



**Beyond
Philanthropy**

Sustainability

**Responsible
Business**

**Creating
Shared
Value**

**Corporate
Accountability**

**Corporate
Social
Responsibility**





2007

Adoption of Inclusive Growth- 11th Five Year Plan

2009

Voluntary Guidelines on Corporate Social Responsibility, 2009

2010

Parliamentary Standing Committee on Finance- 21st Report on Companies Bill, 2009

2011

National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business, 2011

2012

Business Responsibility Reporting

2014

Mandatory provision of CSR under Section 135 of the Companies Act, 2013 coming into effect from 01.4.2014

Amendments in CSR Provisions

01

The Companies
(Amendment) Act, 2019

The Companies
(Amendment) Act, 2020

02

03

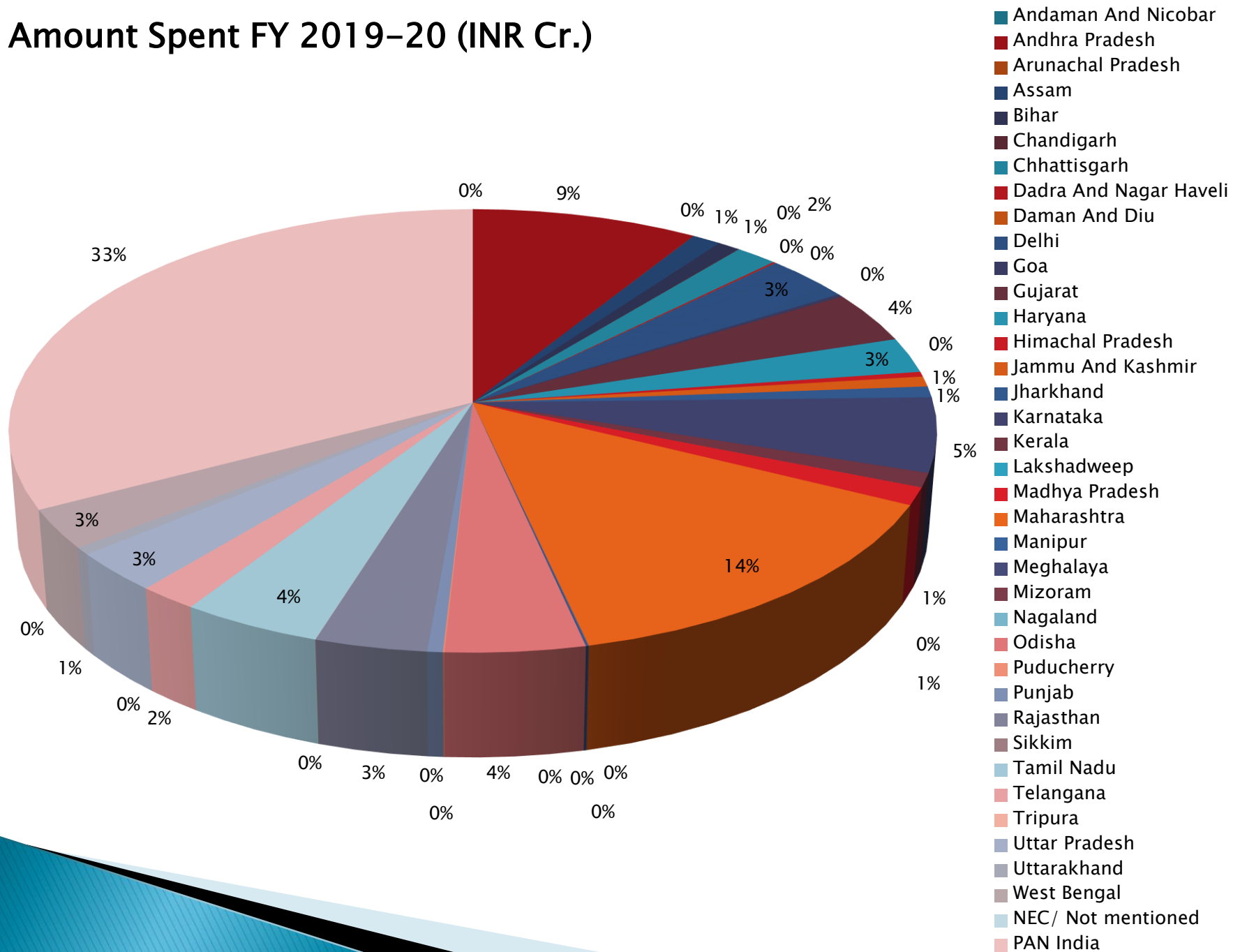
The Companies (CSR
Policy) Amendment
Rules, 2021

States & UTs

S.No.	States	Amount Spent	Amount Spent	Amount Spent	Amount Spent	Amount Spent	Amount Spent
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
		(INR Cr.)	(INR Cr.)	(INR Cr.)	(INR Cr.)	(INR Cr.)	(INR Cr.)
1	Andaman And Nicobar	0.29	0.55	0.83	0.75	0.43	0.45
2	Andhra Pradesh	414.27	1294.28	753.52	275.27	643.65	587.82
3	Arunachal Pradesh	11.04	1.48	24.04	12.13	24.49	14.51
4	Assam	134.78	164.6	269.91	86.22	205.6	737.75
5	Bihar	36.68	124.61	100.77	46.5	136.43	112.41
6	Chandigarh	1.77	5.34	21.98	20.5	11.72	3.35
7	Chhattisgarh	161.3	241.16	84.94	71.78	135.52	133.25
8	Dadra And Nagar Haveli	4.41	12.02	7.57	6.93	13.47	4.19
9	Daman And Diu	20.05	2.42	2.63	20.09	6.22	7.67
10	Delhi	237.43	493.33	521.15	558.32	662.27	412.42
11	Goa	27.11	30.15	37.88	53.33	46.73	30.28
12	Gujarat	313.44	551.42	870.84	775.14	1059.41	655.95
13	Haryana	187.4	375.61	389.65	265.58	334.73	367.04
14	Himachal Pradesh	10.94	52.28	24.03	60.6	79.97	67.02
15	Jammu And Kashmir	43.7	107.8	42.84	46.43	35.25	17.84
16	Jharkhand	79.56	117.03	95.69	45.91	70.26	123.15
17	Karnataka	403.46	784.65	887.68	1034.03	1222.44	1137.75
18	Kerala	68.23	148.13	135.47	167.23	386.03	216.61
19	Lakshadweep	0	0.3	0	2.07	0.39	0
20	Madhya Pradesh	141.88	185.5	290.59	147.24	245.68	121.51

States & UTs							
S.No.	States	Amount Spent	Amount Spent	Amount Spent	Amount Spent	Amount Spent	Amount Spent
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
		(INR Cr.)	(INR Cr.)	(INR Cr.)	(INR Cr.)	(INR Cr.)	(INR Cr.)
21	Maharashtra	1445.91	2052.23	2492.1	2549.25	2846.73	2108.32
22	Manipur	2.44	6.27	12.34	4.03	7.64	9.96
23	Meghalaya	3.53	5.58	10.96	5.48	16.67	16.02
24	Mizoram	1.03	1.07	0.08	0.22	0.1	0
25	Nagaland	1.11	0.95	0.92	0.36	2.11	0.04
26	Odisha	252.18	624.04	316.72	472.57	682.6	635.47
27	Puducherry	2.02	6.46	7.42	6.52	8.27	7.83
28	Punjab	55.6	69.92	75.82	89.32	164.54	91.39
29	Rajasthan	299.75	501.45	325.15	263.83	546.29	554.46
30	Sikkim	1.19	1.98	6.82	6.84	4.58	2.79
31	Tamil Nadu	539.63	633.23	550.93	627.75	823.38	696.57
32	Telangana	101.96	265.4	259.87	293.53	422.03	265.25
33	Tripura	1.33	1.47	1.25	1.83	23.06	4.28
34	Uttar Pradesh	148.9	423.79	328.31	302.91	476.95	361.78
35	Uttarakhand	74.79	73.16	102.52	86.64	173.32	83.74
36	West Bengal	194.85	415.41	290.34	299.76	366.59	283.17
37	NEC/ Not mentioned	26.94	0	7.63	132.04	3.68	0.28
38	PAN India	4614.89	4741.95	4990.67	5050.75	6765.42	8012.25
	Grand Total (in Cr.)	10,065.93	14,517.21	14,342.04	13,889.86	18,654.82	17,884.75

