

# Corporate Social Responsibility (CSR)

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Webcast by WIRC CFO Forum

# Content



- Overview of key recent amendments



- Case studies



- Covid related CSR



- Conclusion

# The ICAI – Partner in nation serving



In service to the Indian economy in public interest

Stay HOME. Stay SAFE.

# Technical Literature issued

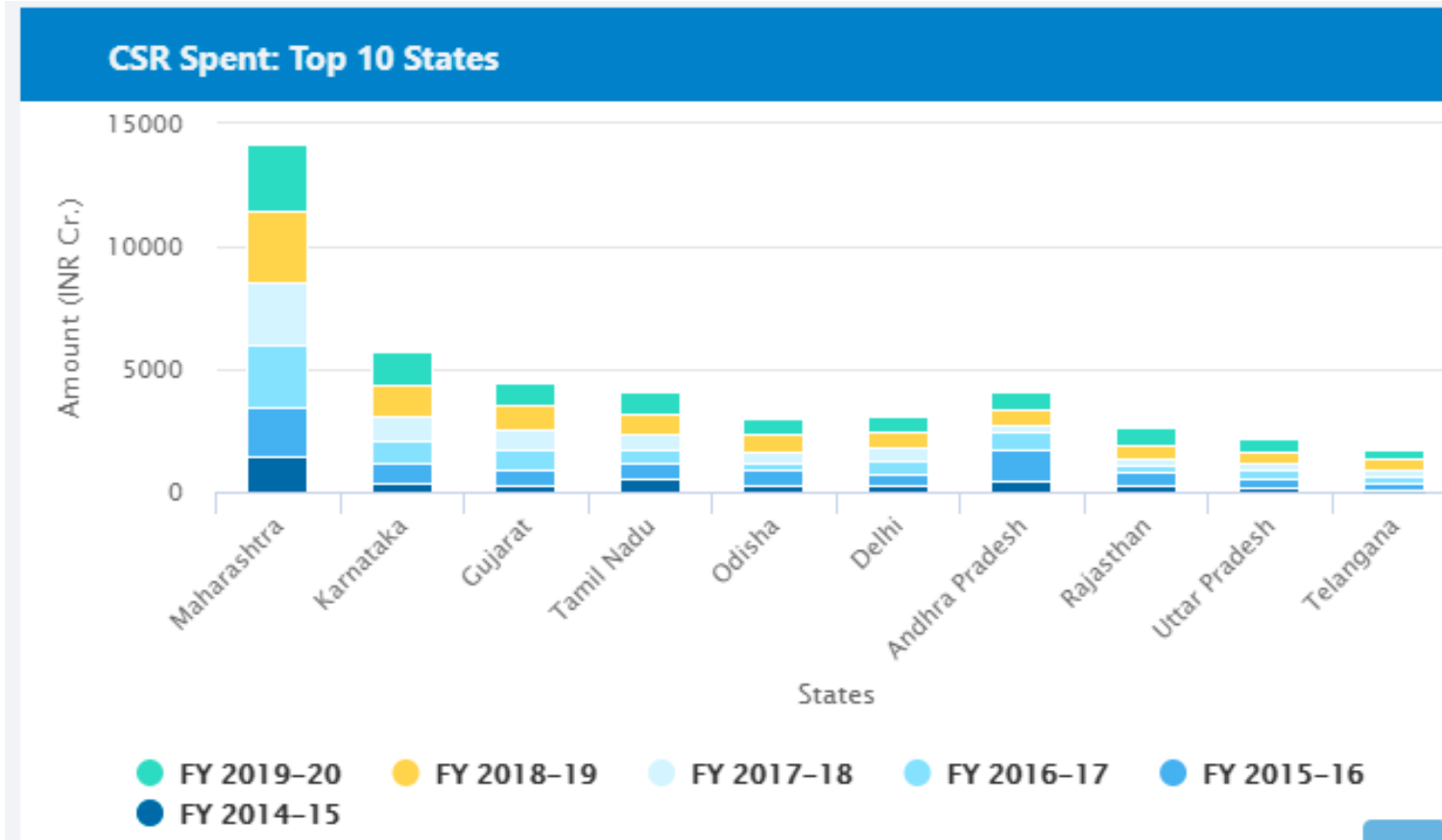
Various  
Notifications  
and Circulars  
issued by MCA

