

**SECTION 2(22AAA), READ WITH SECTION 13B OF THE INCOME-TAX ACT, 1961 -
ELECTORAL TRUST - STANDARDIZING PROCESS OF FILING APPLICATION FOR
APPROVAL OF AN ELECTORAL TRUST**

LETTER [F.NO.173/158/2013-ITA.I], DATED 10-12-2013

Under clause (22AAA) of section 2 of the Income-tax Act, 1961 Central Board of Direct Taxes is empowered to approve an 'Electoral Trust' for the benefit of provisions of section 13B of the Income-tax Act, 1961.

2. As per clause 5(1)(a) of the Electoral Trust Scheme, 2013, an application for approval under Section 2(22AAA) of the Act is to be made in duplicate in Form A. In order to avoid procedural delay in processing these applications, the applicants are advised to file alongwith the application in Form A, on or before the prescribed date, the duly filled in and signed check-list accompanied with documents required therein, before the Commissioner of Income Tax/Director of Income Tax under whose jurisdiction their cases fall. The applicant shall also enclose a copy the said check-list while sending the copy of their application to Member (IT), CBDT in terms of clause 5(1)(b) of Electoral Trust Scheme, 2013.

3. The format of the check-list shall be as under—

CHECKLIST FOR ELECTORAL TRUST (ET)

- 1 Name
- 2 Address
- 3 PAN (Has copy of PAN card being enclosed for verification)
- 4 Jurisdictional Assessing Officer
- 5 Whether fresh approval case or renewal case
- 6 Period for which approval is being sought
- 7 Whether copies of return of income for past three years have been submitted in renewal cases
- 8 Does the Electoral Trust (hereinafter referred to as 'ET') meets the prescribed eligibility criteria as per ET Scheme 2013—
 - (a) Whether ET is a registered company for the purposes of section 25 of the Companies Act.
 - (b) Whether the ET was so registered on or after 1-4-2012.
 - (c) Whether the name of the company includes the phrase 'electoral trust'.
- 9
 - (a) Whether the sole object of the trust is to distribute the contributions to political parties registered under section 29A of the Representation of the People Act
 - (b) Whether appropriate evidence in this regard has been furnished
- 10
 - (a) Whether any change in the shareholders, subsequent to the approval granted under the Scheme has occurred?
 - (b) If yes, date of intimation to the CBDT
 - (c) Whether CBDT intimated within thirty days of such change.
- 11
 - (a) Date of filing of FORM A to the CIT/DIT, as the case may be, having jurisdiction over the applicant.
 - (b) Whether within the prescribed date?
- 12
 - (a) Whether defect in FORM A intimated to the applicant?
 - (b) Date of such intimation.
 - (c) Date of removal of the defect

13 Whether application in FORM A 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.

14 Whether 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 ET

15 Whether an undertaking in the form of affidavit has been furnished stating the following—

(a) That the object of the ET is not 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

(b) That all the conditions prescribed under sub-rules (2) to (15) of rule 17CA would be adhered to, namely (please tick ✓)—

(i) Rule 17CA(2): Receiving voluntary contribution from specified entities only

(ii) Rule 17CA(3): Specified manner of issuing receipt of contribution

(iii)(A) (B) Rule 17CA(4): Not accepting contributions from certain entities Rule 17CA(6): Not accepting contributions unless PAN/Passport Number of contribution is disclosed

(iv) Rule 17CA(5): Mode of accepting contributions

(v) Rule 17CA (7): Distributing funds only to "eligible" political parties

(vi) Rule 17CA(8):

(i) Not spending sums beyond prescribed limit to manage ET's affairs

(ii) Quantification of "distributable contribution"

(iii) Spending 95% of distributable contribution plus brought forward surplus of earlier year's in particular financial year.

(vii) Rule 17CA(9): Manner of obtaining receipt from political parties

(viii) Rule 17CA(10): Not utilizing contributions for benefits of certain specified persons

(ix)(A) Rule 17CA(11):

- (i) Maintaining books/other documents
 - (ii) Maintaining list of contributors/beneficiaries prescribed manner
- (B) Rule 17CA(14): Furnishing the lists at 11(ii) above to CIT/DIT alongwith audit report
- (x) Rule 17CA(12): Audit of accounts
- (xi) Rule 17CA(13): Maintenance of records of proceedings of all Meetings/decisions
- (xii) Rule 17CA(15): Intimating to CBDT any change in shareholders within 30 days

(c) That ET has made adequate arrangements for recording the receipts

(d) That return of income of the ET would be filed alongwith prescribed audit report in Form No. 10BC duly accompanied by the information/certified copies of lists as provided in the annexure to the said form.

- 16 (a) Whether the receipt required to be issued by the ET against receipt of any contribution indicates the information prescribed under sub-rule (3) of rule 17CA?
- (b) A sample copy of the receipt may be enclosed, if available.
- 17 (a) Whether the electoral trust keeps & maintains or proposes to keep & maintain books of account and other documents in respect of its receipts, distributions and expenditure as may enable the computation of its total income in accordance with the provisions of Act.
- (b) Please enumerate the specific books of account and documents that are maintained or are proposed to be maintained.
- 18 Whether regular record of proceedings of all meetings and decisions taken therein are being maintained by the applicant till now?
- 19 (a) Whether the ET is an entity forming part of any business group? If yes, the details thereof.
- (b) Is any other ET existing/Proposed by the same group? If yes, details thereof.

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