

**Technical Guide on
Accounting for Expenditure
on
Corporate Social Responsibility
Activities**



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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Foreword

According to the United Nations Industrial Development Organisation, Corporate Social Responsibility (CSR) is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the 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.

In India, with the enactment of the Companies Act, 2013 by the Ministry of Corporate Affairs, Government of India, it has now become mandatory for Companies to take up CSR projects on social welfare activities. India is the only country which has regulated and mandated CSR activities to be undertaken by certain categories of companies. In the present times, the ambit of CSR activities has grown manifold and is playing an important part in achieving the sustainable development goals and private-public partnership in nation building. CSR has also played a very important role in supporting the social and economic development of the country during the Covid-19 pandemic.

The Institute of Chartered Accountants of India (ICAI) has been extending a helping hand in the form of publications and training programmes in the relevant areas to its members to help them pacing up with evolving knowledge. In this direction, the CSR Committee of ICAI has brought out this *Technical Guide on Accounting for Expenditure on Corporate Social Responsibility Activities* to provide detailed guidance on the accounting aspects of CSR spends and its presentation in the Financial Statement. The publication will be a useful guide for the accounting treatment of CSR expenditure and also covers the position after the amendments made to Section 135 by Companies (Amendment) Ordinance 2020, treatment for donations made in kind and treatment of excess expenditure than that specified under law, among others.

I complement the CSR Committee and its Chairman, CA. Pramod Jain, Vice-Chairman CA. Charanjot Singh Nanda and all Committee members for their

valuable inputs in bringing out this technical guide, and to the Committee Secretariat in promptly releasing the same. This publication is a laudable effort by the CSR Committee as it attempts to provide guidance on the CSR Accounting related issues, to the members and various other stakeholders.

CA. Atul Kumar Gupta
President

12.06.2020

Preface

Section 135 of The Companies Act, 2013 has made it mandatory for companies fulfilling certain criteria, to implement and report CSR policies. Rules framed thereunder and Notifications issued from time to time has provided extensive guidelines on the activities to be undertaken by the companies and the reporting of the same in the Annual Report of the Company.

During the COVID-19 pandemic, CSR has played an even greater role with corporates, and individuals undertaking Corporate Social Responsibility projects over and above the minimum criteria determined by law. Corporates have stood by the Government, during the time of crisis to strengthen the country both socially and economically. The ideology of our beloved Prime Minister Narendra Modi, of Atmanirbhar Bharat and Sashakt Bharat can be met through the private-public partnership model in CSR activities. CSR had also played a major role in implementing the Swatch Bharat Abhiyan.

With the increasing importance of the CSR activities, it has been felt necessary to provide guidance to the industry and professionals on the accounting aspects of the CSR Expenditures. This Technical Guide is an effort made by the CSR Committee of ICAI towards meeting the expectations of the professionals and the stakeholders in this respect.

I am thankful to CA. Atul Kumar Gupta, President and CA. Nihar Niranjana Jambusaria, Vice President, ICAI, for the guidance and support in coming out with this Technical Guide. I would also like to place on record my deep appreciation for the guidance and support of the members of the CSR Committee in publication of the Technical Guide. I appreciate the efforts put in by CA. Sonali Das Halder, Secretary CSR Committee of ICAI, for her contribution and efforts in timely releasing of the Technical Guide. I place on record my sincere thanks to CA. M. P. Vijay Kumar (Central Council Member), CA. Rajesh Mittal, CA. Charmi Shah, CA. Shailender Sharma, CA. S. K. Dalmia, CA. Anil Jain, CA. Satish Goyal, CA. Vijay Gupta and other members of the CSR Committee, for their valuable inputs in drafting this technical guide.

CA. Pramod Jain

Chairman

CSR Committee

Place : New Delhi

Date : 12.06.2020

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Technical Guide on Accounting for Expenditure on Corporate Social Responsibility Activities

Introduction

1. Section 135 of the Companies Act, 2013 (the Act), requires the Board of Directors of every company having a net worth of Rupees 500 crore or more, or turnover of Rupees 1,000 crore or more or a net profit of Rupees 5 crore or more, during the immediate preceding financial year, to constitute a Corporate Social Responsibility Committee of the Board.
2. The Corporate Social Responsibility Committee has to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject as specified in Schedule VII of the Act.
3. The Board has to ensure that the company spends in every financial year at least 2% 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, on Corporate Social Responsibility (CSR) in pursuance of its policy in this regard.

Objective

4. The objective of this Technical Guide (TG) is to provide guidance on recognition, measurement, accounting, presentation and disclosure of expenditure on activities relating to corporate social responsibility.

Scope

5. What constitutes CSR activities is specified in Schedule VII to the Act. Reference is also invited to the circular issued by the Ministry of

Corporate Affairs (MCA) No. 21/2014, Notification dated October 24, 2014 and clarification by MCA on COVID activities and contribution to PM cares fund. Accordingly the Technical Guide does not deal with identification of activities that constitute CSR activities but only provides guidance on accounting for expenditure on CSR activities in cash and in kind in line with the requirements of the Generally Accepted Accounting Principles including the applicable Accounting Standards.

6. This TG does not apply to other charitable activities of the company, which are not part of discharge of the mandatory corporate social responsibility requirements of the company under section 135 of the Companies Act, 2013

Definitions

7. For the purpose of this Technical Guide, the definitions mentioned at sl. nos. (a) to (f) are reproduced from the Companies Act, 2013, and the applicable Companies (Corporate Social Responsibility Policy) Rules, 2014 (the Rules) and in the event of any change in the Act or the Rules made thereunder, these definitions shall stand automatically revised/modified to that extent:

- (a) *Financial Year*: As per sub-section (41) of section 2 of the Act, "Financial Year", in relation to any company or body corporate, means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company or body corporate is made up:

Provided that on an application made by a company or body corporate, which is a holding company or a subsidiary or Associate of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the ROC may, on an application made to it, if it is satisfied, allow any period as its financial year, whether or not that period is a year:

- (b) *Net Profit*: According to Explanation to sub-section (5) of section 135 of the Act, "net profit" shall not include such sums

as may be prescribed, and shall be calculated in accordance with the provisions of section 198. Further clause (f) of sub-rule (1) of Rule 2 of the Rules, "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; and
- (ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:

Provided that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956, (1 of 1956) shall not be required to be re-calculated in accordance with the provisions of the Act:

Provided further that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381 read with section 198 of the Act.

- (c) Net worth: : As per sub-section (57) of section 2 of the Act, "Net worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation;
- (d) *Turnover*: As per sub-section (91) of section 2 of the Act, "Turnover" means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year;

8. Rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, requires that the CSR activities that shall be undertaken by the companies for the purpose of Section 135 of the Act shall exclude activities undertaken in pursuance of its 'normal course of business'. The Rules also specify that CSR projects or programmes or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with the requirements of the Act. Such programmes or projects or activities, that are carried out as a pre-condition for setting up a business, or as part of a contractual obligation undertaken by the company or in accordance with any other Act, or as a part of the requirement in this regard by the relevant authorities cannot be considered as a CSR activity within the meaning of the Act. Similarly, the requirements under relevant regulations or otherwise prescribed by the concerned regulators as a necessary part of running of the business, would be considered to be the activities undertaken in the 'normal course of business' of the company and, therefore, would not be considered CSR activities.

