

# CORPORATE SOCIAL RESPONSIBILITY IN THE EMERGING SCENARIO



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# CSR

for a sense of pride & fulfillment from work



## INTRODUCTION

- 70 countries
- India : Mandatory w.e.f Jan 22,2021
- Onus on Board & not on Government
- Act of giving back for what was taken



# WHY CSR



Loyalty of clients



Customer satisfaction



Investor Morale



Better Work Environment



Connectivity with locality



Reputation



# REGULATIONS

Companies Act ,  
2013

Companies (CSR)  
Rules, 2021  
Companies ( CSR  
Policy) Rules 2022

Guidance Note  
by ICAI

Secretarial  
Standard 4 –  
Board Report

National CSR Data Portal

1. MCA Office Memorandum dated 28.03.2021:

Any contribution made to the **PM CARES Fund shall qualify as CSR expenditure** under the Companies Act 2013.

2. MCA General Circular 10/2020 dated 23.03.2021:

Spending of CSR Funds for COVID-19 is eligible CSR activity. Funds may be spent for various activities related to COVID-19 under item nos. (i) to (xii) of schedule VII relating to promotion of health care including preventive health care and sanitation, an, disaster management.

3. MCA General Circular 01/2021 dated 13.01.2021:

CSR funds for carrying out awareness campaigns on Covid-19 vaccination programme is eligible CSR activity.

4. MCA General Circular 05/2021 dated 22.04.2021:

CSR funds for setting up makeshift hospitals and temporary Covid care facilities is eligible CSR activity.

5. MCA General Circular 09/2021 dated 05.05.2021:

Spending of CSR funds for 'creating health infrastructure for COVID care', 'establishment of medical oxygen generation and storage plants', 'manufacturing and supply of Oxygen concentrators, ventilators, cylinders and other medical equipment for countering COVID-19' or similar such activities are eligible CSR activities.

## CSR spend by India Inc over the last five years

Year	Total Amount Spent on CSR (Rs Cr.)	Total number of firms	Total CSR projects
FY 2020-2021	8828	1,619	8,009
FY 2019-2020	24689	22,531	34,828
FY 2018-2019	20150	25,099	32,248
FY 2018-2017	17098	21,517	26,858
FY 2017-2016	14344	19,552	23,076

## AMENDMENTS WEF APRIL 1, 2021?

ENHANCED OVERSIGHT  
/GOVERNANCE &  
COMPLIANCE /  
TRANSPARENCY/

## Key amendments impacting CSR frameworks

- 1 Negative list has been introduced in the CSR definition.
- 2 Board is obligated to ensure that disbursed funds are utilized as approved and monitor implementations (fund allocations and timelines) of ongoing projects.
  - ▶ Ongoing project is defined as a multi-year project that shall not extend beyond three years excluding the year of commencement.
- 3 CSR implementing non-governmental organizations (NGOs) are required to be registered for income tax and company law purposes.
- 4 Companies are required to mandatorily spend their CSR obligation.
- 5 Treatment of unspent CSR amount at financial year end is dependent upon whether the project is an ongoing project or not. Unspent amount towards an ongoing project has to be transferred to a separate bank account within 30 days from end of FY and utilized within a period of 3 financial years. Any unutilized amount at the end of 3rd FY must be transferred to a Schedule VII fund within 30 days from the financial year end. Unspent amounts must be transferred to a Schedule VII fund within six months from the financial year end.
- 6 There shall be penalty on a company and officers in default for failure to transfer unspent amounts as prescribed.
- 7 A company is prohibited from holding capital assets created/acquired through CSR funds.
- 8 Ongoing project is defined as a multi-year project that shall not extend beyond three years excluding the financial year of commencement.
- 9 Amount spent in excess of CSR obligation can be carried forward and set-off in next three financial years.
- 10 Companies are required to carry out impact assessment mandatorily for CSR projects meeting specified thresholds.
- 11 Reporting format for disclosures is revamped.

## Quick Snapshot of the provisions

### CSR Applicability

- On the basis of net worth /net profit /turnover

### CSR Spending

- Minimum 2% of average profits of preceding 3 years

### CSR Activities

- Activities specified in Schedule VII of CA, 2013

### CSR Committee

- Minimum 1 ID in a committee of 3 directors
  - No ID in the committee for companies which are not required to appoint IDs and such committees may constitute without ID



# APPLICABILITY

IS IT APPLICABLE  
FOR PRIVATE  
COMPANIES?

SEC 8 COMPANY ?

GOVERNMENT  
COMPANY?



Net worth Rs 500 crores or more [Sec 2(57)]

- Paid up capital, Reserves from profit, Securities premium, Dr/Cr from P&L not include revaluation reserve, def expense and misc expense not written off



Turnover 1000 crores or more

-Revenue from sale of goods/rendering of services as recognized in FS



Net profit 5 crores or more

- In accordance with Section 198



BOARD : 2% OF LAST 3 YEARS AVERAGE NET  
PROFIT

Which year details? Initially  
“any FY”

Companies act 2017

“Immediately Preceding FY”

Y is holding company with  
subsidiary as X. Company X  
by CSR rules. Will it be  
applicable for Y?

[General Circular No. 1/2016  
dated 12th January, 2016]



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CSR SATISFIED IN CY

PROFIT RS 10 CRORES  
2020-21 LOSS 6 CR 2019-20  
AND  
LOSS 2CR 2018-19

CSR STILL APPLICABLE ON  
NET OF PROFIT AND LOSS



## WHAT IS NET PROFIT

- As per Financial Statement
- Profit Before Tax
- DOES NOT INCLUDE
  - Profit from branch o/s India
  - Dividend from Indian Co covered under CSR
  - Profit from premium./forfeiture
  - Sale of Capital asset
  - Loss of Capital nature
  - Damages/ Compensation

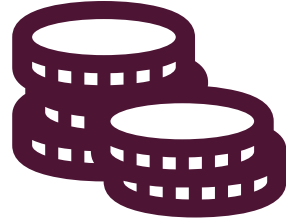
Particulars*	Amount
Profits as per Profit & Loss Account	XXX
Credit to be provided for	
Bounties and subsidies received from Government	
Credit not to be provided for	
Premium/ Profit on sale of shares	
Profits of Capital Nature – including profits on sale of undertakings	
Profits from sale of immovable property/ fixed assets – unless undertaken	
Permissible Deductions:	
Usual Working Charges- revenue expenditures, bonus or commission	(XXX)
Abnormal or Special Tax	(XXX)
Interest on debentures, loans or advances	(XXX)
Compensations/ damages in virtue of legal liability, bad debts written off...	(XXX)
Non Permissible Deductions:	
Income tax paid under Income Tax Act, 1961	(XXX)
Loss of Capital Nature	(XXX)
Compensations/ Damages paid voluntarily	(XXX)
<b>Profits as per Section 198</b>	<b>XXX</b>

INTEREST ON FD  
INCOME CAN BE  
EXCLUDED  
FROM NET  
PROFIT?





IF CSR IS  
APPLICABLE  
ONCE ITS  
ALWAYS  
APPLICABLE?



**Has to spend 2% on average positive balance**



**Cease to be applicable only if**

~~3 consecutive years eligibility criteria not satisfied~~

Omitted Rule 3(2) no longer need to comply for 3 years, to the extent of unspent amount CSR committee

**NET PROFIT LESS THAN RS 5 CRORES? APPLICABLE?**

# CSR DEFINED - RULES 2020

## Negative Definition of what is not considered as CSR (Earlier Rule 4)

- Normal Course
- Outside India
- Political Party
- Activities that benefit employees of companies (families omitted)
- Sponsorship for deriving marketing benefit
- Statutory obligations

Earlier definition reference to Schedule VII now exclusions

Contribution to corpus not CSR

One off events : Marathon/Awards/Charity



# APRIL 24,2020 – AMENDMENT TO CSR RULES 2014

- Research & Development of New Vaccines, Drugs & Medical device
- Relating to Covid 2019 for FY 2020-21, 2021-22, 2022-23
- Collaboration with Institute specified
- Disclosed separately in AR on CSR in Board Report





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## CONTRIBUTION IN KIND

## DISTRIBUTION OF FREE SAMPLE TO CUSTOMER IS IT CONSIDERED AS CSR

- Clarification by MCA, to qualify as CSR expense it should be a CSR spend [ FAQ 3.12 25 Aug 2021 ]
  - 135(5) - “The Board of every company shall ensure that it spends...”
  - Normal course of business and promotion
  - Not considered as CSR activity
  - Delhi HC [Mohd.Ahmed Minor vs Union of India & ors) decision April 17,2014 read with MCA affidavit 2014
    - Activity carried out by a company covered under Schedule VII part of its core business if done without a profit motive is a CSR activity
- 
- *“On 28th March, 2014, the Ministry of Corporate Affairs filed an affidavit clarifying the scope of the term “normal course of business” used in Rules 4 and 6 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, by giving the following example:-*
  - *“...a pharmaceutical company donating medicines/drugs within section 135 read with Schedule VII to the Act is a CSR Activity, as the same is not an activity undertaken in pursuance of its normal course of business which is relatable to health care or any other entry in Schedule VII.”*
  - *“This affidavit clarifies that an activity carried out by a company covered under Schedule VII which is a part of its core business, if not done with a profit motive, amounts to a CSR activity. Therefore said letter and affidavit of MCA are taken on record and accepted by this Court. Government of India is held bound by the same”.*



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MAGI NOODLES LTD  
DISTRIBUTES MAGI  
NOODLES FOR FREE  
DURING DROUGHT –  
COVERED BY CSR?