Clarifications  
issued by MCA

Technical Guide  
on Accounting  
for expenditure  
on CSR activities

FAQ by ICAI &  
ICSI on CSR  
Amendment  
Rules, 2021

# Growing CSR - Journey from voluntary to mandatory



Source: National CSR Data Portal

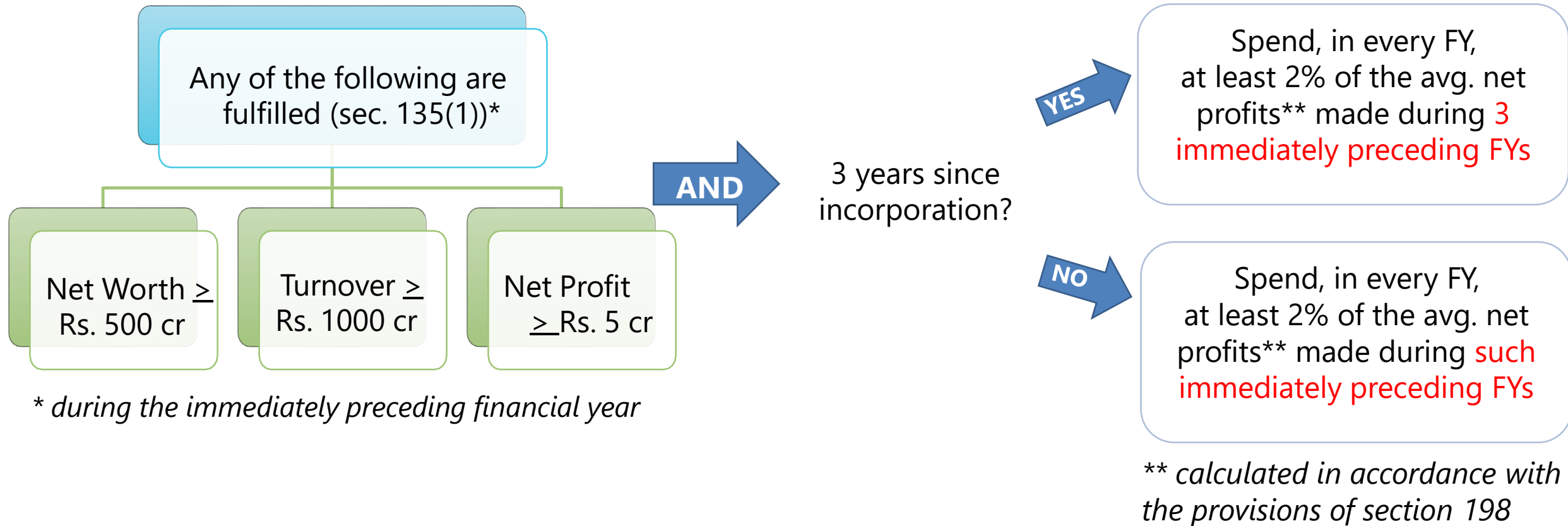
Total Amount Spent on CSR (INR Cr.)

FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
10066	14517	14342	13909	18728	21231



Key changes

# Recent amendments - Applicability



## Amendment as on 22.01.2021

Where amount to be **spent**  $\leq$  **Rs. 50 lakhs**, **no CSR Committee required** (Sec. 135 (9)), in that case, activities relating to CSR will be carried out by the BOD of the Company


# Recent amendments - Unspent CSR Amount


Particulars	Ongoing project (not exceeding 3 years)	Other than ongoing project
Director to report reason for unspent amount and Manner of dealing	<p>Step I - Transfer to "Unspent CSR account" opened in a Scheduled bank and utilize the same towards CSR policy within 3 FYs from the date of transfer</p> <p>Step II- In case of failure to spend the above amount, within 3 FYs, such amount to be transferred to the Fund specified in Schedule VII</p>	Transfer to the Fund specified in Schedule VII
Time limit	<p>Step I - Within a period of 30 days from the end of FY</p> <p>Step II – Within a period of 30 days from the end of 3rd FY</p>	Within a period of 6 months from the end of FY



