



**INTERNATIONAL CENTER FOR
SOCIALLY RESPONSIBLE BUSINESSES**
A GLOBAL THINK TANK ————— •

CSR RULES AND UPDATES ON AMENDMENTS

MONDAY, 27TH SEPTEMBER, 2021

SECTION 135 - 1st APRIL, 2013

1.

Every Company (Pub or Pvt)

Net Worth of Rs. 500 Cr or more

Turnover of Rs. 1000 Cr or more

Net Profit of Rs. 5 Cr or more

During any Financial Year

Shall constitute a Corporate Social Responsibility Committee of the Board consisting of Minimum 3 directors, out of which at least one director shall be an **independent director**.

2) The Board's report under shall disclose the **composition** of the Corporate Social Responsibility Committee.

COMPOSITION OF CSR COMMITTEE

Listed companies	Three or more directors, out of which at least one shall be an independent director.
Unlisted public companies	Three or more directors, out of which at least one shall be an independent director. However, if there is no requirement of having an independent director in the company, two or more directors
Private companies	Two or more directors. No independent directors are required as mentioned in the proviso under section 135(1).
Foreign company	At least two persons out of which: (a) one shall be as specified under clause (d) of subsection (1) of section 380 of the Act, and (b) another shall be nominated by the foreign company. (Refer rule 5(1) of the Companies (CSR Policy) Rules, 2014)

Where the amount required to be spent by a company on CSR does not exceed fifty lakh rupees, the requirement for constitution of the CSR Committee is not mandatory and the functions of the CSR Committee, in such cases, shall be discharged by the Board of Directors of the company

3. ROLE OF THE CSR COMMITTEE

CSR COMMITTEE



Formulate and recommend a CSR policy to the board



Recommend activities and the amount of expenditure to be incurred on CSR activities



Monitor the CSR policy from time to time



Formulate and recommend to the Board, an annual action plan

4. ROLE OF THE BOARD

THE BOARD

- ✓ Approve the CSR policy;
- ✓ Disclose contents of such policy in its report and also place it on the company's website, if any;
- ✓ Ensure that the activities included in the CSR policy are undertaken by the company;
- ✓ Ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years;
- ✓ Satisfy itself regarding the utilization of the disbursed CSR funds; and
- ✓ If the company fails to spend at least two per cent of the average net profits of the company, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount and transfer the unspent CSR amount as per provisions of sections 135(5) and 135(6) of the Act.

SECTION 135.....(5)

5. The Board shall ensure that the company spends, **in every financial year, at least two per cent of the average net profits** of the company made during the **three immediately preceding financial years,** or

where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

SECTION 135 (6)

Provided that the company *shall give preference to the local area* and areas around it where it operates*, for spending the amount earmarked for Corporate Social Responsibility activities;

Provided that *if the **company fails to spend such amount***, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, **specify the reasons for not spending the amount. [and, unless the unspent amount relates to any ongoing project referred to in sub-section (6), transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year].**

*The preference to local area in the Act is only directory and not mandatory in nature and companies need to balance local area preference with national priorities.

SECTION 135 (7)

6.

Unspent Amount



Unspent Corporate Social Responsibility Account

(within 30 days of the end of financial year)



Amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of **three financial years**



Transfer the same to a **Fund specified in Schedule VII**, within a period of thirty days from the date of completion of the third financial year.

SECTION 135 (8)

7. Penalty of **twice the amount required to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account**, as the case may be, or **one crore rupees**, whichever is less, and

Every officer of the company who is in default shall be liable to a penalty of **one-tenth of the amount** required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less.

SECTION 135 (9)

8. The Central Government may give such general or special directions to a company or class of companies as it considers necessary to ensure compliance of provisions of this section and such company or class of companies shall comply with such directions.]

SECTION 135 (10)

9. Where the amount to be spent by a company under sub-section (5) does not exceed **fifty lakh rupees**, the requirement under sub-section (1) for constitution of the Corporate Social Responsibility Committee **shall not be applicable** and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.

