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**The Companies (Corporate Social
Responsibility Policy)
Amendment Rules, 2021**

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The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021

Background:

The Company law in India mandates certain category of companies to carry out Corporate Social Responsibility (CSR) activities mandatorily. Section 135 of the Companies Act, 2013 enlists the companies which are mandatorily required to comply with the CSR requirements, which are:

- ❖ Net worth of Rs. 500 crore or more,
- ❖ Turnover of Rs. 1000 crore or more,
- ❖ Net profit of Rs. 5 crore or more.

Such companies will have to:

- ❖ Constitute a CSR Committee of the Board consisting of three or more directors including at least one independent director (conditions are relaxed to companies on whom the provisions of Independent Director do not apply).
- ❖ Spend at least 2% of the average net profits earned by the Company towards CSR activities.

The Central Government vide Gazette notification dated 22nd January 2021 has introduced **Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021** in addition to **Companies (Corporate Social Responsibility Policy) Rules, 2014**.

We have tried to capture the additional rules and the current changes below:

Analysis of the changes:

Sl. No.	Particulars	Addition/Change
1	Rule 4: The CSR Spending can now be met by the Company or through:	<ul style="list-style-type: none"> • A Section 8 company established by the Central/ State Government or by the company on its own or with another company and formed in accordance with the Companies Act, 2013 • A Public Trust or Charitable Society existing or formed by the company on its own or along with another company and registered under section 12A and 80 G of the Income Tax Act, 1961 • any entity established under an Act of Parliament or a State legislature.
2	Rule 4: Registration Requirements	In case the Company decides to spend the amount of CSR Expenditure through any above-mentioned entity, it has to be registered with the Registrar in Form CSR-1, duly certified by a Practising Chartered Accountant/ Company Secretary/ Cost Accountant.

3	Rule 5: Duties of CSR Committee	<p>Erstwhile Rule 5(2) contained that CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR initiatives by the Company. This is now amended to include the below:</p> <p>Formulation and Recommendation of Annual Action Plan which must include:</p> <ul style="list-style-type: none"> • List of CSR Projects/ Programmes • Manner of Execution • Utilization of funds and timeline of Implementation • Monitoring and Reporting Process • Need Impact Assessment done, if any. <p>However, the Board may alter them with reasonable justification.</p>
4	Rule 7: CSR Expenditure	<p>Earlier rule is fully replaced. New Rule 7 covers the following:</p> <ul style="list-style-type: none"> ❖ It will be the duty of the Board of Directors to ensure that Administrative Overheads do not exceed 5% of the total CSR Expenditure of the Company. ❖ Also, any profits out of CSR Activities shall not be treated as Business Profits and such surplus shall be transferred to Unspent CSR Account within six months from the end of Financial Year and utilized towards the Annual Action Plan formulated by CSR Committee. ❖ In case any excess amount is spent towards CSR Activities, such amount shall be available for Set-off in the upcoming three Financial Years after authorization from the Board. However, surplus from CSR Activities shall not be considered while calculating the same. ❖ As a part of the CSR spend, Companies can now create/ acquire any Capital Asset to be held by: <ul style="list-style-type: none"> ▪ A Section 8 Company, Registered Trust or Society with Charitable objectives having a CSR Registration Number, ▪ Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities ▪ A public Authority <p>Capital assets acquired for the same purpose must meet the above requirements within 180 days from 22nd January 2021 and can be extended for further 90 days by the Board of Directors of the Company on the basis of reasonable justification.</p>
5	Rule 8,9 & 10: Reporting Requirements	<ul style="list-style-type: none"> ▪ The Board report shall additionally include a Report on CSR along with the Board Report containing prescribed details. ▪ Impact Assessment is mandated for companies having a CSR Obligation of more than INR 10 crores. ▪ The composition of CSR Committee has to be displayed on the website of the Company including the Policy and Projects approved by the Board. ▪ The unspent amount on CSR shall until further notification be transferred to any fund under Schedule VII of the Act.

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