Recognition and Measurement of CSR Expenditure in Financial Statements

Expenditure made in Cash:

Whether Provision for Unspent Amount required to be created?

(Position as on the date of issue of this Technical Guide)

9. Section 135 (5) of the Companies Act, 2013, requires that the Board of every eligible company, "shall ensure that the company spends, in every financial year, at least 2% 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". 2nd Proviso to Section 135(5) states that "if the company fails to spend such amount, the Board shall, in its report ... specify the reasons for not spending the amount".

10. Further, Rule 8(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, prescribes that the Board Report of a company under these Rules shall include an Annual Report on CSR, containing particulars specified in the Annexure to the said Rules, which provide a format in this regard.
11. It has been clarified by serial number 17 in General Circular No. 01/2016 dated 12.01.2016 that the Board is free to decide whether any unspent amount out of the minimum required CSR expenditure is to be carried forward to the next year. However, the carried forward amount should be over and above the next year's CSR allocation equivalent to at least two percent of the average net profit of the company of the immediately preceding three years.
12. The above provisions of the Act clearly lay down that the expenditure on CSR activities is required to be disclosed only in the Board's Report in accordance with the Rules made thereunder. The proviso to section 135 (5) of the Act, makes it clear that if the specified amount is not spent by the company during the year, the Directors' Report should disclose the reasons for not spending the amount. In view of this and the clarification given in the FAQ, provision may not be made in the financial statements for the amount which is not spent, i.e., any shortfall in the amount that was expected to be spent as per the provisions of the Act on CSR activities and the amount actually spent at the end of a reporting period..
13. However, if a company has already undertaken certain CSR activity for which a liability has been incurred by entering into a contractual obligation, then in accordance with the generally accepted principles of accounting, a provision for the amount representing the extent to which the CSR activity was completed during the year, needs to be recognised in the financial statements even though the payment for the same has not been made during the year.

(Position after amendment made to Section 135 by Companies (Amendment) Act 2019 is made effective)

"Other than ongoing project"

14. Sub-section (5) of section 135 of the Act has been amended by Companies (Amendment) Act, 2019 whereby, any amount remaining

unspent under sub-section (5), pursuant to an activity other than any ongoing project as per section 135(6) has to transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year. However, the amendment is yet to be made effective. Whenever, the same is made effective, there would be change in the recognition and measurement of CSR spends during the year.

15. As per the said amendment, the company would have an obligation to transfer the unspent amount of “other than relating to an ongoing project” to a specified fund. Accordingly, a provision for liability for the amount representing the extent to which the amount is to be transferred, needs to be recognised in the financial statements.

“Ongoing project”

16. In case of any amount remaining unspent under section 135(5) pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such 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 from the date of such transfer, failing which, the company shall 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.
17. As there is an obligation to transfer the unspent amount to a separate bank account within 30 days of the end of Financial year and eventually any unspent amount out of that to a Fund specified in Schedule VII, a provision for liability for the amount representing the extent to which the amount is to be transferred within 30 days of the end of the financial year needs to be recognised in the financial statements.
18. In respect of both “ongoing projects” and “other than ongoing projects” if a company has already undertaken certain CSR activity for which a liability has been incurred by entering into a contractual obligation, a

provision for liability for the amount representing the extent to which the CSR activity was completed during the year needs to be recognised in the financial statements even though the payment for the same has not been made during the year.

19. For the purpose of para 15 and 17 above, the amount transferred to separate bank account will be the full amount, but provision created under those paras will be after deducting the provision created under para 18 if applicable and as provided.

Whether the Excess Amount spent is allowed to be carried forward to next year?

(Position as on the date of issue of this Technical Guide)

20. Where a company spends more than that required under law, a question arises as to whether the excess amount 'spent' can be carried forward to be adjusted against amounts to be spent on CSR activities in future period. Since '2% of average net profits of immediately preceding three years or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years,' is the minimum amount which is required to be spent under section 135 (5) of the Act, if the company spends an amount in excess of the requirements provided under this sub-section, such company currently is not allowed to set off such excess amount against the requirement to spend under this sub-section.
21. It has been clarified in serial number 16 in General Circular No. 01/2016 dated 12.01.2016 that any excess amount spent (i.e. more than 2% as specified) cannot be carried forward to the subsequent years and adjusted against that year's CSR expenditure. In view of the law and the clarification given in the FAQ, no asset should be recognized for the amount which is spent in excess of 2%, as per the provisions of the Act on CSR activities.

(Position after amendments made to Section 135 by Companies (Amendment) Ordinance 2020 is made the law of land)

22. 3rd Proviso to Sub-section (5) of section 135 of the Act is being proposed to be inserted through Companies (Amendment) Ordinance 2020 to provide that if the company spends an amount in excess of the requirements provided (2%), then such a company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed.
23. Whenever, the same is made law of the land, then the excess amount spent would be allowed to be carried forward to next year. If the company decides to adjust such excess against future obligation, then to the extent of such excess, an asset will have to be recognized for the amount which is spent in excess of 2%. If the company decides not to carry forward such excess spend in full or in part, the same to the extent not carried forward is to be recognized as expense.

Expenditure made in Kind

24. A Company may spend under the law in kind too. However, it is important to find out whether spending in kind may be covered under CSR or not. Few examples could be:
 - (a) A company acquires / purchases goods, etc. and distributes / uses the same in its CSR project, which is allowed under current CSR provisions as CSR spend.
 - (b) A company manufacturing / dealing in goods or services distributes those goods / services itself free of charge as CSR spend, which may not be covered in CSR spend in view of Rule 4(1) of the Companies (CSR Policy) Rules 2014. However, in *Mohd. Ahmed (Minor) vs. UOI & Ors dt 17.4.2014*, MCA gave an affidavit that a pharmaceutical Company donating medicines / drugs within section 135 read with schedule VII of the Act is a CSR activity, as the same is not an activity undertaken in pursuance of its normal course of business which is relatable to health care or any other entry in Schedule VII.

- (c) A hospital rendering free medical services to 25% patients as per local government guidelines may not be considered as CSR spend; however free medical services rendered beyond 25% may be considered as CSR spend.
- (d) A company manufacturing goods distributes / sells goods other than those which it manufactures in the normal course of business. For example, a manufacturer of steel rods, manufactures steel medical beds. If these beds are sold (irrespective of cost incurred), then it is not a CSR spend. However, giving it free of charge would be a CSR spend as it would not be an activity undertaken in the normal course of business.

Surplus from CSR Activities

- 25. Rule 6(2) provides that the CSR Policy of the company shall specify that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.

Other Considerations in Recognition and Measurement

- 26. A company may decide to undertake its CSR activities approved by the CSR Committee with a view to discharging its CSR obligation as arising under section 135 of the Act in the following three ways:
 - (a) making a contribution to the funds as specified in Schedule VII to the Act; or
 - (b) through a registered trust or a registered society or a company established under section 8 of the Act (or section 25 of the Companies Act, 1956) by the company, either singly or along with its holding or subsidiary or associate company or along with any other company or holding or subsidiary or associate company of such other company, or otherwise ; or
 - (c) in any other way in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014, e.g. on its own
- 27. In case a contribution is made to a fund specified in Schedule VII to the Act, the same would be treated as an expense for the year and charged to the statement of profit and loss. In case the amount is spent in the manner as specified in paragraph 26 (b) above the same

will also be recognized as an expense in the statement of profit and loss. The accounting for expenditure incurred by the company otherwise e.g. on its own would be recognized as explained hereinafter.