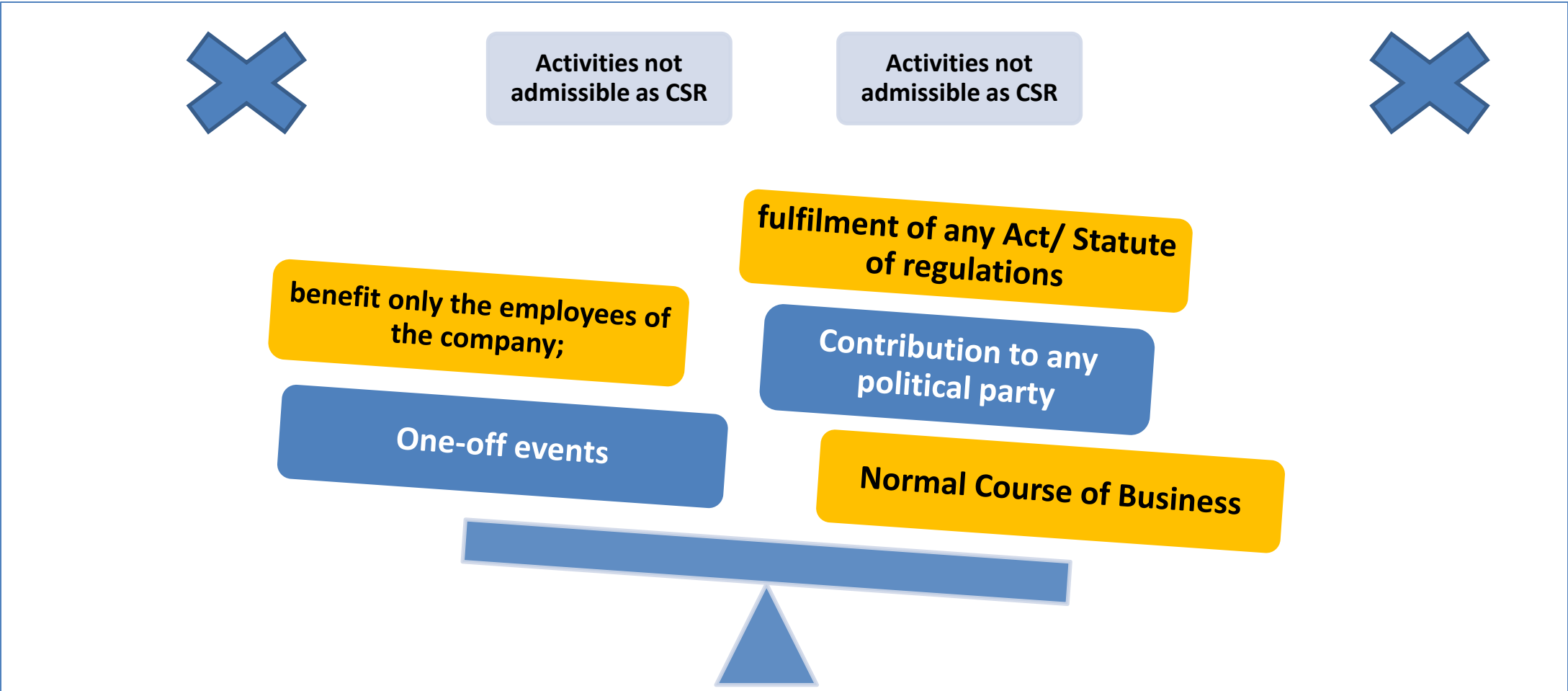
CSR ACTIVITIES

Projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business

Collaborate with other companies

Activities undertaken in India only except for training of Indian sports personnel representing any State or Union territory at national level or India at international level

ACTIVITIES NOT ADMISSIBLE AS CSR



CSR IMPLEMENTATION AGENCIES

(a) company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company, or

(b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or

(c) any entity established under an Act of Parliament or a State legislature; or

(d) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

CSR IMPLEMENTATION..... (2)

IA

- 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**:

IA

- Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice.

IA

- On the submission of the Form CSR-1 on the portal, a unique CSR Registration Number shall be generated by the system automatically.

