



# **CORPORATE SOCIAL RESPONSIBILITY (CSR): A HANDBOOK**

## **THE A TO Z OF SECTION 135, COMPANIES ACT 2013 ON CSR**

**DESIGNED AND COMPILED BY  
LAKSHYAA FOR**

**LAKSHYAA INSTITUTE FOR  
FUNDAMENTAL TRANSFORMATION: LIFT  
[www.lakshyaa.co.in](http://www.lakshyaa.co.in)**

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# **Section 1**

Section 135 CSR



**Notified Date of Section:01/04/2014**

### **135. Corporate Social Responsibility.**

<sup>1&2</sup> (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 <sup>3</sup> [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.

<sup>4</sup> [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 <sup>5</sup> [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 <sup>7</sup> [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 <sup>8</sup> [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].

<sup>10</sup> [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](#).]

<sup>6</sup> [Explanation.—For the purposes of this section “net profit” shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of [section 198](#).]

<sup>9</sup> [ (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.

<sup>11</sup> [(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.]

(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.]

<sup>12</sup> [(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.]

1. [Clarification related to Schedule VII](#) -Dated 18.06.2014. (Point (iv) has been Omitted – Refer Clarification Dated-17.09.2014)

2. [Clarification related to above Clarification Dated-17.09.2014](#).

3. [Clarification with regard to provisions under section 135 \(5\) of the Companies Act, 2013](#).

#### **Exceptions/Modifications/Adaptations**

<sup>1</sup>. 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.

<sup>2</sup>. 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

### **Amendment**

<sup>3</sup>. Substituted by the Companies (Amendment) Act,2017 – **Amendment Effective from 19.09.2018**

In section 135 for sub-section (1),for the words—

any financial year

the following words shall be substituted, namely :—

the immediately preceding financial year

<sup>4</sup>. Inserted by The Companies (Amendment) Act,2017– **Amendment Effective from 19.09.2018**

<sup>5</sup>. Substituted by the Companies (Amendment) Act,2017 – **Amendment Effective from 19.09.2018**

In section 135, for sub-section (3), in clause (a),for the words

as specified in <sup>1,2</sup> Schedule VII;

the following words and figures shall be substituted, namely :—

in areas or subject, specified in Schedule VII

<sup>6</sup>. Substituted by the Companies (Amendment) Act,2017 **Amendment Effective from 19.09.2018**

In section 135, for sub-section (5), for the Explanation—

Explanation.—For the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198.

the following Explanation shall be substituted, namely :—

Explanation.—For the purposes of this section “net profit” shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of section 198.

<sup>7</sup>. Inserted by The Companies (Amendment) Act,2019– Amendment Effective from 22.01.2021  
**[Companies (Amendment) Second Ordinance 2019 is repealed on 31st July 2019]**

8. Inserted by The Companies (Amendment) Act, 2019– Amendment Effective from 22.01.2021  
**[Companies (Amendment) Second Ordinance 2019 is repealed on 31st July 2019]**

9. Inserted by The Companies (Amendment) Act, 2019– Amendment Effective from 22.01.2021  
**[Companies (Amendment) Second Ordinance 2019 is repealed on 31st July 2019]**

10. Inserted by the Companies (Amendment) Act, 2020. Notification dated 28th September, 2020  
Amendment Effective from 22nd January 2021

11. Substituted by the Companies (Amendment) Act, 2020. Notification dated 28th September, 2020  
Amendment Effective from 22nd January 2021

for sub-section (7),

(7) If a company contravenes the provisions of sub-section (5) or sub-section (6), the company shall be punishable with 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.

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.

12. Inserted by the Companies (Amendment) Act, 2020. Notification dated 28th September, 2020  
Amendment Effective from 22nd January 2021

# **Section 2**

Schedule VII



## Schedule VII

(See Section 135)

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

<sup>1</sup>[(i) Eradicating hunger, poverty and malnutrition, <sup>2</sup>["promoting health care including preventive health care"] and sanitation <sup>4</sup>[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 water <sup>4</sup>[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 art and handicrafts;

(vi) measures for the benefit of armed forces veterans, war widows and their dependents, <sup>9</sup>[ Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows];

(vii) training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports

(viii) contribution to the prime minister's national relief fund <sup>8</sup> [or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)] or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

<sup>10</sup>[(ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).]

(x) rural development projects]

<sup>3</sup>[(xi) slum 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.]

<sup>5</sup>[(xii) disaster management, including relief, rehabilitation and reconstruction activities.]

**Note :**

1. Clarification on spending of CSR funds for COVID-19.

2. COVID-19 related FAQs on CSR.

**Amendment**

<sup>1</sup>. Substituted by Notification Dated 27th February, 2014. - **Original Content**

<sup>2</sup> Substituted by Notification Dated 31st March, 2014.

For the words "promoting preventive health care" read "promoting health care including preventive health care".

<sup>3</sup>. Inserted by Notification Dated 7th August, 2014.

<sup>4</sup>. Inserted by Notification Dated 24th October, 2014.

<sup>5</sup>. Inserted by Notification dated 30th may 2019.

<sup>6</sup>. Substituted by Notification Dated 11th October 2019.

in Schedule VII for the item no. ix.;

ix. contributions or funds provided to technology incubators located within academic institutions which are approved by the central govt.

the following item and entries shall be substituted namely,



**(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), 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).

7. Inserted by Notification Dated 19th November 2019.

8. Inserted by Notification Dated 26th May 2020 **Effective from 28.03.2020**

9. Inserted by Notification Dated 23rd June 2020.

10. Substituted by Notification Dated 24th August 2020

in Schedule VII for the item no. ix.;

<sup>6</sup>**[(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), <sup>7</sup> [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).]

the following item and entries shall be substituted namely,

(ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and

(b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).

**Original Omitted Content** (i) eradicating extreme hunger and poverty;

(ii) promotion of education;

(iii) promoting gender equality and empowering women;

(iv) reducing child mortality and improving maternal health;

(v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;

(vi) ensuring environmental sustainability;

(vii) employment enhancing vocational skills;

(viii) social business projects;

(ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and

(x) such other matters as may be prescribed.



# **Section 3**

Companies (Corporate Social  
Responsibility Policy)  
Amendment Rules, 2021

## MINISTRY OF CORPORATE AFFAIRS

### NOTIFICATION

New Delhi, the 22nd January, 2021

**G.S.R. 40(E).**—In exercise of the powers conferred by 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 further to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014, namely:-

1. **Short title and commencement.** - (1) These rules may be called the **Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.**  
  
(2) They shall come into force on the date of their publication in the Official Gazette unless explicitly provided elsewhere in this notification.
2. In the **Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as the said rules)**, for rule 2, the following rule shall be substituted, namely:-

**“2. Definitions.** - (1) In these rules, unless the context otherwise requires,-

- (a) "Act" means the Companies Act, 2013 (18 of 2013);
- (b) “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;
- (c) "Annexure" means the Annexure appended to these rules;
- (d) “Corporate Social Responsibility (CSR)” means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in these rules, but shall not include the following, namely:-

- (i) activities undertaken in pursuance of normal course of business of the company:

Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22, 2022-23 subject to the conditions that-

- (a) such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act;
- (b) details of such activity shall be disclosed separately in the Annual report on CSR included in the Board's Report;
- (ii) any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;
- (iii) contribution of any amount directly or indirectly to any political party under section 182 of the Act;
- (iv) activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);
- (v) activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;
- (vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India;
- (e) "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act;
- (f) "CSR Policy" means a statement containing the approach and direction given by the board of a company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan;
- (g) "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;
- (h) "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 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;
- (i) "Ongoing Project" means a multi-year project undertaken by a Company in fulfilment 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;
- (j) "Public Authority" means 'Public Authority' as defined in clause (h) of section 2 of the Right to Information Act, 2005 (22 of 2005);
- (k) "section" means a section 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. In the said rules, in rule 3, in sub-rule (2), in clause (b), for the words, brackets and figure “sub-section (2) to (5)”, the words, brackets and figure “sub-section (2) to (6)” shall be substituted.

4. In the said rules, for rule 4, the following rule shall be substituted, namely:-

**“4. CSR Implementation.** – (1) The Board shall ensure that the CSR activities are undertaken by the company itself or through -

(a) 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.

**(2) (a) 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:**

Provided that the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the **01st day of April 2021.**

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

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

(3) 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.

(4) A company may also collaborate with other companies for undertaking projects or programmes 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 programmes in accordance with these rules.

(5) The Board of a company shall satisfy itself that the funds so disbursed have been utilised 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.

(6) 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. ”.

5. In the said rules, in rule 5, for sub-rule (2), the following sub-rule shall be substituted, namely:-

“(2) The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:-

(a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;

(b) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4;

(c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;

(d) monitoring and reporting mechanism for the projects or programmes; and

(e) details of need and impact assessment, if any, for the projects undertaken by the company:

Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect. ”.

6. In the said rules, rule 6 shall be omitted.

7. In the said rules, for rule 7, the following rule shall be substituted, namely:-

**“7.CSR Expenditure. -** (1) The board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.

(2) 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.

(3) Where a company spends an amount in excess of requirement provided under sub-section (5) of section 135, such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years subject to the conditions that –

(i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of this rule.

(ii) the Board of the company shall pass a resolution to that effect.

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

(a) 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

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

(c) a public authority:

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. ”.

8. In the said rules, for rule 8, the following rule shall be substituted, namely:-

**“8. CSR Reporting .-** (1) The Board's Report of a company covered under these rules pertaining to any financial year shall include an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable.

(2) In case of a foreign company, the balance sheet filed under clause (b) of sub-section (1) of section 381 of the Act, shall contain an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable.

(3) (a) Every company having average CSR obligation of ten crore rupees or more in pursuance of sub-section (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.

(b) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

(c) A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less. ”.

9. In the said rules, for rule 9, the following rules shall be substituted, namely:-

**“9. Display of CSR activities on its website. -** The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.

**10. Transfer of unspent CSR amount. -** Until a fund is specified in Schedule VII for the purposes of sub-section (5) and(6) of section 135 of the Act, the unspent CSR amount, if any, shall be transferred by the company to any fund included in schedule VII of the Act.”.

10. In the said rules,-

(i) The 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;

(ii) after Annexure –I as so numbered, the following Annexure shall be inserted, namely:-

**“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 1<sup>ST</sup> DAY OF APRIL, 2020**

1. Brief outline on CSR Policy of the Company.

2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year

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).

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

- 5.

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in Rs)	Amount required to be set- off for the financial year, if any (in Rs)
1			
2			
3			
	<b>TOTAL</b>		

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 programmes 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).

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

Total Amount Spent for the Financial Year. (in Rs.)	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.