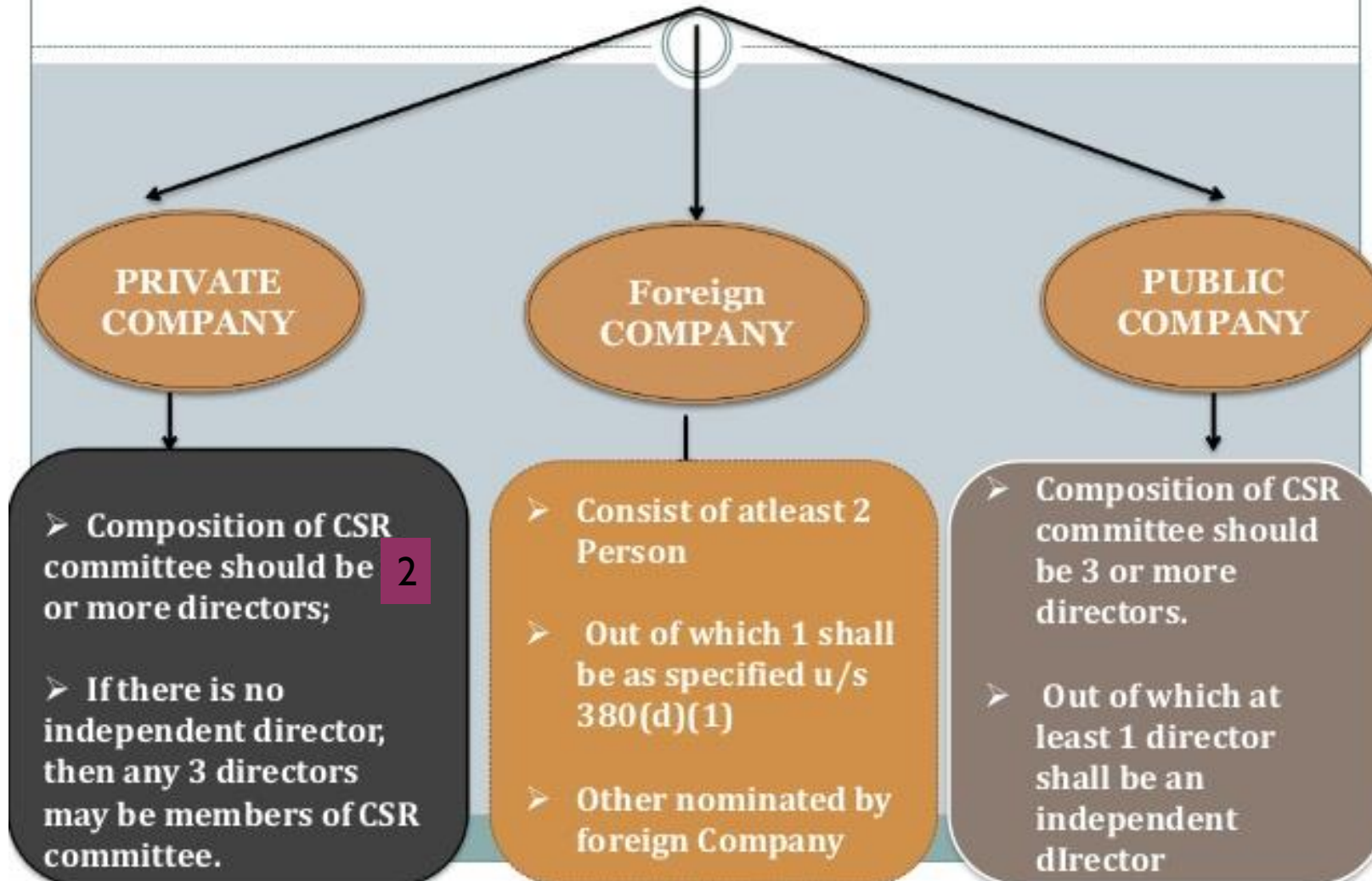
MAGI NOODLES LTD  
PROPOSES TO CONTRIBUTE  
RS 1 PER PRODUCT SOLD  
TO EDUCATION OF GIRL  
CHILD. CSR? –N [CSR  
POLICY AND NOT SPEND]

CSR SPENT OUT OF  
BORROWED FUNDS  
OF THE COMPANY  
SINCE IT HAD  
NEGLIGIBLE CASH  
PROFITS

CONSIDERED CSR? Y



# CONSTITUTION OF CSR COMMITTEE



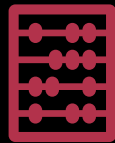
72 CHANGES TO 65  
SECTIONS : MARCH  
4,2020

THROUGH

COMPANIES  
AMENDMENT ACT  
2020



EXEMPTION FROM CSR  
COMMITTEE WHERE CSR IS LESS  
THAN RS 50 LAKHS

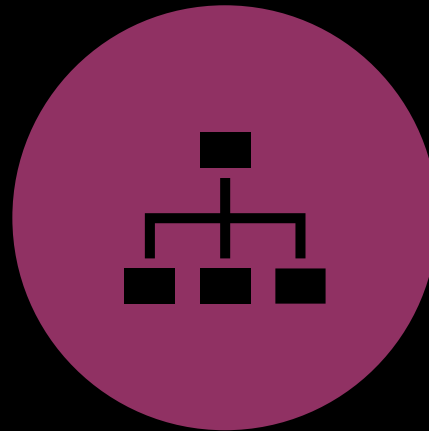


CARRY FORWARD CSR CREDIT

# CSR COMMITTEE



FIRST MEETING OF BOARD  
SS 1  
TIME LIMIT – 6 MONTHS



3 DIRECTORS : 1 INDEPENDENT  
EXEMPT :  
- PRIVATE COMPANY (2)  
-UNLISTED PUBLIC COMPANY



MEETINGS  
QUORUM  
- PARA 3.5 OF SS  
SPECIFIED BY BOARD IF NOT ALL  
MEMBERS



# CSR COMMITTEE

 Formulate & Review of CSR Policy

 Conform to Schedule VII

 Allocation & Audit

 Annual report

 Official website

 Assess net profit

 Ensure spending



CAN THERE BE A CENTRALISED COMMITTEE FOR GROUP COMPANIES ?

# CSR COMMITTEE – 2021 AMENDMENT

- Formulate & recommend **ANNUAL ACTION PLAN**
  - List if CSR projects approved under Sched VII
  - Manner of Execution
  - Modalities of utilization
  - Monitoring & Report Mechanism





# BUDGET FOR LONG TERM CSR PROJECT BY CSR COMMITTEE APPROVAL ONE TIME

BOARD REPORT TO MENTION  
SPEND YEARLY AGAINST THE SAME



ACTIVITY NOT COVERED IN ANNUAL ACTION PLAN BUT SPENT DURING THE YEAR WILL IT BE CONSIDERED AS CSR

# ROLE OF BOARD OF DIRECTORS

1

Approve CSR policy.

2

Ensure its implementation.

3

Disclose the contents of CSR policies in its report.

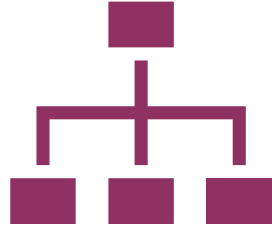
4

Company's website.

5

Ensure that statutory specified amount is spent

# DEFINITIONS



**CSR Policy: Statement containing approach and direction given by the board**

Unlike the current prevalent practice, where the board lists down the activities from schedule VII for its CSR, the board will have to do a strategic planning with respect to CSR activity to be undertaken by the company.



**Ongoing Projects : Maximum timeline of 4 years**

Cannot account as one time project  
Year Wise allocation to be made  
Can projects be longer than 4 years?



## COMMENCEMENT OF ONGOING PROJECTS

- Issued work order
- Awarded contract for execution of project
- Can be done through implementing agencies
- Board has power to abandon/modify ongoing project

IF THE BOARD APPROVED A PROJECT OF RS. 80 LACS FOR RAIN WATER HARVESTING FOR 3 YEARS

BUT AFTER 2 YEARS, THE COMPANY WHICH HAS ALREADY SPENT RS. 40 LACS ON RAIN WATER HARVESTING IS NOT SATISFIED WITH THE OUTCOME.

CAN THE BOARD DIVERT THE REMAINING FUNDS OF RS. 40 LACS TO DIFFERENT PROJECT SAY RELATED TO HEALTH AND MEDICAL FOR REMAINING ONE YEAR?

Board shall be competent to make modifications for smooth implementation of the project

Board may alter plan as per the recommendation of its CSR Committee, based on the reasonable justification

However, changing the allocation completely would not be viable.



## RESPONSIBILITY ON BOARD - NEW


- Board to ensure funds have been utilised AND  
**CFO to certify the above from FY 2020-21**
- For ongoing projects Board to monitor & year wise allocation
- Mandatory **disclosure** on website:
  - Composition of CSR committee
  - CSR policy
  - Projects Approved



# Power Brands of HUL

RURAL INDIA  
EDUCATING  
VILLAGES ABOUT  
GOOD HYGIENE  
PRACTICES



A close-up photograph of a person's hands being washed in a white sink. The hands are positioned under a faucet, and the water is not clearly visible. The background is slightly blurred, showing a tiled wall. A yellow rectangular box is overlaid on the image, containing white text.

