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Corporate Social Responsibility: "Caring for the future".

Understanding of:

- **What is Corporate Social Responsibility (CSR);**
- **Why should do CSR activity voluntarily;**
- **Mandatory applicability threshold;**
- **Provisions of Section 135 of the Indian Companies Act, 2013;**
- **Companies (CSR) Rules, 2014;**
- **What are the different modes of implementation of CSR activities?**
- **CSR: An International Perspective;**
- **Schedule VII of the Indian Companies Act, 2013;**
- **PM Internship Scheme 2025;**
- **Frequently Asked Questions; &**
- **Conclusion.**

What is Corporate Social Responsibility?

Corporate Social Responsibility is the way companies manage their businesses to produce an overall positive impact on society through economic, environmental and social actions. Corporate Social Responsibility (CSR) also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ businesses. Business

depends for its survival on long term prosperity of the society. Corporate Social Responsibility is concerned with treating the stakeholders of a company or institution ethically or in a responsible manner. 'Ethically or in a responsible manner' refers to treating key stakeholders in a manner deemed acceptable according to international norms. The Corporate Social Responsibility and Corporate Governance are inextricable in today's going perception of the society. The Corporate Governance and business ethics make the concept of Corporate Social Responsibility inevitable.

Why to do CSR activity voluntarily:

- **Builds a Positive Brand Image;**
- **Strengthens Employee Morale;**
- **Attracts Talent;**
- **Improves Relationships with Stakeholders;**
- **Encourages Innovation;**
- **Risk Management;**
- **Long-Term Business Success;**
- **Contributing to the Greater Good;**
- **Tax Benefits;**
- **Differentiates from Competitors; &**
- **Creating reliance in society & within workforce.**

Applicability:

CSR provisions applicable to companies which fulfill any of the following criteria during the immediately preceding financial year:

(i) Net worth of Rs. 500 crore or more; or
(ii) Turnover of Rs. 1000 crore or more; or
(iii) Net profit of Rs. 5 crore or more.

Every such company is required to constitute a CSR committee of the Board as per Section 135(2) of Companies Act, 2013.

The composition of the CSR Committee for various categories of companies is as under:

Listed companies - Three or more Directors, out of which at least one shall be an Independent Director.

Unlisted public companies - 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.

Private companies - Two or more Directors. If no Independent Directors are required as mentioned in the proviso under Section 135(1).

Foreign company - 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.

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.

Further Section 135(2) states that:

The Company shall disclose the Composition of CSR Committee in Board Report as per provision of Section 134(3) of the Companies Act, 2013.

Section 135(3) describes functions of CSR Committee:

- **Formulate CSR Policy on CSR activities as mentioned in Schedule VII;**
- **Recommend amount of expenditure; &**
- **Monitor the CSR Policy.**

Section 135(4):

The BOD shall approve the CSR policy & shall also disclose the same in Board report & on website of the Company.

Section 135(5):

The Board of every company to which CSR is applicable shall ensure that the company spends, in every financial year, at least 2% of the average net profits (calculated as per Section 198) of the company made during the three immediately preceding financial years or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

Proviso 1: **The Company shall give preference for CSR to local areas.**
Proviso 2: **If there is some unspent amount of CSR, then Company shall specify reasons for the same in the Board Report.**
Proviso 3: **If Company spent in excess of 2% such excess may be set off upto next 3 years.**

Treatment of Unspent Amount of CSR

Section 135(6):

If unspent amount doesn't relate with Ongoing Project:

Within 6 months from the end of financial year transfer such unspent CSR amount in Schedule VII funds of Companies Act, 2013.

If unspent amount relates to ongoing project:

Transfer unspent amount within 30 days from the end of financial year. Amount kept in Unspent CSR account of the Company shall be utilized by the Company within next three years. If after expiry of three years, Unspent amount left the Company shall transfer amount to Schedule VII funds within 30 days from end of financial year.

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 extended beyond one year by the Board based on reasonable justification.

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.

Note: The term 'year' refers to financial year as defined in section 2(41) of the Act.

Should a company open a separate 'Unspent CSR Account' for each ongoing project?

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.

Excess Spending

Section 135(5) of the Act which says 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 spent against the requirement to spend for such number of succeeding financial years and in such manner, as may be prescribed.