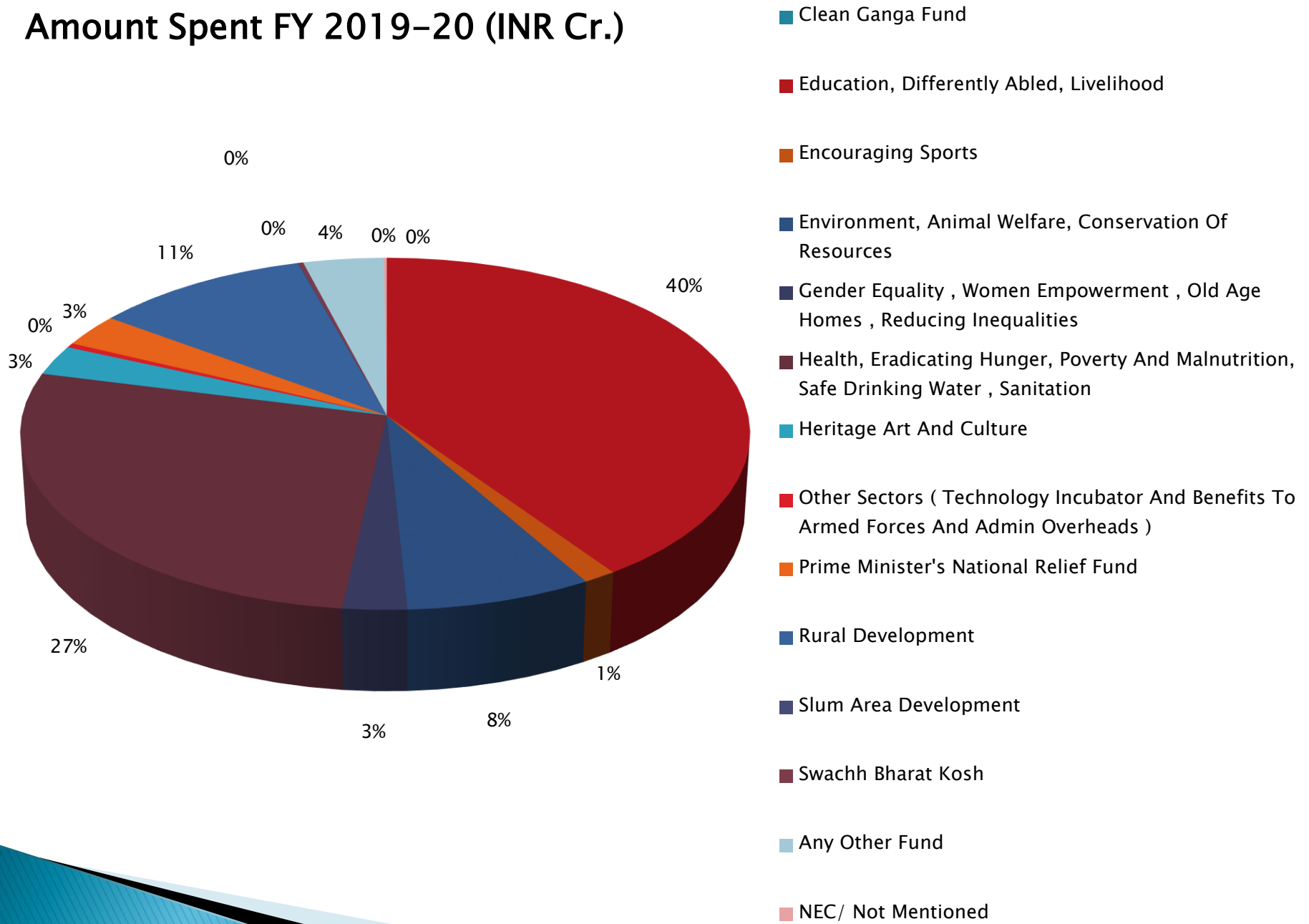
Amount Spent FY 2019-20 (INR Cr.)



Development Sector-wise

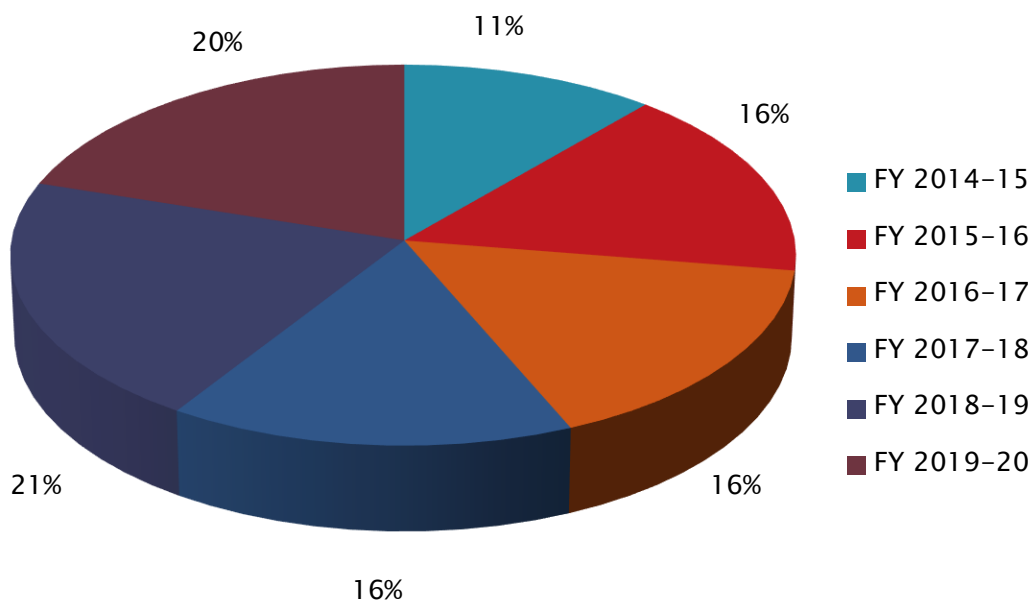
Sl.No.	Development Sectors	Amount Spent	Amount Spent	Amount Spent	Amount Spent	Amount Spent	Amount Spent
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
		(INR Cr.)	(INR Cr.)	(INR Cr.)	(INR Cr.)	(INR Cr.)	(INR Cr.)
1	Clean Ganga Fund	5.47	32.82	24.37	4.54	5.41	1.06
2	Education, Differently Abled, Livelihood	3,188.09	4,921.06	5,559.13	5,960.17	7,499.81	7,222.41
3	Encouraging Sports	57.61	140.11	180.32	227.75	295.1	237.03
4	Environment, Animal Welfare, Conservation Of Resources	853.99	971.06	1,317.70	1,368.56	1,516.63	1,336.03
5	Gender Equality , Women Empowerment , Old Age Homes , Reducing Inequalities	189.92	342.67	468.74	501.23	517.88	458.84
6	Health, Eradicating Hunger, Poverty And Malnutrition, Safe Drinking Water , Sanitation	2,525.92	4,633.46	3,667.14	3,339.07	4,959.23	4,865.05
7	Heritage Art And Culture	117.37	119.16	305.57	284.05	189.89	491.87
8	Other Sectors (Technology Incubator And Benefits To Armed Forces And Admin Overheads)	9.5	37.48	60.95	43.33	119.71	73.2
9	Prime Minister's National Relief Fund	228.18	218.04	158.8	175.84	300.12	537.15
10	Rural Development	1,059.34	1,376.16	1,554.77	1,479.80	2,308.83	1,885.28
11	Slum Area Development	101.14	14.09	51.49	35.1	50.23	10.64
12	Swachh Bharat Kosh	113.86	325.52	184.06	213.67	93.8	38.78
13	Any Other Fund	277.09	334.34	419.98	255.62	710.59	702.36
14	NEC/ Not Mentioned	1,338.39	1,051.15	388.95	1.04	87.54	24.99
Grand Total (in Cr.)		10,065.93	14,517.21	14,342.04	13,889.86	18,654.82	17,884.75

Amount Spent FY 2019-20 (INR Cr.)



