

New CSR rules

September 28, 2022

In news- The Ministry of corporate affairs has amended the rules of corporate social responsibility (CSR) activities recently.

Corporate Social Responsibility Policy(Amendment) Rules, 2022-

- The ministry has amended the rules for calculating the cost of conducting social impact assessments of CSR activities and the procedure for dealing with unspent CSR funds of companies.
- As per the amendment, businesses having any amount in its 'unspent CSR account' should set up a **CSR committee** to oversee the implementation of its CSR obligations.
- Companies are allowed to keep unspent amounts earmarked for CSR in this designated account but **have to utilise it within three financial years**. The CSR committee will oversee its utilisation.
- The **ministry also modified the way companies can calculate the expenditure towards conducting an impact assessment**.
- The law **requires large CSR spenders to carry out an independent impact assessment of their activities**. This allows companies and investors to understand the impact of their social investments and target it better.
- Such **impact assessment is mandatory for businesses with RS 10 crore or more CSR budget** and for all projects with an outlay of ₹1 crore or more.
- The new rule says that the **expenditure for social impact assessment, which can be included in the CSR spending, shall not exceed 2.5% of total CSR expenditure** for the relevant financial year or ₹50 lakh whichever is higher.
- The earlier rule had allowed up to 5% of the total CSR spending or ₹50 lakh whichever is less. The change

allows higher spending on impact assessment in case of large CSR projects.

- Apart from this, the government has released a new format for the annual report on CSR activities which is to be included in the board's report for the financial year commencing on or after April, 2020.

Note:

- CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.
- It is a way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line Approach"), while at the same time addressing the expectations of shareholders and stakeholders.
- Under the Companies Act, 2013, certain classes of profitable companies are required to spend at least 2 percent of their average net profit of the preceding three financial years on CSR activities in a particular financial year.
- Companies having a net worth of at least Rs 500 crore or a minimum turnover of Rs 1,000 crore or net profit of Rs 5 crore or more during the immediately preceding financial year have to spend on CSR activities.
- India is the first country to have brought about legislation to implement CSR activities, followed by the United Kingdom.