

I. Governing Provisions

CSR Activities and expenditures are governed by:

- Section 135 of Companies Act, 2013.
- Companies (Corporate Social Responsibility Policy) Rules, 2014.
- Schedule VII of Companies Act, 2013.

II. Threshold Limit for Expenditure

Every company to whom the CSR is applicable shall spend at 2% of the average net profits made during the three immediately preceding financial years.

If company spends an amount more than the amount that it is required to spend, it may set off excess amount in succeeding immediately 3 financial years with a resolution.

If company spends an amount less than the amount that is required to be spent, it may

For an Ongoing Project

- transfer the unspent amount to a separate bank account "Unspent Corporate Social Responsibility Account" within 30 days from end of financial year.
- Such unspent amount must be spent within 3 years from date of transfer.

CORPORATE SOCIAL RESPONSIBILITY

CSR Committee shall be constituted by Every Company having a

- Net worth > ₹ 500 Crores or
- Turnover > ₹ 1,000 Crores or
- Net Profit > ₹ 5 Crores

Minimum Directors in CSR Committee shall be TWO (2 directors)

If, where the amount to be spent by a company for CSR does not exceed ₹. 50 Lakhs, then there is no need to constitute a separate CSR Committee, the Board shall discharge their functions.

III. Penalty in case of Non-Compliance

If the amount is not transferred within the specified date to "Unspent Corporate Social Responsibility Account" or to fund specified in Schedule VII,

- Company shall pay Twice the amount of fund that is not transferred or ₹ 1 Crore whichever is less.
- Officers shall pay 1/10th the amount of fund that is not transferred or ₹ 2 Lakhs whichever is less.



**MANI SRINIVASAN
& ASSOCIATES,
CHARTERED
ACCOUNTANTS**





IV. Functions of CSR Committee

The CSR Committee shall formulate and recommend to the Board,

- i. a Corporate Social Responsibility Policy – indicating the activities to be undertaken by the company in areas or subject, specified in Schedule VII)
- ii. an annual action plan which includes.
 - list of CSR projects or programmes that are approved to be undertaken.
 - manner of execution
 - modalities of utilisation of funds and implementation schedules
 - monitoring and reporting mechanism
 - details of need and impact assessment,
- iii. the amount of expenditure to be incurred on the activities.

V. CSR Expenditure

Out of total expenditure for CSR,

- Only 5% of the total expenditure shall be allowed as administrative overheads.
- Creation or acquisition of a capital asset can be done. However, such asset shall be held by
 - ✚ Entities having charitable objects and CSR Registration Number or
 - ✚ beneficiaries of the said CSR project
 - ✚ a public authority
- Any surplus arising out of CSR activities shall not form part of the business profit of a company shall be
 - ✚ ploughed back into the same project or
 - ✚ transferred to the Unspent CSR Account and spend within the time limit
 - ✚ transfer the unspent amount to the funds specified in Schedule VII within 6 months from the end of financial year

Annual report on CSR activities shall be disclosed in Board report of the company along with policy and action plan.

VI. CSR Implementations

- CSR activities are undertaken by the
 - ✚ company itself or
 - ✚ through Section 8 Company, Registered trust/society registered u/s 10(23C) or 12A and approved u/s 80G of Income Tax Act which is either.
 - ❖ established by the company, either singly or along with any other company. Or
 - ❖ established by the Government (Central/state) or
 - ❖ having an established track record of at least three years in undertaking similar activities
- Entities through the CSR activities are undertaken must register themselves with Central Government by filing the form CSR-1 and obtain an unique CSR Registration Number with effect from 01st April 2021.