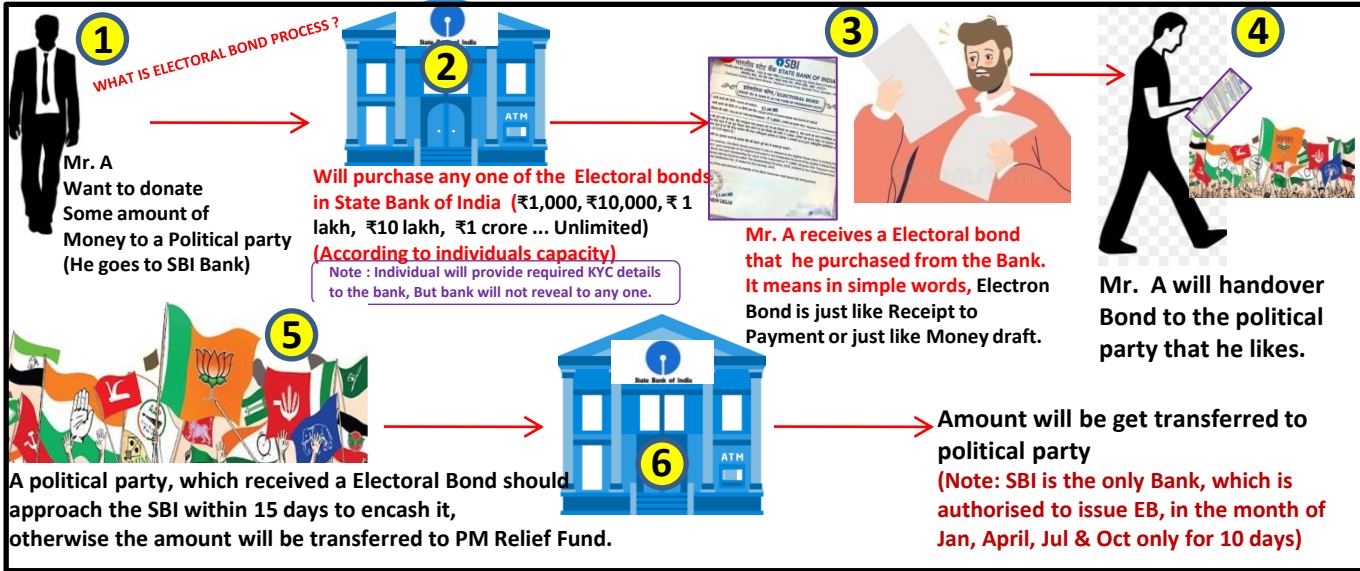


# Electoral Bonds



✓ Electoral bonds in India allow anonymous donations to political parties.

✓ Generally Political parties requires funds for elections, so if any individual of our country or any company want to donate the amount towards any political party. they can donate, but it can be done only through electoral Bond process...



## WHAT ARE ELECTORAL BONDS?

Electoral bonds are money instruments that act as promissory notes or bearer bonds that can be purchased by individuals or companies in India. The bonds are issued specifically for the contribution of funds to political parties.

These bonds are issued by the State Bank of India (SBI) and are sold in multiples of ₹1,000, ₹10,000, ₹1 lakh, ₹10 lakh, and ₹1 crore. The donations made under this scheme by corporate and even foreign entities enjoyed 100% tax exemption while the identities of the donors are kept confidential - both by the bank as well as the recipient political parties.

❖ Under the electoral bond scheme, individuals and corporate groups could donate unlimited amounts of money to political parties anonymously. These bonds, issued in the form of promissory notes, did not require the disclosure of the donor's identity to anyone, including the Election Commission of India (ECI).

❖ The electoral bonds scheme was first announced by former finance minister Arun Jaitley during the 2017 Budget Session. Later, it was notified in January 2018 as a source of political funding by way of money bills introducing amendments to the Finance Act and the Representation of the People Act. In order to implement the scheme, the Centre carried out certain amendments to the Companies Act, Income Tax Act Foreign Contribution Regulation Act (FCRA), and the Reserve Bank of India Act.

According to the provisions of the scheme, only the political parties registered under Section 29A of the Representation of the People Act, 1951 and which secured not less than 1 per cent of the votes polled in the last elections to the Lok Sabha or a state legislative assembly are eligible to receive electoral bonds.

## WHAT IS THE BENEFIT OF ELECTORAL BOND?

❖ Transparency: Electoral bonds were introduced with the aim of enhancing transparency in political funding.

## CONTROVERSIES & LEGAL SCRUTINY OF ELECTORAL BONDS

Rajya Sabha MP and senior advocate Kapil Sibal had raised that a political party could use the donations for any other purposes than election. Critics argue that the scheme undermines the right to information, facilitates the flow of unaccounted money through shell companies, and could inadvertently foster a culture of quid pro quo in political contributions. The central government, however, defends the scheme as a step towards greater transparency and a deterrent against the use of black money in elections.

❖ The **Supreme Court** ruled the **electoral bonds scheme unconstitutional**, citing it as arbitrary and violative of **Article 14** of the Constitution. Supreme Court ordered the State Bank of India (SBI) in Feb 2024 to submit all the details of Electoral bonds issued in last five years before general elections 2024. On March 14, the Election Commission of India disclosed the list of donors who purchased electoral bonds and the political parties that encashed them.