(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 Agency	
				State.	District.						Name	CSR Registration number.
1.												
2.												
3.												
	TOTAL											

(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.									
	TOTAL								

- (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)

(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)]	

9. (a) Details of Unspent CSR 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.							
	TOTAL						

(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							

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).


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).

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

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

“

<b>CSR-1</b>  (Pursuant to section 135 of the Companies Act, 2013 and rule 4(1) and (2) of the Companies (CSR Policy) Rules, 2014 )	 सत्यमेव जयते	<b>Registration of Entities for undertaking CSR Activities</b>
<b>Form language   o English   o Hindi</b>  <b>Refer the instruction kit for filing the form.</b>		
1. *Nature of the Entity: <div style="display: flex; flex-direction: column; align-items: flex-start;"> <div> <input type="radio"/> Company established under section 8 of the Companies Act, 2013 with section 12A and section 80G registrations under the Income Tax Act, 1961.         </div> <div> <input type="radio"/> Registered Public Trust with section 12A and section 80G registrations under the Income Tax Act, 1961.         </div> <div> <input type="radio"/> Registered Society with section 12A and section 80G registrations under the Income Tax Act, 1961.         </div> <div> <input type="radio"/> Company established under section 8 of the Companies Act, 2013 or Registered Trust or Registered Society established by the Central Government or State Government.         </div> <div> <input type="radio"/> Entity established under an Act of Parliament or State Legislature.         </div> </div>		
<input type="radio"/> Yes <input type="radio"/> No		

(b)(i) If yes, then provide the details of such company (s):

**CIN of Company**

**Pre-fill**

**Add**

**Name of Company**

(ii) If no, whether the entity has an established track record of three years in undertaking

similar activities :

☐ Yes

☐ No

3. (a) \* Type of existing entity:

\*CIN/ Registration Number:

**Pre-fill**

(In case of a section 8 company, enter CIN. Else, enter registration number)

(b) \*Name of the entity

(c) \*Date of incorporation of the entity

(DD/MM/YYYY)

(d) \*Address of the entity:

Line I

Line II

City

State/ Union territory

District

Pin Code

(e) \*E-Mail ID of the entity

**Send OTP**

(f) \*Enter OTP for email ID

**Verify OTP**

(g) \*PAN of the entity

4. \*Details of Directors/ Board of Trustees/ Chairman/ CEO/ Secretary/ Authorised Representatives of the entity:

Sl. No.	Name	Designation	DIN/PAN	Email ID

**Attachments:**

- 1.\* Copy of Certificate of Registration;
- 2.\* Copy of PAN of entity ;

**List of Attachments**

Attach

Attach

Remove Attachment

**\*Declaration**

I am authorized by the Entity vide \*resolution number  \*dated  to sign this form

and declare that the particulars given in the form herein above are true and also are in agreement with the documents maintained by the Entity.

To be digitally signed by one director in case of Section 8 company

To be digitally signed by one of the Trustee/ CEO in case of Registered Public Trust

To be digitally signed by Chairperson/ CEO/ Secretary in case of Registered Society

To be digitally signed by Authorised Representative in case of Entity established under an Act of Parliament or State Legislature

**\*To be digitally signed by**

\*Designation

DSC Box

\*DIN of the director; or DIN or PAN of the Trustee or  
CEO or Chairperson or Chief functionary or  
authorised representative of the Entity;

**\*Certificate by Practicing Professional**

I declare that I have been duly engaged for the purpose of certification of this form. It is hereby certified that I have gone through the provisions of the Companies Act, 2013 and Rules thereunder for the subject matter of this form and matters incidental thereto and I have verified the above particulars (including attachment(s)) from the original/certified records maintained by the Company/ applicant which is subject matter of this form and found them to be true, correct and complete and no information material to this form has been suppressed. I further certify that:

1. The said records have been properly prepared, signed by the required officers/ authorised representatives of the entity and were found to be in order;
2. All the required attachments have been completely and legibly attached to this form;
3. It is understood that I shall be liable for action under Section 448 of the Companies Act, 2013 for wrong certification, if any found at any stage.

**\*To be digitally signed by**

DSC Box

Chartered accountant (in whole-time practice)

Company secretary (in whole-time practice)

☐ Cost accountant (in whole-time practice)

\*Whether associate or fellow ☐ Associate ☐ Fellow

\*Membership number

Certificate of practice number

**Note: Attention is drawn to provisions of Section 448 and 449 of the Companies Act, 2013 which provide for punishment for false statement/ certificate and punishment for false evidence respectively.**

Modify

Check form

Pre Scrutiny

Submit

**This e-form has been taken on file maintained by the registrar of companies through electronic mode on the basis of statement of correctness given by the authorised person and professional.”**

[E-F. No. CSR-05/3/2020-CSR-MCA]

GYANESHWAR KUMAR SINGH, Jt. Secy.

**Note:**— The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 129(E), dated the 27<sup>th</sup> February, 2014 and were subsequently amended by notification number G.S.R. 644(E), dated the 12<sup>th</sup> September, 2014, notification number G.S.R. 43(E), dated the 19<sup>th</sup> January, 2015, notification number G.S.R. 540 (E), dated the 23<sup>rd</sup> May, 2016, notification number G.S.R. 895(E), dated the 19<sup>th</sup> September, 2018 and notification number G.S.R. 526(E), dated the 24<sup>th</sup> August, 2020.

# **Section 4**

Companies (Corporate Social  
Responsibility Policy)  
Amendment Rules, 2022

## MINISTRY OF CORPORATE AFFAIRS

### NOTIFICATION

New Delhi, the 20th September, 2022

**G.S.R. 715(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 further to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014, namely:-

1. **Short title and commencement.** - (1) These rules may be called the **Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022.**  
(2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as the said rules), in rule 3, -
  - (i) in sub-rule (1), after the proviso, the **following proviso shall be inserted, namely: -**  
**“Provided further that a company having any amount in its Unspent Corporate Social Responsibility Account as per sub-section (6) of section 135 shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the said section.”;**
  - (ii) **sub-rule (2) shall be omitted.**
3. In the said rules, **in rule 4, for sub-rule (1), the following sub-rule shall be substituted, namely: -**  
‘(1) The Board shall ensure that the CSR activities are undertaken by the company itself or through, –
  - (a) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 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, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.**Explanation.**- For the purpose of clause (c), the term “entity” shall mean a statutory body constituted under an Act of Parliament or State legislature to undertake activities covered in Schedule VII of the Act.’
4. **In the said rules, in rule 8, in sub-rule (3), in clause (c),-**
  - (i) for the words “five percent”, the words “two per cent.” shall be substituted;
  - (ii) for the words “whichever is less”, the words “whichever is higher” shall be substituted.
5. **In the said rules, for Annexure-II, the following Annexure shall be substituted, namely:-**

#### “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 THE 1ST DAY OF APRIL, 2020

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

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year

3. Provide the web-link(s) 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 executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable.
5.
  - (a) Average net profit of the company as per sub-section (5) of section 135.
  - (b) Two percent of average net profit of the company as per sub-section (5) of section 135.
  - (c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years.
  - (d) Amount required to be set-off for the financial year, if any.
  - (e) Total CSR obligation for the financial year [(b)+(c)-(d)].
6.
  - (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project).
  - (b) Amount spent in Administrative Overheads.
  - (c) Amount spent on Impact Assessment, if applicable.
  - (d) Total amount spent for the Financial Year [(a)+(b)+(c)].
  - (e) CSR amount spent or unspent for the Financial Year:

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

- (f) Excess amount for set-off, if any:

Sl. No.	Particular	Amount (in Rs.)
(1)	(2)	(3)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	
(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)]	

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

1	2	3	4	5	6		7	8
Sl. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (in Rs.)	Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in Rs.)	Amount Spent in the Financial Year (in Rs)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub-section (5) of section 135, if any		Amount remaining to be spent in succeeding Financial Years (in Rs)	Deficiency, if any
					Amount (in Rs)	Date of Transfer		
1	FY-1							
2	FY-2							
3	FY-3							

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

☐ Yes ☐ No

If Yes, enter the number of Capital assets created/ acquired

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No.	Short particulars of the property or asset(s)  [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered address

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

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



Sd/- (Chief Executive Officer or Managing Director or Director).	Sd/- (Chairman CSR Committee).	Sd/- [Person specified under clause (d) of sub- section (1) of section 380] (Wherever applicable).”.
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6. In the **said rules, in the e-form CSR–1**, for serial number 1 and the entries relating thereto, the following serial number shall be substituted, namely:-

- “1. \*Nature of the entity
- Company established under section 8, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.
  - Company established under section 8, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.
  - Registered public trust, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.
  - Registered public trust, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.
  - Registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.
  - Registered society, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.
  - Company established under section 8 or registered Trust or registered Society established by the Central Government or State Government.
  - Entity established under an Act of Parliament or State Legislature.”.

[E-F. No. 05/03/2022-CSR]

INDERDEEP SINGH DHARIWAL, Jt. Secy.

**Note:** The **principal rules** were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide notification number G.S.R. 129(E), dated the 27<sup>th</sup> February, 2014 and subsequently amended by notification numbers G.S.R. 644(E), dated the 12<sup>th</sup> September, 2014, G.S.R. 43(E), dated the 19<sup>th</sup> January, 2015, G.S.R. 540(E), dated the 23<sup>rd</sup> May, 2016, G.S.R. 895(E), dated the 19<sup>th</sup> September, 2018, G.S.R. 526(E), dated the 24<sup>th</sup> August, 2020 and G.S.R. 40(E), dated the 22<sup>nd</sup> January, 2021.

# **Section 5**

CSR FAQ

**General Circular No. 14 /2021**

E-file no.CSR-05/01/2021-CSR-MCA  
Government of India  
Ministry of Corporate Affairs

5<sup>th</sup> Floor, 'A' Wing  
Shastri Bhawan, Dr. R.P. Road  
New Delhi-110001.

**Dated: 25<sup>th</sup> August 2021**

To,

All Regional Director,  
All Registrar of Companies,  
All Stakeholders.

**Subject: - Frequently Asked Questions (FAQs) on Corporate Social Responsibility (CSR) -reg.**

Madam/Sir(s),

The broad framework of CSR has been provided in Section 135 of the Companies Act, 2013 (**herein after referred as 'the Act'**), Schedule VII of the Act and Companies (CSR Policy) Rules, 2014 (**herein after referred as 'the CSR Rules'**). Further, Ministry had also issued clarifications including FAQs from time to time on various issues concerning CSR.