Rule 7(3) of CSR Rules prescribes that the set-off can be claimed up to immediately succeeding three financial years subject to the condition 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 rule 7(2) of CSR Rules.

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

Surplus arising out of CSR projects

As per rule 7(2) of CSR Rules, any surplus arising out of the CSR activities shall not form part of the business profit of a company and:

(1) It shall be ploughed back into the same project;
(2) It shall be transferred to the Unspent CSR Account, and shall be spent in pursuance of CSR Policy and annual action plan of the company;
(3) It shall be transferred to a fund specified in Schedule VII to the Act, within a period of six months of the expiry of the financial year.

Further as per rule 7(3)(i) of CSR Rules, such surplus amount ploughed back into the same project shall not be included in calculation of excess amount by the company, if any, for claiming set off in succeeding three financial years.

This means any surplus arising out of CSR activities must be utilized in the CSR project, but it shall not be considered as part of 2% CSR obligation of the company for the financial year in which it is spent, i.e., it must be over and above the obligation to spend 2% of profits of the company for the relevant financial year.

Measurement of CSR spend made in kind

This includes activities such as free distribution of goods produced by the entity. These should be measured in accordance with the AS-2 / Ind AS 2 at cost or net realisable value, whichever is lower.

Administrative Overheads

As per the erstwhile rule 4(6) of CSR Rules, companies could build CSR capacities of their own personnel as well as those of their Implementing Agencies through Institutions with established track records of at least three financial years but such expenditure including expenditure on administrative overheads, should not exceed 5% of total CSR expenditure of the company in one financial year.

Rule 7(1) of CSR Rules which says that the Board shall ensure that the administrative overheads shall not exceed 5% of total CSR expenditure of the company for the financial year.

Pursuant to amendment in CSR Rules effective from 22nd January 2021, the term 'administrative overheads' had been defined in rule 2(b) of CSR Rules as under:

"Administrative overheads" means the expenses incurred by the company for 'general management and administration' of CSR functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular CSR project or programme.

As the above definition is generic, there is bound to be discussion on the issue as to what kind of expenses come within the ambit of "administrative overheads". In effect, salaries paid to CSR staff engaged in administrative activities cannot be factored into project cost, and it shall form part of administrative overheads. Salaries paid to CSR volunteers, who are not doing administrative activities but are involved in the actual implementation of CSR project, may be counted towards CSR Project cost.

As per MCA clarification monetization of 'pro bono' services of employees would not be counted towards CSR expenditure. Designing, implementation, monitoring, and evaluation is part of CSR project cost and it would not be considered as administrative cost / overheads.

Hence, 'general management and administration' costs related to the CSR function of the company is administrative cost, whereas cost spent on the implementation of a CSR project would form part of that particular CSR Project.

The intent behind keeping a cap on the administrative expenses is that there should be minimum of 95% of the funds allocated towards cost of the project excluding administrative expenses, be it at the company level or at the Implementing Agency level. Thus, the view is that the limit of 5% administrative overheads should be applicable for expenses incurred at company level as well as at the level of the Implementing Agencies.

Section 135(7): If Company contravenes the provisions of Section 135(5) & (6), then,

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 Rs. 1 crore, whichever is less.

&

Every officer of the company who is in default shall be liable to a penalty of 1/10 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 Rs. 2 lakh, whichever is less.

Section 135(8):

Central Government may give directions to the Company for compliance of Section 135.

Section 135(9):

Where amount required to be spent by the Company under Section 135(5) does not exceed Rs. 50 Lacs, than there is no need to constitute CSR Committee. Such responsibility shall be discharges by BOD of company.

Companies (CSR) Rules, 2014:

Rule 4: ***Implementation of CSR Activities –***

- **Through Non-Profit Organizations*;**
- **Company jointly with another Company;**

- **Any NPO establish by CG/SG (For example – Pratham Education Foundation or Project Nanhi Kali, etc); or**
- **Any public agency establish by CG/SG for public interest.**

**** Eligibility:***

- *Minimum 3 year of post incorporation;*
- *Registered under Section 12A & 80G of Income Tax Act, 1961;*
- *Filed CSR 1 Form with the Registrar of Companies; &*
- *Have Darpan Registration under NITI Aayog.*

According to Rule 4(2)(a) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, 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.

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.