CSR activities carried out by the company covered under paragraph 26 (c) above

28. In cases where an expenditure of revenue nature is incurred on any of the activities mentioned in Schedule VII to the Act by the company on its own, the same should be charged as an expense to the statement of profit and loss. In case the expenditure incurred by the company is of such nature which may give rise to an 'asset', a question may arise as to whether such an 'asset' should be recognised by the company in its balance sheet. In this context, it would be relevant to note the definition of the term 'asset' as per the Framework for Preparation and Presentation of Financial Statements issued by the Institute of Chartered Accountants of India. As per the Framework, an 'asset' is a "resource controlled by an enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise". Hence, in cases where the control of the 'asset' is transferred by the company, e.g., a school building is transferred to a Gram Panchayat for running and maintaining the school, it should not be recognised as 'asset' in its books and such expenditure would need to be recognized as an expense in the statement of profit and loss as and when incurred.
29. In other cases, where the company retains the control of the 'asset' then it would need to be examined whether any future economic benefits accrue to the company. Invariably future economic benefits from a 'CSR asset' would not flow to the company as any surplus from CSR cannot be included by the company in business profits in view of Rule 6(2) of the Companies (Corporate Social Responsibility Policy) Rules, 2014.
30. In some cases, a company may supply goods manufactured by it or render services as CSR activities. In such cases, the

expenditure incurred should be recognised when the control on the goods manufactured by it is transferred or the allowable services are rendered by the employees. The goods manufactured by the company should be valued in accordance with the principles prescribed in Accounting Standard (AS) 2 / Ind As 2, *Valuation of Inventories*. The services rendered should be measured at cost. Indirect taxes (like GST, excise duty, VAT or other applicable taxes) on the goods and services so contributed will also form part of the CSR expenditure.

31. Where a company receives a grant from others for carrying out CSR activities, the CSR expenditure should be measured net of the grant.

Recognition of Income Earned from CSR Projects/ Programmes or During the Course of Conduct of CSR Activities

32. Rule 6 (2) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, requires that “the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company”. The term ‘surplus’ ordinarily means excess of income over expenditure pertaining to an entity or an activity. Thus, in respect of a CSR project or programme or activity, it needs to be determined whether any surplus is arising therefrom. A question would arise as to whether such surplus should be recognised in the statement of profit and loss of the company.
33. It may be noted that paragraph 5 of Accounting Standard (AS) 5, *Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies*, inter alia, requires that all items of income which are recognised in a period should be included in the determination of net profit or loss for the period unless an Accounting Standard requires or permits otherwise. As to whether the surplus from CSR activities can be considered as ‘income’, the *Framework for Preparation and Presentation of Financial Statements* issued by the Institute of Chartered Accountants of India, defines ‘income’ as “increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from

equity participants". Since the surplus arising from CSR activities is not arising from a transaction with the owners, it would be considered as 'income' for accounting purposes. In view of the aforesaid requirement, any surplus arising out of CSR project or programme or activities shall be recognised in the statement of profit and loss and since this surplus cannot be a part of business profits of the company, the same should immediately be recognised as liability for CSR expenditure in the balance sheet and recognised as a charge to the statement of profit and loss. Accordingly, such surplus would not form part of the minimum '2% of the average net profits of the company made in pursuance of its Corporate Social Responsibility Policy'

Presentation and Disclosure in Financial Statements

34. Item 5 (A)(k) in Division I, Item No. 7(O) in Division II and Item No. 11(iii) in Division III of the General Instructions for Preparation of Statement of Profit and Loss under Schedule III to the Companies Act, 2013, requires that in case of companies covered under Section 135, the amount of expenditure incurred on 'Corporate Social Responsibility Activities' shall be disclosed by way of a note to the statement of profit and loss. From the perspective of better financial reporting and in line with the requirements of Schedule III in this regard, it is recommended that all expenditure on CSR activities, that qualify to be recognised as expense in accordance with paragraphs 26-33 above should be recognised as a separate line item as 'CSR expenditure' in the statement of profit and loss. Further, the relevant note should disclose the break-up of various heads of expenses based on nature and materiality included in the line item 'CSR expenditure'.
35. It may also happen that a Company is incurring losses but it may still satisfy other conditions specified under Section 135 of the Act and becomes liable to comply with the provisions of the Section 135 and Companies Rules, 2014 but since there are no profits, the company may not spend any amount, and still it will have to disclose the reason for not spending any amount in its Boards Report.
36. The notes to accounts relating to CSR expenditure should also contain the following:

- (a) Gross amount required to be spent by the company during the year.
- (b) Amount approved by the Board to be spent during the year
- (c) Amount spent during the year on:

		Amount (in Rs.)
(i)	Construction / acquisition of any asset	
(ii)	On purposes other than (i) above	

The above disclosure, to the extent relevant, may also be made in the notes to the cash flow statement, where applicable.

- (d) Details of related party transactions, e.g., contribution to a trust / society / section 8 company controlled by the company in relation to CSR expenditure as per Accounting Standard (AS) 18, Related Party Disclosures.
- (e) When the amendments to Section 135(5) and 135(6) are made applicable, then the following details in the notes should also be made:

<i>In case of S. 135(5) unspent amount</i>				
Opening Balance	Amount deposited in Specified Fund of Sch. VII within 6 months	Amount required to be spent during the year	Amount spent during the year	Closing Balance

<i>In case of S. 135(5) Excess amount spent</i>			
Opening Balance	Amount required to be spent during the year	Amount spent during the year	Closing Balance

Details of ongoing projects along with

<i>In case of S. 135(6) (Ongoing Project) (to be given year-wise)</i>						
<i>Opening Balance</i>		<i>Amount required to be spent during the year</i>	<i>Amount spent during the year</i>		<i>Closing Balance</i>	
<i>With Company</i>	<i>In Separate CSR Unspent A/c</i>		<i>From Company's bank A/c</i>	<i>From Separate CSR Unspent A/c</i>	<i>With Company</i>	<i>In Separate CSR Unspent A/c</i>

37. Where a provision is made in accordance with paragraph 13 above, the same should be presented as per the requirements of Schedule III to the Companies Act, 2013. Further, movements in the provision during the year should be shown separately. Post applicability of amendments to section 135(5) and section 135(6), the provisions, where applicable should be made as per para 17, 18 or 19 above and the asset should be recognized for amount spent in excess as discussed in Para 23 above
38. Where the CSR expenditure being goods is incurred in kind, the same should be measured as per Accounting Standard- 2 'Valuation of Inventories' / Ind AS-2 'Inventories' at lower of cost and net realizable value. Where the CSR expenditure being services is incurred in kind, the same should be measurable and recorded at cost i.e. no profit / loss.