Development Sectors	Amount Spent FY 2019-20 (INR Cr.)	%
Clean Ganga Fund	1.06	0
Education, Differently Abled, Livelihood	7,222.41	40
Encouraging Sports	237.03	1
Environment, Animal Welfare, Conservation Of Resources	1,336.03	7
Gender Equality , Women Empowerment , Old Age Homes , Reducing Inequalities	458.84	3
Health, Eradicating Hunger, Poverty And Malnutrition, Safe Drinking Water , Sanitation	4,865.05	27
Heritage Art And Culture	491.87	3
Other Sectors (Technology Incubator And Benefits To Armed Forces And Admin Overheads)	73.2	0
Prime Minister's National Relief Fund	537.15	3
Rural Development	1,885.28	10
Slum Area Development	10.64	0
Swachh Bharat Kosh	38.78	0
Any Other Fund	702.36	4
NEC/ Not Mentioned	24.99	0

Total Amount Spent on CSR (INR Cr.)



Financial Year	Total Amount Spent on CSR (INR Cr.)	%
FY 2014-15	10066	11
FY 2015-16	14517	16
FY 2016-17	14342	16
FY 2017-18	13890	16
FY 2018-19	18655	21
FY 2019-20	17885	20

Scope & References:

- **Section 135 (9 sub sections), w.r.f 01.04.2014**
- **Companies (Corporate Social Responsibility) Rules, 2014 (9 Rules)**
- **Schedule VII of the Companies Act, 2013**
- **National CSR Portal (<https://www.csr.gov.in>)-**
- **Advisory for Members of the ICAI and Companies to whom CSR provisions under Companies Act, 2013 apply - issued by the CSR Committee of ICAI**
- **Handbook on Audit of CSR Activities released during December 2020 - issued by the CSR Committee of ICAI**
- **Handbook on Certification of Form CSR-1 released on 05.02.2021 - issued by the CSR Committee of ICAI**
- **Technical Guide on Accounting for Expenditure on Corporate Social Responsibility Activities released on 01.07.2020**
- **Technical Guide on Accounting of CSR Funds by Third Parties released on 05.02.2021 - issued by the CSR Committee of ICAI**
- **FAQ on CSR issued by ICSI during April 2021**
- **Guidance Note on CSR issued by ICSI during June 2021**
- **Certificate courses on CSR by ICSI & ICAI**

The National CSR Data Portal is an initiative by MCA, Government of India to establish a platform to disseminate CSR related data and information filed by the companies registered with it. CSR Cell is

CSR Committee of ICAI – formed in Feb, 2020, u/s.17 of the C A Act, 1949

Events List:

- ▶ Donation of Food
- ▶ Tree Plantation
- ▶ Covid19–Task force–2021
- ▶ Blood Donation–2021
- ▶ Health Check up Camp–2021
- ▶ Yoga Shibir/Yoga Day Celebration – 2021
- ▶ Covid 19 Vaccination–2021
- ▶ Other CSR Activities–2021

Table of Amended rules:

Old Rule No.	Old Rule Name	Effect	New Rule No.	New Rule Name
Rule 4	CSR Activities	Fully substituted	Rule 4	CSR Implementation
Rule 5(2)	CSR Committees	Sub rule 2 substituted	Rule 5(2)	CSR Committees
Rule 6	CSR Policy	Omitted		
Rule 7	CSR Expenditure	Fully substituted	Rule 7	CSR Expenditure
Rule 8	CSR Reporting	Fully substituted	Rule 8	CSR Reporting
Rule 9	Display of CSR Activities on website	Fully substituted	Rule 9	Display of CSR Activities on website
Rule 10	There was no rule 10	Newly inserted Rule	Rule 10	Transfer of unspent CSR Amount

DEFINITION OF CSR

- ▶ Corporate Social Responsibility (CSR): means the activities undertaken by a company in pursuance of section 135 and rules made there under, **but shall not include the following, namely:-**
- Activities undertaken in pursuance of **normal course of business** of the company:
 - **Exception** – Co. engaged in R&D activity of new vaccine, drugs and medical devices in their normal course of business may undertake R&D activity of new vaccine, drugs and medical devices related to COVID-19 for FYs 2020-21, 2021-22, 2022-23 subject to the conditions that-
 - a) such R&D activities shall be carried out in collaboration with any of the institutes or organizations mentioned in item (ix) of Schedule VII to the Act;
 - b) details of such activity shall be disclosed separately in the **Annual Report on CSR** included in the Board's Report. (Annexure I / II – Format Prescribed)
- Any activity undertaken by the Co. **outside India except for training of Indian sports personnel** representing any State or Union territory at national level or India at international level;
- Contribution of any amount **directly or indirectly to any political party** u/s 182;
- Activities **benefitting employees of the co.** as defined in section 2(k) of the Code on Wages, 2019;
- Activities supported by the cos. on **sponsorship basis** for deriving **marketing benefits** for its **products or services**;
- Activities carried out for **fulfillment** of any other **statutory obligations** under any law in force in India.

Few Definitions:

- **"net worth"** - aggregate value of:
the paid-up share capital
(+) all reserves created out of the profits,
(+) securities premium account
(+) debit or credit balance of profit and loss account
(-) aggregate value of the accumulated losses,
(-) deferred expenditure
(-) miscellaneous expenditure not written off
as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation. Section 2(57).
- **"turnover"** means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year as per Section 2(91).
- **"Net profit"** -N.Pr as per FS prepared in accordance with the provisions of **Section 198 & shall not include profit** arising from any **overseas branches & dividend** received from other companies in India which are covered under and complying with the provisions of section 135 of the Act:

(Explanation under Section 135)

SECTION 135 (1)

Company

Net Worth
Rs.500 Cr / >

Turnover
Rs.1,000/- Cr/>

Net Profit
Rs.5Cr/>

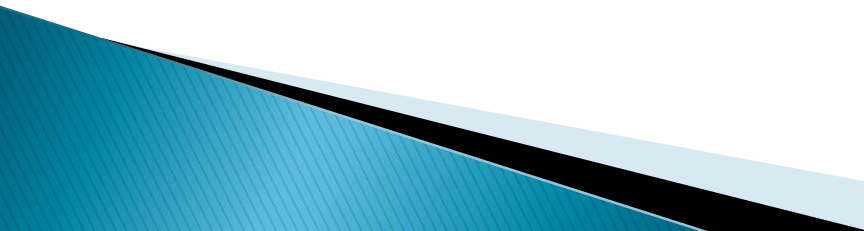
During Immediately Preceding F.Yr (prior to 2018 – any F.yr)

Constitution of CSR Committee with of 3/> directors (at least 1 to be ID) {ID- Public Listed Co., Unlisted Public Co. – Paid-up sh cap-10Cr/> or Turnover-100Cr /> or Aggregate o/s loans, deb, dep.50Cr.


If no ID, then 2/> directors

Section135(2) – BR-134(3) SHALL DISCLOSE the composition of CSR Committee

Section 135(3) - CSR Committee

- ✓ To formulate and recommend CSR POLICY to WHOM - the Board - an annual action on - CSR activities to be undertaken by the company
 - ✓ IN areas or subject, specified in Schedule VII (very exhaustive list of Activities to be considered for CSR activity)
 - ✓ To recommend the amount of CSR exp.
 - ✓ To monitor CSR Policy
- 

Role of CSR Committee:

- ▶ **List of approved CSR projects or programmes to be undertaken;**
 - ▶ **Manner of execution of such projects or programmes;**
 - ▶ **Modalities of utilisation of funds and implementation schedules for the projects or programmes;**
 - ▶ **Monitoring and reporting mechanism for the projects or programmes; &**
 - ▶ **Details of need and impact assessment, if any, for the projects undertaken by the company.**
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Section 135(4) – Board

- ✓ To take into account the recommendations of CSR Committee
- ✓ Approve the CSR Policy of the Co.
- ✓ Disclose the CSR Policy in BR - (S.134(3)(o) details of policy developed and implemented by Co., CSR initiatives taken during the year)
- ✓ Place it on the company's website (if any)
- ✓ Ensure the activities undertaken are as per the CSR Policy of the Co.

