

CSR norms in India

May 23, 2020

- These are defined under the Companies Act, 2013
- **Applicability:** As per Section 135 of the Act, CSR
- Norms are applicable to companies which have
- Net worth of Rs 500 Crore or more
- Turnover of Rs 1000 Crore or more; or
- Net profit of Rs 5 Crore or more.

What is their responsibility?

- These companies are required to spend at least 2% of their average net profit for the immediately preceding 3 financial years on CSR activities.
- No specific tax exemptions have been extended to CSR expenditure per se.

What are the other key requirements?

- Constitution of a committee of the Board of Directors consisting of 3 or more directors, formulation of the Corporate Social Responsibility Policy by the Board of Directors on the recommendation of the CSR Committee, undertaking the CSR activities and spending the prescribed amount of expenditure on CSR activities as per CSR Policy and recommendations of CSR Committee and monitoring effective implementation of CSR Policy.
- **Board's Responsibility:** The Board of Directors are required to disclose in their report the composition of the CSR Committee and other compliance undertaken by the company and place it on the company's website.

What if they could not spend the amount?

- Companies will now have to transfer the unspent amount to Prime Minister's Relief Fund and/or Other Such State and Central Funds within six (6) months of the expiry of

the financial year.

- If the unspent amount deals with an ongoing project, then the said amount shall be transferred to an account: Unspent Corporate Social Responsibility Account. This has to be spent within 3 years.

Which activities are covered?

- Promotion of Education.
- Eradication of Extreme Hunger and Poverty.
- Gender Equity and Women Empowerment.
- Combating HIV-AIDS, Malaria and Other Diseases.
- Environmental Sustainability.
- Social Business Projects.
- Contribution to Prime Minister's Relief Fund and Other Such State and Central Funds.

Which activities are not covered under CSR?

- The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.
- One-off events such as marathons/ awards/ charitable contribution/advertisement/sponsorships of TV programmes etc. would not be qualified as part of CSR expenditure.
- Expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Lab our Laws, Land Acquisition Act etc.) would not count as CSR expenditure under the Companies Act.
- Contribution of any amount directly or indirectly to any political party shall not be considered as a CSR activity.
- Activities undertaken by the company in pursuance of its normal course of business.