

CSR amendment rules 2021

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In News

- The Ministry of Corporate Affairs (MCA) has amended the Companies (Corporate Social Responsibility Policy) Rules, 2014 through a notification dated January 22, 2021, thus giving effect to the changes introduced in CSR by the Companies Amendment Acts of 2019 and 2020.

Key Changes

- This would be applicable for three financial years – 2020-21, 2021-22 and 2022-23 – subject to certain conditions.
- The amended rules require that any corporation with a CSR obligation of Rs 10 crore or more for the three preceding financial years would be required to hire an independent agency to conduct an impact assessment of their entire project with outlays of Rs 1 crore or more.
- Companies will be allowed to count 5 percent of the CSR expenditure for the year up to Rs 50 lakh on impact assessment towards CSR expenditure.
- This means that money spent on such activities would be considered as Corporate Social Responsibility (CSR) spending under the Companies Act, 2013.
- Under the Act, certain categories of profitable companies are required to shell out at least 2 percent of their three-year annual average net profit towards CSR activities in a particular financial year.
- Now, contributions to incubators or R&D projects in the field of science, technology, engineering and medicine, funded by the central or state governments or public sector undertaking or any agency of the central or state government would be considered as CSR.
- Contributions to public funded universities, Indian

Institutes of Technology (IITs), national laboratories and autonomous bodies established under the Department of Atomic Energy (DAE), Department of Biotechnology (DBT), Department of Science and Technology (DST) and Department of Pharmaceuticals would also come under the CSR ambit.

- Further, the relaxation would be applicable for national laboratories and autonomous bodies under the Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH) and Ministry of Electronics and Information Technology.
- According to him, the amended policy is now a boon to companies which in their ordinary course of business are engaged in activities included in CSR rules, such as promoting education, protection of national heritage and promoting sports as the words “excluding activities undertaken in pursuance of its normal course of business” have been eliminated from the rules.
- This would imply that expenditure towards these activities can be claimed under CSR provisions of the Companies Act even though incurred in the ordinary course of business by companies.

Corporate Social Responsibility

- CSR is a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare.
- CSR projects are taken up to promote positive social and environmental change.
- Currently, the CSR rules apply to the companies with any of the following criteria:
 1. a net worth of Rs 500 crore or more
 2. a turnover of Rs 1,000 crore or more
 3. net profit of Rs 5 crore or more
- These companies are required to spend 2% of their average profits of the previous 3 years on CSR

activities every year.