Role of Board & CFO

- ▶ **Board to satisfy itself as to utilisation of funds disbursed in the manner approved and the CFO or the person responsible for financial management to certify the same.**
- ▶ **For ongoing project, the Board to monitor implementation of project as per approved timelines and year-wise allocation.**
- ▶ **Board to make modifications, if any required, for smooth implementation of project within the overall permissible time period.**
- ▶ **Board to ensure that administrative overheads are within the cap of 5% of total CSR expenditure of the company for the financial year.**
- ▶ **Board to pass a resolution to set off any sum spent over and above the requirement.**
- ▶ **Board to make certain mandatory disclosures on websites of company.**
- ▶ **If the CSR obligation does not exceed 50 lakh rupees, then it is not mandatory to constitute CSR Committee and Board to discharge the functions of the committee.**

Section 135(5) – Board ensures

- ✓ Spending of AT LEAST 2% of Avg. N.Pr (PBT-with other adjustments as referred in Rule 2(h) of CSR Rules) made during the 3 immediately P.F.yrs.
- ✓ If Co. has not completed 3 f.yrs since incorporation – during immediately P.F.yrs.
- ▶ Co. shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities:

Net Profit

Indian Company

Foreign company covered under CSR Rules

net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:

As per Explanation to Sec 135(5) of the Act, "net profit" shall be calculated in accordance with the provisions of section 198.

Net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381, read with section 198 of the Act.

(i) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and

(ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act

Section 135(6)

- ✓ **Failure to spend - Board shall mention as per S.134(3) (o) under (CSR initiatives taken during the year) - specify the reasons for not spending the amount AND in case CSR exp relates to ONGOING Project:**
- ✓ **“Ongoing Project” means a multi-year project timelines not exceeding 3 yrs excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond 1 yr by the board based on reasonable justification.**

ONGOING PROJECT

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graph TD; A[ONGOING PROJECT] --> B[Multi-year project]; A --> C[Normal project]; B --> D[For not exceeding 3 years excluding the financial year in which it was commenced]; C --> E[Extended beyond 1 year by the Board based on reasonable justification];
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**Multi-year
project**

**For not exceeding
3 years excluding
the financial year
in which it was
commenced**

**Normal
project**

**Extended beyond
1 year by the
Board based on
reasonable
justification**

Treatment of unspent CSR

Not an Ongoing project

Within a period of 6 months of the expiry of the financial year

Transfer to a fund specified in schedule VII

Within a period of 30 days from the date of completion of the third financial year

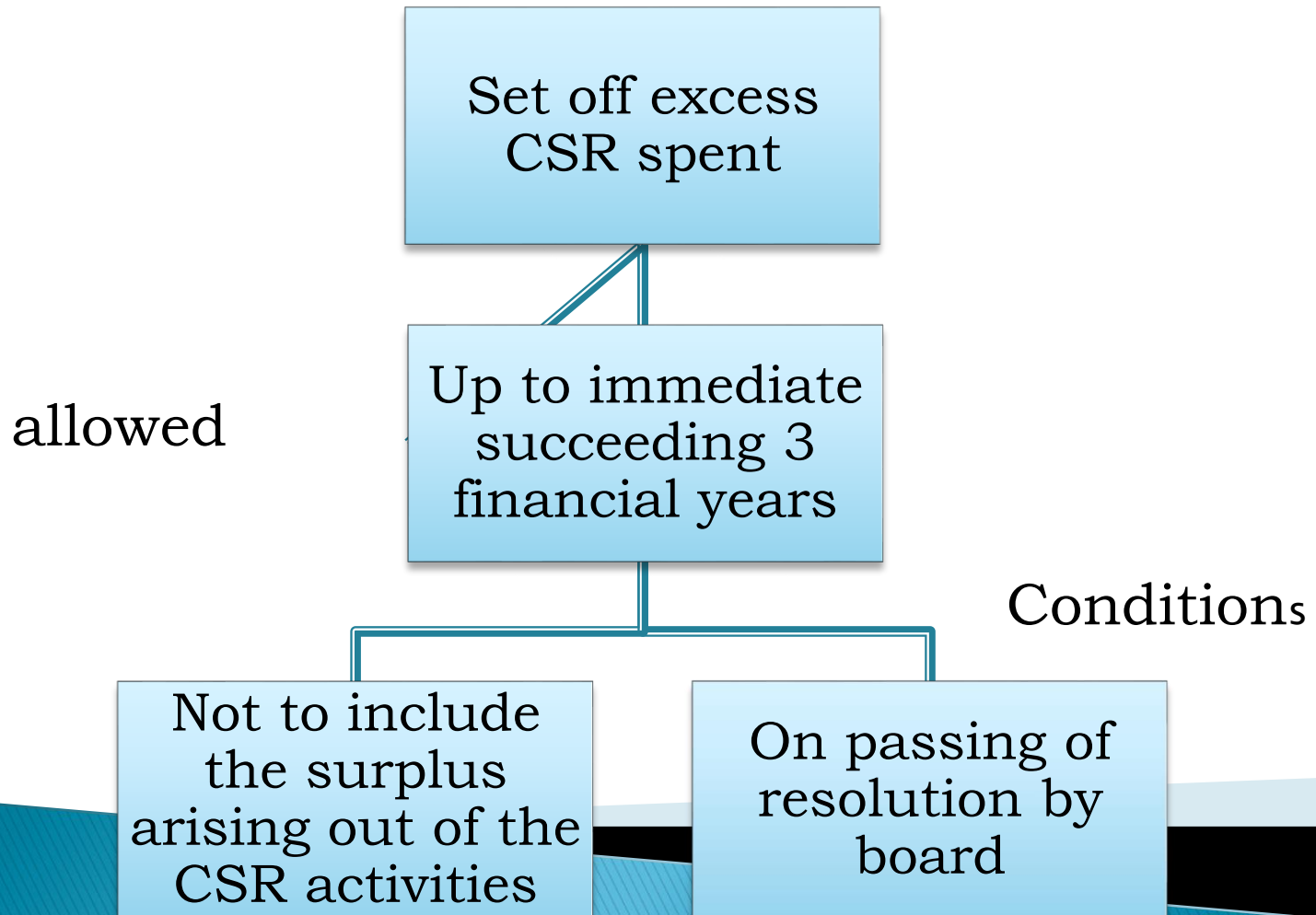
Ongoing project

Within 30 days from the end of financial year

Deposit in unspent CSR Account

If unspent for 3 financial years

Rule 7(3) of CSR Rules



- ▶ **Excess amt. spent > 2% of CSR exp - Set off such excess amount against the future CSR obligation for up to 3 succeeding F.Yrs:**

(a) the excess amount available for set off shall **not include the surplus** arising out of the CSR activities, if any.

(b) the **Board** of the company shall **pass a resolution** to that effect.

✂ **Funds specified in Schedule VII:**

- Swachh Bharat Kosh;
- Clean Ganga Fund;
- PM National Relief Fund;
- PM CARES Fund;
- Other fund set up by the Central Government for socio-economic development

Section 135(7)

Penal Provisions

Old Penal Provision	New Penal Provision
<p>Company shall be punishable with:</p> <p>Fine: <i>Minimum</i>- Rs. 50 thousand; <i>Maximum</i>- Rs. 25 lakh.</p> <p>Every officer of the company who is in default shall be punishable with:</p> <p>Imprisonment: <i>Maximum</i>- 3 years</p> <p style="text-align: center;">OR</p> <p>Fine: <i>Minimum</i>- Rs. 50 thousand; <i>Maximum</i>- Rs. 5 lakh.</p> <p style="text-align: center;">OR</p> <p>Both</p>	<p>Company shall be liable to:</p> <p>Penalty of twice the amount required to be transferred by the company to the Fund specified in Schedule VII or the Unspent CSR Account, as the case may be, or Rs. 1 crore, whichever is less.</p> <p style="text-align: center;">AND</p> <p>Every officer of the company who is in default shall be liable to:</p> <p>Penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent CSR Account, as the case may be, or Rs. 2 lakh, whichever is less.</p>

Difference between fine and penalty:

- ▶ Earlier “Fine”, now “Penalty” –shall be open for adjudication under the in-house adjudication powers of the ROC, without requiring to follow the process of prosecution.
- ▶ A fine is a pecuniary punishment for an offence under the IPC
- ▶ Penalty is a liability composed as a punishment on the party committing the breach of contract. In criminal law it represents a punishment inflicted by a law for its violation.
- ▶ Penalty and fine are not the same in law. A penalty is always recoverable in a civil action. A fine is never a penalty as it goes to the party suing, when recovered. A fine has been defined in law to be a pecuniary punishment imposed by a lawful tribunal upon a person convicted of a crime or misdemeanor.
- ▶ The expression penalty refers to recovery of an amount as a penal measure even in civil proceedings. An exaction which is not compensatory in character is also a penalty. When penalty is imposed by an adjudicating authority, it is done so in adjudicatory proceedings and not by way of fine as a result of prosecution of an accused for commission of an offence in a criminal court.