2. A number of significant developments have taken place since then. The Ministry has notified the amendments in Section 135 of the Act as well in the CSR Rules on 22<sup>nd</sup> January 2021 with an aim to strengthen the CSR ecosystem, by improving disclosures and by simplifying compliances. In response to such amendments, Ministry has received several references and representations from stakeholders seeking clarifications on the various issues related to CSR.

3. Accordingly, in suppression of clarifications and FAQs issued vide General Circular no. 21/2014 (dated 18<sup>th</sup> June 2014), 36/2014 (dated 17<sup>th</sup> September 2014), 01/2016 (dated 12<sup>th</sup> January 2016), 05/2016 (dated 16<sup>th</sup> May 2016), clarification issued vide letter dated 25.01.2018 and General Circular no. 06/2018 (dated 28<sup>th</sup> May 2018), a set of FAQs along with response of the Ministry is provided herewith at **Annexure** for better understanding and facilitating effective implementation of CSR.

4. This issues with the approval of competent authority.

Yours faithfully,



(Shobhit Srivastava)  
Deputy Director (CSR Cell)

**Copy to:**

1. **E Governance for uploading on MCA website**
2. **Guard File.**

**Frequently Asked Questions (FAQs) on Corporate Social Responsibility (CSR)**

S. No.	Question	Answer
1.0	<b>Applicability of CSR</b>	
1.1	Which companies qualify for CSR under the Companies Act, 2013?	<p>A company satisfying any of the following criteria during the immediately preceding financial year is required to comply with CSR provisions specified under section 135(1) of the Companies Act, 2013 read with the Companies (CSR Policy) Rules, 2014 made thereunder:</p> <p>(i) net worth of rupees five hundred crore or more, or</p> <p>(ii) turnover of rupees one thousand crore or more, or</p> <p>(iii) net profit of rupees five crore or more.</p>
1.2	Whether a holding or subsidiary of a company fulfilling the criteria under section 135(1) has to comply with the provisions of section 135, even if the holding or subsidiary itself does not fulfil the criteria?	<p>No, the compliance with CSR requirements is specific to each company. A holding or subsidiary of a company is not required to comply with the CSR provisions unless the holding or subsidiary itself fulfils the eligibility criteria prescribed under section 135(1) stated above.</p> <p><b>Example:</b> Company A is covered under the criteria mentioned in section 135(1). Company B is holding company of company A. If Company B by itself does not satisfy any of the criteria mentioned in section 135(1), Company B is not required to comply with the provisions of section 135.</p>
1.3	Whether provisions of CSR are applicable to a section 8 Company?	Yes, section 135(1) of the Act commences with the words "Every company....." and thus applies to section 8 companies as well.
1.4	Whether CSR provisions apply to a company that has not completed the period of three financial years since its incorporation?	<p>Yes. If the company has not completed three financial years since its incorporation, but it satisfies any of the criteria mentioned in section 135(1), the CSR provisions including spending of at least two per cent of the average net profits made during immediately preceding financial year(s) are applicable.</p> <p><b>Example:</b> Company A is incorporated during FY 2018-19, and as per eligibility criteria the company is covered under section 135(1) for FY 2020-21. The CSR spending obligation under section 135(5) for Company A would be at least two per cent of the average net profits of the company made during FY 2018-19 and FY 2019-20.</p>

2.0	CSR Framework										
2.1	What is the composition of the CSR Committee?	<p>The composition of the CSR Committee for various categories of companies is as under:</p> <table><tr><td><b>Listed companies</b></td><td>Three or more directors, out of which at least one shall be an independent director.</td></tr><tr><td><b>Unlisted public companies</b></td><td>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.</td></tr><tr><td><b>Private companies</b></td><td>Two or more directors. No independent directors are required as mentioned in the proviso under section 135(1).</td></tr><tr><td><b>Foreign company</b></td><td>At least two persons out of which:  (a) one shall be as specified under clause (d) of sub-section (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)</td></tr></table> <p>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.</p>		<b>Listed companies</b>	Three or more directors, out of which at least one shall be an independent director.	<b>Unlisted public companies</b>	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.	<b>Private companies</b>	Two or more directors. No independent directors are required as mentioned in the proviso under section 135(1).	<b>Foreign company</b>	At least two persons out of which:  (a) one shall be as specified under clause (d) of sub-section (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)
<b>Listed companies</b>	Three or more directors, out of which at least one shall be an independent director.										
<b>Unlisted public companies</b>	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.										
<b>Private companies</b>	Two or more directors. No independent directors are required as mentioned in the proviso under section 135(1).										
<b>Foreign company</b>	At least two persons out of which:  (a) one shall be as specified under clause (d) of sub-section (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)										

2.2	What are the functions of the CSR Committee?	<p>The Corporate Social Responsibility Committee shall —</p> <ul style="list-style-type: none"> <li>(i) formulate and recommend the CSR policy to the Board;</li> <li>(ii) recommend the amount of expenditure to be incurred on CSR activities;</li> <li>(iii) monitor the CSR policy of the company from time to time; and</li> <li>(iv) formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the items as mentioned in rule 5(2) of the Companies (CSR Policy) Rules, 2014.</li> </ul> <p>For companies covered under Section 135(9) of the Act and not required to have CSR Committee, these functions shall be carried out by the Board itself.</p>
2.3	What are the responsibilities of the Board in relation to the CSR provisions?	<p>CSR is a Board-driven process. The responsibilities of the Board of a CSR-eligible company, inter-alia, include the following —</p> <ul style="list-style-type: none"> <li>(i) approve the CSR policy;</li> <li>(ii) disclose contents of such policy in its report and also place it on the company's website, if any;</li> <li>(iii) ensure that the activities included in the CSR policy are undertaken by the company;</li> <li>(iv) 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;</li> <li>(v) satisfy itself regarding the utilisation of the disbursed CSR funds; and</li> <li>(vi) 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.</li> </ul>

2.4	What is the role of the Government in the approval and implementation of the CSR programmes/projects of a company?	<p>Provisions of section 135, read with Schedule VII of the Act and Companies (CSR Policy) Rules, 2014 provide the broad framework within which the eligible companies are required to formulate their CSR policies including activities to be undertaken and implementation of the same. CSR is a board-driven process, and the Board of the company is empowered to plan, approve, execute, and monitor the CSR activities of the company based on the recommendation of its CSR Committee.</p> <p>The Government has no direct role in the approval and implementation of the CSR programmes /projects of a company.</p>
2.5	What are the mechanisms for monitoring the CSR process?	<p>CSR is a Board-driven process, and the Board of the company is empowered to plan, decide, execute, and monitor the CSR activities of the company based on the recommendation of its CSR Committee. The CSR architecture is disclosure-based and CSR-mandated companies are required to file details of CSR activities annually in MCA21 registry. Companies are required to make necessary disclosures in the financial statements regarding CSR including non-compliance. The existing legal provisions such as mandatory disclosures, accountability of the CSR Committee and the Board, and provisions for audit of accounts of the company provide sufficient mechanisms for monitoring.</p>
2.6	What is the role of the Government in monitoring compliance of CSR provisions by companies?	<p>The Government monitors the compliance of CSR provisions through the disclosures made by the companies in the MCA 21 portal. For any violation of CSR provisions, action can be initiated by the Government against such non-compliant companies as per provisions of the Companies Act, 2013 after due examination of records, and following due process of law. Non-compliance of CSR provisions has been notified as a civil wrong w.e.f. 22nd January, 2021.</p>

3.0	<b>CSR Expenditure</b>	
3.1	How is average net profit calculated for the purpose of section 135 of the Act? Whether 'profit before tax' or 'profit after tax' is used for such computation?	<p>The average net profit for the purpose of determining the spending on CSR activities is to be computed in accordance with the provisions of section 198 of the Act and will also be exclusive of the items given under rule 2(1)(h) of the Companies (CSR Policy) Rules, 2014. Section 198 of the Act specifies certain additions/deletions (adjustments) to be made while calculating the net profit of a company (mainly it excludes capital payments/receipts, income tax, set-off of past losses).</p> <p>Profit Before Tax (PBT) is used for computation of net profit under section 135 of the Act.</p>
3.2	What is the meaning of the term 'administrative overheads'? What is the maximum permissible limit for administrative overheads?	<p>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.</p> <p>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.</p> <p><b>Example:</b> 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.</p> <p>The maximum permissible limit for administrative overheads is five per cent of the total CSR expenditure of the company for the financial year.</p>



3.3	Are administrative overheads applicable only for expenses incurred by the company, or can they be applied to expenses incurred by the implementing agency as well?	According to rule 2(1)(b) of the Companies (CSR Policy) Rules, 2014, administrative overheads mean the expenses incurred by the company in the general management and administration of CSR functions in the company. Therefore, expenses incurred by implementing agencies on the management of CSR activities shall not amount to administrative overheads and cannot be claimed by the company.
3.4	What is the meaning of surplus arising from CSR activities? How can this surplus be utilised?	<p>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.</p> <p>The surplus arising out of CSR activities shall be utilised only for CSR purposes.</p>
3.5	Whether contribution to the corpus of an entity is an admissible CSR expenditure?	No, 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. 22 <sup>nd</sup> January, 2021.
3.6	Whether expenses related to transfer of capital asset as provided under rule 7(4) of Companies (CSR Policy) Rules, 2014, will qualify as admissible CSR expenditure?	Yes, the expenses relating to transfer of capital asset such as stamp duty and registration fees, will qualify as admissible CSR expenditure in the year of such transfer.
3.7	If a company spends more than the requirement provided under section 135, can that excess amount be set off against the mandatory 2% CSR expenditure in succeeding financial years?	Yes, the excess amount can be set off against the required 2% CSR expenditure up to the immediately succeeding three financial years subject to compliance with the conditions stipulated under rule 7(3) of the Companies (CSR Policy) Rules, 2014. This position is applicable from 22 <sup>nd</sup> January, 2021 and has a prospective effect. Thus, no carry forward shall be allowed for the excess amount spent, if any, in financial years prior to FY 2020-21.