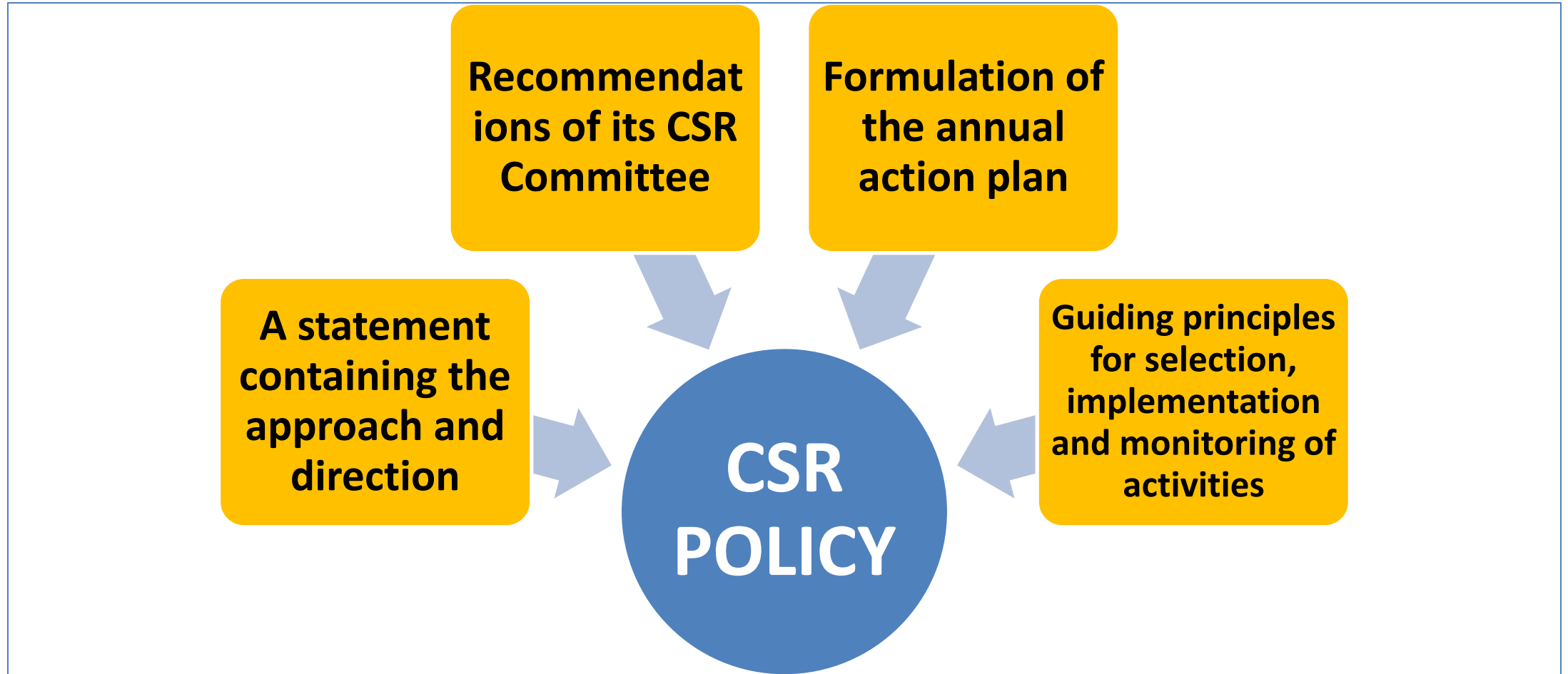
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