

## Electoral Bonds

### Why in news?

\n\n

Electoral Bonds have been proposed as a way of reforming election funding in the Union Budget 2017.

\n\n

### What is an Electoral Bond?

\n\n

\n

- Electoral bonds will be issued by a notified bank for specified denominations.

\n

- Those who want to donate to a political party, can buy these bonds by making payments digitally or through cheque.

\n

- Then they are free to gift the bond to any registered political party.

\n

- The bonds will likely be bearer bonds and the identity of the donor will not be known to the receiver.

\n

- The party can convert these bonds back into money via their bank accounts.

\n

- The bank account used must be the one notified to the Election Commission and the bonds may have to be redeemed within a prescribed time period.

\n

- Electoral bonds are essentially like bearer cheques.

\n

- The issuing bank will remain the custodian of the donor's funds until the political party redeems the bond.

\n

\n\n

## Why is it important?

\n\n

\n

- Most political parties use the negligent regime on donations to accept cash donations from anonymous sources.

\n

- Nearly 70% of the Rs.11,300 crore in party funding over the past 11-year period came from unknown sources.

\n

- Currently, political parties are required to report any donation of over Rs.20,000 to the IT department.

\n

- But there has been a trend of more donations flowing by way of hard cash in smaller amounts.

\n

- To fix this, the Budget has proposed to reduce the disclosure limit to Rs.2,000 and insists that any amount over this must be paid through cheque or the digital mode.

\n

- The idea is that electoral bonds will prompt donors to take the banking route to donate, with their identity captured by the issuing authority.

\n

\n\n

## What are the problems in electoral bond?

\n\n

\n

- But there are loopholes to electoral bonds too.

\n

- While the identity of the donor is captured, it is not revealed to the party or public. So transparency is not enhanced for the voter.

\n

- Also income tax breaks may not be available for donations through electoral bonds.

\n

- This pushes the donor to choose between remaining anonymous and saving on taxes.

\n

- Also privacy of the donor is compromised as the bank will know their identity.

\n

\n\n

\n\n

**Source: Business Line**

\n\n

\n\n

\n\n

\n