# Reporting under CARO

New Clause added  
[Clause (xx)] in  
Companies  
(Auditor's Report)  
Order, 2020



- Whether the company has transferred unspent amount to a Fund specified in Schedule VII to the Companies Act, 2013 within a period of **six months** of the expiry of the financial year
  - Whether any amount remaining unspent under sub-section (5) of section 135 of the Companies Act, 2013 pursuant to any ongoing project, has been transferred to special account
- 

Effective from  
Financial year  
commencing from  
1st April, 2021

# Excess spent now allowed to be carry forward

Excess CSR expenditure incurred during the year may be set off against CSR required to be spent in next 3 years

Question 1 - Whether excess spent in past years (before amendment) allowed ?

Question 2 – Can it be recorded as an asset 'Prepaid expenses'

# Other key amendments

The Board of a company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the **CFO or the person responsible for financial management** shall certify to that effect.

Introduced the requirement to conduct impact assessment by independent agency for CSR activity carried out by the Company whose CSR obligation is Rs. 10 crore or more (threshold project limit of Rs. 1 crore)

Additional Disclosures in Annual report (Amount available for set-off, breakup of CSR spent on ongoing and other than ongoing projects, unspent CSR for three financial year, CSR spent in financial year for ongoing projects of the preceding FY)

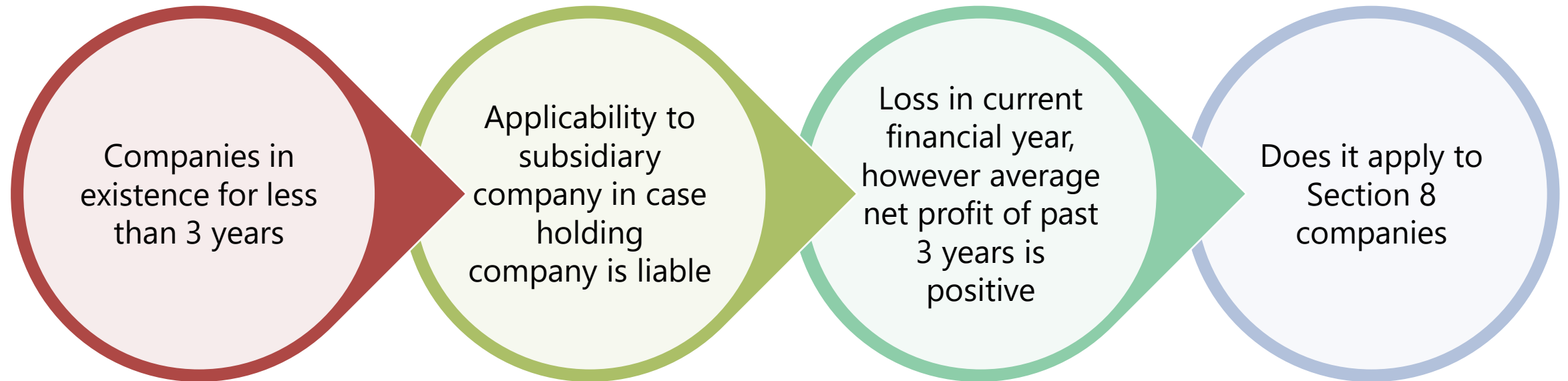
Capital asset created/acquired by the Company for CSR purpose cannot be held in the name of the Company (transition provision laid to transfer it to charitable entity) – Income tax/ stamp duty impact

Penal provision on the Company (twice the amount required to be transferred or Rs. 1 crore whichever is less) and every officer (1/10<sup>th</sup> of the amount required to be transferred or Rs. 2 lakhs whichever is less) for non-compliance of CSR provisions



