

# CORPORATE SOCIAL RESPONSIBILITY



## APPLICABILITY (Sec 135 of the Companies Act 2013)

Every company having:

- Net Worth  $\geq$  500 cr, or
- Turnover  $\geq$  1,000 cr, or
- Net Profit  $\geq$  5 cr

in every financial year, at least **2% of the average net profits** of the company made **during the 3 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 CSR Policy.

## UNDER SPEND

If the company fails to spend such amount, the Board shall specify the reasons for not spending the amount in the Board's Report.

### AMENDMENT (*Yet to be made effective*)

- The unspent amount relating to an activity, other than ongoing project, **can be transferred to a Fund** specified in Schedule VII, **within a period of 6 months of the expiry of the financial year**.
- The unspent amount relating to an ongoing project fulfilling such conditions as may be prescribed, shall be transferred by the company to Unspent Corporate Social Responsibility Account (to be opened by a company in any scheduled bank) within a period of 30 days from the end of the financial year, required to be spent within a period of 3 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 30 days from the date of completion of the 3<sup>rd</sup> financial year.
- Accordingly, a provision for liability for the amount representing the extent to which the amount is to be transferred, needs to be recognized in the financial statements

## OVER SPEND

2% of average net profits is the minimum amount which is required to be spent. If the company spends an amount in excess of the requirements, such company currently is not allowed to set off such excess amount against the requirement to spend.

### AMENDMENT (*Yet to be made effective*)

- If the company spends an amount in excess of the requirement provided (2%), then such a company **may set off such excess amount against the requirement to spend for such number of succeeding financial years and in such manner, as may be prescribed**.
- Accordingly, an asset for the excess amount carried forward shall be recognized in the financial statements.

## OTHERS

- The company may spend in kind too, provided they get covered under CSR activities.
- CSR Policy of the company shall specify that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.
- Keeping in view of the spread of novel Corona Virus (COVID-19) in India and its declaration as pandemic by the WHO, it is clarified that spending of CSR funds for COVID-19 is an eligible CSR activity.

## FAQs on COVID-19 spends

- Whether contribution made to 'PM CARES Fund' shall qualify as CSR expenditure? **YES**
- Whether contribution made to 'Chief Minister's Relief Funds' or 'State Relief Fund for COVID-19' shall qualify as CSR expenditure? **NO**
- Whether contribution made to State Disaster Management Authority shall qualify as CSR expenditure? **YES**
- Whether payment of salary/wages to employees and workers, including contract labour, during the lockdown period can be adjusted against the CSR expenditure of the companies? **NO**
- Whether payment of ex- gratia to temporary/casual/daily wage workers shall qualify as CSR expenditure? **YES, if specifically paid for the purpose of fighting COVID-19.**

## CALCULATION OF NET PROFITS

		PARTICULARS	AMOUNT
	Net Profit After tax		
<b>ADD</b>	Profit on sale of immovable property (Original Cost – WDV)		
<b>LESS</b>	Credits disallowed : 1. Premium on shares or debentures 2. Profit on sale of forfeited shares 3. Profit on sale of immovable property (Sale Value of Immovable Property – Original Cost ) 4. Surplus in P&L on measurement of asset or liability at fair value		
<b>LESS</b>	Expenses allowed : 1. All the usual Working Charges 2. Director's Remuneration 3. Bonus or Commission paid to Staff 4. Tax on excess or abnormal profits 5. Tax on business profits imposed for special reasons 6. Interest on Debentures 7. Interest on Loans 8. Expenses on repairs ( other than Capital Expenditure ) 9. Contributions made under section 181 ( Bona fide Charitable Trusts ) 10. Depreciation 11. Prior period items 12. Legal liability for compensation or damages 13. Insurance Expenses		
<b>ADD</b>	Expenses Disallowed 1. Income Tax 2. Compensations, damages or payments made voluntarily 3. Capital Loss on sale of undertaking or part thereof ( Not include losses on sale of asset ) 4. Expenditure in P&L on measurement of asset or liability at fair value		
<b>Profit u/s 198</b>			