Implementation Agencies/ Entities

	Before 22 nd January, 2021	On or after 22 nd January, 2021
Trust	<p><u>Any Registered Trust</u> established by:</p> <ul style="list-style-type: none"> the company either singly or along with any other company; or having an established track record of at least 3 years in undertaking similar activities. 	<p><u>Registered Public Trust registered under section 12A & 80G of the Income Tax Act</u> established by:</p> <ul style="list-style-type: none"> the company either singly or along with any other company; or having an established track record of at least 3 years in undertaking similar activities.
Society	<p><u>Any Registered Society</u> established by:</p> <ul style="list-style-type: none"> the company either singly or along with any other company; or having an established track record of at least 3 years in undertaking similar activities. 	<p><u>Registered Society registered under section 12A & 80G of the Income Tax Act</u> established by:</p> <ul style="list-style-type: none"> the company either singly or along with any other company; or having an established track record of at least 3 years in undertaking similar activities.

Rule 3 of Companies (CSR Policy) Rules, 2014

Every Company (Holding, Subsidiary and a Foreign Company) having branch office or project in India, Which fulfills the criteria of Section 135 (1) shall comply with the provisions of Section 135.

Provided that net worth, T/o or Net Profit of a Foreign Company shall be computed with the provision of Section 381 (1) (a) and Section 198.

Every company which ceases to be Company covered under Section 135 (1) of the Act for 3 Consecutive F.yrs shall be not required to

- (a) Constitute a CSR Committee; and
- (b) Comply with the Provisions contained in Section 135 (2) - (6) till such time it meets the criteria specified in Section 135 (1)

RULE 4 (1) - COMPANIES (CSR POLICY) RULES, 2014 - COMPANY CAN UNDERTAKE CSR ACTIVITIES

By company itself

Through implementation agency

By company, singly or along with other companies

Section 8 company/registered public trust/registered society, registered under section 12A and 80G of the Income Tax Act, 1961

By Central or State Government

Section 8 company/registered public trust/registered society

Under the Act of Parliament or a State legislature

Any entity

Track record of at least 3 yrs in *undertaking similar activities*

Others

Section 8 company/registered public trust/registered society, registered under section 12A and 80G of the Income Tax Act, 1961

Rule 4 (2)

(A)	(B)	(C)
<p>Every entity, covered under sub-rule (1), who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 01st day of April 2021.</p>	<p>Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a CA in practice or a CS in practice or a CMA in practice.</p>	<p>On the submission of the Form CSR-1 on the portal, a unique CSR Registration Number shall be generated by the system automatically.</p>

Provided that the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the 01st day of April 2021

<u>Rule 4 (3)</u>	<u>Rule 4 (4)</u>	<u>Rule 4 (5)</u>	<u>Rule 4 (6)</u>
<p>A company may engage international organisations* for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.</p>	<p>A company may also can collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programmes in accordance with these rules.</p>	<p>The Board of a company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.</p> <div data-bbox="975 996 1406 1178" style="border: 2px solid #008080; border-radius: 15px; padding: 10px; text-align: center; color: white; font-weight: bold;"> Certificate is not required to be disclosed anywhere </div>	<p>In case of ongoing project, the Board of a Company shall monitor the implementation of the project with reference to the approved timelines</p>

***International Organization:** means an organization notified by the Central Govt as an international organization under section 3 of the United Nations (Privileges and Immunities) Act, 1947, to which the provisions of the Schedule to the said Act apply.

Rule 5 of Companies (CSR Policy) Rules, 2014

- ▶ **Constitution of CSR Committee is now optional, if the CSR obligation does not exceed Rs. 50 lakhs.**

- ▶ **In such case, the functions of CSR Committee shall be discharged by the Board of Directors.**

- ▶ **In addition to the functions specified in Section 135, the CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:**
 - **List of approved CSR projects and programmes;**
 - **Manner of execution of such projects or programmes;**
 - **Modalities of utilization of funds and implementation schedules;**
 - **Monitoring and reporting mechanism;**
 - **Details of need and impact assessment, if any, for the projects undertaken by the company.**

Rule 7(1) of CSR Rules

Administrative Overheads

Include

General Management and Administration expenses w.r.t CSR functions

Max - 5% of total CSR expenditure of the company for the F.Yr

Responsibility of Board to ensure limit not breached

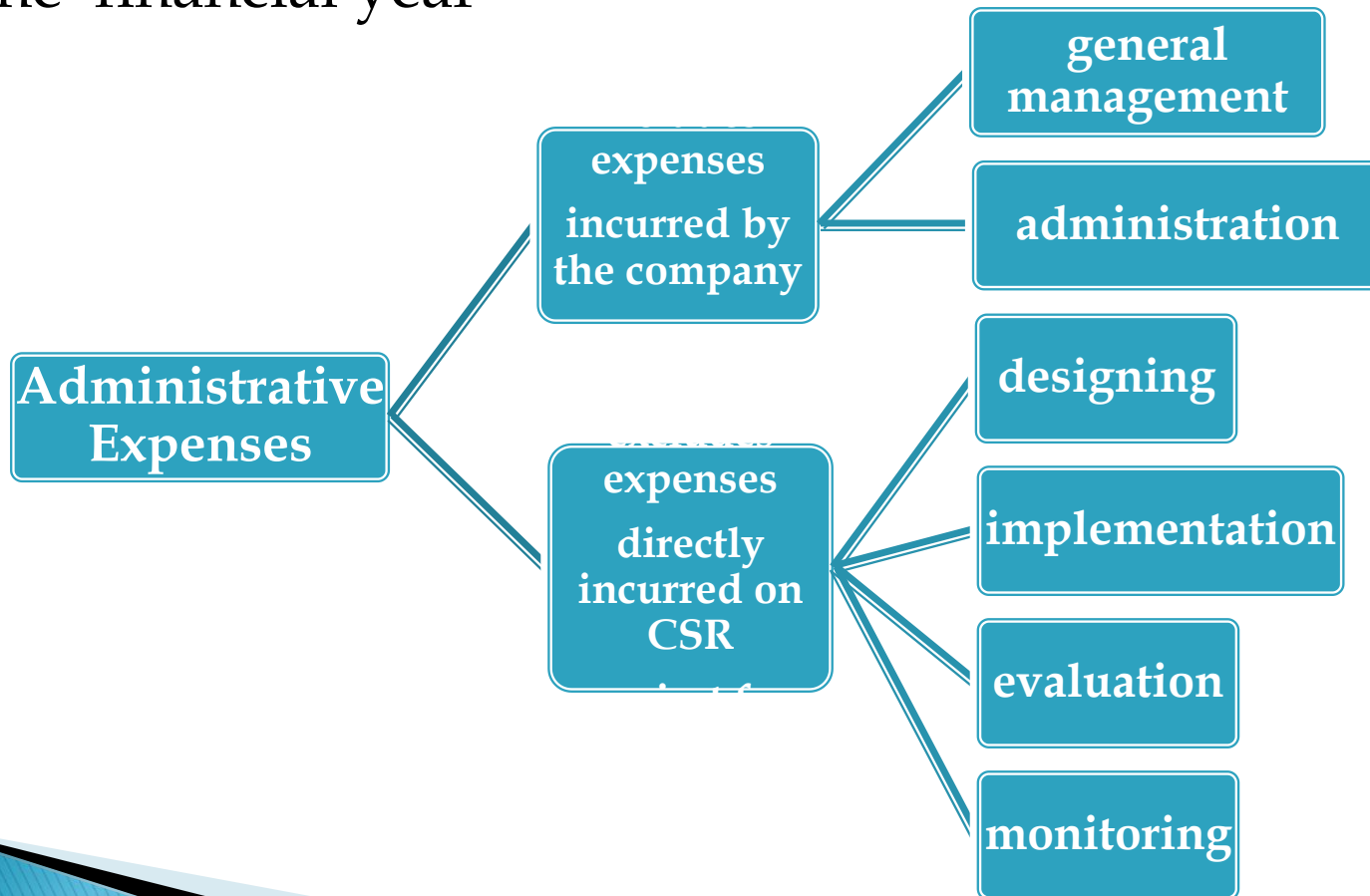
Exclude

Expenses for Designing, Implementation, Monitoring and Evaluation of CSR Project (DIME)

No limit

Rule 7 of Companies (CSR Policy) Rules, 2014

- **Administrative overheads** - Maximum allowed : 5% of the **total CSR expenditure** of the company for the financial year



Rule 7 of Companies (CSR Policy) Rules, 2014

CAPITAL ASSETS

- ▶ CSR amount may spent by a Co. the for creation or acquisition of a capital asset, which shall be held by –
 - a Section 8 Company, or a Registered Public Trust or Registered Society, having charitable objects and
 - Registration Number (after filing Form CSR-1); or
 - Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
 - Public authority
- ▶ However, any capital asset created by a company prior to **22/01/2021**, shall within a period of **180 days** from **22/01/2021** comply with the aforementioned requirement, which may be extended by a further period of not more than **90 days** with the approval of the Board based on reasonable justification.