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

Rule 8(3): *Impact Assessment -*

Company having average CSR obligation of Rs. 10 crores or more in pursuance of Section 135(5) in the 3 immediately preceding Financial Year, shall undertake Impact Assessment through an independent agency of their CSR projects having outlays of Rs. 1 crore or more & which has completed minimum 1 year before undertaking the impact study.

Impact Assessment reports shall be placed before Board and annexed to Annual Report on CSR.

Objective 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.*

What are the different modes of implementation of CSR activities?

Pursuant to rule 4 of the Companies (CSR Policy) Rules, 2014 a company may undertake CSR activities through following three modes of implementation:

i) Implementation by the company itself.
ii) Implementation through eligible implementing agencies as prescribed under sub-rule (1) of rule 4.
iii) Implementation in collaboration with one or more companies as prescribed under sub-rule (4) of rule 4.

CSR Impact Assessment: Eligibility Criteria

a. According to the January 2021 amendment, impact assessment is mandatory for companies with a CSR budget of INR 10 crore or more in any fiscal year and all projects with outlays of INR 1 crore or more.

b. These impact assessments must be undertaken by an independent agency.

Timelines for Conducting Impact Assessment

a. Companies falling in above criteria must undertake Impact Assessment at least one year after programme implementation is complete.

b. As per Rule No. 8, if companies have multi-year programmes (say 3 years), impact assessment needs to be conducted after completion of three years of the programme. Additionally, a follow up assessment needs to be conducted one year after the completion of the programme to better understand the programme's after effects.

c. The Impact Assessment should be conducted for those projects, which have completed one year or for on-going projects (period more than three years).

CSR Impact Assessment Expenditure

a. Impact assessment related expenditure may be booked as a CSR expense as long as it does not exceed 5% of the total CSR spending or INR 50,00,000, whichever is less.

b. The limit of expenditure is applicable on the total CSR budget of the financial year.

c. Under the amended rules, "Administrative overheads" will now mean 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.

Further, a Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five per cent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.

CFO Certification

Rule 4(5) of CSR Rules says that the Chief Financial Officer (CFO) or the person responsible for financial management shall certify to the Board to the effect that the funds disbursed by the Board for CSR implementation have been utilised for the purposes and in the manner as approved by the Board.

It may be noted that the CSR responsibilities of the Board and CSR committee cannot be assigned to Trust / Trustees. Hence, even if the company has formed a Trust for undertaking CSR activities, the ultimate responsibility for such CSR activities would always be on the company. Hence, CFO certificate would also be needed in such cases.

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CSR Audit

A corporate social audit is important because it can increase a company's responsibilities to the community. This assessment holds businesses accountable and ensures they only engage in practices that benefit stakeholders who aren't necessarily shareholders, like employees, customers and business partners.

A corporate social audit examines the following elements of a company:

a. Transparency with financial and accounting practices: A corporate social audit can determine how transparent a company is with its financial and accounting practices. It ensures that all staff members report information accurately and that the company files its taxes according to state and federal regulations. It also ensures that the company shares as much financial information as possible with the public in the form of financial reports.

b. Transparency with product defects or other issues: A corporate social audit reports if a company has been transparent with any issues in its products or other offerings.

c. Fair hiring practices and employee treatment: A corporate social audit can also determine if a company participates in fair hiring practices. This can include hiring employees without discriminating against them because of their gender, race, sexuality,

religion any other basis. It can also include making reasonable accommodations for potential employees with disabilities and giving them a fair chance to secure available positions.

d. Participation in charitable giving: A corporate social audit assesses how much a company participates in charitable giving. The audit may evaluate what percentage of its profits it donates to worthy causes.

It may also check to see if the company offers incentives for its employees to volunteer, like offering a paid day off of work to volunteer at a local food bank or another organization.

CSR an International Perspective:

The Corporate Social Responsibility is not only extended to India but it has a worldwide accepted concept. There are other countries that also follow the concept of Corporate Social Responsibility in their country in their own way. The international perspective to Corporate Social Responsibility to other countries like Singapore, Malaysia, South Africa and UK that practices CSR are discussed hereunder. In the international level many countries come and meet for discussion on many other different matters. One of the matters is Social Responsibility for which conventions are held globally.