39. Accounting entries of the CSR Expenditure may be as under:

S. No.	Particulars	Dr. Amount (in Rs.)	Cr. Amount (in Rs.)
1	<i>CSR in Cash</i>		
	CSR Expenditure A/c Dr.		
	To Cash / Bank		
2	<i>CSR in Kind</i>		
	CSR Expenditure A/c Dr.		
	To Purchase /cost of goods consumed		
3	<i>CSR when not fully spent during the year as per proposed amendment to S. 135 (5)</i>		
	CSR Expenditure A/c Dr.		
	To Cash / Purchase / Cost of goods consumed (as applicable)		
	To CSR to be Deposited in Fund		
4	<i>CSR when not fully spent during the year as per proposed amendment S. 135 (6)</i>		
	CSR Expenditure A/c Dr.		
	To Cash / Purchase / Cost of goods consumed (as applicable)		
	To CSR to be Spent on Ongoing project		
5	<i>CSR when spent in excess as per proposed amendment to S. 135 (5)</i>		
	CSR Expenditure A/c Dr.		
	CSR Pre-Spent A/c Dr. (As per proposed amendment)		
	To Cash / Purchase / Cost of goods consumed (as applicable)		

40. A summary of the recognition and measurement of CSR spend is as under:

		Present position	After section 135(5) / 135(6) amendment is notified
Recognition and Measurement			
Amount spent	Recognition Measurement	Expense in Statement of Profit and Loss Aggregate of : Actual amount spent/paid Expenses for which there is contractual liability as benefit has been received.	Expense in Statement of Profit and Loss Aggregate of : Actual amount spent/paid Expenses for which there is contractual liability as benefit has been received. Less: Excess amount spent which company intends to carry-forward as asset
Amount not spent	Recognition Measurement	Optional Optional	Expense in Statement of Profit and Loss Aggregate of : For "Ongoing projects" , amount yet to be spent, which is to be transferred to a separate fund account # For "Other than ongoing projects" , unspent amount which is to be transferred to a specified fund account

<p>Amount Excess Spent</p> <p>Recognition Measurement</p>		<p>Create Asset, if it wants so</p> <p>Excess of the amount (2%) which was required to be spent on CSR during the year</p>
PRESENTATION		
<p>Statement of Profit and Loss</p>	<p>Separately as part of schedule of total expenses</p> <p>Break up of CSR spend is to be given nature-wise if material</p>	<p>Separately as part of schedule of total expenses</p> <p>Break up of CSR spend is to be given nature-wise if material</p>
<p>Balance Sheet</p>	<p>Any unpaid amount in respect of expenditure incurred for which there is contractual liability is to be shown as part of current liabilities and if payable beyond 12 months, then as non- current liability</p>	<p>Any unpaid amount in respect of expenditure incurred for which there is contractual liability is to be shown as part of current liabilities and if payable beyond 12 months, then as non- current liability</p> <p>For "On going projects", amount yet to be spent, i.e., transferred to a separate fund account should be shown as current asset under cash and bank balances with description that these funds are earmarked for CSR spend</p>

		<p>For "Other than ongoing projects", unspent amount which is yet to be transferred to a specified fund account, should be shown as current liability with description that this is payable within 6 months of balance sheet date</p> <p>Any excess expenditure which company decides to carry forward as asset, to be shown as current asset under the head loans and advances</p>
DISCLOSURE		
Directors Report	<p>If there is any unspent amount, explain reason for not spending</p> <p>Amount to be spent as per section 135, less amount spent</p>	<p>If there is any unspent amount, explain reason for not spending</p> <p>Amount to be spent as per section 135, less amount spent and, unless the unspent amount relates to any ongoing project, disclose that such unspent amount is to be transferred to a Specified Fund, within 6 months from the balance sheet date</p>

		Amount spent in excess should be disclosed, when asset thereof has been created.
Notes to Financial Statements	As per Para 36 (a) to (d) above	As per Para 36 (a) to (e) above

When money is spent in later years, it will be adjusted from this account; any unspent money at end of 3 years will be transferred to the specified fund account

Appendix 1

Section 135 of the Companies Act, 2013-Corporate Social Responsibility

- (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

Provided that where a company is not required to appoint an independent director under sub-section (4) of section 149, it shall have in its Corporate Social Responsibility Committee two or more directors.

- (2) The Board's report under sub-section (3) of Section 134 shall disclose the composition of the Corporate Social Responsibility Committee.
- (3) The Corporate Social Responsibility Committee shall,—
- (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII;
 - (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
 - (c) monitor the Corporate Social Responsibility Policy of the company from time to time.
- (4) The Board of every company referred to in sub-section (1) shall,—
- (a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner, as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), 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:

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 further 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.**

Explanation.—For the purposes of this section “average net profit” shall include such sums as may be prescribed, and shall be calculated in accordance with the provisions of Section 198.

(6) **Any amount remaining unspent under sub-section (5), pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such 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 from the date of such transfer, failing which, the company shall 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.**

- (7) If a company is in default in complying with the provisions of sub-section (5) or sub-section (6), the company shall be liable to a fine which shall not be less than fifty thousand rupees but which may extend to twenty five lakh rupees and every officer of such company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both
- (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.”.
- Yet to be notified

Exceptions / Modifications / Adaptations

1. In case of Specified IFSC Public Company - Section 135 shall not apply for a period of five years from the commencement of business of a Specified IFSC public company - Notification Dated 4th January, 2017.
2. In case of Specified IFSC Private Company - Section 135 shall not apply for a period of five years from the commencement of business of a Specified IFSC private company - Notification Dated 4th January, 2017

Appendix 2

Section 198 of the Companies Act , 2013 – Calculation of Profits

- (1) In computing the net profits of a company in any financial year for the purpose of section 197,—
 - (a) credit shall be given for the sums specified in sub-section (2), and credit shall not be given for those specified in sub-section (3); and
 - (b) the sums specified in sub-section (4) shall be deducted, and those specified in sub-section (5) shall not be deducted.
- (2) In making the computation aforesaid, credit shall be given for the bounties and subsidies received from any Government, or any public authority constituted or authorised in this behalf, by any Government, unless and except in so far as the Central Government otherwise directs.
- (3) In making the computation aforesaid, credit shall not be given for the following sums, namely:—
 - (a) profits, by way of premium on shares or debentures of the company, which are issued or sold by the company; [unless the company is an investment company as referred to in clause (a) of the Explanation to section 186]
 - (b) profits on sales by the company of forfeited shares;
 - (c) profits of a capital nature including profits from the sale of the undertaking or any of the undertakings of the company or of any part thereof;
 - (d) profits from the sale of any immovable property or fixed assets of a capital nature comprised in the undertaking or any of the undertakings of the company, unless the business of the company consists, whether wholly or partly, of buying and selling any such property or assets:

Provided that where the amount for which any fixed asset is sold exceeds the written-down value thereof, credit shall be

given for so much of the excess as is not higher than the difference between the original cost of that fixed asset and its written-down value;

any change in carrying amount of an asset or of a liability recognised in equity reserves including surplus in profit and loss account on measurement of the asset or the liability at fair value.

