

## SEC. 80GGC POLITICAL DONATION ALLOWED WITH DISALLOWANCE @ 10% FOR LACK OF SPECIFIC INFORMATION AGAINST DONER



### 1. Background

The case involves an individual assessee, Chirag Bhikhabhai Patel, who filed a return for Assessment Year 2019-20 declaring an income of Rs. 16,06,910. He claimed a deduction of Rs. 4,00,000 under Section 80GGC for a donation made to the Rashtriya Samajwadi Party (Secular), a Registered Unrecognized Political Party (RUPP).

- Impact on Assesseees: Following investigations into RUPPs, the Department alleged these parties were providing "accommodation entries" to help beneficiaries make bogus tax claims. This led to the reopening of assessments under Section 147 and the issuance of notices under Section 148.
- Current Stance of Dept/Law: The Revenue typically views such donations as non-genuine "on-money" transactions. However, the legal requirement for the deduction remains that the party must be registered under Section 29A of the Representation of the People Act, 1951, and the payment must be made through non-cash channels.

**2. Issue:** "Whether the deduction of Rs. 4,00,000 claimed under Section 80GGC should be disallowed in its entirety based on general allegations of accommodation entries, or whether the claim should be sustained since the assessee complied with statutory conditions of banking channel payments to a registered political party? "

### 3. Findings of the Tribunal

The Rajkot ITAT made the following key findings:

- Statutory Compliance: The assessee met the two core conditions: the party was registered with the Election Commission and the donation was made via a proper banking channel.
- Faith: The Tribunal noted that a donor does not control the internal affairs or Good management of the political party; the donation was deemed made in good faith.
- Lack of Specific Evidence: There was no direct or indirect corroborative evidence proving that this specific assessee was involved in a scam or received cash back.
- Ad-hoc Addition: Considering the "smallness of the amount" and the goal of plugging revenue leakage, the Tribunal restricted the addition to 10% (Rs. 40,000) of the total donation instead of a total disallowance.
- Non-Precedential: The order explicitly states that this specific adjudication, based on the small amount, should not be treated as a precedent for other years.

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### 4. Recommendations and Takeaway

While many online articles focus on the partial victory, the deeper takeaway is the shift towards the reasonable approach in small-value litigation.

- The "Smallness" Defence: This case suggests that for smaller donations (under Rs. 5-10 lakhs), the Tribunal is increasingly willing to apply a 10-15% "leakage" rate rather than a 100% disallowance plus penalties.
- Burden of Proof: Even if the Department has a "general" report on a political party, they must produce "specific" evidence against the individual assessee to sustain a full disallowance.
- Settlement Strategy: In cases where the cost of prolonged litigation exceeds the tax impact, assesseees can use this Rajkot ruling to argue for a nominal ad-hoc addition to close the matter.

### Conclusion

The Rajkot Tribunal (which leans toward the assessee by allowing partial relief via ad-hoc additions) emphasizes that without direct evidence linking the specific assessee to a cash-back trail, a total disallowance is unsustainable.

To navigate this, taxpayers must always avoid malpractices and tax evasion schemes, as the temporary "savings" of a bogus donation are often outweighed by the multi-year stress of scrutiny and interest. Ultimately, the importance of documentation, drafting, and representation cannot be overstated. As seen in this case, the ability to demonstrate a clear banking trail and a good-faith intent significantly helped decide the fate of the case, shifting the outcome from a total loss to a 90% relief.

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