3.8	If a company cannot take the benefit of set off of excess amount spent in the previous financial year because of non-applicability of CSR provisions, will the excess amount lapse?	<p>Yes, the law states that the excess CSR amount spent can be carried forward up to immediately succeeding three financial years; thus, in case any excess amount is left for set off, it will lapse at the end of the said period.</p> <p><b>Example:</b> In FY 2020-21 a company had spent Rs. 2 crores in excess. In FY 2021-22, it sets-off Rs. 50 lakhs from such excess. However, from FY 2022-23, the company is no longer subject to CSR provisions under section 135(1). In such case, the company may continue to retain the remaining excess CSR of Rs. 1.50 crores up to FY 2023-24, and thereafter the same shall lapse.</p>
3.9	Whether it is mandatory for companies to carry out CSR in their local areas?	<p>The first proviso to section 135(5) of the Act provides that the company shall give preference to local areas and the areas around where it operates. Some activities in Schedule VII such as welfare activities for war widows, art and culture, and other similar activities, transcend geographical boundaries and are applicable across the country. With the advent of Information &amp; Communication Technology (ICT) and emergence of new age businesses like e-commerce companies, process-outsourcing companies, and aggregator companies, it is becoming increasingly difficult to determine the local area of various activities.</p> <p>The spirit of the Act is to ensure that CSR initiatives are aligned with the national priorities and enhance engagement of the corporate sector towards achieving Sustainable Development Goals (SDGs).</p> <p>Thus, 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.</p>
3.10	Whether CSR expenditure of a company can be claimed as a business expenditure?	No, the amount spent by a company towards CSR cannot be claimed as business expenditure. Explanation 2 to section 37(1) of the Income Tax Act, 1961 which was inserted through the Finance Act, 2014 provides that any expenditure incurred by an assessee on the activities relating to CSR referred to in section 135 of the Companies Act, 2013 shall not be deemed to be an expenditure incurred by the assessee for the purposes of the business or profession.

3.11	What tax benefits can be availed under CSR?	No specific tax exemptions have been extended to CSR expenditure. The Finance Act, 2014 also clarifies that expenditure on CSR does not form part of business expenditure.
3.12	Whether contribution in kind can be monetized to be shown as CSR expenditure?	The requirement comes from section 135(5) that states that "The Board of every company shall ensure that it spends..." Therefore, CSR contribution cannot be in kind and monetized.
3.13	Can CSR expenditure be incurred on activities beyond Schedule VII?	No, CSR expenditure cannot be incurred on activities beyond Schedule VII of the Act. The activities undertaken in pursuance of the CSR policy must be relatable to Schedule VII of the Companies Act, 2013. The items enlisted in Schedule VII of the Act are broad-based and are intended to cover a wide range of activities. The entries in the said Schedule VII must be interpreted liberally to capture the essence of the subjects enumerated in the said Schedule.
3.14	What are the different modes of incurring CSR expenditure?	<p>CSR expenditure can be incurred in multiple modes:</p> <ul style="list-style-type: none"> <li>(i) '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.</li> <li>(ii) 'Contribution to funds route', which allows the contributions to various funds as specified in Schedule VII of the Act.</li> <li>(iii) Contribution to incubators and R&amp;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.</li> </ul>

3.15	Which are the funds specified in Schedule VII of the Act for the purpose of CSR contribution?	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.
3.16	Will contribution to any other fund set up for carrying out the activities mentioned in Schedule VII of the Act, be an admissible CSR expenditure?	No, the Act does not recognise any contribution to any other fund, which is not specifically mentioned in Schedule VII, as an admissible CSR expenditure.
3.17	Can CSR funds be utilised to fund Government schemes?	The objective of CSR provisions is to involve the corporates as partners in the social development process. Use of corporate innovations and management skills in the delivery of 'public goods' is at the core of CSR implementation by the companies. Therefore, CSR should not be interpreted as a source of financing the resource gaps in Government Schemes. However, the Board of the eligible company may undertake similar activities independently subject to fulfilment of Companies (CSR Policy) Rules, 2014.
3.18	Whether involvement of employees of a company in their CSR projects can be monetized and accounted for under the head of 'CSR expenditure'?	No, involvement of employees in CSR projects of a company cannot be monetized. Contribution and involvement of employees in CSR activities of the company will no doubt generate interest/pride in CSR work and promote transformation from Corporate Social Responsibility (CSR) as an obligation to Socially Responsible Corporate (SRC) in all aspects of their functioning. Companies, therefore, should be encouraged to involve their employees in CSR activities.

4.0	<b>CSR Activities</b>	
4.1	Which activities do not qualify as eligible CSR activity?	<p>Rule 2(1)(d) of the Companies (CSR Policy) Rules, 2014 defines CSR and the following activities are specifically excluded from being considered as eligible CSR activity:</p> <ul style="list-style-type: none"> <li>(i) Activities undertaken in pursuance of normal course of business of the company.</li> </ul> <p>However, exemption is provided for three financial years, till FY 2022-23, to companies engaged in R&amp;D activities for new vaccines, drugs, and medical devices in their normal course of business, related to COVID-19. This exclusion is allowed only in case the companies are engaged in R&amp;D in collaboration with organisations as mentioned in item (ix) of Schedule VII and disclose the same in their Board reports.</p> <ul style="list-style-type: none"> <li>(ii) Activities undertaken outside India, except for training of Indian sports personnel representing any State or Union Territory at national level or India at international level;</li> <li>(iii) Contribution of any amount, directly or indirectly, to any political party under section 182 of the Act;</li> <li>(iv) Activities benefitting employees of the company as defined in section 2(k) of the Code on Wages, 2019;</li> <li>(v) Sponsorship activities for deriving marketing benefits for products/services;</li> <li>(vi) Activities for fulfilling statutory obligations under any law in force in India.</li> </ul>
4.2	Whether the companies can undertake any CSR activity mentioned under Schedule VII of the Act for the exclusive benefit of their employees, workers and their family members?	<p>Rule 2(1)(d)(iv) of the Companies (CSR Policy) Rules, 2014 states that any activity benefitting employees of the company shall not be considered as eligible CSR activity. As per the rule, any activity designed exclusively for the benefit of employees shall be considered as an "activity benefitting employees" and will not qualify as permissible CSR expenditure. The spirit behind any CSR activity is to benefit the public at large and the activity should be non-discriminatory to any class of beneficiaries. However, any activity which is not designed to benefit employees solely, but the public at large, and if the employees and their family members are incidental beneficiaries, then, such activity would not be considered as "activity benefitting employees" and will qualify as eligible CSR activity.</p>

4.3	What is the meaning of sponsorship activities deriving marketing benefits for company's products or services?	Sponsorship activities of an event are done with an aim of deriving marketing benefits for a company's product or services. The intent of CSR is to encourage companies to undertake the activities in a project or programme mode rather than as a one-off event. Companies shall not use CSR purely as a marketing or brand building tool for their business, but brand building as a collateral benefit does not vitiate the spirit of CSR.
4.4	Are activities undertaken by companies outside India for the benefit of resident Indians, permitted as eligible CSR activity?	Rule 2(1)(d)(ii) of the Companies (CSR Policy) Rules, 2014 clearly states that any activity undertaken by the company outside India shall not be an eligible CSR activity. The only exception is training of Indian sports personnel representing any State or Union Territory at national or international level.
4.5	How can companies with small CSR funds take up CSR activities in a project mode?	A well-designed CSR project can be managed with small CSR funds as well. Further, there is a provision in the Companies (CSR Policy) Rules, 2014 that enables such companies to collaborate with other companies for undertaking CSR activities by way of pooling their CSR resources. <b>(Refer rule 4(4) in Companies (CSR Policy) Rules, 2014).</b>
5.0	<b>CSR Implementation</b>	
5.1	What are the different modes of implementation of CSR activities?	<p>Pursuant to rule 4 of the Companies (CSR Policy) Rules, 2014 a company may undertake CSR activities through following three modes of implementation:</p> <ul style="list-style-type: none"> <li>(i) Implementation by the company itself</li> <li>(ii) Implementation through eligible implementing agencies as prescribed under sub-rule (1) of rule 4.</li> <li>(iii) Implementation in collaboration with one or more companies as prescribed under sub-rule (4) of rule 4.</li> </ul>

5.2	Which entities are eligible to act as an implementing agency for undertaking CSR activities?	<p>Rule 4(1) of the Companies (CSR Policy) Rules, 2014 provides the eligible entities which can act as an implementing agency for undertaking CSR activities. These are:</p> <ul style="list-style-type: none"> <li>(i) Entity established by the company itself or along with any other company – 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.</li> <li>(ii) Entity established by the Central Government or State Government – a company established under section 8 of the Act, or a registered trust or a registered society.</li> <li>(iii) Statutory bodies – any entity established under an Act of Parliament or a State legislature.</li> <li>(iv) Other bodies – 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.</li> </ul>
5.3	Whether all three types of entities – a company established under section 8 of the Act, or a registered public trust, or a registered society, are required to have income-tax registration u/s 12A as well as 80G of the Income Tax Act, 1961?	Yes, as per rule 4(1) all three types of entities – a company established under section 8 of the Act, or a registered public trust, or a registered society are required to have income-tax registration u/s 12A as well as 80G of the Income Tax Act, 1961 to act as implementing agency, except for any entities established by Central or State Government.
5.4	What is meant by 'registered public trusts' in such states where registration is not mandatory?	Registered public trust (as referred to in rule 4(1) of the Companies (CSR Policy) Rules, 2014) would include trusts registered under the Income Tax Act, 1961 in respect of those states where registration of public trusts is not mandatory.
5.5	What is the purpose of registration of the implementing agency on MCA21 portal?	The identification of suitable implementing agencies is a major concern for companies. Registration of implementing agencies on MCA21 portal is aimed at creating a database of such agencies for companies who may want to engage them. Further, this will bring accountability and transparency in the implementation of CSR activities and thereby strengthen the CSR eco-system.