Schedule VII of the Indian Companies Act, 2013

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

(i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation 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 centers 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 including contribution to the Clean Ganga Fund setup by the Central Government for rejuvenation of river Ganga;

(v) Protection of National Heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;

(vi) Measure for the benefit of armed force veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;

(vii) Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympics sports;

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

(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).

(c) Defence Research and Development Organisation (DRDO), Department of Biotechnology (DBT);

(x) Rural development projects;

(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.

(xii) Disaster management, including relief, rehabilitation and reconstruction activities.

PM Internship Scheme 2025

Object: This Scheme is separate from all the existing schemes related to skill development, apprenticeships, internship and student training programmes, etc. being implemented across all the States & UTs of India, and will run independently of all such Central/State schemes.

Scope: The Prime Minister's (PM) Internship Scheme in top companies was announced in Budget 24-25 to provide one crore youth with internship opportunities in the top 500 companies in five years.

Accordingly, the government launched the PM Internship Scheme to give youth opportunities for internships in top companies across India. This scheme offers youth exposure to real-life work environments across 24 sectors, including travel, gas, oil, energy, hospitality, banking, automotive and financial services.

It empowers India's youth by providing valuable skills and real-world work experience, bridging the gap between practical work environments and academic learning. It also helps to build professional networks to expand job opportunities.

Features:

S. No.	Particulars	Description
1	Ministry	Ministry of Corporate Affairs
2	Eligibility	Indian residents;
		Aged 21 to 24 years; &
		Not employed full-time or in full-time education.
3	Educational Qualifications:	Candidates who have passed High School, Higher Secondary School, possess a certificate from an ITI, hold a diploma from a Polytechnic Institute, or are graduates with degrees such as BA, B.Sc, B.Com, BCA, BBA, B. Pharma, etc. are eligible.
4	Ineligibility criteria:	The following persons are ineligible to participate: (i) Graduates from IITs, IIMs, National Law Universities, IISER, NIDs, and IITs. (ii) Those having qualifications such as CA, CMA, CS, MBBS, BDS, MBA, any master's or higher degree. (iii) Those undergoing any skill, apprenticeship,

		internship or student training programme under Central Government or State Government schemes. (iv) Those who have completed apprenticeship, training under National Apprenticeship Training Scheme (NATS) or National Apprenticeship Promotion Scheme (NAPS) at any point. (v) If the income of any of the family members of the candidate exceeds Rs 8 lakh for FY 2023-24. (vi) If any member of the family is a permanent/regular government employee.
5	Criteria for the companies (Partner Companies) to participate	The top 500 companies have been identified by the Ministry on the basis of their average CSR expenditure of the last three years. Apart from these, any other company/ bank/ financial institution desirous of participating in the Scheme, may do so with the approval of the Ministry of Corporate Affairs (MCA), which would take a view keeping in view under represented sectors and areas in the above mentioned 500 companies.
6	Administrative cost	As covered under Companies (CSR Policy) Rules, 2014, up to 5% of the CSR expenditure incurred under this Scheme may be booked as administrative costs by the company.
7	Internship Duration	12 Months
8	Benefits	Insurance coverage;
		Internship with real-life work experience in top companies; &
		Monthly Income of Rs. 5,000.
9	Whether PM Internship Scheme 2025 is covered under CSR ?	Yes, the Prime Minister's Internship Scheme (PMIS) for 2025 is included under Corporate Social Responsibility (CSR) initiatives. The Government has revised the CSR guidelines for Central Public Sector Enterprises (CPSEs) by adding PMIS as a key theme for the fiscal year 2024-25.
10	Official Website	https://pminternship.mca.gov.in/login/

Frequently Asked Question's

1. Whether a holding or subsidiary of a company fulfilling the criteria under Section 135(1) of Companies Act, 2013 has to comply with the provisions of Section 135, even if the holding or subsidiary itself does not fulfill the criteria?

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 fulfills the eligibility criteria prescribed under Section 135(1) stated above.

2. 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.

3. What is the role of the Government in the approval and implementation of the CSR programmes/projects of a company?

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.

The Government has no direct role in the approval and implementation of the CSR programmes/projects of a company.

4. What are the mechanisms for monitoring the CSR process?

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.

5. What is the role of the Government in monitoring compliance of CSR provisions by companies?

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.

6. 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?

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).