- (f) any amount representing unrealised gains, notional gains or revaluation of assets
- (4) In making the computation aforesaid, the following sums shall be deducted, namely:—
- (a) all the usual working charges;
 - (b) directors' remuneration;
 - (c) bonus or commission paid or payable to any member of the company's staff, or to any engineer, technician or person employed or engaged by the company, whether on a whole-time or on a part-time basis;
 - (d) any tax notified by the Central Government as being in the nature of a tax on excess or abnormal profits;
 - (e) any tax on business profits imposed for special reasons or in special circumstances and notified by the Central Government in this behalf;
 - (f) interest on debentures issued by the company;
 - (g) interest on mortgages executed by the company and on loans and advances secured by a charge on its fixed or floating assets;
 - (h) interest on unsecured loans and advances;
 - (i) expenses on repairs, whether to immovable or to movable property, provided the repairs are not of a capital nature;
 - (j) outgoing inclusive of contributions made under section 181;
 - (k) depreciation to the extent specified in section 123;
 - (l) the excess of expenditure over income, which had arisen in computing the net profits in accordance with this section in any

year in so far as such excess has not been deducted in any subsequent year preceding the year in respect of which the net profits have to be ascertained;

- (m) any compensation or damages to be paid in virtue of any legal liability including a liability arising from a breach of contract;
- (n) any sum paid by way of insurance against the risk of meeting any liability such as is referred to in clause (m);
- (o) debts considered bad and written off or adjusted during the year of account.

(5) In making the computation aforesaid, the following sums shall not be deducted, namely:—

- (a) income-tax and super-tax payable by the company under the Income-tax Act, 1961, or any other tax on the income of the company not falling under clauses (d) and (e) of sub-section (4);
- (b) any compensation, damages or payments made voluntarily, that is to say, otherwise than in virtue of a liability such as is referred to in clause (m) of sub-section (4);
- (c) loss of a capital nature including loss on sale of the undertaking or any of the undertakings of the company or of any part thereof not including any excess of the written-down value of any asset which is sold, discarded, demolished or destroyed over its sale proceeds or its scrap value;
- (d) any change in carrying amount of an asset or of a liability recognised in equity reserves including surplus in profit and loss account on measurement of the asset or the liability at fair value.

Appendix 3

Schedule VII to the Companies Act, 2013 (See sections 135)

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:—

- (i) eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation¹ including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
- (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water² including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
- (v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- (vi) measures for the benefit of armed forces veteran, war widows and their dependents;
- (vii) training to promote rural sports nationally recognised sports, Paralympic sports and Olympic sports;
- (viii) contribution to the Prime Minister's National Relief Fund or ⁴Prime

¹ Inserted vide Notification G.S.R. 741 (E) dated 24.10.2014

² Inserted vide Notification G.S.R. 741 (E) dated 24.10.2014

Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

- (ix) Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), ⁷[Department of Biotechnology (DBT)], Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).]
- (x) rural development projects;
- (xi) ³slum area development
Explanation.—For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.
- (xii) disaster management, including relief, rehabilitation and reconstruction activities.

Note 1: MCA vide its Circular No. 10/2020, dated 23.03.2020 has clarified that a Company may spend the fund for various activities related to COVID-19 under item no.(i) and (xii) of Schedule VII relating to promotion of health care, including preventive health care and sanitization, and, disaster management.

Note 2: MCA vide its General Circular No.15/2020, dated 10.04.2020 clarified that any contribution to PM CARES FUND and State Disaster Management Authority shall also qualify as CSR Expenditure under item no. (xii) of Schedule VII of Companies Act,2013.

³ Inserted vide Notification G.S.R 568 (E) dated 06.08.2014

⁴ Inserted vide Notification G.S.R. 313(E) dated 26.05.2020 w.e.f. 28th March 2020

Appendix 4

Rules for CSR under Section 135 of Chapter IX (after incorporating Amendments up to Apr 2018)

New Delhi,

G.S.R. 129 (E).- In exercise of the powers conferred under section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules, namely: -

1. Short title and commencement.

- (1) These rules may be called the Companies (Corporate Social Responsibility Policy) Rules, 2014;
- (2) They shall come into force on the 1st day of April, 2014.

2. Definitions.

- (1) In these rules, unless the context otherwise requires,
 - (a) "Act" means the Companies Act, 2013;
 - (b) "Annexure" means the Annexure appended to these rules;
 - (c) "Corporate Social Responsibility (CSR)" means and includes but is not limited to :-
 - (i) Projects or programs relating to activities, areas or subjects specified in Schedule VII to the Act; or
 - (ii) Projects or programs relating to activities undertaken by the board of directors of a company (Board) in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the company subject to the condition that such policy will include activities, areas or subjects, specified in Schedule VII of the Act.
 - (d) "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act;
 - (e) "CSR Policy" relates to the activities to be undertaken by the company in areas or subjects specified in Schedule VII to the Act and the expenditure thereon, excluding activities

undertaken in pursuance of normal course of business of a company;

- (f) "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; and
 - (ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:

Provided that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956, (1 of 1956) shall not be required to be re-calculated in accordance with the provisions of the Act:

Provided further that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (l) of section 381 read with section 198 of the Act.

- (2) Words and expressions used and not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

3. Corporate Social Responsibility.

- (1) Every company including its holding or subsidiary, and a foreign company defined under clause (42) of section 2 of the Act having its branch office or project office in India, which fulfils the criteria specified in sub-section (l) of section 135 of the Act shall comply with the provisions of section 135 of the Act and these rules:

Provided that net worth, turnover or net profit of a foreign company of the Act shall be computed in accordance with the balance sheet and profit and loss account of such company prepared in accordance with

the provisions of clause (a) of sub-section (1) of section 381 and section 198 of the Act.

- (2) Every company which ceases to be a company covered under sub-section (1) of section 135 of the Act for three consecutive financial years shall not be required to –
 - (a) constitute a CSR Committee; and
 - (b) comply with the provisions contained in sub-section (2) to (5) of the said section, till such time it meets the criteria specified in sub-section (1) of section 135

4. CSR Activities.

- (1) The CSR activities shall be undertaken by the company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.
- (2) The Board of a company may decide to undertake its CSR activities approved by the CSR Committee, through
 - (a) a company established under section 8 of the Act or a registered trust or a registered society, 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 any entity established under an Act of Parliament or a State legislature :

Provided that- if, the Board of a company decides to undertake its CSR activities through a company established under section 8 of the Act or a registered trust or a registered society, other than those specified in this sub-rule, such company or trust or society shall have an established track record of three years in undertaking similar programs or projects; and the company has specified the projects or programs to be undertaken, the modalities of utilisation of funds of such projects and programs and the monitoring and reporting mechanism”.

- (3) A company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR

Committees of respective companies are in a position to report separately on such projects or programs in accordance with these rules.

- (4) Subject to provisions of sub-section (5) of section 135 of the Act, the CSR projects or programs or activities undertaken in India only shall amount to CSR Expenditure.
- (5) 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.
- (6) Companies may build CSR capacities of their own personnel as well as those of their Implementing agencies through Institutions with established track records of at least three financial years but such expenditure including expenditure on administrative overheads shall not exceed five percent of total CSR expenditure of the company in one financial year.
- (7) Contribution of any amount directly or indirectly to any political party under section 182 of the Act, shall not be considered as CSR activity.