5.6	Is it mandatory for every implementing agency to register on the MCA21 portal?	Yes, every implementing agency mentioned in rule 4(1) of the Companies (CSR Policy) Rules, 2014 shall mandatorily register itself in the MCA21 portal w.e.f. 01 <sup>st</sup> April 2021 in order to enable it to undertake CSR activities on behalf of the company.
5.7	Whether an ongoing project approved prior to April 01, 2021, may be implemented by an implementing agency not registered on MCA21 portal?	Since the requirement of registration has commenced from 01 <sup>st</sup> April, 2021, any ongoing project which has been approved between 22 <sup>nd</sup> January, 2021 and 31 <sup>st</sup> March, 2021, may be carried out by an implementing agency which is not registered in MCA21 portal. However, the unregistered implementing agency is required to register in MCA21 portal before undertaking any new project after 01 <sup>st</sup> April, 2021.
5.8	Whether registration of implementing agency by filing e-form CSR-1 is mandatory in case the company carries out CSR activities directly?	No. The question of filing e-form CSR-1 does not arise in case the company carries out CSR activities directly.
5.9	Can international organisations act as an implementing agency?	No, an international organisation cannot act as an implementing agency.
5.10	What is the role of international organisations in the context of CSR?	Pursuant to rule 4(3) of the Companies (CSR Policy) Rules, 2014, a company can engage international organisations for the limited purposes of designing, monitoring, and evaluation of the CSR projects or programmes, or for capacity building of personnel of the company involved in CSR activities.
6.0	<b>Ongoing Project</b>	
6.1	What is the meaning of 'ongoing project'? Which projects can be considered as ongoing?	Ongoing project has been defined under rule 2(1)(i) of the Companies (CSR Policy) Rules, 2014 as:  (i) a multi-year project, stretching over more than one financial year; (ii) having a timeline not exceeding three years excluding the year of commencement; (iii) includes such project that was initially not approved as a multi-year project but whose duration has been



		<p>extended beyond one year by the Board based on reasonable justification.</p> <p>The project should have commenced within the financial year to be termed as 'ongoing'. The intent is to include a project which has an identifiable commencement and completion dates. After the completion of any ongoing project, the Board of the company is free to design any other project related to operation and maintenance of such completed projects in a manner as may be deemed fit on a case-to-case basis.</p> <p><b>Note:</b> The term 'year' refers to financial year as defined in section 2(41) of the Act.</p>
6.2	When will an ongoing project be regarded as 'commenced'?	An ongoing project will have 'commenced' when the company has either issued the work order pertaining to the project or awarded the contract for execution of the project.
6.3	What is the maximum permissible time period for any ongoing project? Can the time period of an ongoing project be extended beyond the permissible period?	<p>As per the definition of an ongoing project, the maximum permissible time period shall be three financial years excluding the financial year in which it is commenced i.e., (1+3) financial years.</p> <p>Under no circumstances shall the time period of an ongoing project be extended beyond its permissible limit.</p>
6.4	What are the responsibilities of the Board in case ongoing projects are undertaken by the company?	<p>In case of ongoing projects, the major responsibilities of the Board, inter-alia, include:</p> <ul style="list-style-type: none"> <li>(i) identification of the ongoing projects;</li> <li>(ii) year-wise allocation of funds;</li> <li>(iii) transferring the unspent money to a separate bank account as prescribed under sub-section (6) of section 135;</li> <li>(iv) monitoring the implementation of the projects with reference to the approved timelines and year-wise allocation; and</li> <li>(v) making modifications, if any, for smooth implementation of the projects within the overall permissible time period.</li> </ul>

6.5	Can ongoing projects be implemented through implementing agencies?	Yes, once the Board approves a project as an ongoing project, then it can choose to implement the project either itself, or through any of the implementing agencies as mentioned in rule 4(1) of the Companies (CSR Policy) Rules, 2014.									
6.6	Does the Board have the power to abandon or modify an ongoing project within the permissible period of three years?	As per provisions of the CSR Rules, the Board may abandon or modify an ongoing project, partially or wholly, under exceptional circumstances, during the prescribed project period as per the recommendation of its CSR Committee, and by providing reasonable justification to that effect. It is important to keep in mind that the maximum permissible period for an ongoing project is three years excluding the year of its commencement.									
6.7	Can funds earmarked for one project be used for another project?	Yes, the budget outlay dedicated for one project can be used against another project. In such a case, the Board and CSR Committee should appropriately record the alteration in the target spending and modify the same in accordance with the actuals.									
7.0	<b>Treatment of Unspent CSR Amount</b>										
7.1	What actions need to be taken if a company spends less than the amount required to be spent under CSR obligation in a particular year?	<p>If a company spends less than the amount required to be spent under their CSR obligation, the Board shall specify the reasons for not spending in the Board's report and shall deal with the unspent amount in the following manner:</p> <table border="1"> <thead> <tr> <th>Nature of unspent amount</th><th>Action required</th><th>Timelines</th></tr> </thead> <tbody> <tr> <td>Unspent amount pertains to 'ongoing projects'</td><td>Transfer such unspent amount to a separate bank account of the company to be called as 'Unspent CSR Account'.</td><td>Within 30 days from the end of the financial year.</td></tr> <tr> <td>Unspent amount pertains to 'other than ongoing projects'</td><td>Transfer unspent amount to any fund included in Schedule VII of the Act.</td><td>Within 6 months from the end of the financial year.</td></tr> </tbody> </table>	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.
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7.2	Where the company was unable to meet its CSR obligation, but transferred the said unspent amount to any fund included in Schedule VII of the Act, will the same be considered as compliance under section 135?	The compliance of CSR is fulfilled when the company spends the prescribed amount as per its obligation. However, in case the company fails to spend the requisite amount within the financial year, it shall fulfil its obligation by transferring the unspent amount to any fund included in Schedule VII of the Act. The same will be considered as compliance with section 135(5) of the Act. Further, the Board of the company is required to give the requisite disclosure in the Board report and annual report on CSR.
7.3	A company has been given six months' time to transfer the unspent CSR amount, other than the amount pertaining to ongoing projects, to any fund included in Schedule VII of the Act. Can the company spend this amount in the said period of six months on any CSR activity?	No, companies are not permitted to spend the unspent CSR amount, other than the amount pertaining to ongoing projects, on any CSR activity during the intervening period of six months after the end of the financial year. Such unspent CSR amount is required to be transferred to any fund included in Schedule VII of the Act.
7.4	Whether disbursal of funds by a company to the implementing agency for the implementation of projects will be considered as spend under section 135(5) and rules made there under?	<p>Section 135(5) of the Act prescribes minimum spending obligation for the company. The company may fulfil its CSR spending obligation directly by itself or through engaging an implementing agency. The implementing agency acts on behalf of the company and mere disbursal of funds for implementation of a project does not amount to spending unless the implementing agency utilises the whole amount.</p> <p>In the annual action plan, the CSR Committee of the company is required to provide for modalities of utilisation of funds. The CSR Committee shall recommend to the Board on budget allocation for any CSR project including modalities of utilisation of funds in every project. Further, as per rule 4(5) of the Companies (CSR Policy) Rules, 2014, the Board of a company shall satisfy itself that the funds so disbursed have been utilised 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.</p>

		<p>Accordingly, the CSR Committee and Board should ensure that CSR fund should be disbursed to implementing agencies, partially or wholly, in such a manner so that they can be utilised by them during the financial year. Mere disbursement of funds for implementation of a project does not amount to spending unless the implementing agency utilises the whole amount.</p>
7.5	Should a company open a separate 'Unspent CSR Account' for each ongoing project?	<p>No, a company can open a single special account, called 'Unspent Corporate Social Responsibility Account', for a financial year in any scheduled bank, to transfer the unspent amount w.r.t ongoing project(s) of that financial year. A company needs to open a separate 'Unspent CSR Account' for each financial year but not for each ongoing project.</p>
7.6	Can the amount transferred to 'Unspent CSR Account' of the company be utilised for regular business of the company?	<p>No, the provisioning of a separate special account, namely the 'Unspent CSR Account', in any scheduled bank is to ensure that the unspent amount, if any, is transferred to this designated account and used only for meeting the expenses of ongoing projects, and not for other general purposes of the company. The special account cannot be used by the company as collaterals or creating a charge or any other business activity.</p>
7.7	Can an ongoing project initiated by a company in any previous financial year (for instance in FY 2019-20) be classified as an ongoing project under section 135(6) of the Act. Is the unspent amount of previous financial years also required to be transferred to the Unspent CSR Account?	<p>No, the provisions related to ongoing projects have come into effect from 22<sup>nd</sup> January 2021, i.e., from FY 2020-21 onwards. The said provisions are prospective in effect and not applicable to projects of previous financial years.</p> <p>Further, the Board of the company is free to decide the treatment of the unspent CSR amount of previous financial years prior to FY 2020-21. The Board can either transfer the amount to 'Unspent CSR Account' or continue as per the previous accounting practices adopted by the company.</p>

8.0	CSR Enforcement					
8.1	What are the penal provisions for non-compliance with the provisions regarding transfer of unspent amount?	<div>The said non-compliance is a civil wrong and shall attract the following penalties:</div> <table><tr><td>Company</td><td>Twice the unspent amount required to be transferred to any fund included in Schedule VII of the Act or Unspent CSR Account, as the case may be, or one crore rupees, whichever is less.</td></tr><tr><td>Every Officer in Default</td><td>1/10th of the unspent amount required to be transferred to any fund included in Schedule VII of the Act or Unspent CSR Account, or two lakh rupees, whichever is less.</td></tr></table>	Company	Twice the unspent amount required to be transferred to any fund included in Schedule VII of the Act or Unspent CSR Account, as the case may be, or one crore rupees, whichever is less.	Every Officer in Default	1/10th of the unspent amount required to be transferred to any fund included in Schedule VII of the Act or Unspent CSR Account, or two lakh rupees, whichever is less.
Company	Twice the unspent amount required to be transferred to any fund included in Schedule VII of the Act or Unspent CSR Account, as the case may be, or one crore rupees, whichever is less.					
Every Officer in Default	1/10th of the unspent amount required to be transferred to any fund included in Schedule VII of the Act or Unspent CSR Account, or two lakh rupees, whichever is less.					
8.2	Will the penal proceedings apply even after the unspent amount has been transferred to the Unspent CSR Account or to the funds mentioned in Schedule VII of the Act?	The penalty does not relieve the company from the obligations under the law, and the penalty is over and above the obligated amount required to be transferred under section 135(5) or 135(6). The penalty is the consequence of not abiding by the law, and not an alternative for the same.				
8.3	Is the penal provision in section 135(7) specific to non-transference of the unspent CSR amount?	Yes, section 135(7) clearly states the penalty for default in complying with the provisions of sub-section (5) or sub-section (6) only.				
8.4	What are the penal provisions relating to non-compliance with provisions other than section 135(5) and 135(6) of the Act?	In case of non-compliance with any other provisions of the section or rules, the provisions of section 134(8) or general penalty under section 450 of the Act will be applicable. Further, in case of non-payment of penalty within the stipulated period, the provisions of section 454(8) will be applicable.				

9.0	<b>Impact Assessment</b>	
9.1	What is the objective of providing impact assessment of CSR activities?	The purpose of impact assessment is to assess the social impact of a particular CSR project. The intent is to encourage companies to take considered decisions before deploying CSR amounts and assess the impact of their CSR spending. This not only serves as feedback for companies to plan and allocate resources better but shall also deepen the impact of CSR.
9.2	Which companies are required to undertake impact assessment?	<p>Rule 8(3) of the Companies (CSR Policy) Rules, 2014 mandates following class of companies to conduct impact assessment:</p> <ul style="list-style-type: none"> <li>(i) companies with minimum average CSR obligation of Rs. 10 crore or more in the immediately preceding 3 financial years; and</li> <li>(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.</li> </ul> <p>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.</p>
9.3	Whether companies are required to undertake impact assessment for FY 2020-21?	The provisions for impact assessment have come into effect from 22nd January, 2021. Accordingly, the company is required to undertake impact assessment of the CSR projects completed on or after January 22, 2021. However, as a good practice the Board may undertake impact assessment of completed projects of previous financial years.
9.4	Who can conduct impact assessment?	Rule 8(3) of the Companies (CSR Policy) Rules, 2014 requires that the impact assessment be conducted by an independent agency. The Board has the prerogative to decide on the eligibility criteria for selection of the independent agency for impact assessment.