Profit before tax (PBT) is used for computation of net profit under Section 135 of the Act.

7. What is the meaning of surplus arising from CSR activities? How can this surplus be utilised?

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.

The surplus arising out of CSR activities shall be utilised only for CSR purposes.

8. 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. 22nd January, 2021.

9. 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.

10. 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?

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.

11. Whether CSR expenditure of a company can be claimed as business expenditure?

No, the amount spent by a company towards CSR cannot be claimed as business expenditure. According 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.

12. 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.

13. 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.

14. What are the different modes of incurring CSR expenditure?

CSR expenditure can be incurred in multiple modes:

- '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.

- 'Contribution to funds route', which allows the contributions to various funds as specified in Schedule VII of the Act.

- Contribution to incubators and R&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.

15. 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 fulfillment of Companies (CSR Policy) Rules, 2014.

16. 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. Therefore, companies should be encouraged to involve their employees in CSR activities.

17. Which activities do not qualify as eligible CSR activity?

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

- Activities undertaken in pursuance of normal course of business of the company. However, exemption is provided for three financial years, till FY 2022-23, to companies engaged in R&D activities for new vaccines, drugs, and medical devices in their normal course of business, related to COVID19. This exclusion is allowed only in case the companies are engaged in R&D in collaboration with

organization's as mentioned in item (ix) of Schedule VII and disclose the same in their Board reports.

- **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'**

- **Contribution of any amount, directly or indirectly, to any political party under Section 182 of the Act;**

- **Activities benefitting employees of the company as defined in Section 2(k) of the Code on Wages, 2019;**

- **Sponsorship activities for deriving marketing benefits for products/services;**

- **Activities for fulfilling statutory obligations under any law in force in India.**

18. 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?

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.

19. 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.

20. 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 (Refer Rule 4(4) in Companies (CSR Policy) Rules, 2014).

21. Which entities are eligible to act as an implementing agency for undertaking CSR activities?

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:

- **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.**

- **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.**

- **Statutory bodies – any entity established under an Act of Parliament or a State legislature.**

- **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.**

22. 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.

23. 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 outs activities directly.

24. Can international organisations act as an implementing agency?

No, an international organisation cannot act as an implementing agency.

25. 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.

26. Should a company open a separate 'Unspent CSR Account' for each ongoing project?

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.

27. Can the amount transferred to 'Unspent CSR Account' of the company be utilised for regular business of the company?

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.

28. 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.

29. 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:

- **Composition of the CSR Committee;**
- **CSR Policy; and**
- **Projects approved by the Board.**

30. 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.

Conclusion

In conclusion, Corporate Social Responsibility (CSR) has evolved from a peripheral concern to a central pillar of sustainable business strategy. As consumers, investors, and employees increasingly demand ethical and environmentally responsible practices, companies that prioritize CSR can reap substantial rewards. As the renowned business leader Richard Branson once said, "Business opportunities are like buses, there's always another one coming."

By integrating CSR into their operations, companies not only enhance their reputation but also unlock new avenues for growth, innovation, and long-term success.

The benefits of CSR are far-reaching. Companies that actively engage in socially and environmentally responsible practices tend to build stronger relationships with their customers, employees, and investors. A study by the Harvard Business Review found that "companies that engage in CSR activities experience better stock market performance and profitability." This is because consumers are more likely to support brands that align with their values, and employees feel more motivated to work for companies that contribute positively to society.

Additionally, CSR can lead to significant cost savings. For example, organizations that prioritize environmental sustainability often reduce waste, improve energy efficiency, and lower operational costs. "What gets measured gets managed," as Peter Drucker famously stated. Companies that track and improve their CSR performance can achieve greater operational efficiency, which directly impacts their bottom line.

However, ignoring CSR can have severe consequences. Neglecting environmental, social, and ethical responsibilities exposes companies to reputational damage, legal risks, and diminished consumer trust. The 2010 BP oil spill, for example, demonstrated how a failure in CSR could lead to catastrophic financial, environmental, and social repercussions. As the philosopher Milton Friedman once said, "There is one and only one social responsibility of business – to increase its profits." Yet, in the modern business landscape, it is clear that neglecting the broader impact on society and the environment undermines long-term profitability. By recognizing CSR as a strategic imperative, companies can not only mitigate risks but also create a lasting, positive impact on the world.