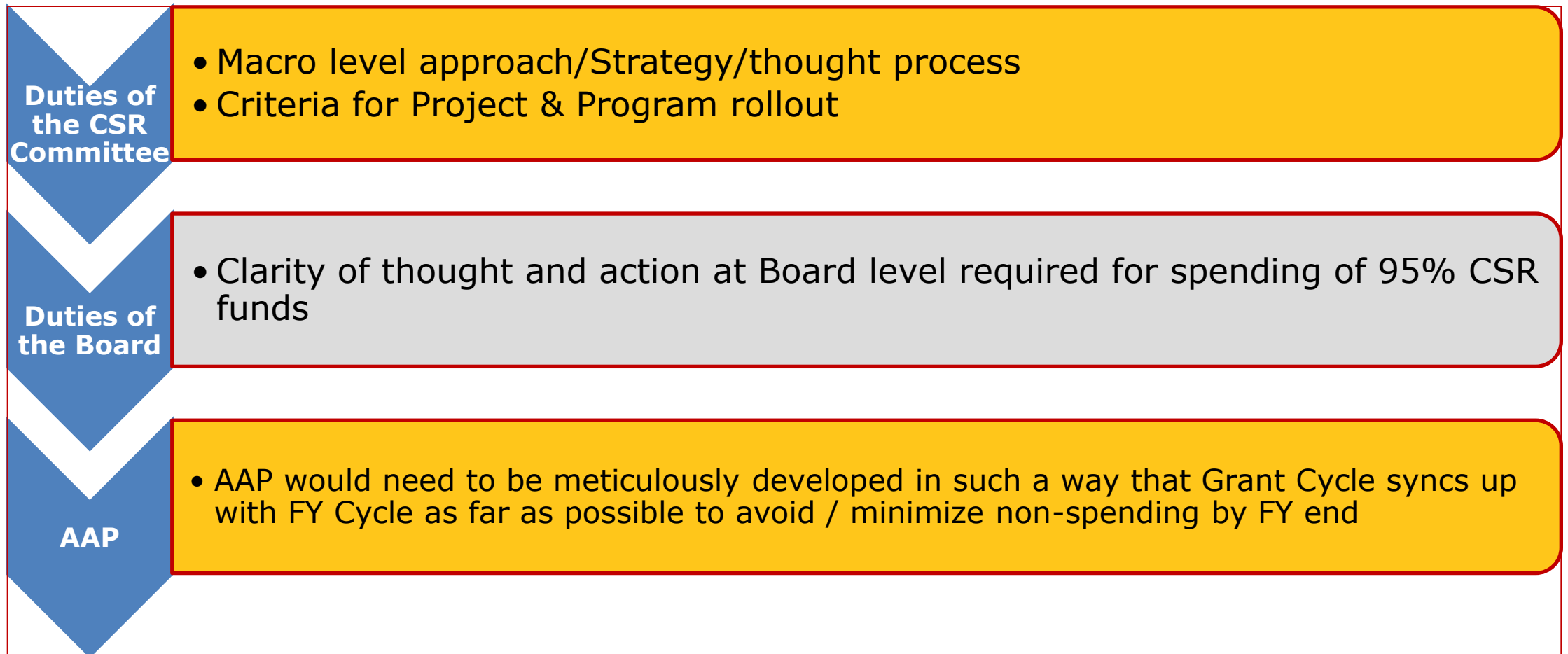
CSR POLICY SHOULD INCLUDE