9.5	Is expenditure on impact assessment over and above the administrative overheads of 5%, or included in the same?	Yes, the expenditure incurred on impact assessment is over and above the specified administrative overheads of 5%. Expenditure up to a maximum of 5% of the total CSR expenditure for that financial year or 50 lakh rupees (whichever is lower) can be incurred separately for impact assessment.
9.6	Whether impact assessment reports of all the CSR projects shall be annexed to the annual report on CSR?	Rule 8(3)(b) of the Companies (CSR Policy) Rules, 2014 provides that impact assessment reports shall be placed before the Board and shall be annexed to the report on CSR. It is clarified that web-link to access the complete impact assessment reports and providing executive summary of the impact assessment reports in the annual report on CSR, shall be considered as sufficient compliance of the said rule.
9.7	When two or more companies collaborate for implementation of a CSR project, should the impact assessment carried out by one company be shared with other companies?	Yes, in case two or more companies choose to collaborate for the implementation of a CSR project, then the impact assessment carried out by one company for the common project may be shared with the other companies for the purpose of disclosure to the Board and in the annual report on CSR. The sharing of the cost of impact assessment may be decided by the collaborating companies subject to the limit as prescribed in rule 8(3)(c) of the Companies (CSR Policy) Rules, 2014 for each company.
10.0	<b>CSR Reporting &amp; Disclosure</b>	
10.1	Whether reporting of CSR is mandatory in Board's Report?	Yes, as per rule 8(1) of the Companies (CSR Policy) Rules, 2014, the Board's Report pertaining to any financial year, for a CSR-eligible company, shall include an annual report on CSR containing particulars specified in Annexure I or Annexure II of the said rules, as applicable.
10.2	Is it mandatory for foreign companies to give reports on CSR activities?	Yes, as per rule 8(2) of the Companies (CSR Policy) Rules, 2014, in case of a CSR-eligible foreign company, the balance sheet filed under clause (b) of sub-section (1) of section 381 of the Act, shall include an annual report on CSR containing particulars specified in Annexure I or Annexure II of the said rules, as applicable.

10.3	What are the disclosure requirements on the website of the company?	As per rule 9, the Board of Directors of the company shall mandatorily disclose the following on their website, if any, for public access: (i) Composition of the CSR Committee; (ii) CSR Policy; and (iii) Projects approved by the Board.
10.4	Whether every CSR project irrespective of outlay and percentage to the total CSR expenditure of the company needs to be disclosed on the website of the respective company in terms of rule 9 of the Companies (CSR Policy) Rules, 2014?	Yes, as per rule 9 of the Companies (CSR Policy) Rules, 2014, all CSR projects approved by the Board are required to be disclosed on the website of the company, if any, for public access.

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# **Section 6**

Form CSR2

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,  
SECTION 3, SUB-SECTION (i)]

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the ..\February, 2022

G.S.R.- (E).—In exercise of the powers conferred by sub-sections (1) and (3) of section 128, sub section (3) of section 129, section 133, section 134, sub-section (4) of section 135, sub-section (1) of section 136, section 137 and section 138 read with section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Accounts) Rules, 2014, namely:-

1. (1) These rules may be called the Companies (Accounts) Amendment Rules, 2022.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Accounts) Rules, 2014 (hereinafter referred to as the said rules), in rule 12, after sub-rule (1A), the following sub-rule shall be inserted, namely: -

“(1B) Every company covered under the provisions of sub-section (1) to section 135 shall furnish a report on Corporate Social Responsibility in Form CSR-2 to the Registrar for the preceding financial year (2020-2021) and onwards as an addendum to Form AOC-4 or AOC-4 XBRL or AOC-4 NBFC (Ind AS), as the case may be:

Provided that for the preceding financial year (2020-2021), Form CSR-2 shall be filed separately on or before 31<sup>st</sup> March 2022, after filing Form AOC-4 or AOC-4 XBRL or AOC-4 NBFC (Ind AS), as the case may be.”.

3. In the said rules, in the Annexure, after Form AOC-4 CFS, the following form shall be inserted, namely:-

**CSR-2**

[Pursuant to sub-rule (1B) of Rule 12 of Companies (Accounts) Rules, 2014]

**Report on Corporate Social Responsibility (CSR)**

Form language   o English   o Hindi

Refer the instruction kit for filing the form.

1. \*(a) Corporate Identity Number (CIN) of the company



\*(b) Name of the company

\*(c) Address of the registered office of the company

\*(d) email ID of the company

2. (a) \*Financial Year to which the Corporate Social Responsibility details pertain:

From

(DD/MM/YYYY)

(DD/MM/YYYY)

(b) \*SRN of form AOC-4/ AoC-4 XBRL/ AoC-4 NBFC filed by the company for its standalone financial statements

3. (i) \*Net Worth

(ii) \*Turnover

(iii) \*Net Profit

(iv) Criteria that triggered CSR applicability

4. (a)\*(i) Whether CSR Committee has been constituted   ☐ Yes   ☐ No   ☐ Not Applicable

(ii) Number of directors composing CSR Committee

(iii) Number of meetings of CSR Committee held during the year

Sr. No.	DIN	Name of Director	Category	No. of meetings of CSR Committee attended during the year

(b)(i)\* Whether the company has a website

☐ Yes ☐ No

(ii) If Yes, Provide web-link

(iii) Whether following has been disclosed on the website of the company in pursuance of Rule 9 of Companies (CSR Policy) Rules, 2014:

• Composition of CSR committee

☐ Yes ☐ No ☐ N.A.

• CSR Policy

☐ Yes ☐ No

• CSR projects approved by the board

☐ Yes ☐ No

(c)\* (i) Whether Impact assessment of CSR projects is carried out in pursuance of sub-rule (3) of Rule 8 of Companies (CSR Policy) Rules, 2014, if applicable

☐ Yes ☐ No ☐ Not Applicable

(ii) \*If Yes, whether the same has been disclosed in the Board Report

☐ Yes ☐ No

(iii) Provide web-link, if any

(d)(i)\* Whether any amount is available for set off in pursuance of sub-rule (3) of Rule 7 of Companies (CSR Policy) Rules, 2014

☐ Yes ☐ No

(ii) If yes, provide details:

S. No.	Financial Year	Amount available for set-off (in Rs.)	Amount set-off in the financial year, if any (in Rs)	Balance Amount (in Rs.)
1	FY-1 (Financial Year End Date)			
2	FY-2 (Financial Year End Date)			
3	FY-3 (Financial Year End Date)			

	Total			
--	-------	--	--	--

5. (a)\* Whether the company has completed the period of three financial years since its incorporation ☐ Yes ☐ No

(b) If no, then provide the number of financial years completed since incorporation

(c)\* Net Profit & other details for the preceding financial years:

S. No.	Particulars	Amount (in Rs)		
		FY-1	FY-2	FY-3
1	Profit before tax			
2	Net Profit computed u/s 198			
3	Total amount adjusted as per rule 2(1)(h) of the CSR Policy Rules 2014			
4	Total Net Profit for section 135 (2-3)			

(d)\* Average net profit of the company as per section 135(5)

6. (a)\* 2% of Average net profit of the company as per section 135(5)

(b)\* Surplus arising out of the CSR projects/ programs or activities of the previous financial year, if any

(c)\* Amount required to be set off for the financial year, if any

(d)\* Total CSR obligation for the financial year (6a+6b-6c)

7. (a)\* Whether CSR amount for the financial year has been spent ☐ Yes ☐ No

(b) If yes, CSR amount has been spent against:

- ☐ Ongoing projects  
☐ Other than ongoing projects  
☐ Both (Ongoing and other than ongoing projects)

(i) Details of CSR amount spent against ongoing projects for the financial year:

Number of Ongoing Projects for the financial year

1	2	3	4	5	6	7	8	9	10
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S. No.	Project ID	Item from the list of activities in schedule VII	Name of the Project	Local Area (Yes/No)	Location of the Project		Project duration (in months)	Amount spent in the Financial Year (in Rs.)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
					State	District				CSR Registration No.	Name
1											
2											
3											
4											
5											
							Total	XX			

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

Number of Other than Ongoing Projects for the financial year

1	2	3	4	5		6	7	8	
S. No.	Item from the list of activities in schedule VII	Name of the Project	Local Area (Yes/No)	Location of the Project		Amount Spent in the Financial Year (in Rs.)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			CSR Registration No.	Name
1									
2									
3									
					Total	XX			

(c)\* Amount spent in Administrative Overheads

(d)\* Amount spent on Impact Assessment, if applicable

(e)\* Total Amount Spent for the Financial Year

(f)\* Amount unspent/ (excess) spent for the Financial Year [6(d)-7(e)]  
unspent for Ongoing projects)

(g)\* Amount eligible for transfer to Unspent CSR Account for the Financial  
Year as per Section 135(6) (before adjustments)

(h)\* Amount to be transferred to Fund specified in Schedule VII for the  
Financial Year (if total unspent for the Financial Year is greater than  
unspent for Ongoing projects)

8. Details of transfer of Unspent CSR amount for the financial year:

(a) Transfer to Unspent CSR account as per Section 135(6)

Amount to be transferred to Unspent CSR account	Amount actually transferred to Unspent CSR account	Date of Transfer	Deficiency, if any

(b) Transfer to Fund specified in Schedule VII as per second proviso to Section 135(5) for the Financial  
Year:

Amount to be transferred to Fund specified in Schedule VII	Amount actually transferred to Fund specified in Schedule VII	Date of Transfer	Deficiency, if any

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

10. \*Whether any unspent amount of preceding three financial years (financial year ending after 22<sup>nd</sup>  
January 2021) has been spent in the financial year

☐ Yes ☐ No

(a) Details of CSR amount spent in the financial year pertaining to three preceding financial year(s):

1	2	3	4	5	6		7	8
S . N o . Year(s)	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under Section 135(6) (in Rs.)	Balance Amount in Unspent CSR Account under section 135 (6) (in Rs)	Amount Spent in the Financial Year (in Rs)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to Section 135(5), if any		Amount remaining to be spent in succeeding financial years (in Rs)	Deficiency, if any
					Amount (in Rs)	Date of Transfer		
1	FY-1							
2	FY-2							
3	FY-3							