**Celebrities 'wash hands' to  
spread awareness about COVID-19**

**GENERAL  
PUBLIC  
AWARENESS  
ON HYGIENE  
– EXPENSE  
ALLOWED?**

Eradication of  
extreme hunger and  
poverty

Contribution to Prime  
Minister's relief fund  
and other such state  
and central funds

Improving maternal  
health and reducing  
child mortality and

Gender equity and  
women empowerment

Social business  
projects

Education Promotion

Vocational skills  
enhancing  
employment prospects

Environmental  
sustainability

Combating HIV-  
AIDS, malaria and  
other diseases

And such other  
matters as may be  
prescribed





MCA JAN 13,2021 : EXPENDITURE FOR AWARENESS OF COVID VACCINATION ALLOWED

## PERMISSABLE FUNDS - CSR

- Swachh Bharat Kosh
- Clean Ganga Fund
- Prime Minister's National Relief Fund (PMNRF)
- Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)
- Any other fund set up by the Central Government and notified by the Ministry of Corporate Affairs, for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women

# FAQ ON COVID RELATED ASPECTS FOR CSR (10 APRIL 2020, 22 APRIL 2021)

- PM CARES FUND – Qualify as CSR
- CM/ State Relief Fund – No CSR
- State Disaster Management Authority – Qualify as CSR
- Spending CSR fund for COVID 19 related activities – Qualify as CSR
- Payment of salary to employee, workers during lockdown – No CSR
- Ex gratia to Temp/ Casual workers - Specific purpose of fighting covid
  - BOD declaration
  - Statutory auditor certificate
- Carrying out awareness program for public outreach CSR
- Creating health infrastructure for Covid care
- Vaccination of persons other than employees and their families



## Analysis of circulars

### Spending for COVID-19 activities

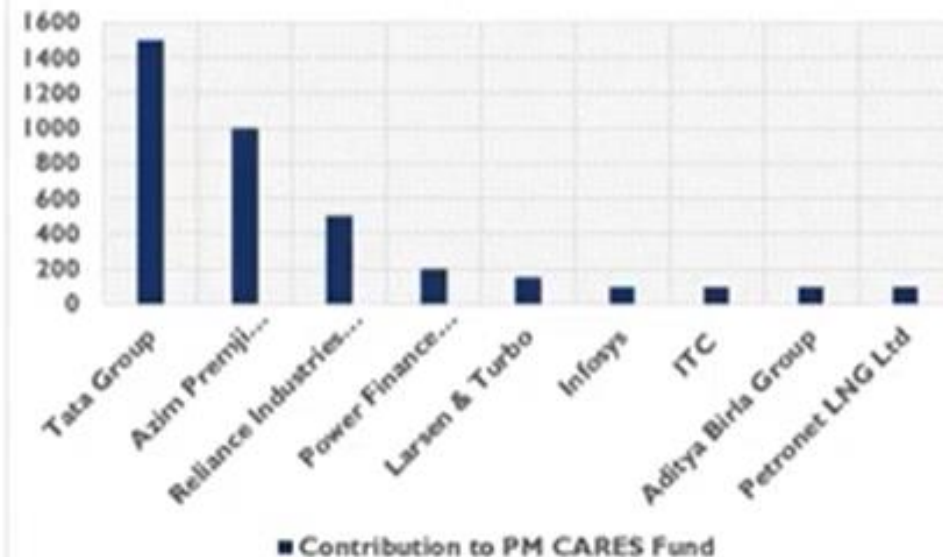
Ministry permits companies to spend for COVID-19 as CSR expenditure if the activity qualifies under item (i) & (xii) of Schedule VII of the CA, 2013 which provides for social welfare such as poverty eradication, preventive health care etc.; and disaster management

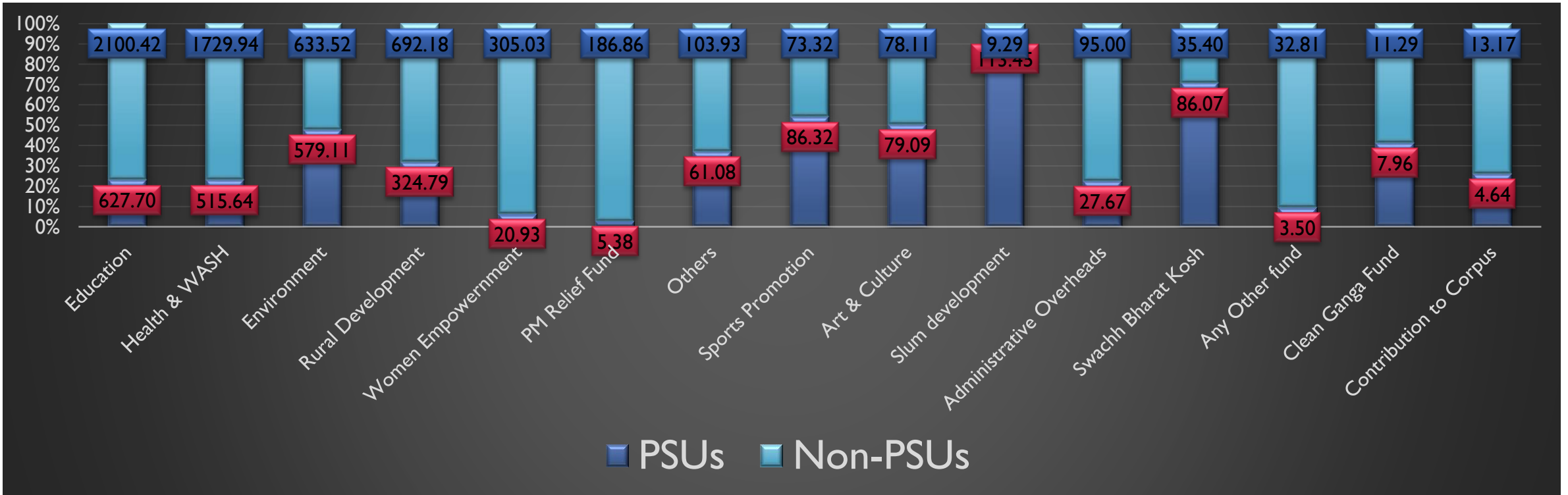
Company Name	Activity	Schedule VII
Aditya Birla Group	<ul style="list-style-type: none"> <li>100 beds at Seven hills hospital</li> <li>200 beds in hospitals of Ujjain, Pune etc</li> </ul>	Item No. (i)- promoting health care
Reliance Industries Limited	<ul style="list-style-type: none"> <li>100 beds in hospitals of various states</li> <li>Manufacturing and distribution of 1 lakh masks every day</li> <li>Providing food to the needy</li> </ul>	Item No. (i)- promoting & preventing health care
Power Finance Corporation	Distribution of masks and sanitizers	Item No. (i) preventive health care
Petronet LNG Ltd	<ul style="list-style-type: none"> <li>Rs. 1.53 contribution to health institutions</li> <li>Procurement of preventive health care equipments in Gujrat, Kochi &amp; New Delhi</li> </ul>	Item No. (i) preventive health care

### Contribution to PM CARES Fund

As an emergency measure, the Ministry permits contribution to PM CARES Fund as CSR expenditure under CA, 2013

#### Contribution to PM CARES Fund





# DEVELOPMENT SECTOR WISE SPEND OF PSU AND NON-PSU

# CSR EXPENDITURE BEYOND SCHEDULE VII

MCA CIRCULAR 21/2014 –  
LIBERAL INTERPRETATION



555.74	537.37	558.52
551.14	538.29	557.16
550.76	545.5	557.07
549.55		559.71
549.33		558.35
544.39		
547.06		
546.72		
546.66		
547.35		
545.8		
544		
54		



**EMPLOYEE HEALTH AND WELL BEING  
MASK PROVIDED FOR EMPLOYEES ELIGIBLE?**

## ACTIVITIES NOT INCLUDED IN CSR

- Normal course of business
- Outside India
- Benefit only Employees
- Contribution to Political party
- One off events :  
Marathon/Award
- Fulfilment of Law
- CM Relief/ State Relief during  
COVID



## MEDICAL HEALTH CAMP FOR UNSKILLED EMPLOYEES

- As per Clause 2(k) of the Code on Wages, 2019 “employee” means, any person (other than an apprentice engaged under the Apprentices Act, 1961), employed on wages by an establishment to do any skilled, semi-skilled or unskilled, manual, operational, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied, and also includes a person declared to be an employee by the appropriate Government, but does not include any member of the Armed Forces of the Union.
- Medical camp exclusive for the unskilled labour hired by the company shall not be permitted as a CSR activity.