Case studies

# Questions on Applicability



# Provision in books for unspent amount and reporting

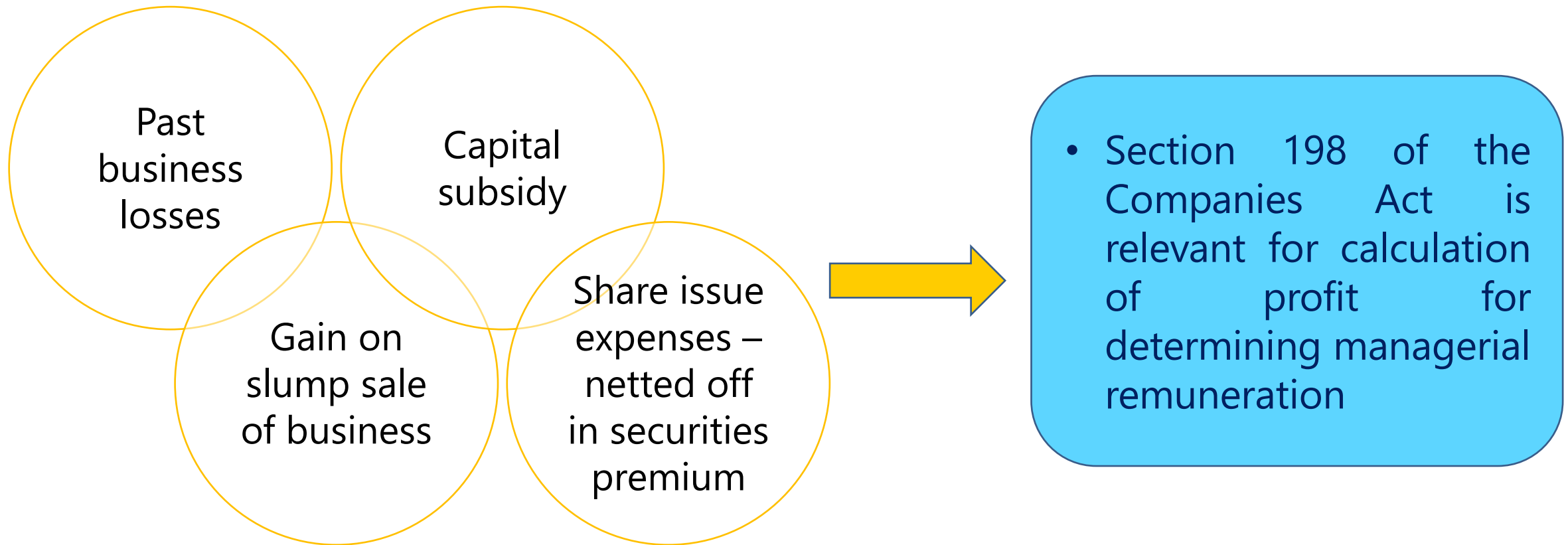
- Is it mandatory to make provision in books for Unspent CSR amount as at year end?

Response – Yes as per the FAQ issued by the ICAI

- In case of listed entities, whether annual CSR spent to be provided on quarterly basis

Response – Actual expenditure incurred in each of the quarter and last quarter balance unspent amount need to be provided