Capital asset from CSR amount

After 22nd
January, 2021

**Can be held only
by**

**Public
authority**

**Could be held by
company**

**Section 8
company/regist
ered public
trust/registered
society, having
charitable
objects and
CSR
Registration
Number**

**Beneficiaries
of the said
CSR project,
in the form
of self-help
groups,
collectives,
entities**

**Within 180 days of
commencement of
CSR Amendment
Rules transferred
to.**

or

or

Before 22nd
January, 2021

Board may approve
further extension of 90
days based on
reasonable justification

IMPACT ASSESSMENT - (Rule 8)

- ▶ **Requirement:** Every company having average CSR obligation of **Rs. 10 crore or more**, in 3 immediately preceding financial years.
- ▶ **Impact Assessment of:**
 - CSR projects having outlays of **Rs. one crore or more**; and
 - Which have completed at least **one year**.
- ▶ **Impact Assessment by:** an independent agency.
- ▶ The impact assessment reports shall be placed before the Board and shall be annexed to the Annual Report on CSR.
- ▶ A company undertaking impact assessment may book the expenditure towards CSR for that financial year, which shall not exceed **5% of the total CSR expenditure** for that financial year or **Rs. 50 lakh**, whichever is less.
- ▶ **Expenditure on impact assessment will form part of CSR expenditure during the FY, in which assessment is carried and cost is incurred**

Rule 9 of Companies (CSR Policy) Rules, 2014

- The Board of Directors of the Company shall **mandatorily disclose** the:
 - Composition of the CSR Committee;
 - CSR Policy;
 - Projects approved by the Board
- on their **website**, if any, for public access.

Board Resolutions to be passed during the following circumstances:

- ▶ To approve filing of e-form CSR -1
- ▶ To approve amendment to the existing CSR Policy
- ▶ To approve and adopt a new policy
- ▶ To identify Implementing Agency and approve allocation of CSR amount
- ▶ To approve the annual action plan for the financial year
- ▶ To approve dissolution of CSR Committee (if below limits)
- ▶ To approve opening of a bank account for unspent CSR amount
- ▶ To approve ongoing project and transfer to the 'Unspent CSR A/c'
- ▶ To approve transfer of unspent CSR amount to specified fund under Schedule VII to the Act
- ▶ To approve appointment of independent agency for undertaking impact assessment

PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENT



RECOGNITION AND MEASUREMENT OF CSR EXPENDITURE

An entity may adopt following model for discharging CSR Obligation.

- ▶ Contribution to Funds (Schedule VII permitted)
- ▶ Via Registered Trust or Registered Society or
- ▶ Company u/s 8 of the Companies Act, 2013

- ▶ Expenditure Incurred by OWN



**ACCOUNTING
TREATMENT**

**Expenses - Charged
to Statement of
Profit & Loss
Account**

Expenditure in nature of:

**Revenue - Charged to
Statement of Profit & Loss
Account**

**Capital - Recognize as
Asset (Remote
Possibility)***

**As per the Proposed Companies (Corporate Social Responsibility Policy) Amendments Rules 2020, Asset cannot be kept in Company's book.*

RECOGNITION OF INCOME EARNED ON CSR PROJECTS

Accounting Treatment of Income Earned and the Resulting Surplus:



Not to be a part of Business Profits of Company
(Rule 6(2) – CSR Rules)

Surplus = Income Earned - Expenditure Incurred



Meets the definition of “Income” as per Framework for preparation and Presentation of Financial Statement.

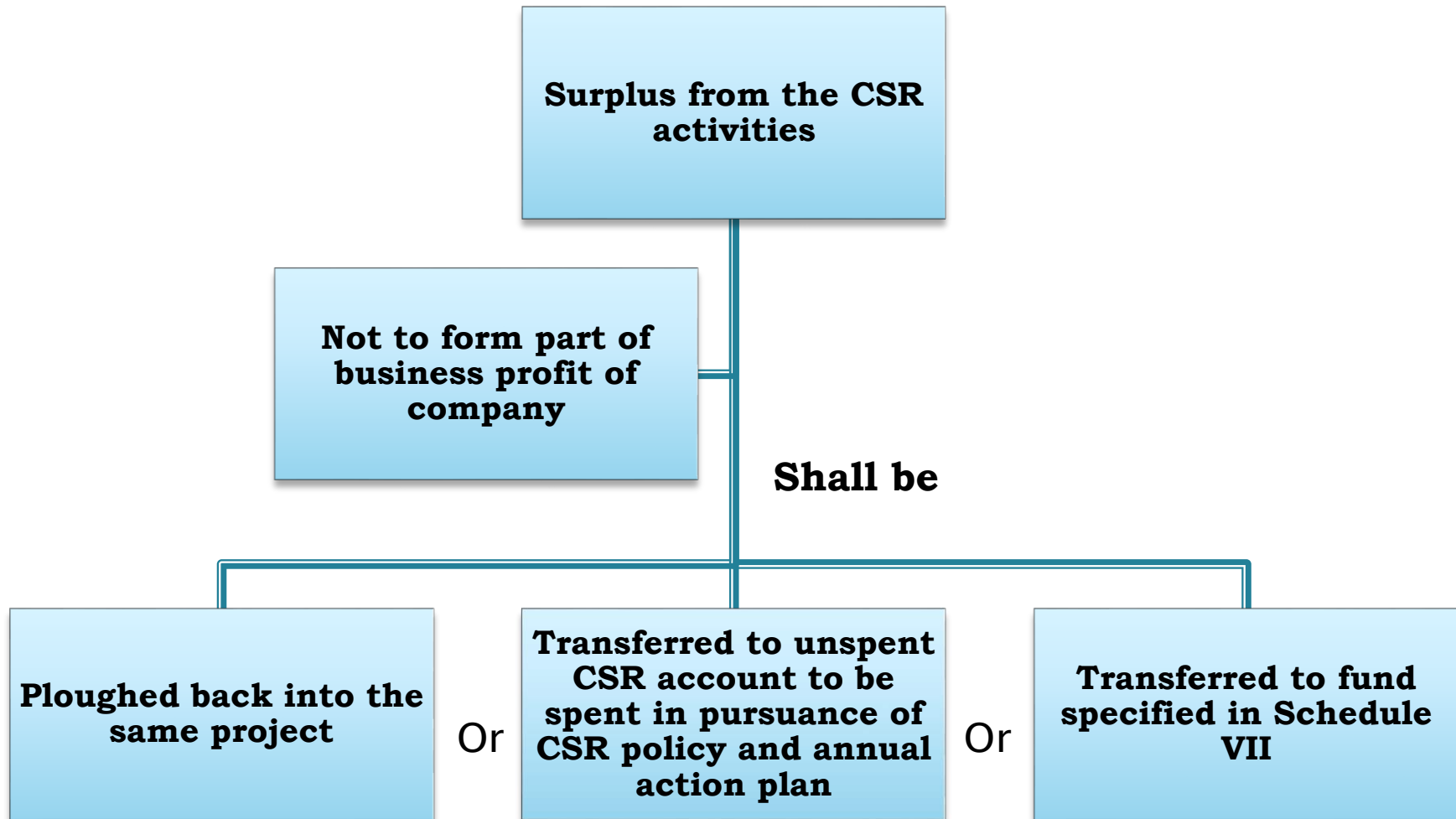


Recognize the Income and there by the resulting ‘Surplus in Statement of Profit & Loss