5. CSR Committees.

1. The companies mentioned in the rule 3 shall constitute CSR Committee as under:-
 - (i) a company covered under subsection (1) of section 135 which is not required to appoint an independent director pursuant to sub-section (4) of section 149 of the Act, shall have its CSR Committee without such director ;
 - (ii) a private company having only two directors on its Board shall constitute its CSR Committee with two such directors;
 - (iii) with respect to a foreign company covered under these rules, the CSR Committee shall comprise of at least two persons of which one person shall be as specified under clause (d) of sub-section (1) of section 380 of the Act and another person shall be nominated by the foreign company.
- (2) The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.

6. CSR Policy

(1) The CSR Policy of the company shall, inter-alia, include the following namely :-

- (a) a list of CSR projects or programs which a company plans to undertake in areas or subjects specified in the Schedule VII of the Act, specifying modalities of execution of such project or programs and implementation schedules for the same; and
- (b) monitoring process of such projects or programs:

Provided that the CSR activities do not include the activities undertaken in pursuance of normal course of business of a company.

Provided further that the Board of Directors shall ensure that activities included by a company in its Corporate Social Responsibility Policy are related to the areas or subjects specified in Schedule VII of the Act.

(2) The CSR Policy of the company shall specify that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.

7. CSR Expenditure

CSR expenditure shall include all expenditure including contribution to corpus, or on projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the areas or subjects, specified in Schedule VII of the Act.

8. CSR Reporting

- (1) The Board's Report of a company covered under these rules pertaining to a financial year commencing on or after the 1st day of April, 2014 shall include an annual report on CSR containing particulars specified in Annexure.
- (2) In case of a foreign company, the balance sheet filed under sub-clause (b) of sub-section (1) of section 381 shall contain an Annexure regarding report on CSR.

9. Display of CSR activities on its website

The Board of Directors of the company shall after taking into account the recommendations of CSR Committee, approve the CSR Policy for the Company and disclose the contents of such policy in its report and the same

shall be displayed on the Company's website, if any, , as per the particulars specified in the Annexure."

Extract from The Companies (Amendment) Bill 2020

(yet to be notified in the Official Gazette)

Amendment of Section 135

27. In section 135 of the principal Act,—

(a) in sub-section (5), after the second proviso, the following proviso shall be inserted, namely:—

"Provided also that if the company spends an amount in excess of the requirements provided under this sub-section, such company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed.";

(b) for sub-section (7), the following sub-section shall be substituted, namely:—

"(7) If a company is in default in complying with the provisions of sub-section (5) or sub-section (6), the company shall be liable to a 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.";

(c) after sub-section (8), the following sub-section shall be inserted, namely:—

"(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.".

Appendix 5

OFFICE MEMORANDUM dated 28.03.2020

Subject: Clarification on contribution to PM CARES Fund as eligible CSR activity under item no. (viii) of the Schedule VII of Companies Act, 2013.

1. The Government of India has set up the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund' (PM CARES Fund) with the primary objective of dealing with any kind of emergency or distress situation such as that posed by COVID 19 pandemic.
2. Item no. (viii) of the Schedule VII of the Companies Act, 2013, which enumerates activities that may be undertaken by companies in discharge of their CSR obligations, inter alia provides that contribution to any fund set up by the Central Government for socio-economic development and relief qualifies as CSR expenditure. The PM-CARES Fund has been set up to provide relief to those affected by any kind of emergency or distress situation. Accordingly, it is clarified that any contribution made to the PM CARES Fund shall qualify as CSR expenditure under the Companies Act 2013.
3. This issues with the approval of competent authority.

Appendix 6

General Circular No. 10/2020 dated 23.03.2020

Clarification on spending on CSR funds for Covid-19

Keeping in view of the spread of novel Corona Virus (COVID-19) in India, its declaration as pandemic by the World Health Organisation (WHO), and, decision of Government of India to treat this as a notified disaster, it is hereby clarified that spending of CSR funds for COVID-19 is eligible CSR activity.

2. Funds may be spent for various activities related to COVID-19 under item nos. (i) and (xii) of Schedule VII relating to promotion of health care, including preventive health care and sanitation, and, disaster management. Further, as per General Circular No. 21/2014 dated 10.06.2014, items in Schedule VII are broad based and may be interpreted liberally for this purpose.

3. This issues with the approval of the competent authority.

Appendix 7

General Circular No. 15 /2020 dated 10.04.2020

COVID-19 related Frequently Asked Questions (FAQs) on Corporate Social Responsibility (CSR)

S. No.	Frequently Asked Questions (FAQs)	Reply
1	Whether contribution made to 'PM CARES Fund' shall qualify as CSR expenditure?	Contribution made to 'PM CARES Fund' shall qualify as CSR expenditure under item no (viii) of Schedule VII of the Companies Act, 2013 and it has been further clarified vide Office memorandum F. No. CSR-05/1/2020-CSR-MCA dated 28th March, 2020.
2.	Whether contribution made to 'Chief Minister's Relief Funds' or 'State Relief Fund for COVID-19' shall qualify as CSR expenditure?	'Chief Minister's Relief Fund' or 'State Relief Fund for COVID-19' is not included in Schedule VII of the Companies Act, 2013 and therefore any contribution to such funds shall not qualify as admissible CSR expenditure.
3.	Whether contribution made to State Disaster Management Authority shall qualify as CSR expenditure?	Contribution made to State Disaster Management Authority to combat COVID-19 shall qualify as CSR expenditure under item no (xii) of Schedule VII of the 2013 and clarified vide general circular No. 10/2020 dated 23 rd March, 2020.
4.	Whether spending of CSR funds for COVID-19 related activities shall qualify as CSR expenditure?	Ministry vide general circular No. 10/2020 dated 23 rd March, 2020 has clarified that spending CSR funds for COVID-19 related activities shall qualify as CSR expenditure. It is further clarified that funds may be spent for

		various activities related to COVID-19 under items nos. (i) and (xii) of Schedule VII relating to promotion of health care including preventive health care and sanitation, and disaster management. Further, as per general circular No. 21/2014 dated 18.06.2014, items in Schedule VII are broad based and may be interpreted liberally for this purpose.
5.	Whether payment of salary/wages to employees and workers, including contract labour, during the lockdown period can be adjusted against the CSR expenditure of the companies?	Payment of salary/ wages in normal circumstances is a contractual and statutory obligation of the company. Similarly, payment of salary/ wages to employees and workers even during the lockdown period is a moral obligation of the employers, as they have no alternative source of employment or livelihood during this period. Thus, payment of salary/ wages to employees and workers during the lockdown period (including imposition of other social distancing requirements) shall not qualify as admissible CSR expenditure.
6.	Whether payment of wages made to casual /daily wage workers during the lockdown period can be adjusted against the CSR expenditure of the companies?	Payment of wages to temporary or casual or daily wage workers during the lockdown period is part of the moral/ humanitarian/ contractual obligations of the company and is applicable to all companies irrespective of whether they have any legal obligation for CSR contribution under section 135 of the Companies Act 2013. Hence, payment of wages to temporary or casual or daily wage workers during the lockdown period shall not count towards CSR expenditure.