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

Number of Ongoing Projects

1	2	3	4	5	6	7	8
S . N o .	Project ID	Name of the Project	Financial Year in which the project was commenced	Amount spent for the project at the beginning of the Financial Year (In Rs)	Amount Spent in the Financial Year (in Rs)	Cumulative Amount Spent at the end of Financial Year (in Rs)	Status of the project - Completed /Ongoing
1							
2							
3							
4							



(c) (i) Whether any new CSR project has been undertaken in the financial year from the Unspent amount pertaining to preceding three financial years : ☐ Yes ☐ No

(ii) If yes, nature of the new CSR Project(s) is/are :

☐ Ongoing project(s)

☐ Other than ongoing project(s)

☐ Both (Ongoing and other than ongoing projects)

(iii) Details of amount spent against new ongoing CSR project in the financial year :

Number of Ongoing Projects

1	2	3	4	5	6	7	8	9	10	11
S. No.	Project ID	Financial year to which the new project pertains	Item from the list of activities in schedule VII	Name of the project	Local Area (Yes/No)	Location of the Project	Project duration (in months)	Amount spent in the Financial Year (in Rs.)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency
						State	District			CSR Registration No.
										Name
1										
2										
3										
4										
5										
							Total	XX		

(iv) Details of amount spent against new other than ongoing projects in the financial year:

Number of Other than Ongoing Projects

1	2	3	4	5	6	7	8	9
S. No.	Financial year	Item from the	Name of the project	Local Area	Location of the Project	Amount Spent in the	Mode of Implementation -	Mode of Implementation -

	to which the new project pertains	list of activities in schedule VII		(Yes/No)			Financial Year (in Rs.)	Direct (Yes/No)	Through Implementing Agency	
					State	District			CSR Registration No.	Name
1										
2										
3										
						Total	XX			

11. Whether any unspent amount pertaining to FY 2014-15 to FY 2019-20 has been spent in the financial year

☐ Yes ☐ No

Details of amount spent against CSR projects in the financial year:

Number of CSR Projects

1	2	3	4	5	6		7	8	9	
S. No	Financial year to which the new project pertains	Item from the list of activities in schedule VII	Name of the project	Local Area (Yes/No)	Location of the Project		Amount Spent in the Financial Year (in Rs.)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
					State	District			CSR Registration No.	Name
1										
2										
3										
						Total	XX			

12. \*Whether any capital assets have been created or acquired through CSR spent in the financial year

☐ Yes ☐ No

If Yes, enter the number of Capital assets created/ acquired

Furnish the details relating to such asset(s) so created or acquired through CSR spent in the financial year:

Sr. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pin code of the property or asset(s)	Date of creation	Amount of CSR spent	Details of entity/ Authority/ beneficiary of the registered owner		
					CSR Registration Number, if applicable	Name	Registered address
			Total	XXXX			

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

#### Attachments

#### List of Attachment

1.Optional attachment(s), if any




#### Declaration

I am authorized by the Board of Directors of the Company vide resolution number \*

\*Dated  to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. I further declare that:

13. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the company.

14. All the required attachments have been completely and legibly attached to this form.

**To be digitally signed by one director.**

\*To be digitally signed by



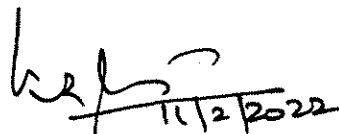
\*Designation

\*DIN of the director;

**Note: Attention is drawn to provisions of Section 448 and 449 which provide for punishment for false statement / certificate and punishment for false evidence respectively.**

**This eform has been taken on file maintained by the Registrar of Companies through electronic mode on the basis of statement of correctness given by the authorized person.**

[F. No. 1/19/2013-CL-V-Part III]

  
K. V. R. MURTY, Jt. Secy.

Note : The principal rules were published in the Gazette of India vide number G.S.R. 239(E), dated the 31st March, 2014 and was subsequently amended vide notifications number G.S.R. 723(E), dated the 14th October, 2014, G.S.R. 37(E), dated the 16th January, 2015, G.S.R. 680(E), dated the 4th September, 2015, G.S.R. 742(E), dated the 27th July, 2016, G.S.R. 1371(E), dated the 7th November, 2017, G.S.R. 191(E), dated the 27th February, 2018, G.S.R. 725(E), dated the 31st July, 2018, G.S.R. 803 (E), dated the 22nd October, 2019, G.S.R. 60 (E), dated the 30<sup>th</sup> January, 2020 and G.S.R. 205(E), dated the 24<sup>th</sup> March, 2021.

# **Section 7**

## **CSR Spend Breakup**

**CSR Spending Distribution Chart - Broad activities as per Companies (Corporate Social Responsibility) Amendment Rules 2021 and September 2022**

	5% of CSR Expenditure for given FY	2% (if applicable, else part of Actual CSR Spends) of CSR Expenditure for given FY	Actual CSR Spends (expenses directly incurred) through Activities & Contribution Route (93% if Column B is applicable else 95% of CSR Expenditure)		
	A	B	C	D	E
<b>Budget Heads As per CSR Rules 2021</b>	5% admin overheads - General Management and Administration of CSR	Impact Assessment - 2% of CSR Expenditure in the FY or Rs. 50 lacs whichever is higher, for qualifying companies can be used for Impact Assessment	Designing of CSR projects and programs	Implementation of CSR projects and programs Direct by Company, an 1860 Society, Trust or Section 8 Company or as per other entities under CSR Rule 4(1) (a) to (d)	Monitoring and Evaluation (M&E) of CSR Projects
<b>Activity sub-heads that may qualify under stated Budget Heads**</b>	Board level compliances like CSR Policy, Strategy, Annual Action Plan, Management of Board Agenda and documentation of Board Minutes, Action Points & related Follow-ups etc.; CFO, CA & CS compliances, HQ employee costs, legal and audit expenses, office supplies, stationary, admin related HR, travel etc - all as part of General management and administration of CSR; Mandatory CSR Reporting etc.	As required/Applicable; to be undertaken by an independent agency (not part of implementation) commissioned by the qualifying Corporate.	May include - Need assessment, RFP (Request For Proposal), Project design, Due diligence and Selection of NGOs, MoU, Budget plan, Theory of Change, Model of Intervention, Baseline & Endline Surveys etc.	1) Activities Route: Actual implementation of CSR Projects and Programs by above entities - All of these must be registered under Form CSR-1 with effect from 1 April 2021, and non-government ones amongst these must also be Registered u/s 12A or 10 (23C) of the Income Tax Act 1961, and 80G of the Income Tax Act 1961. 2) Contribution to Funds Route: via contribution to various funds specified in Sc VII. 3) Contribution to incubators and R&D projects as per Sc VII (ix)(a) and (ix)(b). Note: for bullet 2) above, Budget Heads in Columns C, D & E will not apply and CSR funds would go direct into government funds.	M&E plugged into Project budget; can be spent via partner NGOs or taken up by Company itself/third party or both.

Note: 1) \*\* Activity sub-heads stated are suggestive based on CSR expert experience; may include other related activities also that align with concerned Budget Head/s as per applicable CSR Rules;

2) CSR Obligation = 2% CSR as per Section 135(5) + Surplus (like interest on SB A/C) - Set-off (CSR spend over and above 2% in a given FY);

3) To achieve outcomes/impact and S.135 Compliances SMEs/Consultants/Agencies with requisite know-how can be suitably deployed by the Corporate / NGO;

4) Interest calculation for CSR funds received in Savings Bank Account must be calculated precisely as far as possible, and validated by the CA of Implementing Agency as part of the Utilization Certificate;

5) Column D includes Admin expenses that may be needed for project implementation - direct by company or by an Implementing Agency. This is different from 5% Admin Overheads as stated in Column A, that can be used by the company for general management & admin of overall CSR that it is mandated to do;

Note: This chart is indicative, and must be read in conjunction with applicable CSR legislation, CSR Rules & FAQs etc. If any difference, the latter must be adhered to.

Conceptualized by: Nikhil Pant, Founder Lakshyaa ([nikhil@lakshyaa.co.in](mailto:nikhil@lakshyaa.co.in))

# **Section 8**

MCA Newsletter



# Monthly Newsletter

VOLUME - 66 MAY - 2023

## Unveiling CSR Trends: A step towards Sustainability

Doing business in an unpredictable world can get problematic and cumbersome as climate change, dwindling natural resources, and ever-increasing demands on energy and food supply, disrupt business operations and supply chains in unexpected ways. It has become necessary for private and public organizations to fundamentally rethink the way they function. Transforming into a successful sustainable business requires new levels of resilience and agility, rooted in responsible practices.

Corporate sustainability essentially refers to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental conservation. While sustainability is about factoring the social and environmental impacts of conducting business, that is, how sustainably profits are made, Corporate Social Responsibility (CSR) focuses on what is done with the profits made and whether they are utilized for the greater good of the society. Hence, the practice of CSR is an important component of sustainability or responsible business.

In the present times, CSR has shifted from traditional philanthropic activities to community development through various projects. It has evolved from a peripheral aspect of business to a strategic imperative. By mandating CSR through statutory obligations, India became one of the first countries in the world to create a legal framework on CSR and statutorily direct companies to report on the same. Section 135 of the Companies Act, 2013 is the foundation of this regime. The government's intention to make CSR more robust is quite evident in the initiatives undertaken, such as the need to certify the utilization of CSR funds by a Chartered Accountant if the implementation is done through a third party.

To measure and evaluate the effectiveness and outcomes of the CSR initiatives, the Ministry notified the Companies (CSR Policy) Amendment Rules, 2021 ('Rules') vide notification dated 22.01.21 through which the tool of Impact Assessment was introduced. It requires specified companies to undertake impact assessment through an independent agency. To maintain accountability and transparency such reports are to be placed before the Board as well as annexed to the annual report on CSR. Further it mandated that companies with unspent CSR funds to constitute a CSR committee irrespective of its obligation amount.

From the analysis of CSR data, it is seen that education, healthcare, and rural development are the top three development sectors receiving the CSR funds. Since the enactment of the CSR provisions, these three sectors have always attracted major CSR funds given their importance and potential impact on society. Looking at the numbers from the last seven years, i.e 2014-15 till 2020-21, based on the filings made by the companies in the MCA21 registry, education sector received nearly Rs. 47187.68 crores (including education, livelihood enhancement projects, special education and vocational skills), which amounts to approximately 37% of the total CSR expenditure. The health sector (including health care, poverty, eradicating hunger, malnutrition, sanitation and Swachh Bharat Kosh) comes next with 30% of the CSR expenditure amounting to Rs. 38011.49 crores. More than Rs. 12,300 crores were spent on Rural development projects which accounted for 9.6% of the total CSR expenditure. The three sectors together accounted for nearly 76.6% of the total CSR expenditure incurred in the country in seven years. One of the reasons behind the focus on these sectors could be their alignment with the country's sustainable development goals. However, for the country's overall development, it would be better if the companies incur CSR expenditure over all the development sectors.