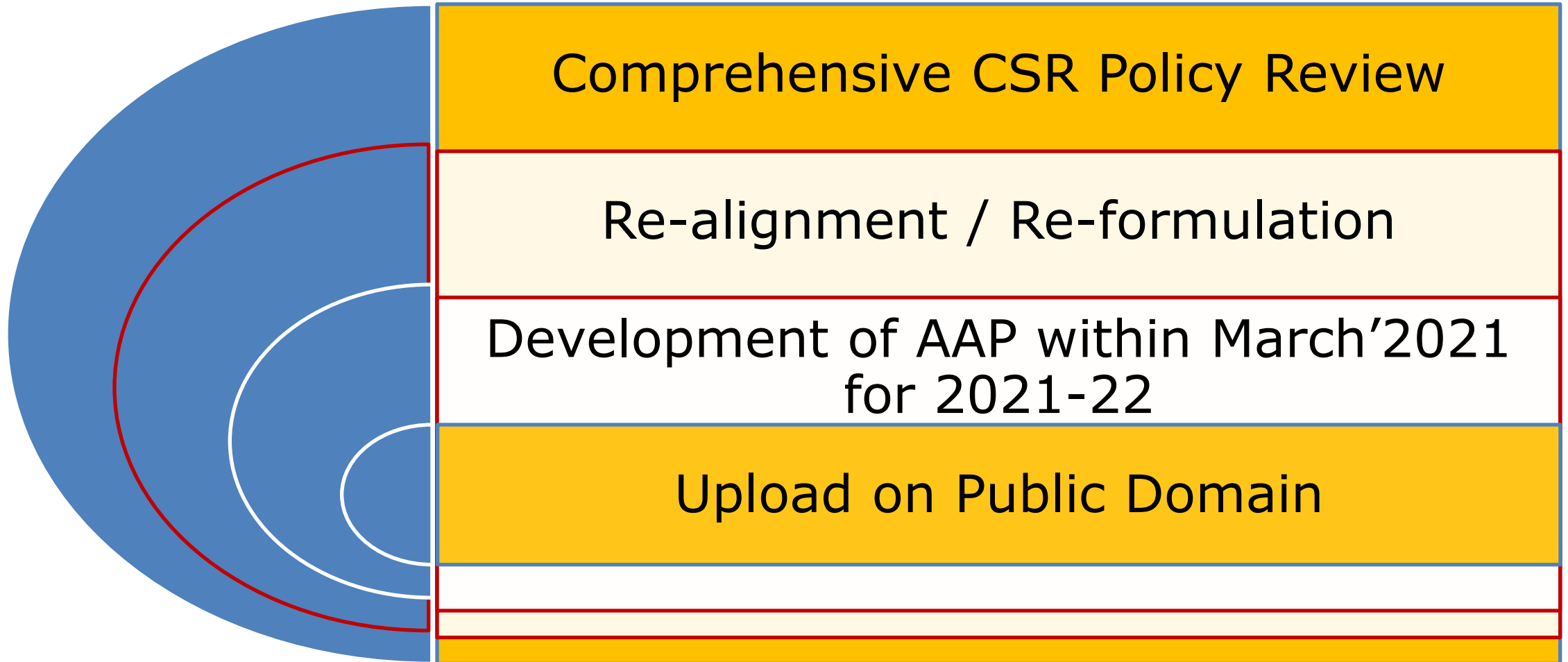
ANNUAL ACTION PLAN



BOARD/CSR COMMITTEE'S RESPONSIBILITY



IMMEDIATE ACTION REQUIRED



"Net profit" means the 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: -

- (i) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise;
- (ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:

CSR EXPENDITURE

The Board of a company shall satisfy itself that the funds so disbursed have been utilized 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.

CSR EXPENDITURE.....(2)

- The board shall ensure that the administrative overheads* shall not exceed **five percent** of total CSR expenditure of the company for the financial year.
- Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the **Unspent CSR Account** and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

CSR EXPENDITURE.....(3)

In case of ongoing project*, the Board of a Company shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period.

ADMINISTRATIVE OVERHEADS*

“Administrative overheads” means the expenses incurred by the company for **‘general management and administration’ of Corporate Social Responsibility functions in the company** but shall not include the expenses directly incurred for the **designing, implementation, monitoring, and evaluation** of a particular Corporate Social Responsibility project or programme.

ADMINISTRATIVE OVERHEADS

Administrative overheads are the expenses incurred by the company for 'general management and administration' of CSR functions. However, the expenses which are directly incurred for the designing, implementation, monitoring, and evaluation of a particular CSR project or programme, shall not be included in the administrative overheads. Administrative overheads generally comprise of items such as employee costs, utilities, office supplies, legal expenses, etc. However, expenses which are attributed to the project implementation shall be included in project cost only.

Example: Salary and training for the employees working in the CSR division of a company, stationery cost, travelling expenses, etc. may be categorised as administrative overheads. However, salary of school teachers or other staff, etc. for education-related CSR projects shall be covered under education project cost. The maximum permissible limit for administrative overheads is five per cent of the total CSR expenditure of the company for the financial year

SURPLUS

Surplus refers to income generated from the spend on CSR activities, e.g., interest income earned by the implementing agency on funds provided under CSR, revenue received from the CSR projects, disposal/sale of materials used in CSR projects, and other similar income sources.

The surplus arising out of CSR activities shall be utilised only for CSR purposes.

CONTRIBUTION TO CORPUS

The provision relating to contribution to corpus as admissible CSR expenditure has been amended and the contribution to corpus of any entity is not an admissible CSR expenditure w.e.f. 22nd January, 2021.

MODES TO SPEND CSR MONEY

CSR expenditure can be incurred in multiple modes:

- ✓ 'Activities route', which is a direct mode wherein a company undertakes the CSR projects or programmes as per Schedule VII of the Act, either by itself or by engaging implementing agencies as prescribed in Companies (CSR Policy) Rules, 2014.
- ✓ 'Contribution to funds route', which allows the contributions to various funds as specified in Schedule VII of the Act.
- ✓ Contribution to incubators and R&D projects, as specified in item (ix)(a) and contribution to institutes/organisations, engaged in research and development activity, as specified under item (ix)(b) of Schedule VII of the Act.

