Registered Unrecognised Political Parties (RUPPs)

Mains: *GS II – Governance*

Why in News?

The regulation of Registered Unrecognised Political Parties (RUPPs) is under scrutiny amid concerns over poor compliance, limited transparency and possible misuse for tax evasion and money laundering.

What are RUPPs?

- **RUPPs** – These are political parties registered by the Election Commission (EC) after scrutiny of documents submitted *under Section 29A of the RP Act, 1951.*
- These parties have not secured enough votes or seats to be officially recognized as a State or National party by the ECI.
- They still contest elections but do not enjoy permanent reserved symbols or special state privileges until they upgrade their status.
- They receive certain benefits, including –
  - **Tax exemption on eligible donations** under the Income Tax Act, 2025.
  - **Common symbol** for contesting Lok Sabha and State Assembly elections.
  - Permission to appoint **up to 20 star campaigners**.
  - Donations exceeding ₹2,000 must be received through cheque or bank transfer.
  - Details of individual donors contributing more than ₹20,000 annually must be submitted to the EC.
- Failure to furnish prescribed donor information can result in the loss of tax exemption.

Why are RUPPs a Concern?

- **Large number of non-serious parties** – India had more than 2,800 RUPPs as of July 2026, but only around 750 contested the 2024 Lok Sabha elections.
- The remaining parties have acquired the description of “letter pad parties”, raising questions about whether some exist primarily to access legal and financial benefits.
- **Poor statutory compliance** – Only around 26% of RUPPs' annual reports were available in the public domain according to the ADR assessment cited in the article.
- Such limited disclosure makes it difficult to scrutinise
  - Sources of political donations.
  - Expenditure patterns.
  - Donor identities.
  - Financial transactions.
  - Compliance with statutory requirements.

- **Potential misuse of tax exemptions** – Parties with little or no meaningful electoral activity could potentially become channels for:
  - Tax evasion.
  - Money laundering.
  - Routing of suspicious funds.
  - Financial concealment.
- Thus, registration without effective accountability can create regulatory gaps.

Why is the De-registration is Difficult?

- **Institutional limitation** – It arises from the Supreme Court's judgment in Indian National Congress v. Institute of Social Welfare (2002).
  - The Court held that the EC does not possess general powers under the RP Act to de-register political parties.
- **Exceptional cases removal** – De-registration is possible only in exceptional circumstances, such as:
  - Registration obtained through fraud.
  - A party ceasing to uphold allegiance to the Constitution.
  - A party being declared unlawful by the government.

- **Accountability gaps** – Not contesting elections, failing to conduct internal elections or not filing returns does not automatically provide sufficient legal grounds for de-registration.
- The EC has nevertheless periodically de-listed non-compliant RUPPs.

Should Electoral Performance Determine Tax Benefits?
• **EC's Proposal** – It has suggested that tax exemptions should be available only to political parties that win seats in the Lok Sabha or State Assemblies. • **Concern –** Seat-based criteria may disadvantage smaller and emerging parties. • **Better Approach** – Introduce a minimum vote-share threshold, e.g. 1%. • **Benefits** – - Preserves political pluralism, - Discourages letter-pad parties, and - Links tax benefits to genuine electoral participation. • **Existing Reform Proposals** - **Law Commission** – The 255th Law Commission Report recommended allowing de-registration of parties that fail to contest elections for 10 consecutive years.

How to Strengthen Transparency and Enforcement?

- **Empower the EC through legislation** – Parliament should provide the EC with clearly defined de-registration powers, subject to due process and judicial review.
- **Strengthen financial disclosure** – RUPPs should be required to make their:
  - Annual financial statements.
  - Donor details.
  - Election expenditure.
  - Audit reports easily accessible through a standardised digital disclosure system.
- **Inter-agency monitoring** – The EC and other enforcement agencies should use monitoring mechanisms to identify suspicious transactions.

- **Graduated penalties** – Instead of relying only on de-registration, a graded framework be followed to ensure proportionality while maintaining accountability.
    - These include Warning, disclosure deadline, financial penalty, suspension of benefits, loss of tax exemption, then de-registration.

What could be done?

- **Statutory reformation** – Amend the RP Act, 1951 to provide a clear statutory framework for de-registration.
- **Benefits threshold** – Introduce a reasonable vote-share threshold for tax benefits.
- **Timely disclosures** – Mandate timely and comprehensive financial disclosures.
- **Audit strengthening** – Strengthen independent auditing of party finances.
- **Monitoring compliance** – Develop an integrated digital monitoring mechanism among the EC and financial enforcement agencies.
- **Safeguard political participation** – Protect legitimate political pluralism while acting firmly against shell or non-serious parties.

What lies ahead?

- RUPPs are an important part of India's democratic ecosystem, but registration should not become an unrestricted gateway to financial and electoral privileges.
- The challenge is to create a regulatory framework that combines political freedom with financial accountability.
- A carefully designed system of de-registration, and a reasonable vote-share threshold for fiscal benefits can help ensure that genuine political participation is protected.

Reference

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