Recognize liability to the extend of Surplus by charging the Statement of Profit and Loss, as Surplus cannot be part of Business Profit

Rule 7(2) of CSR Rules



Within a period of **six months** of the expiry of the F.Yr

A summary of the recognition and measurement of CSR spend is as under:

		Earlier Position	After section 135(5) / 135(6) amendment has got notified
Recognition and Measurement			
Amount Recognition spent Measurement		Expense in Statement of Profit and Loss Aggregate of : Actual amount spent/ paid Expenses for which there is contractual liability as benefit has been received.	Expense in Statement of Profit and Loss Aggregate of : Actual amount spent/ paid Expenses for which there is contractual liability as benefit has been received. Less: Excess amount spent which company intends to carry- forward as asset
Amount Recognition not Spent Measurement		Optional Optional	Expense in Statement of Profit and Loss Aggregate of : For " Ongoing projects ", amount yet to be spent, which is to be transferred to a separate fund account # For " Other than ongoing projects ", unspent amount which is to be transferred to a specified fund account

<p>Amount Excess Spent Measurement</p>		<p>Create Asset, if it wants so Excess of the amount (2%) which was required to be spent on CSR during the year</p>
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PRESENTATION

<p>Statement of Profit and Loss</p>	<p>Separately as part of schedule of total expenses Break up of CSR spend is to be given nature-wise if material</p>	<p>Separately as part of schedule of total expenses Break up of CSR spend is to be given nature-wise if material</p>
<p>Balance Sheet</p>	<p>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</p>	<p>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</p> <p>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</p>

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

DISCLOSURE

Directors Report

If there is any unspent amount, explain reason for not spending

Amount to be spent as per section 135, less amount spent

If there is any unspent amount, explain reason for not spending

Amount to be spent as per section 135, less amount spent and, unless the unspent amount relates to any ongoing project, disclose that such unspent amount is to be transferred to a Specified Fund, within 6 months from the balance sheet date

		Amount spent in excess should be disclosed, when asset thereof has been created.
Notes to Financial Statements	As per Para 36 (a) to (d) above	As per Para 36 (a) to (e) above

When money is spent in later years, it will be adjusted from this account; any unspent money at end of 3 years will be transferred to the specified fund account

Notes to Accounts to have following disclosures:

- ▶ Gross Amount required to be spent by the company during the year.
- ▶ Amount approved by the Board to be spent during the year.
- ▶ Details of related party transactions.
- ▶ Amount spent during the year on.

Particulars	Amount-INR
Construction/ Acquisition	
On purpose other than above	

Accounting entries of the CSR Expenditure may be as under:

S. No.	Particulars	Dr. Amount (in Rs.)	Cr. Amount (in Rs.)
1	<i>CSR in Cash</i>		
	CSR Expenditure A/c Dr.		
	To Cash / Bank		
2	<i>CSR in Kind</i>		
	CSR Expenditure A/c Dr.		
	To Purchase /cost of goods consumed		
3	<i>CSR when not fully spent during the year as per proposed amendment to S. 135 (5)</i>		
	CSR Expenditure A/c Dr.		
	To Cash / Purchase / Cost of goods consumed (as applicable)		
	To CSR to be Deposited in Fund		
4	<i>CSR when not fully spent during the year as per proposed amendment S. 135 (6)</i>		
	CSR Expenditure A/c Dr.		
	To Cash / Purchase / Cost of goods consumed (as applicable)		
	To CSR to be Spent on Ongoing project		
5	<i>CSR when spent in excess as per proposed amendment to S. 135 (5)</i>		
	CSR Expenditure A/c Dr.		
	CSR Pre-Spent A/c Dr. (As per proposed amendment)		
	To Cash / Purchase / Cost of goods consumed (as applicable)		

AUDIT

▶ **Applicability**

- Check whether the Company attracts the provision of Sections 135 as per 3 defined criteria i.e. Net Worth, Turnover, Net Profit.
- Due care needs to given to the determination of Net Worth, Turnover and Net Profit.

▶ **Compliance**

- Verify whether the Company complies with relevant provisions of Section 135 and the CSR rules. This includes appropriate disclosures of CSR details in Board Report.
- If inconsistencies exists in the disclosure of Board Report and Financial Statement disclosures, Check for appropriate reporting under SA 720.

SA 250 – Consideration of Laws and Regulation in an Audit of Financial Statements.

SA 720 (Revised) – The Auditor's Responsibility relating to Other Information.

AUDIT

▶ **Recognition & Measurement**

- Test the underlying records for verify the occurrence and accuracy of the CSR Transaction recognized.
- Test the completeness of expenditure including the cut-off period transactions.
- Check whether only eligible expenditure/contribution are appropriately recognized and presented as CSR.

▶ **Presentation and Disclosures**

- Presentation of CSR Expenditure as per Schedule III requirements – as a separate line item in Statement of Profit & Loss
- Adequate disclosures as required in Technical Guide is given in Financial Statement.

Disclosure in FS as per **amended Sch.III**

- ▶ Separate line item as CSR Exp in P&L A/c
- ▶ Gross amt. to be spent by the Co. during the yr.
- ▶ Amt. of exp. Incurred
- ▶ **Shortfall at the end of the yr.**
- ▶ **Total of P.Yr shortfall**
- ▶ Movements in the provisions during the yr.
- ▶ **Reasons for shortfall**
- ▶ **Nature of CSR activities**
- ▶ Details of RTP
- ▶ **Where a provision is made w.r.t a liability incurred by entering into a contractual obligation, the movement in the provision during the yr to be shown separately.**
- ▶ Suitable notes in CFS if applicable

AUDIT

▶ **Amendment Implications -**

- Verify the appropriateness of the recognition and measurement of the liability towards the CSR unspent amount.
- If Company defaults to transfer the unspent amount, check for implications of plant provisions on the FS and Audit Report.
- Verify the appropriateness of recognition and measurement of asset w.r.t excess CSR spending.

CSR donations are eligible for deduction u/s 80G of the Income Tax Act, 1961 subject to specific exemptions:

- ▶ Bangalore Bench of ITAT, in case of Goldman Sachs Services Pvt Ltd, dealt with the issue of allowability of CSR u/s 80G.
- ▶ Finance Act, 2014, introduced Sec.37(1) Expl.2, CSR expenditure cannot be claimed as business expenditure. To disallow exp. incurred by the taxpayer on the activities relating to CSR u/s 135 of the Cos. Act, whether voluntary or mandatory in nature.
- ▶ Disallowance under both sections would lead to double disallowance, which is not the intension of the legislature. Thus, CSR exp. are eligible for Sec.80G deduction subject to the satisfaction of requisite condition in that section.

GST issues under CSR spending:

- ▶ Impact on Free distribution of goods:
- ▶ U/s.16 of CGST Act, every registered person is entitled to avail ITC on supplies of goods or services or both 'used in the course or furtherance of business' with specific restrictions such as those contained in Section 17(5).
- ▶ Issue arises as to whether the goods procured for discharging CSR obligation can be viewed as an activity in the course or furtherance of business.
- ▶ In the **erstwhile service tax regime**, the **Mumbai Tribunal** in case of **Essel Propack Ltd.** enunciated that expense incurred on CSR is not a charity; it has a direct bearing on the company's image, and it also helps to win the confidence of all the stakeholders. Further, the **Karnataka High Court** in the case of **Millipore India Pvt. Ltd.**, also confirmed that the concept of CSR is relevant and service tax paid on expenditure incurred for complying with a statutory obligation should be eligible for ITC.

- ▶ Recently, the **Uttar Pradesh** Authority for Advance Ruling (**AAR**) in the case of Dwarikesh Sugar Industries Ltd, relying up on the above two judgements held that expenditure mandatorily incurred on CSR should qualify as an activity done in furtherance of business, and therefore eligible for ITC under GST. The AAR also pronounced that the restriction placed on availment of ITC under Section 17(5)(h) on goods disposed by way of 'gifts' is not attracted in this case. The underlying principle being that 'gifts' entail a voluntary act, whereas CSR is a **mandatory act**.
- ▶ The **Kerala AAR** in the case of **Polycab Wires Pvt Ltd**, dictated a **contradictory ruling** where it was upheld that ITC is not available on switches, fans, cables etc. which were distributed for free to flood-affected areas as a part of CSR expenditure, by virtue of the restriction placed under Section 17(5)(h) i.e. gifts.
- ▶ **The GST law does not provide for any specific restriction on availing ITC on CSR expenditure** as compared to the Income Tax law, where CSR expenditure is explicitly excluded while computing income from business and profession. Therefore, based on the facts of the case, a position may be adopted that **ITC should be available** on expenditure mandatorily incurred towards CSR.