**CAN EMPLOYEES BENEFIT FROM CSR ACTIVITIES**

## ICAI FAQ



Only benefit employees no CSR



Benefit of all can include employees also



Stadium for sports for all



## PAYMENT TO APPRENTICE CONSIDERED CSR?

- Apprentice engaged under Apprentice act 1961
- Schedule VII covers – promoting employment enhancing vocational skill & skill training
- MCA February 2016 : Considered as Skill training
- As per Apprentice act , minimum 2.5% of manpower to total strength
- Over and above 2.5% upto 10% can be considered as CSR

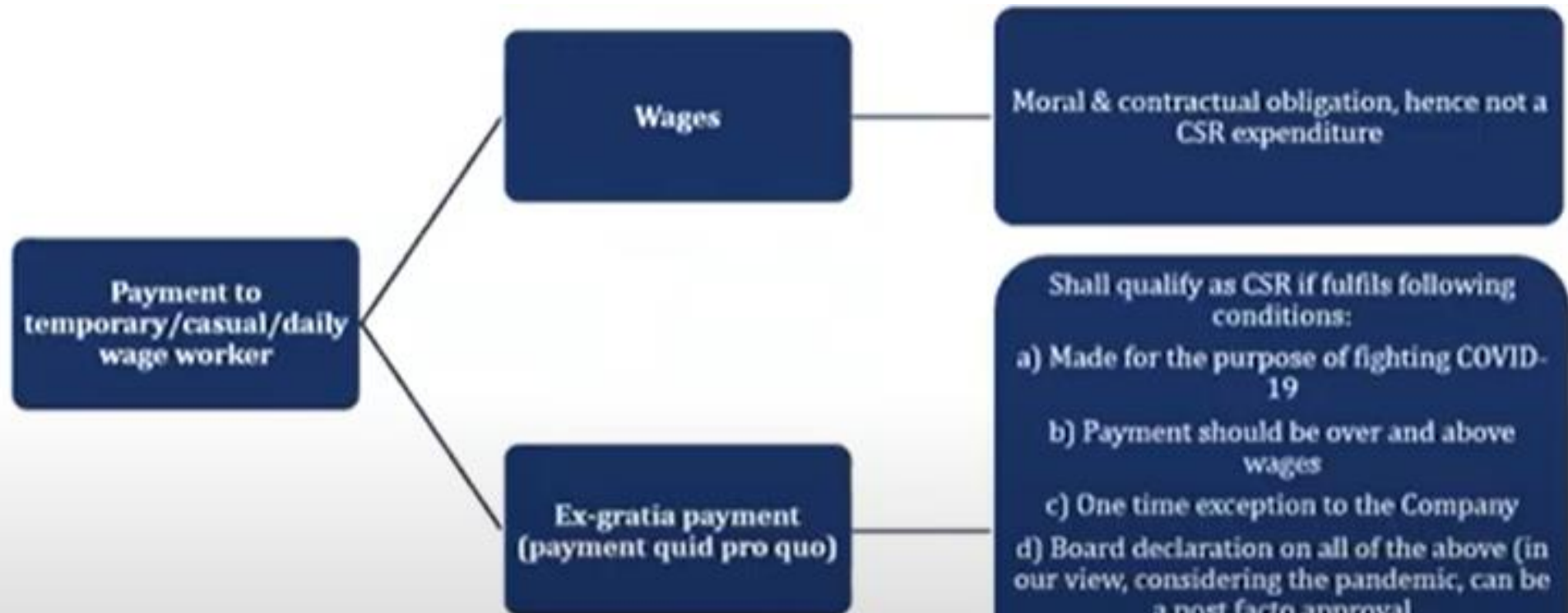


# CSR DEFINED - RULES 2020

- Negative Definition of what is not considered as CSR (Earlier Rule 4)
  - Normal Course
  - Outside India
  - Political Party
  - Activities that SIGNIFICANTLY BENEFIT employees of companies/ families
- Any activity having **less than 25%** employees as beneficiaries included as CSR

## UNCERTAINTY :


- 25% in number / value
- One off events : Marathon/Awards/Charity not excluded



**Our Analysis:** The circular allows such payment as a one time exception to the Company on the condition that such payment is for fighting COVID-19. By the term 'fighting COVID-19' whether the author referred to preventing COVID-19 or otherwise is left to the readers for interpretation. However, the matter of concern here is obtaining Board declaration and audit certificate in the state of pandemic. In this regard, obtaining such declaration and certification at the first place seems questionable



ELIGIBLE CSR – MCA  
ON MARCH 23, 2020

- Promotion of health care,
  - Preventive health care and sanitation
  - Disaster management
- 



ASSET CONSTRUCTED BY COMPANY FOR CSR

# DONATION OF FIXED ASSETS

- NORMAL COURSE

- WDV OF ASSET

Exception by ICAI :Supply goods / services free of cost to people affected by natural calamity within areas covered by Sched VII

Should be for specific project



## ASSETS – AMENDMENT

- CSR spent on creation/  
acquisition of asset
- ONLY be held in the  
Section 8 Company/ Public  
Authority
- Existing companies  
transition 180 + 90 days



# ADDITIONAL DISCLOSURE – AMENDMENT 2020

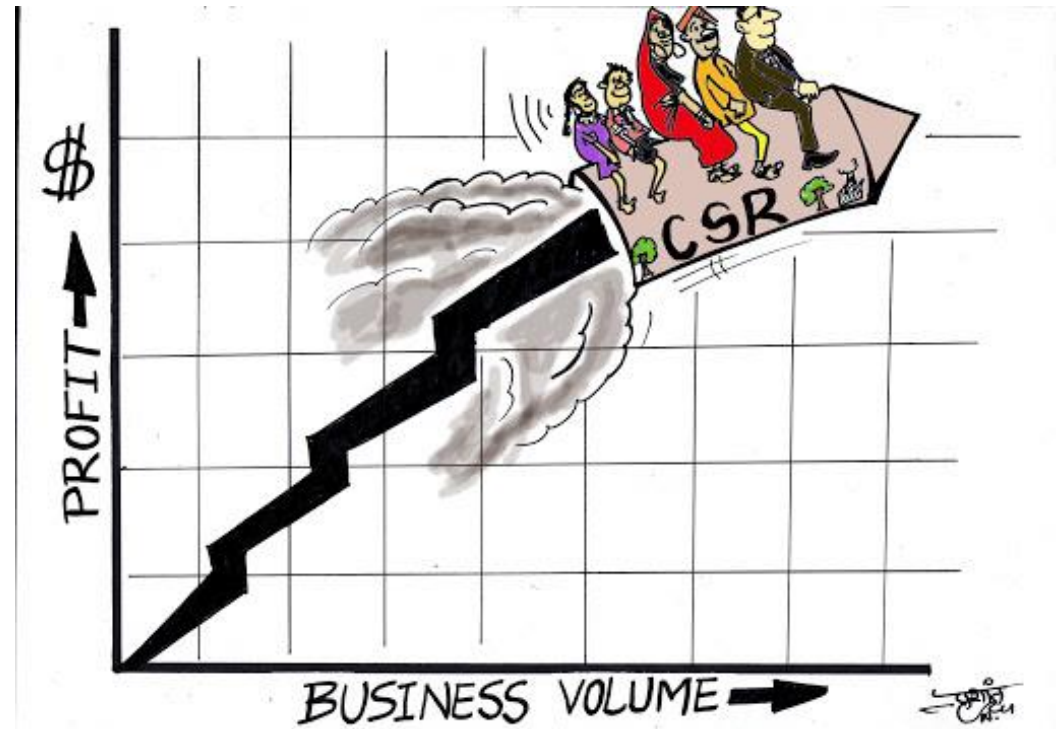
In case of creation or acquisition of asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year.

- (a) Date of creation/ acquisition of the asset(s)
- (b) Amount of CSR spent for creation /acquisition of asset
- (c) Details of the entity/ public authority under whose name such asset is registered, address
- (d) Provide details of the property or asset(s) created/ acquired



# SPEND

- Revenue / Capital
- SC Ruling – Bombay Steam Navigation Private Limited
- Building infrastructure / Recurring expense on project
- On behalf of third party – Revenue expense
- CSR Asset tag
- Depreciation on asset not included as CSR
- Disclose separately



## TAX IMPLICATIONS

- CSR not Business Expense
- 80 G – PM Relief [Escorts Skill Development v. CIT<sup>[6]</sup>, the Delhi Tribunal]
- 35 – Scientific research,
- 35AC/CCD – Rural & Skill development
- 35CCC – Agricultural extension
- Monetisation of pro bono employee service



SALARY TO CSR STAFF & VOLUNTEERS

ADMINISTRATIVE OVERHEADS UPTO 5%

CONTRIBUTION TO CORPUS OF TRUST/ SOCIETY/ SECTION 8

- EXCLUSIVE

- SCHEDULE VII

[GEN CIRCULAR 21/2014]

# ADMINISTRATIVE OVERHEADS



General Management and administration of CSR



Employee costs



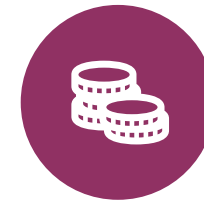
Utility



Office supplies



Legal expenses



Expenses for project implementation included in project cost



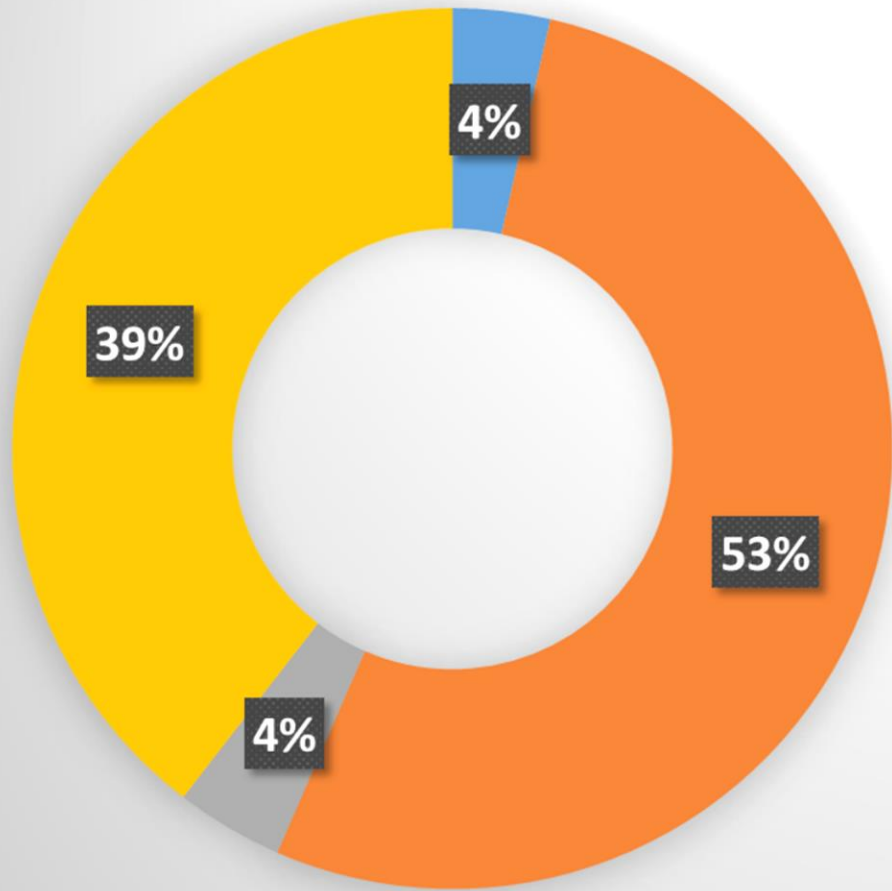
Expenses incurred by agencies for management of activity – NOT INCLUDED



