EXPLAINER

How should RUPPs be regulated?

Why do some RUPPs remain active despite poor compliance? How can their misuse be curbed? What can be done to improve transparency? Should RUPPs face a vote threshold for tax breaks? How can the EC act against non-serious parties?

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> ### THE GIST
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> - Six Gujarat-based RUPPs received about ₹1,700 crore in donations in 2023-24, raising concerns over opaque political funding

- Weak statutory provisions and poor compliance allow many non-serious RUPPs to remain active and potentially misuse tax exemptions
- The EC needs stronger powers to de-register such parties, while a suitable vote threshold could determine eligibility for tax exemptions

The story so far:

A 'BBC News Hindi' investigation has revealed that six Registered Unrecognised Political Parties (RUPP), all based in Gujarat, had received donations of around ₹1,700 crores for the year 2023-24. This is higher than the total received by five nationally recognised political parties, except the BJP, for the same period, which stood at ₹1,480 crores.

What are registered parties?

Political parties are an association or body of individuals that can be formed by citizens. Section 29A of the Representation of the People Act, 1951 (RP Act) lays down the requirements for registration of a political party with the Election Commission (EC). After satisfactory scrutiny of the documents submitted, the EC registers a political party as a RUPP. The RUPPs enjoy the following benefits — (a) tax exemption for donations received under Section 12 of the Income Tax Act, 2025, (b) common symbol for contesting general elections to the Lok Sabha/State Assemblies, and (c) 20 'star campaigners' during election campaign. The RUPPs are required to maintain the details of individual donors above twenty thousand rupees in a financial year and submit them to the poll body every year. As per section 29C of the Representation of the People Act, failure to furnish these details will result in losing income tax exemption.

The RUPPs, under the Income Tax Act, 2025, are required to accept donations in excess of two thousand rupees only through cheque or bank transfers.

What are the issues?

As per the EC notification, India had more than 2,800 RUPPs as of July, but only around 750 contested the 2024 general elections. This has resulted in the moniker — 'letter pad parties' — for the rest of the RUPPs. The RP Act does not confer explicit powers on the EC to de-register a political party if it fails to contest elections, conduct inner-party elections, or lodge requisite returns. In the *Indian National Congress vs Institute of Social Welfare & Ors* (2002), the Supreme Court held that the EC does not have the power to de-register any political party under the RP Act. It may de-register only under exceptional circumstances, such as registration obtained by fraud, the political party ceasing to have allegiance to the Constitution, or being declared unlawful by the government. The EC periodically publishes the list of de-listed RUPPs. The October 2025 notification contains over 800 such parties.

However, the six RUPPs — Aam Janmat Party, Bharatiya National Janata Dal, Garib Kalyan Party, New India United Party, Satyawadi Rakshak Party and the Swatantrata Abhivyakti Party — remain on the list of active RUPPs as per the EC notification in October 2025. This is because they managed to field a total of 15 candidates during the 2024 Lok Sabha elections. The Association for Democratic Reforms periodically publishes reports on the status of submission of annual reports of RUPPs. In its July 2025 report, in which the annual reports of 2022-23 are analysed, it is stated that reports of only 26% of RUPPs are available in the public domain. Poor compliance with statutory requirements, coupled with a lack of transparency, results in these 'letter pad' parties being used as an opaque channel for tax evasion and money laundering.

What needs to be done?

The Law Commission, in its 255th report, had recommended amendments for de-registration of a political party if it fails to contest elections for ten consecutive years. The EC, in its memorandum for electoral reforms (2016), also suggested an amendment to the RP Act that would empower it to de-register a party. These are long-pending reforms that need to be carried out to empower the EC to act against non-serious parties, some of which are merely a façade for illegal financial transactions.

However, if parties contest elections merely to fulfil a statutory requirement, they could continue to misuse their tax exemptions and be used for money laundering and other nefarious activities. In the present digital world, it is not difficult for the Income Tax Department and other enforcement agencies to monitor the transactions of such parties and take strict action against any wrongdoing. This would act as a deterrent against the misuse of the benefits and exemptions available to political parties. The EC had also suggested that tax exemptions be provided only for political parties that win seats in Lok Sabha or Legislative Assembly elections. This can be viewed as an undemocratic and extreme measure, as there are parties that consistently contest elections without electoral success. Instead, similar to the 1% vote threshold for allotting common symbols to RUPPs, a suitable vote percentage threshold may be stipulated by law for RUPPs to avail of tax exemptions on donations received.

(Rangarajan R. is a former IAS officer Views expressed are personal)