FUNDS OF SCHEDULE VII

Contributions to the following funds shall be admissible as CSR expenditure:

- (i) Swachh Bharat Kosh
- (ii) Clean Ganga Fund
- (iii) Prime Minister's National Relief Fund (PMNRF)
- (iv) Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)
- (v) 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.

ONGOING PROJECT

“Ongoing Project” means a multi-year project undertaken by a Company in fulfillment of its CSR obligation having timelines not exceeding three years 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 one year by the board based on reasonable justification;

- 1+3 years applicability, where year 1 is the year in which the project was approved.
- Budget for each year (1+3) will be sub-set of the CSR budget of **that year**.
- A 1-year project initially not classified as an Ongoing Project can be approved within concerned FY as one by the Board based on reasonable justification.
- Corporates encouraged to look at medium to long term CSR projects so that better and more measurable impact can be arrived at.
- Also, Sustainability is being subtly promoted when the donor moves out.
- Mid-course correction permitted to Board within year 1 to classify a project as Ongoing based on need/requirement.
- Corporates can use this clause to quickly allocate unspent funds (from FY 2014-15 till date) for projects within 31st March 2021 so that they can become eligible for 3 years spending FY21-22 onwards.
- In above case un-utilised, but allocated, funds would need to be put into Unspent CSR Account (UCSRA) within 30 days of 1st April 2021. These can be spent by 31st March 2024.

TREATMENT OF UNSPENT CSR AMOUNT

Nature of unspent amount	Action required	Timelines
Unspent amount pertains to 'ongoing projects'	Transfer such unspent amount to a separate bank account of the company to be called as 'Unspent CSR Account'.	Within 30 days from the end of the financial year.
Unspent amount pertains to 'other than ongoing projects'	Transfer unspent amount to any fund included in Schedule VII of the Act.	Within 6 months from the end of the financial year.

SET OFF OF FUNDS

Where a company spends an amount in excess of requirement , such excess amount may be set off against the requirement to spend up to immediate succeeding three financial years provided:-

the excess amount available for set off shall not include the **surplus** arising out of the CSR activities

the Board of the company shall pass a resolution to that effect

ACQUISITION OF ASSETS

The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by -

a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or

beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or

a public authority

ACQUISITION OF ASSETS....(2)