Expense on transfer of asset ie Stamp duty/ Registration – INCLUDED as CSR expenses



# IMPLEMENTING AGENCY



■ Companies Own Foundation

■ Directly

■ Partnership with other organization

■ Society/ Trust/ Section 8 company

# IMPLEMENTING AGENCY

By the Company itself

Sec 8/ Registered public trust/ Society u/s 12AA and 80G established by Company

Sec 8/ Registered public trust/ Society u/s 12AA and 80G established by CG/SG

Entity established under Act of Parliament

Sec 8/ Registered public trust/ Society u/s 12AA and 80G established track record of 3 years

**ENTITY  
ESTABLISHED BY  
GOVERNMENT /ACT  
OF PARLIAMENT/  
STATE LEGISLATURE  
IS NOT REQUIRED  
TO GET  
REGISTRATION  
UNDER SECTION  
12A AND 80G OF  
THE INCOME TAX  
ACT, 1961?**

Rule 4(1), for a company established under section 8 of the Act or Registered Trust or Registered Society established by the Central Government or State Government or an entity established under an Act of Parliament or State Legislature, the requirement to be registered under section 12A and 80 G of the Income Tax Act, 1961 is not prescribed.

Therefore, an entity established by the Government or by an Act of Parliament or State Legislature is not required to obtain registration under section 12A and 80G of the Income Tax Act, 1961.

However, such entity needs to obtain CSR Registration Number from MCA under Rule 4(2) before undertaking CSR activities.





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# ROLE OF NGOS

# MODES OF IMPLEMENTING CSR ACTIVITIES - APRIL 1, 2021

- Company established under Section 8 [12A/80G]
- Statutory bodies : Act of Parliament or State
- Registered Public Trust/ Society [12A/80G]
- Government Agencies

All of above to REGISTER with Central government for undertaking CSR activity by filing e form **CSR 1 w.e.f April 1, 2021**

**CSR registration number will be granted**

**Signed by CA/CS/CMA**

- International organisations cannot be engaged
- Company itself carries out CSR no need CSR 1

**HOW WILL IT AFFECT ?**

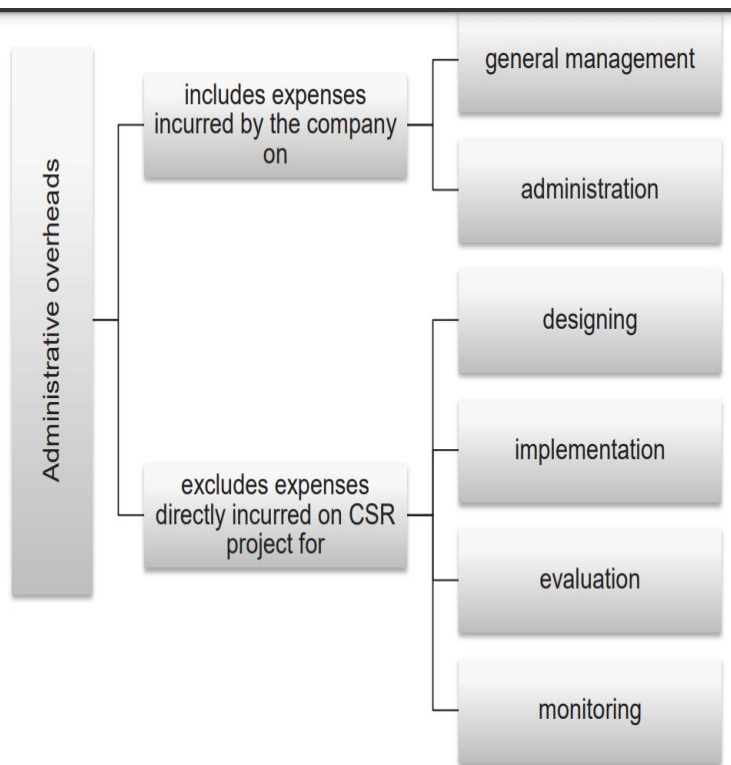
- Sec 8 Company, Trust or Society with 3 years track record allowed
- CSR through group foundations has to look for other organisations



## ROLE OF INTERNATIONAL ORGANISATIONS

- CAN ENGAGE – Designing, monitoring, evaluation and capacity building of personnel
- CANNOT ENGAGE – Implementing agency

# COMPANY FINDS AN IMPLEMENTING AGENCY THROUGH A WEBSITE. PAYS RS 1,00,000 AS WEBSITE HOST CHARGES TO GAIN ACCESS TO AGENCY



- Can above be considered within 5% Administrative expenses?
- Rule 2(b), Administrative overheads are expenses incurred for **‘General Management and Administration’** of CSR functions but not include expenses directly incurred for designing, implementation, monitoring, and evaluation of a particular CSR project or programme.
- Expenses incurred by implementing agency not CSR admin overheads

# CONNECTING CORPORATES TO IMPLEMENTING AGENCIES



National CSR  
EXCHANGE Portal



Ministry of Corporate Affairs  
Government of India

[Home](#) [About Us](#) [Knowledge Center](#) [FAQs](#) [Contact Us](#) [Login](#) [Register](#)

## Corporate/Implementing Agency Login

ENF7U3

Login

[Forgot Password?](#)

[Forgot Username](#)

[Don't have an account! Register here.](#)

## Register as Corporate

To identify suitable  
Implementing Agency for your  
CSR Project

To identify suitable CSR  
Projects proposed by  
Implementing Agencies

To manage CSR Projects  
through the Portal

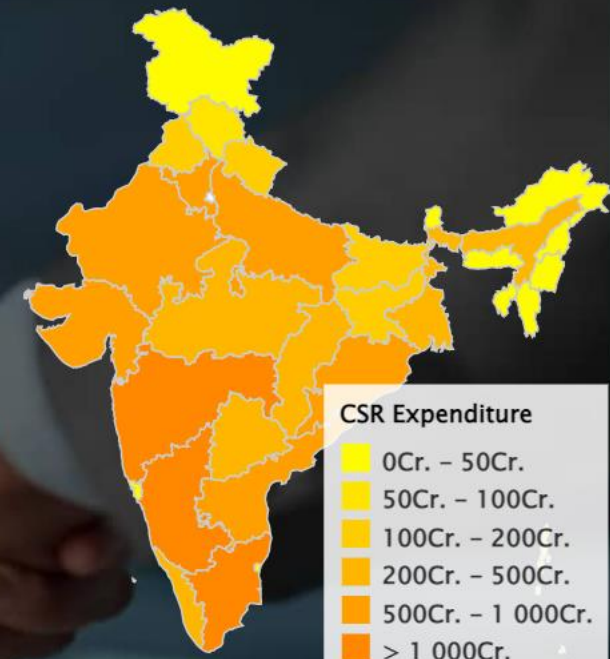
## Register as Implementing Agency

To apply to Corporates CSR  
Project Proposal

To list Projects to raise funds  
from Corporates

To manage CSR Projects  
through the Portal

## CSR Spent Data FY 2019-20



This platform will help Corporates and Implementing Agencies to strategize, implement and manage their CSR project



ASSET  
CONSTRUCTED BY  
COMPANY FOR CSR

## ASSETS – AMENDMENT

- CSR spent on creation/ acquisition of asset
- ONLY be held in the
- Section 8 Company/ Trust/ Public Authority having charitable object and CSR Registration Number
- Beneficiaries of CSR project
- Public Authority
- Existing companies transition 180 + 90 days [20 October 2021]



## SURPLUS OUT OF CSR PROGRAM – AMENDMENT 2020



Interest on temporarily parked funds, Revenue from completed projects



Will not form part of Business Profit



Ploughed back into

Same project

Unspent CSR account



6 months from expiry of FY



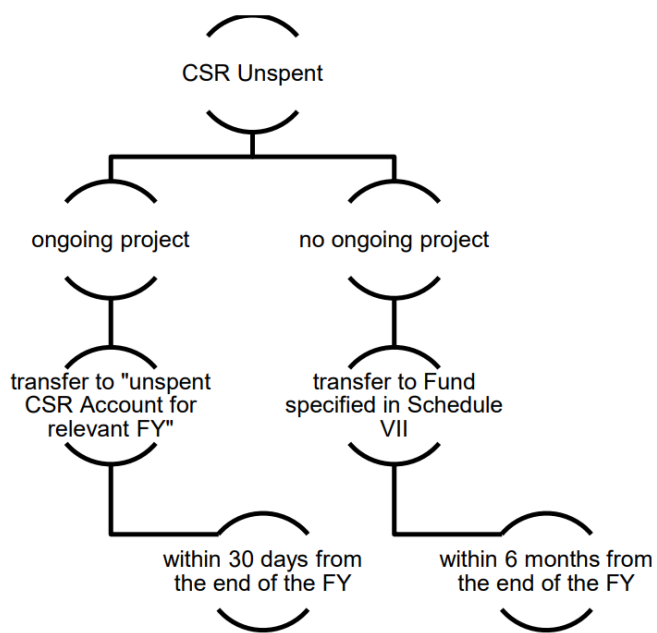


## EXCESS OVER 2% CAN BE CARRIED FORWARD?

- Guidance Note on ICAI
- Companies Amendment Act 2020
- **ALLOWED. FY 2020-21**
- Can be carried forward
- 3 immediately succeeding years for adjusting excess [Rule 7 (3)]
- **Board Resolution Must**