The nature of CSR being dynamic, the expenditure can vary each year based on multiple factors. However, what is commonly understood with the data of MCA21 registry is that some states in India have received significantly more portion of CSR funds due to various factors such as the presence of major corporations, industrial development, and social development needs. This disparity however, is common in other aspects also, such as state-wise distribution of net proceeds of union taxes and duties as well.

Data shows that in FY 2020-21, over 44% of the CSR funds went to ten states.

These top ten beneficiary states include eight of the largest state economies by their FY20 GDP- Maharashtra, Gujarat, Andhra Pradesh, Karnataka, Uttar Pradesh, Tamil Nadu, Rajasthan, and Madhya Pradesh. These states are the financial and industrial bases, and are major hubs for technology companies and startups which is why they are known for their business-friendly environment. This could be one of the reasons for them attracting a significant amount of CSR funds. It is seen that the companies tend to spend the CSR funds in the areas where it operates to gain the goodwill of the local community given that the support of the local community is just as important for the running of their business smoothly. It is seen that Maharashtra, Gujarat and Karnataka, received the largest share of CSR funds, with Maharashtra alone receiving 13.21% of the total during FY 2020-21.

In contrast, the northeastern states of Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura received a mere 0.91% of the funds in FY 2020-21. Some other reasons could be the lack of infrastructure and resources for implementing CSR projects in the region, lack of awareness about the importance of CSR among companies operating in the regions receiving lower funds. This is concerning, as the smaller regions are the most socio-economically and culturally diverse in the country and have a high incidence of poverty and underdevelopment. It is imperative that there is a balance of local area preference with national priorities to avoid any concentration of CSR funds in specific regions. The Board of the corporations, may on their own initiative, be required to take measures needed to augment the CSR Funds for areas where development is needed.

The potential reason for such disproportion could be that, Section 135(5) of CA13 provides that the companies shall give preference to the local area and areas around it where it operates. However, it's not mandatory to do so as the world has become too intricately close with the advent of digitalization and it is difficult to define what the local areas of operations are.

In FY 2021 the CSR spent was Rs. 26,210 crore which is almost twice in comparison to FY 2016 where Rs. 14,542 crores were spent, which indicates an upward trend in the CSR expenditure. However, the impact of the CSR funds is not widely felt and there is a need to enhance the visibility as well as impact of these invested funds. To ensure that the impact of CSR is deeply felt, it is imperative that the companies take a long-term comprehensive approach to yield productive results. For increased effectiveness and efficiency, it is important to execute CSR efforts strategically with the right balance of capital investments and operational expenses. Moreover, it is also essential to ensure that the initiatives undertaken are self-sustaining, so that the programs run seamlessly and efficiently, without them being a burden on the company. The emphasis should be on creating an appropriate structure for CSR, ensuring that the funds go towards the well-being of the community. Further, highest quality of risk management framework needs to be adopted, so as to make the CSR projects sustainable.

For yielding high results of CSR initiatives, the entire chain involved in the execution should be in consensus. One of the recurring issues for companies has been the identification of suitable Implementing Agencies (IAs). The introduction of the National CSR Exchange Portal in 2022 is a step towards answering this obstacle. The National CSR Exchange Portal serves as an e-marketplace hosting PAN India social welfare projects where stakeholders such as Implementing agencies can put up their ongoing projects and companies can select projects for CSR Spending as per their preferences and vice versa.

India's philanthropic landscape has undergone major changes over the past years. Mandating CSR helped the corporate sector transition from a voluntary and unsystematic approach to a structured way of contributing to social welfare. Although the law has infused capital into the social sector, the impact and effectiveness of the programs needs to be measured to help identify gaps and solutions. Lastly, instead of a narrow perception of CSR, one needs to understand the holistic view of it. The Government of India is willing to take measures to facilitate Ease of Doing Business by making an effective and receptive CSR legal framework. This will inculcate social consciousness in a company. This way, CSR expenditure can even more meaningfully contribute towards achievement of Sustainable Development Goals.



## BRIEF PROFILE



Nikhil Pant is actively engaged in the development sector since 1992, **implementing development/CSR projects** through the NGO [REACHA](#); doing **NGO selection/management and grant management** with [Tech Mahindra Foundation](#) (2010-2012); **CSR Policy, Strategy & Capacity Building** with [Indian Institute of Corporate Affairs](#) (IICA under Ministry of Corporate Affairs; 2012-2017) and **advising & training corporates and advisory firms** through [LAKSHYAA](#) he founded in 2018, in alignment with CSR legislation and the Companies (Corporate Social Responsibility Policy) Amendment Rules 2021 and 2022. In individual capacity Nikhil advises [HCL Foundation](#) on CSR since October 2019.

As former **Chief Programme Executive, National Foundation for CSR, IICA, Ministry of Corporate Affairs, GoI**, Nikhil **played a key role from government side in formulation and nation-wide rollout of Corporate Social Responsibility (CSR) as per Section 135, Companies Act 2013 - Legislation, Rules, Policy, Strategy, Compliance (Accounting, Audit, Taxation, Reporting)**; he also specializes in CSR Grant Management, Monitoring & Evaluation Frameworks, Impact Assessment, Project Management etc., and is currently involved in “Compliance to Impact with Sustainability” advising to governments, corporates, NGOs and Academia on CSR and Sustainable Development.

As visiting faculty for the **Certificate Course on Corporate Social Responsibility and Impact Assessment** organised by Corporate Laws & Corporate Governance Committee of Institute of [Chartered Accountants of India](#), Nikhil actively guides and trains Chartered Accountants on CSR.

As **Course Director, Corporate Social Responsibility & its Applied Aspects** with HCL Foundation Academy, he trains development sector professionals and government functionaries on CSR – from Policy to Implementation to Tax & Audit Compliances.

He closely engages with clients/partners/government organisations like NITI Aayog, MCA, MDoNER, Invest India, IDAN, NDMA, NSDC, UPSDM, MPDS & MPDTE, UCOST, HCL Foundation, ONGC, IIFL Foundation, IHCL (Taj Hotels), Genpact, IBM, Cadence, Kesari Travels, Nokia, WNS Global, Sattva, Liveguard Business, Bosconet etc. to name a few. His work with Indian Army in Kashmir as CEO, REACHA has been much appreciated by the Army from time to time.

With over 3 decades of experience in implementation, training, advocacy, grant management, strategy & policy formulation of development programmes, in his own way Nikhil presents unique, practical need-based solutions that are individual specific, and community and organization based, meeting key people-centric development requirements at the very core. With his teaching, civil society, corporate and government experience and networks, he also develops meaningful partnerships to achieve desired outcomes in quick time.

As an Advisor and CSR Consultant Nikhil specialises in conceptualization, design, development, delivery and measurement of Sustainable Development Models. Through his work he seeks to bring in meaningful and engaging convergence of governments, corporates/CSR, civil society, entrepreneurs, social business, academia and communities in a participatory mode of collaboration, co-creation and creativity, for impact and scale, leading to need based social change. He emphasizes on the never say die spirit of positivity towards life, living and co-existence, and takes up assignments and embeds this spirit as a cross-cutting horizontal, thereby bringing in a fresh, lively approach towards human development and environmental conservation issues that the world faces. People, Planet and (Non) Profit remain central to Nikhil as he engages deeply for social change.

He is currently Chairman (since December 2023) and Chief Executive Officer, [REACHA](#), a one of its kind grassroots, community based voluntary organisation that is today bringing innovation in CSR implementation, impact and reporting in the country. Here he is delivering transformative CSR projects across India, including a path-breaking, award-winning initiative with Indian Army in Kashmir since 2016. He is a Founder – Member, REACHA since 1992.

Founded [Lakshyaa](#), an Impact with Compliance Advisory firm that specialises in design, development and delivery of effective Engagement Models that bring together governments, corporates/CSR, civil society, entrepreneurs, social business, academia and communities in a participatory mode of collaboration, co-creation and convergence, for impact and scale, leading to transformative nation-building through Sustainable Development.

He was Member, [Tata Power](#) Sustainability Advisory Council from 2016-2018, where he advised Tata Power Board on Compliance, Global Best Practices and Impact.

From 2012-2017, at national level as part of rollout of Section 135, Companies Act 2013 on CSR, Nikhil led formulation of CSR Policy, Strategy, Rules etc., and their country-wide deployment through Advisory, Advocacy, Consulting, Research and Training as Chief Programme Executive, National Foundation for CSR, [Indian Institute of Corporate Affairs](#) (IICA), Ministry of Corporate Affairs, GoI. He also engages with IICA today as Visiting/Guest Faculty.

He led key strategic grant-making projects as Principal Consultant, [Tech Mahindra Foundation](#) from 2010-2012 that strengthened the NGO partnership model in a participatory mode of co-creation and development.

As a School Teacher and Student Counsellor with [Manava Bharati School India International School](#), New Delhi from 1997 to 2010, Nikhil developed student-centric learning-by-doing education projects of child and youth development that led to community based positive change. These were shared with CBSE through Sahodaya School Complexes and Continuous & Comprehensive Evaluation (CCE) of school children with focus on learning outcomes and are today embedded in various Education/CSR projects across the country.

Over the years, through Nikhil's leadership, effective and outcome-based CSR and Sustainable Development projects have been undertaken at government, corporate, institutional, and civil society level. These projects cover Policy, Strategy, Compliance, Grant Management, Training, Advocacy and Implementation with organisations like HCL Foundation, Indian Army, ONGC, Genpact, Titan, IBM, WNS Global, Diageo, Sattva, IIFL Foundation, REC Foundation, Tata Power, North Delhi Power Limited, Tata Teleservices, Yes Bank Foundation, Bombay Stock Exchange, Deshpande Foundation, OIL, HPCL, Indian Oil, Coal India Limited, NTPC, IGL, EIL, Smile Train, Dhampur Sugar Mills, JK Cement, IIMs (Bangalore, Calcutta), ISB, Narsee Monjee, NLC India Limited, Tata Communications, SIDBI, TRRAIN, CII, NHPC etc. to name a few.

[nikhil@lakshyaa.co.in](mailto:nikhil@lakshyaa.co.in); [nikhil@reacha.org](mailto:nikhil@reacha.org); [www.linkedin.com/in/nikhilpant](https://www.linkedin.com/in/nikhilpant); Mobile: +91-9811447613