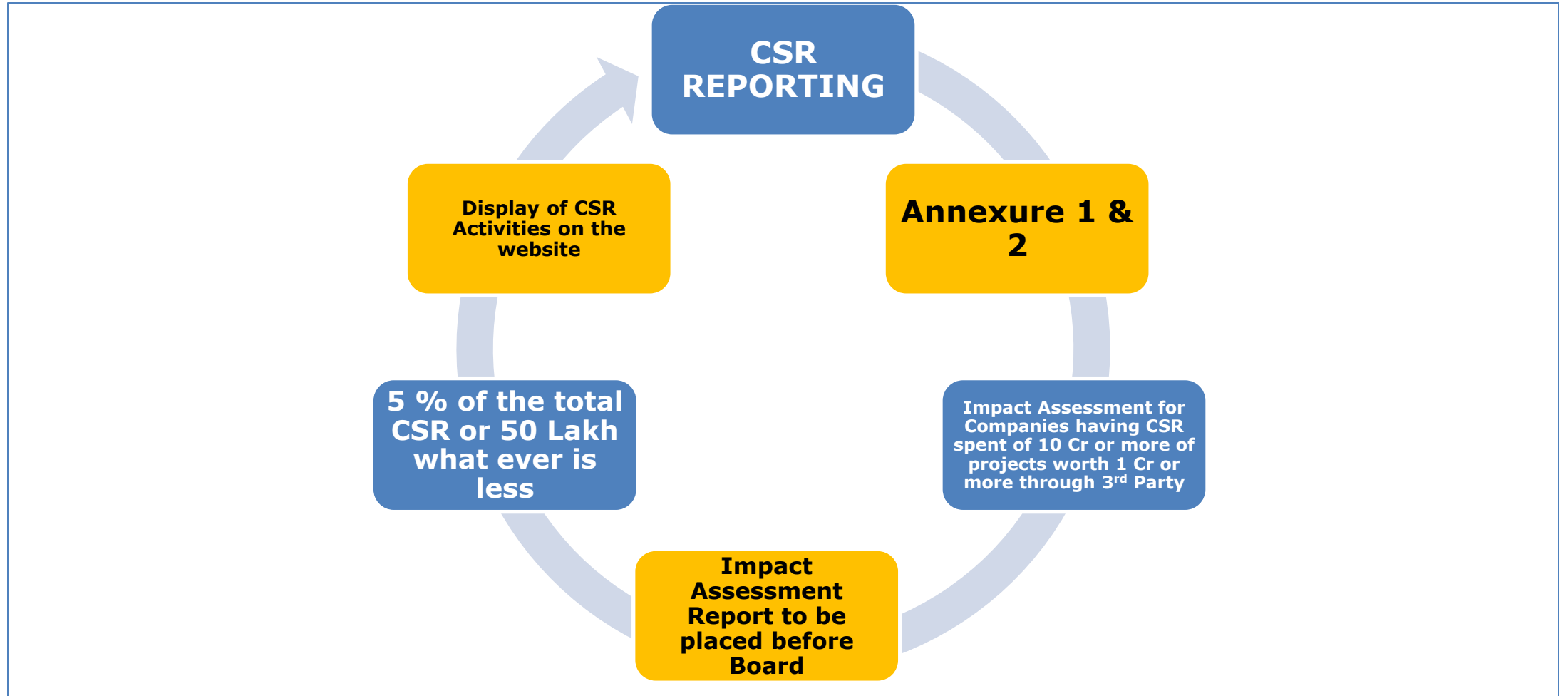
Provided that any capital asset created by a company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of one hundred and eighty days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than ninety days with the approval of the Board based on reasonable justification.

INTERNATIONAL ORGANISATIONS

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.

“International Organisation” means an organisation notified by the Central Government as an international organisation under section 3 of the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply.

CSR REPORTING



IMPACT ASSESSMENT

Rule 8(3) of the Companies (CSR Policy) Rules, 2014 mandates following class of companies to conduct impact assessment:

- (i) Companies with minimum average CSR obligation of Rs. 10 crore or more in the immediately preceding 3 financial years; and
- (ii) Companies that have CSR projects with outlays of minimum Rs. 1 crore and which have been completed not less than 1 year before undertaking impact assessment.

Impact assessment shall be carried out project-wise only in cases where both the above conditions are fulfilled. In other cases, it can be taken up by the company on a voluntary basis.

ANNEXURE I

The present Annexure shall be numbered as “Annexure –I” and in the heading of Annexure -I as so numbered, after the words “BOARD’S REPORT”, the words and figures “FOR FINANCIAL YEAR COMMENCED PRIOR TO 1ST DAY OF APRIL, 2020” shall be inserted;

ANNEXURE II

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES
TO BE INCLUDED IN THE BOARD'S REPORT FOR FINANCIAL
YEAR COMMENCING ON OR AFTER 1ST DAY OF APRIL, 2020

1. Brief outline on CSR Policy of the Company
2. Composition of CSR Committee

S.No.	Name of the Director	Designation Nature of Director ship	Number of meetings of CSR Committee held during the year	Number of meetngs of CSR Committee attended during the year

ANNEXURE II..... (2)

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.
4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report).

ANNEXURE II..... (4)

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

S.No.	Financial Year	Amount available for Set Off from Preceding Financial Years (in Rs)	Amount required to be setoff for the financial year, if any (in Rs)
1.			
2.			
3.			
	TOTAL		

ANNEXURE II..... (5)

6. Average net profit of the company as per section 135(5).
7. (a) Two percent of average net profit of the company as per section 135(5)
 - (b) Surplus arising out of the CSR projects or pgms or activities of the previous financial years.
 - (c) Amount required to be set off for the financial year, if any
 - (d) Total CSR obligation for the financial year **(7a+7b- 7c).**

ANNEXURE II..... (6)

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the financial Year	Amount Unspent (in Rs)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).			Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).	
	Amount	Date of Transfer	Name of the Fund	Amount	Date of Transfer