## CO ACT 2019 UNSPENT BALANCE

- Ongoing projects Within 30 days from end of FY. From 2020-21
- Unspent CSR Bank Account
- Spent within 3 years
- Others, Fund specified under Sched VII within 6 months
- National Unspent CSR Fund



# UNSPENT CSR – CARO 2020



FUND SPECIFIED UNDER SCHEDULE VII



SPECIAL DESIGNATED BANK ACCOUNT (ONGOING PROJECT)

## PERMISSIBLE FUNDS - CSR

- Swachh Bharat Kosh
- Clean Ganga Fund
- Prime Minister's National Relief Fund (PMNRF)
- Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)
- Any other fund set up by the CG/ MCA, for Socio-economic Development and Relief and Welfare backward classes, Minorities and Women

A graphic on the right side of the slide features a stylized map of India in yellow and orange. Below the map, a white curved arrow points towards the text 'CLEAN GANGA FUND' which is written in a bold, black, sans-serif font and rotated slightly. In the top right corner, there are two yellow circles on a dark grey background, resembling eyes or a logo. At the bottom, there are red and dark red rectangular blocks, some of which contain faint, partially visible text like 'ARAT KOSH', 'PRIME MINISTER'S', and 'NATIONAL RELIEF FUND'.



6 MONTHS' TIMELINE TO  
TRANSFER AMOUNT TO  
UNSPENT CSR FUND,

CAN THE COMPANY CAN  
SPEND THIS AMOUNT IN THE  
SAID PERIOD SUCH THAT  
THE COMPANY WILL BE

FREE FROM THE LIABILITY TO  
TRANSFER AMOUNT TO SAID  
FUND?

# WHETHER THE IMPLEMENTING AGENCY TO REFUND THE COMPANY THE UNUTILISED AMOUNTS AT THE YEAR END AND THEN CONTRIBUTE IT TO THE UNSPENT CSR ACCOUNT?



Unutilised money shall include Unspent CSR money lying with the implementing agency.



Responsibility of the Company to deposit to a specified fund in Schedule VII within 6 months of FY



On-going project as defined in the CSR Rules within 30 days of expiry of the financial year.



Immaterial that whether the implementing agency refunded the money or not

# MANDATORY CSR IMPACT ASSESSMENT

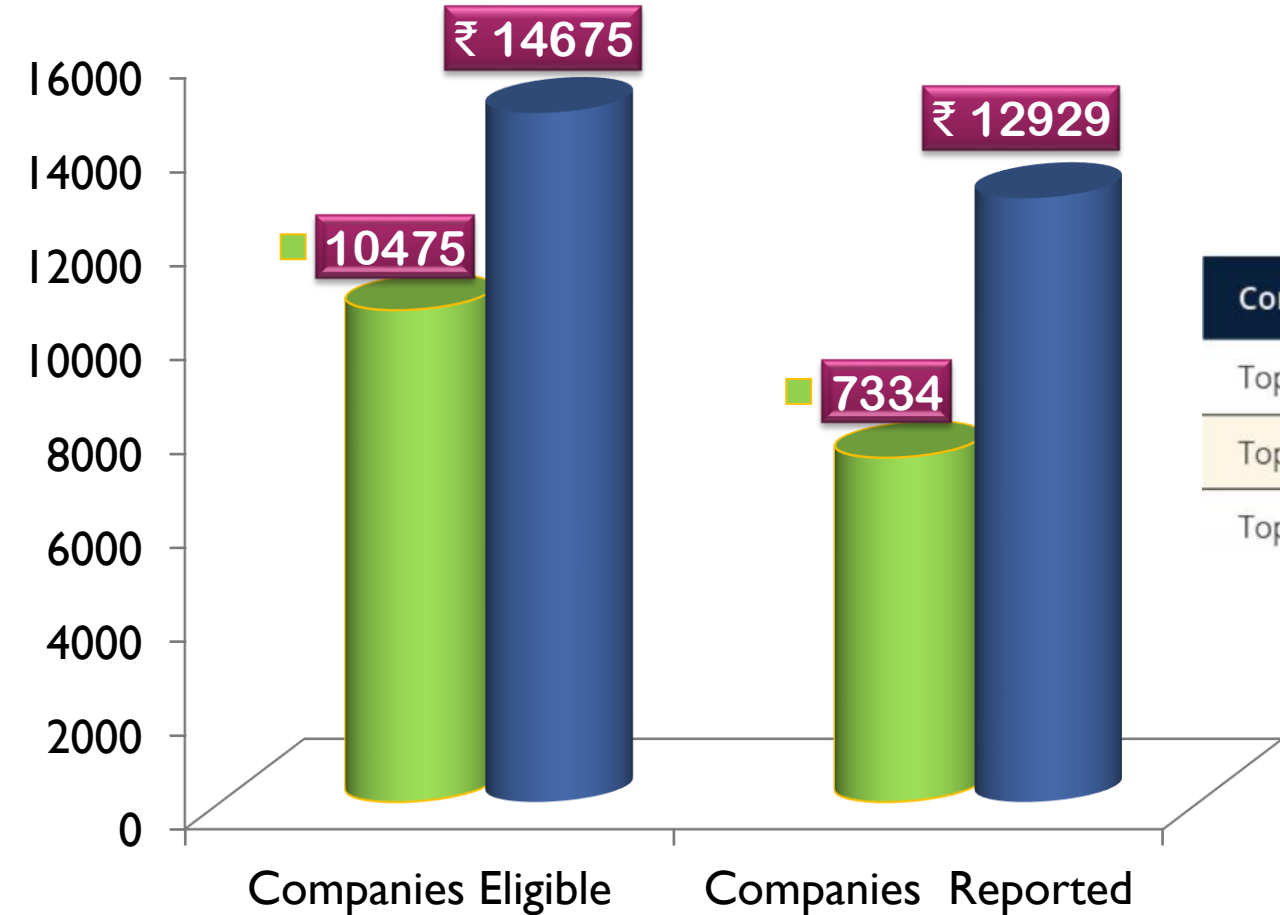
- Company with average CSR of Rs 10 crores or more in each of 3 PY and
- CSR project outlay of Rs 1 crore or more and
- Completed 1 year
- **Impact Assessment Report wef 2021**
- Admin expenses upto 5%—**2%** for such companies / 50 lakhs whichever is less **higher**