Measurement of CSR spend made in Kind

- ▶ A co. acquires / purchases goods and distributes / uses the same in its CSR project – allowed
- ▶ A co. mfg / dealing in goods or services distributes those goods / services itself free of charge as CSR spend, which may not be covered in CSR spend. If there is free distribution of items that would not be an activity undertaken in the normal course of business. (mfg. er of steel rods distributes free of charge the beds made of steel rods, not normal business activity).
- ▶ A hospital rendering free medical services to 25% patients as per local government guidelines may not be considered as CSR spend; however free medical services rendered beyond 25% may be considered as CSR spend

CARO 2020:

- ▶ Clause xx has been inserted in the CARO which specifically requires reporting on CSR. The same is read as under:
- ▶ “(xx) (a) whether, in respect of other than ongoing projects, the company has transferred unspent amount to a Fund specified in Schedule VII to the Companies Act within a period of six months of the expiry of the financial year in compliance with second proviso to subsection (5) of Section 135 of the said Act;
- ▶ (b) whether any amount remaining unspent under sub-section (5) of section 135 of the Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance with the provision of subsection (6) of Section 135 of the said Act”

General Circular No. 15 /2020 dated 10.04.2020

▶ COVID-19 related Frequently Asked Questions (FAQs) on Corporate Social Responsibility (CSR)

S. No.	Frequently Asked Questions (FAQs)	Reply
1	Whether contribution made to 'PM CARES Fund' shall qualify as CSR expenditure?	Contribution made to 'PM CARES Fund' shall qualify as CSR expenditure under item no (viii) of Schedule VII of the Companies Act, 2013 and it has been further clarified vide Office memorandum F. No. CSR-05/1/2020-CSR-MCA dated 28th March, 2020.
2.	Whether contribution made to 'Chief Minister's Relief Funds' or 'State Relief Fund for COVID-19' shall qualify as CSR expenditure?	'Chief Minister's Relief Fund' or 'State Relief Fund for COVID-19' is not included in Schedule VII of the Companies Act, 2013 and therefore any contribution to such funds shall not qualify as admissible CSR expenditure.
3.	Whether contribution made to State Disaster Management Authority shall qualify as CSR expenditure?	Contribution made to State Disaster Management Authority to combat COVID-19 shall qualify as CSR expenditure under item no (xii) of Schedule VII of the 2013 and clarified vide general circular No. 10/2020 dated 23rd March, 2020.

4.	Whether spending of CSR funds for COVID-19 related activities shall qualify as CSR expenditure?	Ministry vide general circular No. 10/2020 dated 23rd March, 2020 has clarified that spending CSR funds for COVID-19 related activities shall qualify as CSR expenditure. It is further clarified that funds may be spent for various activities related to COVID-19 under items nos. (i) and (xii) of Schedule VII relating to promotion of health care including preventive health care and sanitation, and disaster management. Further, as per general circular No. 21/2014 dated 18.06.2014, items in Schedule VII are broad based and may be interpreted liberally for this purpose.
5.	Whether payment of salary/wages to employees and workers, including contract labour, during the lockdown period can be adjusted against the CSR expenditure of the companies?	Payment of salary/ wages in normal circumstances is a contractual and statutory obligation of the company. Similarly, payment of salary/ wages to employees and workers even during the lockdown period is a moral obligation of the employers, as they have no alternative source of employment or livelihood during this period. Thus, payment of salary/ wages to employees and workers during the lockdown period (including imposition of other social distancing requirements) shall not qualify as admissible CSR expenditure.

6.

Whether payment of wages made to casual /daily wage workers during the lockdown period can be adjusted against the CSR expenditure of the companies?

Payment of wages to temporary or casual or daily wage workers during the lockdown period is part of the moral/ humanitarian/ contractual obligations of the company and is applicable to all companies irrespective of whether they have any legal obligation for CSR contribution under section 135 of the Companies Act 2013. Hence, payment of wages to temporary or casual or daily wage workers during the lockdown period shall not count towards CSR expenditure.

Advisory for Members of the ICAI and Companies to whom CSR provisions under Companies Act, 2013 apply- issued by the CSR Committee of ICAI

- ▶ Wherever a Company is required to comply with CSR Regulations u/s 135 of Co. Act, 2013, it may undertake the CSR activity, either:
 - * By the Company itself; or
 - * Through a Third Party being a Trust / Society or Section 8 Company / NGO
- ▶ Wherever the company undertakes the CSR activity through a third party / NGO, it is advised that all such companies should obtain an Independent Practitioner's Report on Utilisation of such CSR Funds from the auditor / CA in practice of the third party / NGO, to whom the funds are given by the Company for implementing CSR activity.
- ▶ In such cases the auditor / CA in practice of the third party / NGO is advised that they should submit the Independent Practitioner's Report on Utilization of CSR Funds after verifying that the third party has spent the funds on CSR activities as per Section 135 of Co. Act , read with Schedule VII to the Act and related regulations in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India.
- ▶ The draft format of Independent Practitioner's Report on Utilization of CSR Funds has been provided by ICAI.

SCHEDULE VII

- ▶ [(i) Eradicating hunger, poverty and malnutrition, ²["promoting health care including preventive health care"] and sanitation ⁴[including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.
- ▶ (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
- ▶ (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- ▶ (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water ⁴[including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga].
- ▶ (v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts.

SCHEDULE VII

- ▶ (vi) measures for the benefit of armed forces veterans, war widows and their dependents, ⁹[Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows];
- ▶ (vii) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports
- ▶ (viii) contribution to the prime minister's national relief fund ⁸[or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)] or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;
- ▶ ¹⁰[(ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

SCHEDULE VII

(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).]

▶ (x) rural development projects]

▶ ³[(xi) slum area development.

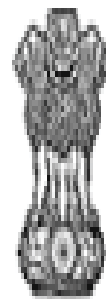
▶ ⁵[(xii) disaster management, including relief, rehabilitation and reconstruction activities.]

PMNRF
PRIME MINISTER'S
National Relief Fund



सत्यमेव जयते

my
GOV
मेरी सरकार



सत्यमेव जयते


india.gov.in
national portal of india

data.gov **in**

Open Government Data Platform India



Professional opportunities for CAs under CSR areas:

- ▶ **CSR Consultant/ Facilitator**
 - ▶ **Advisory services on CSR Policy formulation (as per Sch VII requirements)**
 - ▶ **Advisory to the Board, CSR Committee (formulations, meetings)**
 - ▶ **Liaise with corporate and implementation agencies and in identifying projects as per the CSR Policy of the Co.**
 - ▶ **Monitor and evaluate CSR projects/ spending (CSR Audit)**
 - ▶ **Advice implementation agency on how to manage and channalise the CSR Funds received**
 - ▶ **Advice on Impact Assessments**
- 

Conclusion:

- ▶ Gross National Happiness (GNH)/ Gross Domestic Happiness (GDH) index , is a philosophy that guides the government of Bhutan, coined in 1972. It is an index which is used to measure the collective happiness and well-being of a population. The concept implies that sustainable development should take a holistic approach towards notions of progress and give equal importance to non-economic aspects of wellbeing. Gross National Happiness Index is instituted as the goal of the government of Bhutan in the Constitution of Bhutan.
- ▶ India had secured the 139th position out of 149 countries in the UN World Happiness Report 2021. It was earlier in 144th position during 2020. The report is issued by the UN Sustainable Development Solutions Network, it ranks 149 countries on "how happy their citizens perceive themselves to be". The results of the report, which is based on the Gallup World Poll, have been correlated with factors like GDP and social security.

Conclusion:

With the world becoming a global village, as a CA is the one who can change the basis of understanding CSR and help companies to effectively run their policies, synergizing the haves and have-nots. They can act as a bridge between the corporate and the society at large and be a stepping stone in nation building and nation's sustainable development.

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