ANNEXURE II..... (7)

8 (b) Details of CSR amount spent against **ongoing projects for the financial year:**

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Project duration.	Amount allocated for the project (in Rs.).	Amount spent in the current financial Year (in Rs.).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.).	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State.	District.						Name	CSR Registration number.
1.												
2.												
3.	9/27/2021											
	TOTAL											

ANNEXURE II..... (8)

8(c) Details of CSR amount spent against **other than ongoing projects for the financial year:**

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in Rs.).	Mode of implementation - Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State.	District.			Name.	CSR registration number.
1.									
2.									
3.									
	9/27/2021 TOTAL								

ANNEXURE II..... (9)

(d) Amount spent in Administrative Overheads

(e) Amount spent on Impact Assessment, if applicable

(f) Total amount spent for the Financial Year **-(8b+8c+8d+8e)**

ANNEXURE II..... (10)

g. Excess amount for set off, if any

Sl. No.	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	
(ii)	Total amount spent for the Financial Year	
(iii)	Excess amount spent for the financial year [(ii)-(i)]	
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	

ANNEXURE II..... (11)

9(a) Details of Unspent Amount for the preceding three financial years

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in Rs.)
				Name of the Fund	Amount (in Rs).	Date of transfer.	
1.							
2.							
3.							
	9/27/2021 TOTAL						

ANNEXURE II..... (12)

(b) Details of CSR amount spent in the financial year for **ongoing projects of the preceding financial year(s)**:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in Rs.).	Amount spent on the project in the reporting Financial Year (in Rs).	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project - Completed /Ongoing.
1.								
2.								
3.								
	TOTAL							

ANNEXURE II..... (13)

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (**asset-wise details**).

(a) Date of creation or acquisition of the capital asset(s).

(b) Amount of CSR spent for creation or acquisition of capital asset.

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

ANNEXURE II..... (14)

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).

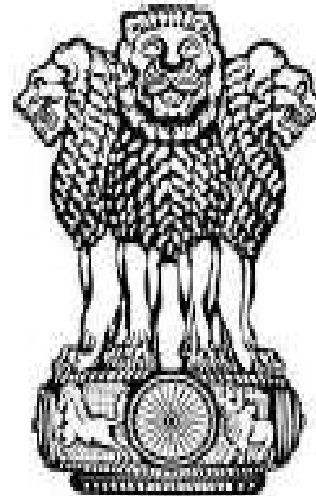
<p>Sd/- (Chief Executive Officer or Managing Director or Director).</p>	<p>Sd/- (Chairman CSR Committee).</p>	<p>Sd/- [Person specified under clause (d) of sub-section (1) of section 380 of the Act] (Wherever applicable).</p>
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ANNEXURE II..... (15)

11. In the said rules, after annexure-II, following e-form shall be inserted, namely:

CSR-1

(Pursuant to section 135 of the Companies Act, 2013 and rule 4(1) and (2) of the Companies (CSR Policy) Rules, 2014)



सत्यमेव जयते

Registration of Entities for undertaking
CSR Activities

CSR 1 FORM

Following documents are required for filing Form CSR-1

1. Copy of PAN Card of the NGO
2. Mail ID and Mobile Number
3. Details of Governing Body Members
4. Copy of Registration Certificate
5. Digital Signature of the Authorized Person with his
DIN/PAN Number
6. Certificate by Practicing Professional

MANDATORY DOCUMENTS FOR DUE DILIGENCE OF NGOS

- Registration Certificate
- Registration Certificate under Section 12 A, If Any
- Audited Accounts of last three years
- IT Exemption Certificate under Section 35, If available
- IT Exemption Certificate under section 80 G, If any
- Acknowledgement of Income Tax Return along with IT Return filed (last three years)
- FCRA Certificate, If available
- Pan Card Copy
- Annual Reports of last 3 years
- Copy of Constitution, Aims & Objectives of the Organizations.

FEW HELPFUL WEBSITES

- www.csr.gov.in
- www.data.gov.in
- www.india.gov.in
- www.dpe.gov.in
- www.mca.gov.in
- www.bsesamman.com
- www.ngosindia.com
- www.iica.in

THANK YOU