7.	Whether payment of ex- gratia to temporary /casual /daily wage workers shall qualify as CSR expenditure?	If any ex-gratia payment is made to temporary/ casual workers/ daily wage workers over and above the disbursement of wages, specifically for the purpose of fighting COVID 19, the same shall be admissible towards CSR expenditure as a one- time exception provided there is an explicit declaration to that effect by the Board of the company, which is duly certified by the statutory auditor.
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Appendix 8

Summary of Notifications issued by the Ministry of Corporate Affairs related to CSR

S.No.	Notification No.	Date	Description
1.	G.S.R. 129(E)	27.02.2014	The Companies (Corporate Social Responsibility Policy) Rules, 2014
2.	G.S.R. 644(E)	12.09.2014	Amending sub-rule (6) of Rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014.
3.	G.S.R. 43(E)	19.01.2015	Amending sub rule (2) of Rule 4 of Companies (Corporate Social Responsibility Policy) Rules, 2014.
4.	G.S.R. 540(E)	23.05.2016	Amending sub rule (2) of Rule 4 of Companies (Corporate Social Responsibility Policy) Rules, 2014
5.	G.S.R. 895(E)	19.09.2018	Amendment Rules, 2018 to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014
6.	<u>G.S.R. 582(E)</u>	27.02.2014	Notification relating to effective date of provisions of section 135 and Schedule VII of Companies Act, 2013
7.	G.S.R. 130(E)	27.02.2014	Notification relating to amendments of Schedule VII of Companies Act, 2013

8.	G.S.R. 261(E)	31.03.2014	Corrigenda to Notification no. GSR 130E dated 27.02.2014 regarding Schedule VII [w.r.t CSR Activities]
9.	G.S.R. 568(E)	06.08.2014	Regarding amendment in Schedule VII of the Companies Act, 2013 thereby inserting 'slum area development' as new item (xi).
10.	G.S.R. 741(E)	24.10.2014	Further amendment to Schedule VII of the Companies Act, 2013 thereby inserting contribution to the "Swach Bharat Kosh" and "Clean Ganga" Fund set-up by the Central Government as enlisted item under Schedule VII of the Act.
11.	GS.R.390(E)	30.05.2019	Regarding amendment in Schedule VII of the Companies Act 2013, thereby inserting disaster management, including relief, rehabilitation and reconstruction activities, as new item (xii)
12.	GS.R.776(E)	11.10.2019	Regarding amendment in Schedule VII of the Companies Act, 2013 thereby inserting 'Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National

			<p>Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs) ' as new item (ix).</p>
13.	GS.R.859(E)	19.11.2019	<p>Corrigenda to Notification no. GSR 776E dated 11.10.2019 regarding Schedule VII [w.r.t CSR Activities]</p>
14.	G.S.. 313(E)	26.05.2020	<p>Further amendment to Schedule VII of the Companies Act, 2013:</p> <p>In Schedule VII item (viii), after the words "Prime Minister's National Relief Fund", the words "or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)" shall be inserted. The Notification comes into effect from 28th March, 2020.</p>

Summary of Circulars issued by the Ministry of Corporate Affairs related to CSR

S. No	General Circular No.	Date	Description
1.	General Circular No. 21/2014	18.06.2014	<p>Clarification with regard to provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013:-</p> <ul style="list-style-type: none"> • Clarification with respect to CSR is as under:- <ul style="list-style-type: none"> ➤ The statutory provision and provisions of CSR Rules, 2014, is to ensure that while activities undertaken in pursuance of the CSR policy must be relatable to Schedule VII of the Companies Act, 2013, the entries in the said Schedule VII must be interpreted liberally so as to capture the essence of the subjects enumerated in the said Schedule. The items enlisted in the amended Schedule VII of the Act, are broad based and are intended to cover a wide range of activities as mentioned in the Annexure:- ➤ CSR activities should be undertaken by the companies in project/ programme mode [as referred in Rule 4(1) of Companies CSR Rules, 2014]. (One-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV programmes etc. would not be qualified as part of CSR expenditure).

			<ul style="list-style-type: none"> ➤ <i>Expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc) would not count as CSR expenditure under the Companies Act.</i> ➤ <i>Salary paid by the companies to regular CSR staff as well as to volunteers of the companies (in proportion to company's time/ hours spent specifically on CSR) can be factored into CSR project cost as part of the CSR expenditure.</i> ➤ <i>"Any Financial year" referred under Sub-Section (1) of Section 135 of the Act read with Rule 3(2) of Companies CSR Rule, 2014 implies 'any of the three preceding financial years'.</i> ➤ <i>Expenditure incurred by Foreign Holding Company for CSR activities in India will qualify as CSR spend of the Indian subsidiary if, the CSR expenditures are routed through Indian subsidiaries and if the Indian subsidiary is required to do so as per Section 135 of the Act.</i> ➤ <i>'Registered Trust' (as referred in Rule 4(2) of the Companies CSR Rules, 2014) would include Trusts registered under Income Tax Act, 1956 for those states where registration of Trust is not mandatory.</i>
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			<p>➤ Contribution to Corpus of a Trust/ Society/Section 8 Companies etc. will qualify as CSR expenditure as long as (a) the Trust/Society/ Section 8 companies etc. is created exclusively for undertaking CSR activities or (b) where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Act.</p>
2.	General Circular No. 36/2014	17.09.2014	<p>Clarification with regard to provisions of Corporate Social Responsibility (CSR) under Section 135 of the Companies Act, 2013:-</p> <ul style="list-style-type: none"> • In continuation of the General Circular No. 21 of 2014 dated 18.06.2014 the following clarifications are hereby issued: <ul style="list-style-type: none"> (i) Rule 4(6) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 as notified on 27.02.2014 has been amended by notification dated 12.09.2014; and (ii) Consequently, clarification (iv) in General Circular No. 21 of 2014 dated 18.06.2014, stands omitted i.e., <p>Salaries paid by the companies to regular CSR staff as well as to volunteers of the companies (in proportion to company's time/hours spent specifically on CSR) can be factored into CSR project cost as part of the CSR expenditure.'</p>

3.	General Circular No. 01/2015	03.02.2015	Constitution of a High Level Committee to suggest measures for improved monitoring of the implementation of Corporate Social Responsibility policies by the companies under Section 135 of the Companies Act, 2013
4.	General Circular No. 01/2016	12.01.2016	FAQs on CSR
5.	General Circular No. 05/2016	16.05.2016	Clarification with regard to provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013, shall not contravene any other prevailing laws of the land including Cigarettes and Other Tobacco Products Act (COTPA), 2003.
6.	General Circular No. 11/2016	15.09.2016	Constitution of Steering Committee for conducting 'National Corporate Social Responsibility Award' of Ministry of Corporate Affairs.
7.	General Circular No. 06/2018	28.05.2018	Clarification with regard to provisions under section 135(5) of the Companies Act, 2013
8.	General Circular No. 10/2020	23.03.2020	Clarification on Spending of CSR Funds for COVID-19.
9.	General Circular No. 15/2020	10.04.2020	COVID-19 related FAQs on CSR.