**Eg : Rs 100 crore CSR spend earlier only Rs 50 lakhs allowed now upto Rs 2 crores ie 2% of Rs 100 crores**

## UNCERTAINTIES :

- Who does Assessment?
- Will CSR surplus be considered in the 10-crore limit

# ELIGIBLE VS ACTUAL SPENDERS ON CSR

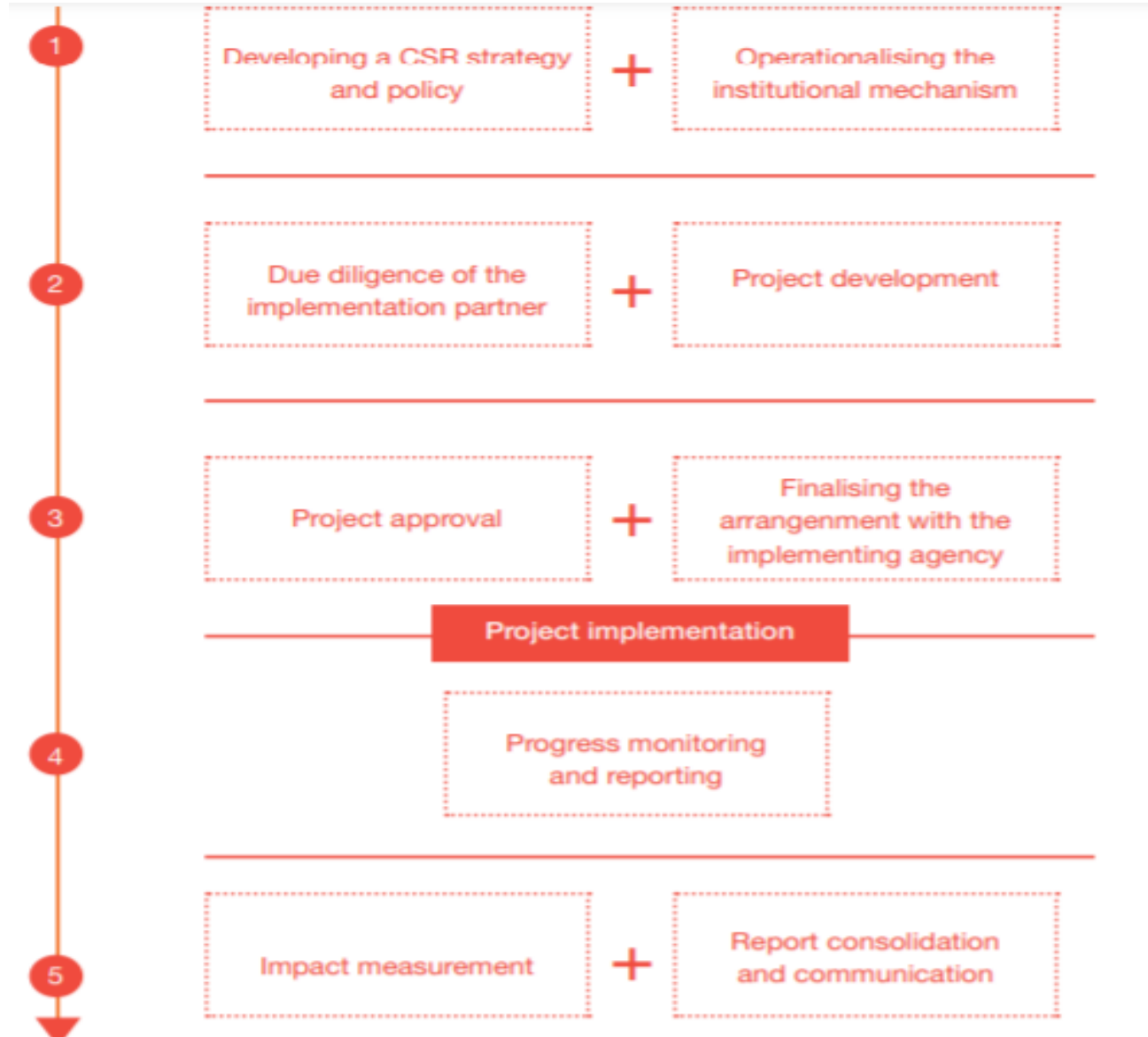


Over 70% companies reported as of 31<sup>st</sup> Jan, 2016

Companies	CSR Spend (INR Cr)	Share of CSR Spend
Top 50	6,959	50%
Top 100	8,414	60%
Top 200	9,694	69%

■ No. of Companies





### **Revised disclosure norms under the Companies (Amendment) Act, 2017**

If the CSR policy is being made available on the company's website, then the company could provide the salient features of the CSR policy and any change therein briefly in the BoD's report and should indicate the web address at which the complete policy is available.

### **Requirements prescribed under the Listing Regulations**

Regulation 34(2)(f) of the Listing Regulations requires mandatory submission of Business Responsibility Report (BRR) for top 500 listed companies based on market capitalisation (calculated as on 31 March of every year) along with the annual report.

The BRR should describe the initiatives taken by the said listed entities from an environmental, social and governance perspective, in the format as specified by SEBI from time to time.

Additionally, the listed entities other than the top 500 listed entities and listed entities which have listed their specified securities on the SME exchange, could include these BRRs on a voluntary basis in the specified format.

### Consider this

- Companies should formulate the CSR policy and effectively monitor the compliance with the CSR requirements.
- The CSR activities mentioned in Schedule VII of the 2013 Act are broad-based and intended to cover wide range of activities. Many more can be covered by the companies.

Additionally, the Companies (Amendment) Act, 2017 provides discretion to the companies to spend the CSR amount in the areas other than their local area of business or industry.

- The CSR expenditure does not specifically qualifies for exemptions under the Income Tax Act, 1961. However, certain activities forming part of Schedule VII of the 2013 Act are covered under tax exemptions.
- Reasons for not spending the amount set aside for CSR in a FY also need to be disclosed in the BoD's report.
- Companies conducting CSR through a Section 8 company, trust or society (established by it) should carefully evaluate if such a company, trust or society would be consolidated in its CFS.



COMPLY OR EXPLAIN

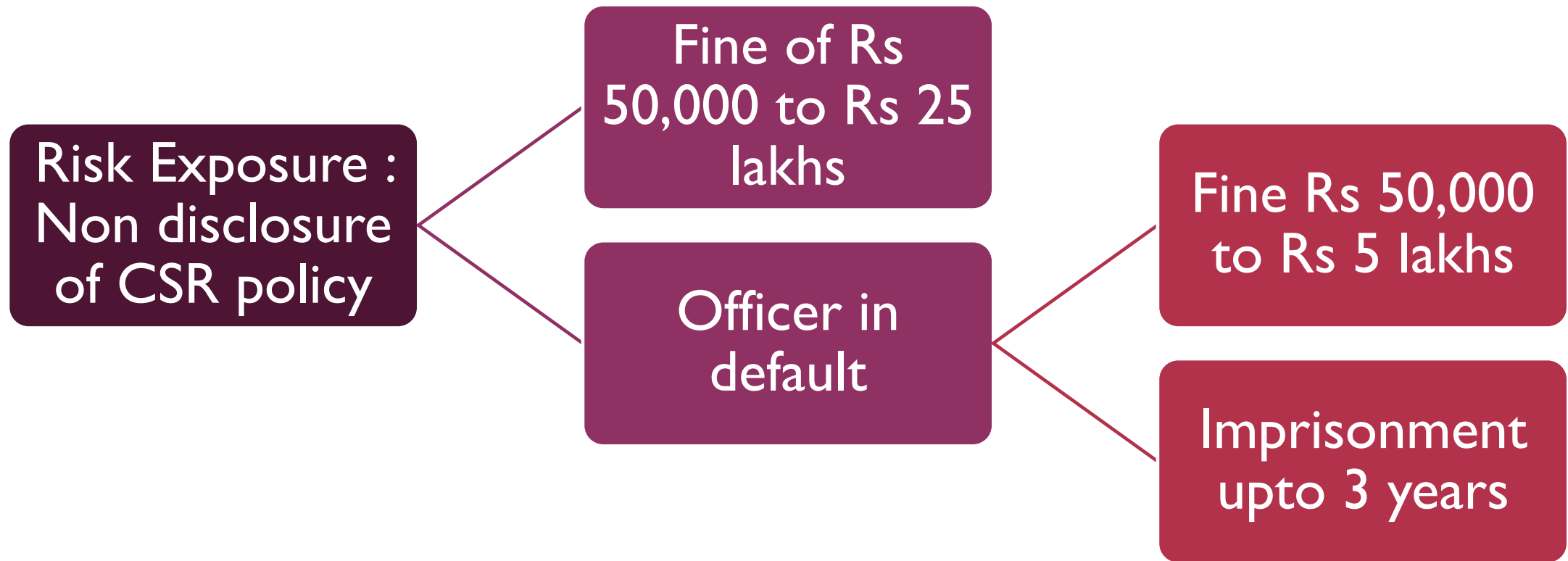


COMPLY OR SUFFER!

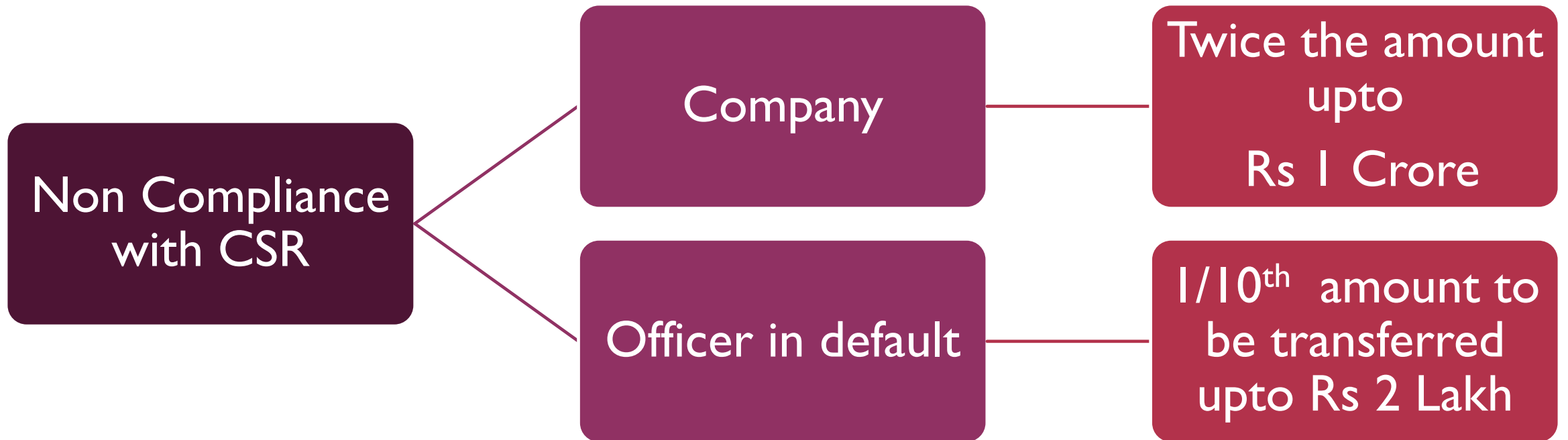


- COREX PRINCIPLE
- Parking unspent money in separate account
- Penal provisions for non compliance
- MCA rules dated March 13,2020

## PENALTY – COMPANIES AMENDMENT BILL 2019



## SIMPLE PENALTY REGIME



# ANNUAL REPORT ON CSR

- CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web link to the CSR Policy and projects or programs;
- Composition of the CSR Committee, number of meetings held during the year;
- Average net profits for the three immediately preceding years;
- CSR expenditure i.e. two percent of clause (c) above;
- Details of amount spent on CSR during the year including total amount to be spent, amount unspent and manner in which the amount has been spent;
- Prescribed CSR amount has not been spent, reasons for not spending the same;
- Responsibility statement from the CSR Committee that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and policy of the company.
- Signed by CFO/ MD & Chairman of CSR committee

