

CORPORATE SOCIAL RESPONSIBILITY (CSR) IMPLEMENTATION TAKEN SERIOUSLY !!!

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All are aware that the concept of Corporate Social Responsibility (CSR) was introduced by the Companies Act, 2013 (Act) with effect from 01.04.2014, not a mandatory provision, but over the years, the provisions have been made mandatory and the implementation taken seriously.

The amendment to the CSR Rules made vide Notification¹ dated 22.01.2021, shows the intensity and the transparency with which the ministry wants the corporates to implement the provisions in letter and spirit. Please refer our CSR articles published in our earlier editions.

Vide Notification² dated 20.09.2022, the ministry has made further amendments to the CSR Rules, and an effort is made in this article to briefly outline the amendments made out to the CSR provisions, inter-alia vide the previous notifications and the present referred notification. The same is outlined into 2 categories, (i) amendment to reporting requirement; and (ii) amendment to provisions under the Section.

Amendment to Reporting Requirements:

1. Filing of **CSR-2**, (being the report on Corporate Social Responsibility) by every company was also mandated vide sub-rule (1B) of Rule 12 of Companies (Accounts) Rules, 2014, and accordingly, time was provided for the Company to file **Form CSR-2**, for the FY 2020 -2021, till **31.05.2022** and later extended till **30.06.2022**, vide Notification³ dated 31.05.2022
2. Notification dated 31.05.2022, further provides that for the financial year 2021-22, Form CSR-2 shall be filed separately on or before 31st March, 2023 after filing Form AOC-4 or AOC-4 XBRL or AOC-4 NBFC (Ind AS), as the case may be.
3. Amendment is made to the exemption registration requirement with (IT Department) of the entities through which the CSR activities can be undertaken by the Company:
 - ✚ 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, established by the company, either singly or along with any other company; or
 - ✚ 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
 - ✚ any entity established under an Act of Parliament or a State legislature; or
 - ✚ 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 3 years in undertaking similar activities.

From the above, an entity exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and having 80 G, is also eligible for CSR registration.

¹ Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, Dt: 22.01.2021

² Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022; Dt: 20.09.2022

³ Companies (Accounts) Third Amendment Rules, 2022, Dt: 31.05.2022

4. In line with the above amendment to the type of entities, was made to form **CSR-1**, being the form required to be filed by an entity for undertaking the CSR activities and obtaining the CSR Registration Number. Only on obtaining a CSR Registration, any entity is eligible to receive the CSR funds from corporates.

Amendment to CSR Provisions:

The requirement of constitution of CSR Committee and compliance of the provisions of Section 135 (2) to (6), now extends to such Companies which have unspent CSR amounts, **and the express provision contained in the sub-rule (2) of rule (3) that the provisions of CSR will not be applicable to the Company, which cease to comply with the CSR applicability provisions for Three consecutive years, is deleted.**

Every Company which is required to undertake impact assessment (i.e., every company having average CSR obligation of Rs.10 Crore or more in the three immediately preceding financial year) may book the expenditure towards CSR for that financial year, which shall not exceed **2 % of the total CSR expenditure for that financial year or Rs.50 lakhs whichever is higher.** (Earlier it was 5 % of the total CSR expenditure or Rs.50 lakhs whichever is less).

The Annual Report on the CSR activities to be annexed to the Board Report, was also amended, to be effective from the date of the notification i.e., **20.09.2022**. So, any Company with CSR obligations, preparing the Board report on or after **20.09.2022**, is bound to annex the CSR Annual report on CSR activities in the new format.

From the above it is clearly evident that the ministry has taken all steps for serious implementation of the CSR provisions in letter and spirit. The introduction of the CSR-2, is a step towards this objective. The contents of the CSR-2, which is required to be filed annually, contains the extracts of the Annual Report on CSR activities, which hitherto was only attached as an annexure to the Board report and as a PDF attachment to the annual return form. Now with the CSR-2, all the information relating to the CSR expenditure are to be keyed-in, with the details of the beneficiaries, and their CSR registration number

Additionally, it is also noticed that basis the CSR-2 filed for the financial year 2020 – 21, Companies have received notices from the Registrar of Companies, on the non implementation, non-spending of the CSR amounts.

There is no second thought that the object of CSR is far reaching, only implemented in true letter and spirit, and Ministry has initiated all possible ways for monitoring the CSR spending not only from the end of the Corporates, but also from the recipients side, and only eligible entities receive the CSR funds.