**ANNEXURE REFERRED TO AT PARA (i) OF GENERAL CIRCULAR NO.
21/2014 DATED 18.06.2014**

Sl. No.	Additional items requested to be included in Schedule VII or to be clarified as already being covered under Schedule VII of the Act	Whether covered under Schedule VII of the Act
1.	<p>Promotion of Road Safety through CSR:</p> <p>(i) (a) Promotions of Education, "Educating the Masses and Promotion of Road Safety awareness in all facets of road usage,</p> <p>(b) Drivers' training,</p> <p>(c) Training to enforcement personnel,</p> <p>(d) Safety traffic engineering and awareness through print, audio and visual media" should be included.</p> <p>(ii) Social Business Projects: "giving medical and Legal aid, treatment to road accident victims" should be included.</p>	<p>(a) Schedule VII (ii) under "promoting education".</p> <p>(b) For drivers training etc. Schedule VII (ii) under "vocational skills".</p> <p>(c) It is establishment functions of Government (cannot be covered).</p> <p>(d) Schedule VII (ii) under "promoting education".</p> <p>(ii) Schedule VII (i) under 'promoting health care including preventive health care.'</p>

2.	Provisions for aids and appliances to the differently-able persons- 'Request for inclusion	Schedule VII (i) under 'promoting health care including preventive health care.'
3.	<p>The company contemplates of setting up ARTIIC (Applied Research Training and Innovation Centre) at Nasik. Centre will cover the following aspects as CSR initiatives for the benefit of the predominately rural farming community:</p> <p>(a) Capacity building for farmers covering best sustainable farm management practices.</p> <p>(b) Training Agriculture Labour on skill development.</p> <p>(c) Doing our own research on the field for individual crops to find out the most cost optimum and Agri-ecological sustainable farm practices. (Applied research) with a focus on water management.</p> <p>(d) To do Product Life Cycle analysis from the soil conservation point of view.</p>	<p>Item no. (ii) of Schedule VII under the head of "promoting education" and "vocational skills" and "rural development".</p> <p>(a) "Vocational skill" livelihood enhancement projects.</p> <p>(b) "Vocational skill"</p> <p>(c) 'Ecological balance', maintaining quality of soil, air and water'.</p> <p>(d) "Conservation of natural resource" and 'maintaining quality of soil, air and water'.</p>
4.	To make "Consumer Protection Services" eligible	Consumer education and awareness can be covered under Schedule VII

	<p>under CSR. (Reference received by Dr. V.G. Patel, Chairman of Consumer Education and Research Centre).</p> <p>(i) Providing effective consumer grievance redressal mechanism.</p> <p>(ii) Protecting consumer's health and safety, sustainable consumption, consumer service, support and complaint resolution.</p> <p>(iii) Consumer protection activities.</p> <p>(iv) Consumer Rights to be mandated.</p> <p>(v) all consumer protection programs and activities" on the same lines as Rural Development, Education etc.</p>	(ii) "promoting education".
5.	<p>(a) Donations to IIM [A] for conservation of buildings and renovation of classrooms would qualify as "promoting education" and hence eligible for compliance of companies with Corporate Social Responsibility.</p> <p>(b) Donations to IIMA for conservation of buildings and renovation of</p>	Conservation and renovation of school buildings and classrooms relates to CSR activities under Schedule VII as "promoting education".

	classrooms would qualify as "protection of national heritage, art and culture, including restoration of buildings and sites of historical importance" and hence eligible for compliance of companies with CSR.	
6.	Non- Academic Technopark TBI not located within an academic Institution but approved and supported by Department of Science and Technology.	Schedule VII (ii) under "promoting education", if approved by Department of Science and Technology.
7.	Disaster Relief	Disaster relief can cover wide range of activities that can be appropriately shown under various items listed in Schedule VII. For example, (i) medical aid can be covered under 'promoting health care including preventive health care.' (ii) food supply can be covered under eradicating hunger, poverty and malnutrition. (iii) supply of clean water can be covered under 'sanitation and making available safe drinking water'.
8.	Trauma care around highways in case of road accidents.	Under 'health care'.
9.	Clarity on "rural development projects"	Any project meant for the development of rural India will be covered under this.

10.	Supplementing of Govt. schemes like mid-day meal by corporates through additional nutrition would qualify under Schedule VII.	Yes. Under Schedule VII, item no. (i) under 'poverty and malnutrition'.
11.	Research and Studies in the areas specified in Schedule VII.	Yes, under the respective areas of items defined in Schedule VII. Otherwise under 'promoting education'.
12.	Capacity building of government officials and elected representatives - both in the area of PPPs and urban infrastructure.	No.
13.	Sustainable urban development and urban public transport systems	Not covered.
14.	Enabling access to, or improving the delivery of, public health systems be considered under the head "preventive healthcare" or "measures for reducing inequalities faced by socially & economically backward groups"?	Can be covered under both the heads of "healthcare" or "measures for reducing inequalities faced by socially & economically backward groups", depending on the context.
15.	Likewise, could slum re-development or EWS housing be covered under "measures for reducing inequalities faced by socially & economically backward groups"?	Yes.
16.	Renewable energy projects	Under 'Environmental sustainability, ecological balance and conservation of natural resources',

17.	<p>(i) Are the initiatives mentioned in Schedule VII exhaustive?</p> <p>(ii) In case a company wants to undertake initiatives for the beneficiaries mentioned in Schedule VII, but the activity is not included in Schedule VII, then will it count (as per 2(c)(ii) of the Final Rules, they will count)?</p>	<p>(i) & (ii) Schedule VII is to be liberally interpreted so as to capture the essence of subjects enumerated in the schedule.</p>
18.	<p>US-India Physicians Exchange Program-broadly speaking, this would be program that provides for the professional exchange of physicians between India and the United States.</p>	<p>No.</p>

Composition of CSR Committee for the year 2020-21

Council Members

- CA. Pramod Jain, Chairman
- CA. Charanjot Singh Nanda, Vice-Chairman
- CA. Atul Kumar Gupta, President (Ex-officio)
- CA. Nihar Niranjana Jambusaria, Vice-President (Ex-officio)
- CA. Anil Satyanarayan Bhandari
- CA. Jay Chhaira
- CA. Prafulla Premeekh Chhajed
- CA. Nandkishore Chidamber Hegde
- CA. Dheeraj Kumar Khandelwal
- CA. Chandrashekar Vasant Chitale
- CA. Durgesh Kumar Kabra
- CA. Dayaniwas Sharma
- CA. G Sekar
- CA. Rajendra Kumar P
- CA. M P Vijay Kumar
- CA. Ranjeet Kumar Agarwal
- CA. Sushil Kumar Goyal
- CA. Pramod Kumar Boob
- CA. Kemisha Soni
- CA. Rajesh Sharma
- Shri Gyaneshwar Kumar Singh
- Shri Sunil Kanoria

Co-opted Members

- CA. Shailendra Sharma
- CA. Charmi Shah
- CA. Vinay Jindal
- CA. Satish Goyal
- CA. Vijay Kumar Gupta
- CA. MS Ladha
- CA. Naveen Sharma

Special Invitees

- CA. Rajesh Mittal
- CA. Deen Dayal Agarwal
- CA. Satish Goyal
- CA. Rakesh Singhal
- CA. Manoj Sarda
- CA. Sanjeev Kumar Jain

Secretary to the Committee: CA. Sonali Das Halder

Chairmen of Regional CSR Committees for the year 2020-21

- CA. Shashank Agrawal, NIRC
- CA. Umesh Sharma, WIRC
- CA. Naresh Chandra Gelli, SIRC
- CA. Devendra Kumar Somani, CIRC
- CA. Ravi Kumar Patwa, EIRC