**ANNEXURE**

**FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT**

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
2. The Composition of the CSR Committee.
3. Average net profit of the company for last three financial years.
4. Prescribed CSR Expenditure (two per cent. Of the amount as in item 3 above)
5. Details of CSR spent during the financial year.
  - (a) Total amount to be spent for the financial year;
  - (b) Amount unspent, if any;
  - (c) Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR Project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs <b>Sub -heads:</b> (1) Direct expenditure on projects or programs. 2. Overheads:	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency
1							
2							
3							
	<b>TOTAL</b>						

\*Give details of implementing agency:

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

Sd/- (Chief Executive Officer or Managing Director or Director)	Sd/- (Chairman CSR Committee)	Sd/- (Person specified under clause (d) of sub-section (1) of section 380 of the Act)  (wherever applicable)
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## Schedule III and CSR

- Guidance Note on AS/ Ind AS Schedule III to the Companies Act, 2013, requires disclosure for 'expenditure incurred on CSR activities via a note which shall disclose the break-up of various heads of expenses included in the line item 'CSR expenditure' as follows:
  - 1) Gross amount required to be spent by the company during the year.
  - 2) Amount spent during the year on:

		Paid in cash	Yet to be paid in cash	Total
(i)	Construction/ acquisition of any asset			
(ii)	On purposes other than (i) above: a) _____ b) _____			

# ADDITIONAL DETAILS – 2020 AMENDMENT

CSR obligation to additionally include the surplus arising out of CSR profits

CIN of implementing agencies

Details of CSR amount spent / unspent for the FY

Details of CSR amount spent against ongoing projects for the FY

Details of CSR amount spent against other than ongoing projects for the FY

Amount spent in Administrative Overheads

Details of CSR amount spent/ unspent for the preceding three FY

Details of CSR amount spent for ongoing projects of the preceding FY

Amount transferred to 'Unspent CSR Account' for the FY 2014-15 to 2019-20

Creation or acquisition of Asset - details

Rason(s) if the company has failed to comply 2% NP

Signing of the CSR Report: **Director or Chief Financial Officer**

## Planning for CSR | Pre-Actions

Ensure projects selected for CSR do not fall under negative attributes

Strategic Planning w.r.t the CSR activities to be undertaken in line with its approach stated in the CSR Policy

Selection of type of projects – either short-terms [upto 1 year] or long-term [max upto 3 years]

Hiring qualified and registered implementing agency – Only section 8 companies, international organizations, entities established under Acts of Parliament or State Legislature

CSR Committee to formulate and recommend annual action plan

## CSR monitoring and implementation | Post-Actions

Board to monitor the utilization of funds disbursed

Utilization Certificate from CFO

Mandatory CSR Impact Assessment – if average CSR spending  $\geq$  Rs. 5 crore in 3 immediately preceding FYs

Surplus from CSR Activity – to be used for same project or transfer to unspent account

Ensure asset created/acquired from CSR amount is held in name of section 8 company / public authorities

Ensuring limits of administrative overheads – [ $\geq$  5% of total CSR expenditure for that FY or  $\geq$  10%, if conducted Impact Assessment]

Unspent amount of ongoing projects to be transferred to Unspent CSR Account

Additional disclosures in Annual CSR Report and website of the company

# LEGAL CHECKLIST FOR CSR

- Check the Applicability & determine the CSR budget
- Board to constitute a CSR committee, approve the CSR policy and ensure implementation of the activities
- CSR committee to institute a transparent monitoring mechanism
- Review current CSR projects undertaken, develop a CSR policy and a CSR governance structure.

## **Implementation :**

- **Establishing a separate CSR Foundation:**
  - Establish a separate not-for-profit CSR arm .
  - Registered trust, society or a company established under section 8 by the company (single/joint)
- **CSR Project Implementation Partner:**
  - Ensure that CSR project implementation partner is selected with a track record of 3 years
  - Due diligence of partners implementing CSR projects including tax and regulatory due diligence.

# LEGAL CHECKLIST FOR CSR

- Identify effective tax models to implement
- Tax deductibility of CSR expenditure incurred by the company.
- Maintain internal MIS for ensuring an annual review of CSR activities covering various aspects of the project cycle
- Reporting and communication of CSR activities in Director's report in Annual Report
  - Number of members in the committee
  - Number of meetings of the committee
  - Details of amount spent on CSR.
    - Details on focus areas of CSR intervention.
    - Details of outreach/people impacted.
    - Explanation given by companies which have not spent the prescribed 2 per cent.
    - Plan to carry forward unspent CSR amount to the next year.



## SOCIAL WORK ACROSS 407 VILLAGES

- HEALTHCARE
- FAMILY WELFARE PROGRAMS,
- EDUCATION,
- INFRASTRUCTURE,
- ENVIRONMENT,
- SOCIAL WELFARE,



# ITC GROUP

E-CHOUPAL PROGRAM COVERS 40,000 VILLAGES AND OVER FOUR MILLION FARMERS.



# MAHINDRA & MAHINDRA

- KC Mahindra Education Trust : 0.5% of PAT [440 million]
- Mahindra Pride Schools : Area of units
- Nanhi Kali Project : Education of 32,000 girls
- Disaster Relief : Cancer/ Heart/Burnt Victims
- Environment : Garden/ Pollution
- Tree plantation – 1 million
- 7 Schools adopted
- Health : Blood donation, Eye, check up, toilets



# highlights

**Five years**  
**of Section**  
**135 of the**  
**Companies**  
**Act, 2013**



**More companies**  
**complying to**  
**requirements of**  
**Section 135 of**  
**the Companies**  
**Act, 2013**

1

**325% Increase**  
**in the number of**  
**companies that**  
**have disclosed**  
**details of outreach**  
**in annual report**

2



**30% Companies**  
**have had more**  
**than three CSR**  
**committee**  
**meetings**

3



**76% Companies**  
**that have spent**  
**2 per cent or**  
**more during the**  
**current year**

4



**41% Companies have aligned CSR projects to SDGs in their annual report**

5

**INR35077 crore**  
The cumulative expenditure by N100 companies over the last five years (2014-19)



7

**75% CSR projects implemented through partnerships-a demonstration of SDG 17**



9

**18% Companies have a CSR Foundation**

10



**150% Increase in the number of companies that have committed to carry forward 2 per cent of unspent amount**

6

**220% Increase in expenditure towards Schedule VII (3)-'reducing inequality' at companies with 'women as Chairpersons of CSR committee.'**



8



## Accounting aspects of CSR

**"CSR EXPENDITURE"** would be recognised as expense in the statement of P&L as and when the expenditure is incurred on CSR activities

For the **"UNSPENT AMOUNT"**, a legal obligation arises to transfer to specified accounts depending upon whether such unspent amount relates to ongoing projects or not. Therefore, liability needs to be recognised for such "unspent amount" as at the end of the financial year as per para 17(a) of Ind AS 37.

Any **"UNPAID AMOUNT"** in respect of expenditure incurred for which there is contractual liability is to be shown as part of Current Liabilities and if payable beyond 12 months, then as Non-Current Liability under the Balance Sheet.

For **"ON GOING PROJECTS"**, amount yet to be spent, i.e., transferred to a separate fund account should be shown as current asset under cash and bank balances with description that these funds are earmarked for CSR spend.

For **"OTHER THAN ONGOING PROJECTS"**, unspent amount which is yet to be transferred to a specified fund account, should be shown as Current Liability with description that this is payable within 6 months of Balance Sheet date.

Any **"EXCESS EXPENDITURE"** which company decides to carry forward as asset, to be shown as current asset under the head loans and advances.

Any **"SURPLUS"** arising from CSR activities shall be recognised in the P&L and since it cannot be a part of business profits, the same should immediately be recognised as liability for CSR expenditure in the Balance Sheet and recognised as a charge to the statement of P&L.

As per Ind AS 34, **"INTERIM FINANCIAL STATEMENTS"**, CSR obligation will be recognised based on the principles for recognition of the same in annual financial statements.

# Audit Report Qualified Opinion



NON-COMPLIANCE WITH CSR PROVISIONS LEADS TO  
QUALIFICATION IN AUDIT REPORT



## PROJECTS CONSIDERED AS CSR – GUIDANCE NOTE

- Road Safety Awareness
- Drivers Training
- Medical & Legal aid to Road Accidents
- Aids to Differently abled
- Consumer protection services
- Donation to IIM for building restoration
- Supplementing government scheme : Mid day meal
- Slum redevelopment/ EWS housing

# RESPONSIBILITY OF COMPANY SECRETARY IN CSR

Preparation of CSR Policy

Keep Committee and Board abreast on changes in legal provisions

Conitnuous discussions with CSR head to educate on CSR changes and Action taken report

Be in touch with chairman of CSR committee to support in CSR activities

Coordination with CFO for issuance of annual certificate on utilisation of CSR funds

Involvement in Form CSR 1 and Form CSR 2

## ADDITIONAL DISCLOSURE FORM CSR 2 [WEF FEB 2022]

Companies (Accounts) Amendment, Rules 2022,

Report on its CSR in (a 11-page form) Form CSR -2

FY 2020-2021 and onwards

Addendum to Form AOC 4 (or AOC 4 XBRL or AOC 4 NBFC as the case may be).

FY ended 31st March 2021, CSR 2 shall be filed separately extended to 30<sup>th</sup> June 2022 .

The due date for filing form CSR-2 for F.Y. 2021-22 is 31<sup>st</sup> March, 2023



# THANK YOU!

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STILL HAVE ANY DOUBTS?

Lets discuss!

CA Divya Abhishek

Email: [divyasukumar.n@gmail.com](mailto:divyasukumar.n@gmail.com)

