









## SALIENT FEATURES OF CSR

The Ministry of Corporate Affairs (“MCA”) has recently issued FAQs on August 25, 2021 on Corporate Social Responsibility (“CSR”) post the significant changes notified by the MCA on January 22, 2021 in respect of CSR activities. The broad framework of CSR has been provided in Section 135 of the Companies Act, 2013 (“CA 2013”), Schedule VII to the CA 2013 (“Schedule VII”) and Companies (Corporate Social Responsibility Policy) Rules, 2014 (“CSR Rules”). The FAQs supersedes all previous clarifications, general circulars and letters of the MCA on CSR.

 <b>BOARD DRIVEN PROCESS</b>	 <b>CSR EXPENSES</b>	 <b>CSR SURPLUS</b>
<ul style="list-style-type: none"><li>➤ CSR is a Board-driven process, and the Board of the company is empowered to plan, decide, execute, and monitor the CSR activities of the company based on the recommendation of its CSR Committee</li></ul>	<ul style="list-style-type: none"><li>➤ The expenses which are directly incurred for the designing, implementation, monitoring, and evaluation of a particular CSR project or programme, shall be included in CSR expenditure</li><li>➤ Expenses incurred by implementing agencies on the management of CSR activities shall not amount to administrative overheads and cannot be claimed by the company as CSR expenditure</li><li>➤ The expenses relating to transfer of capital asset such as stamp duty and registration fees, will qualify as admissible CSR expenditure in the year of such transfer</li></ul>	<ul style="list-style-type: none"><li>➤ The surplus arising out of CSR activities shall be utilised only for CSR purposes</li><li>➤ The excess amount can be set off against the required 2% CSR expenditure up to the immediately succeeding three financial years (no carry forward shall be allowed for the excess amount spent, if any, in financial years prior to FY 2020-21)</li><li>➤</li></ul>



 <h3>CSR PERMITTED ACTIVITIES</h3>	 <h3>CSR ACTIVITIES NOT PERMITTED</h3>	 <h3>CSR SPEND NOT ELIGIBLE</h3>
<ul style="list-style-type: none"><li>➤ ‘Activities route’, which is a direct mode wherein a company undertakes the CSR projects, either by itself or by engaging implementing agencies;</li><li>➤ ‘Contribution to funds route’, which allows the contributions to various funds as specified in Schedule VII; and</li><li>➤ Contribution to incubators and R&amp;D projects and contribution to institutes/organisations, engaged in research and development activity, as specified under Schedule VII</li></ul>	<ul style="list-style-type: none"><li>➤ Activities undertaken in pursuance of normal course of business of the company;</li><li>➤ Activities undertaken outside India, except for training of Indian sports personnel representing any State or Union Territory at national level or India at international level;</li><li>➤ Contribution of any amount, directly or indirectly, to any political party under section 182 of the CA 2013;</li><li>➤ Activities benefitting employees of the company as defined in section 2(k) of the Code on Wages, 2019;</li><li>➤ Sponsorship activities for deriving marketing benefits for products/services; and</li><li>➤ Activities for fulfilling statutory obligations under any law in force in India.</li></ul>	<ul style="list-style-type: none"><li>➤ CSR contribution cannot be in kind and monetized</li><li>➤ The items enlisted in Schedule VII are broad-based and intended to cover a wide range of activities. However, CSR activities undertaken must be relatable to Schedule VII</li><li>➤ Mere disbursal of funds for implementation of a project does not amount to spending unless the implementing agency utilises the whole amount</li><li>➤ Involvement of employees of a company in their CSR projects cannot be monetized and accounted for under the head of ‘CSR expenditure</li><li>➤ Any activity designed exclusively for the benefit of employees shall be considered as an “activity benefitting employees” and will not qualify as permissible CSR expenditure</li></ul>



### CSR PERMITTED FUNDS

- 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); and
- 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.

*Note: Contribution to any fund other than the above, is not admissible CSR expenditure*

### WEBSITE DISCLOSURES

- Composition of the CSR Committee;
- CSR Policy; and
- Projects approved by the Board

### OTHER CSR PROVISIONS

- It is not mandatory for companies to carry out CSR in their local areas. The preference to local area in the Act is only directory and not mandatory
- The amount spent by a company towards CSR cannot be claimed as business expenditure.
- No specific tax exemptions have been extended to CSR expenditure. The Finance Act, 2014 also clarifies that expenditure on CSR does not form part of business expenditure.
- If a company carries out CSR activities directly (not through an implementing agency) then it is not required to file e-form CSR-1.
- The budget outlay dedicated for one project can be used against another project