral trust shall not be to earn any profit or pass any direct or indirect benefit to its members or contributors, or to any person referred to in sub-section (3) of section 13 of the Act, or any person referred to in sub-rule 10 of rule 17CA of the Rules;
- (c) it has made adequate arrangement for recording the receipts from the contributors in accordance with rule 17CA; and

(d) the stipulations contained in sub-rules (2) to (15) of rule 17CA of the Rules for the functioning of an electoral trust are specifically included in the articles of association of the company registered for the purposes of section 25 of the Companies Act, 1956 (1 of 1956).

7. Renewal of approval.-(1) The approval shall be valid for the assessment year relevant to the financial year in which such application has been made and for a further period, not exceeding three assessment years, as may be specified in the approval.

(2) The electoral trust may apply for renewal of approval at any time during the financial year immediately preceding the last assessment year, for which the approval has originally been granted, and such renewal of approval may be granted after examining the application in the same manner as laid out for approval in this Scheme.

8. Withdrawal of approval.- (1) The Central Board of Direct Taxes may withdraw the approval granted under this Scheme if it is satisfied that the electoral trust has ceased its activities or its activities are not genuine or are not carried out in accordance with all or any of the conditions laid down under this Scheme or the provisions of rule 17CA of the Rules, or any other condition imposed in the approval granted.

(2) In order to ascertain whether an electoral trust, after its approval, is functioning in accordance with the provisions of rule 17CA of the Rules, the Central Board of Direct Taxes may call for information or documents as it may deem fit from the electoral trust or may get an enquiry conducted in this regard by an income-tax authority or any other agency.

(3) If the Commissioner of Income-tax or the Director of Income-tax is satisfied that an approved electoral trust is not fulfilling any of the conditions specified under this Scheme or the conditions subject to which approval was granted to it or does not function in accordance with Rule 17CA, he may, after making appropriate enquiries, furnish a report to the Central Board of Direct Taxes in this regard and the Board may take such action on the report as it may deem fit.

(4) An order for withdrawal of the approval shall be passed after giving the electoral trust an opportunity of being heard, and shall record the reasons in writing for the withdrawal of approval.

(5) A copy of the order withdrawing the approval shall be sent to the applicant, the Assessing Officer and the Commissioner of Income-tax or the Director of Income-tax, as the case may be.

FORM A

Application for approval of an electoral trust under the
Electoral Trusts Scheme, 2013

To
Member (Income-tax)
Central Board of Direct Taxes
New Delhi

I, _____ (Name)

Designationon behalf of _____,
being a company registered for the purposes of section 25 of the Companies Act, 1956
hereby apply for the approval of the said section 25 Company as an electoral trust
under Electoral Trusts Scheme, 2012.

The following particulars are furnished herewith

- 1) Name and Address of the applicant in full [In BLOCK letters] : _____
- 2) Permanent Account Number : _____
- 3) Name and Address of the electoral trust in full [In BLOCK letters] : _____
- 4) Date of Registration as a Company for the purposes of Section 25 of : _____
the Companies Act, 1956
- 5) Name(s), address(es) and Permanent Account Number of members : _____
(including members of its Executive Committee, Governing Committee
or Board of Directors)
- 6) I also enclose the following documents: _____
 - a) An attested copy of the certificate evidencing registration of the
company for the purposes of section 25 of the Companies Act, 1956;
 - b) certified copy of the articles of association and memorandum;

- c) complete name, address and permanent account number of the shareholders;
- d) initial share capital of the company and its source;
- e) details of beneficiaries, if available;
- f) details of contributors, if any;
- g) an undertaking in the form of an affidavit stating that the receipts shall be distributed only to political parties registered under section 29A of the Representation of the People Act, 1951; and
- h) copies of the accounts of the applicant for the last one/two/three years as applicable.

Verification

- a) The particulars given above and in the enclosed documents are true and correct.
- b) The requirements contained in the rule 17CA of the Rules relating to the functioning of Electoral Trusts have been specifically included in the Articles of Association of the Company and shall be complied with.
- c) I shall comply with all the provisions of the Scheme, the concerned rules and all the prescribed conditions subject to which approval, if any, shall be granted and have understood that in case of any failure to do so, the approval is liable to be withdrawn.
- d) I undertake to communicate forthwith any alteration in the object and terms of the electoral trust or the shareholders or in any clause of the articles of association within thirty days of such change.

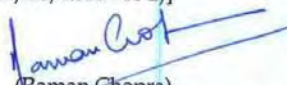
Date : -----

Signature

Designation

Address

[Notification No. 09/2013 (F. No. 142/20/2012 -TPL)]


(Raman Chopra)
Director (TPL-II)