# Computation of amount to be spent on CSR



# Proposed merger of entities

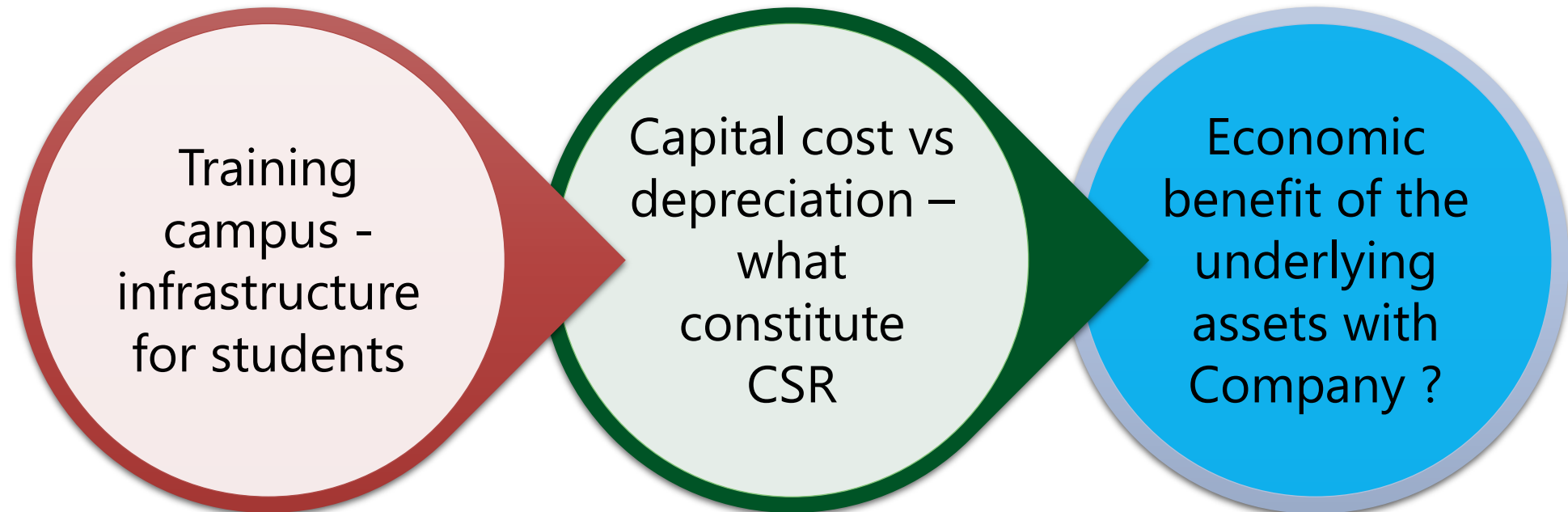
Merger order is  
awaited

Whether both entities  
have to comply with  
section 135 till Order  
is pronounced

What if the Order is  
effective from earlier  
year



# Capital asset used for CSR activity

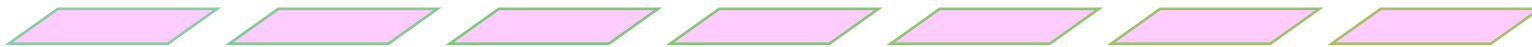


# Contribution through NPO

Created exclusively for CSR activity



Track record of atleast 3 years



Undertaking similar CSR activities



**Any concern if  
KMP &  
Trustees are  
common ?**

# Amount not spent by Intermediary/Agency

**If the Company has transferred an amount to an intermediary/agency, who in turn is not able to spend such amount in a financial year then who will transfer the unspent amount to Unspent CSR A/c?**



**A**

**Company**

**B**

**Intermediary/Agency**

**C**

**None. Only refund unspent amount to company**

# Priority to Local Area

*Local area - Not defined under the Companies Act, 2013*

- *Corporate office*
- *Branch*
- *Manufacturing Plants*
- *Depots / warehouse*
- *Outlets*

*As per MCA Circular dated 28<sup>th</sup> May 2018 preference should be given to local area and areas around which company operates.*

*(This provision should be followed in letter and spirit)*



Covid related  
CSR

# CSR - Donation under old & new tax regime

## Donation under Old tax regime

Eligible for 100%/50% deduction under section 80G of the IT Act

PM Care Fund - Limit on deduction of 10% of gross income shall also not be applicable

## Donation under new tax regime

No deduction allowed

Only allowed for FY 2019-20 for donation in PM Care Fund made upto 30.6.20

# Income tax exemption/relaxation for COVID help

Medical Expenses



Financial help from  
EMPLOYERS /Others



Fully exempt in hands  
of employee

Ex-Gratia payment on Death

From  
EMPLOYERS

Fully Exempt in  
hands of  
employees

From Others

Limit of  
aggregate Rs.  
10 lakhs

# GST implication

GST input credit on construction of capital asset

Applicability of GST liability on recovery of nominal charges from beneficiaries

GST input credit on CSR done for employees and their relatives



Oxygen cylinders/ concentrators purchased and given on rent to patients for particular period on FOC basis  
..... Whether allowed as CSR?

# CSR during Covid

## General circular no 10/2020 dated 23rd March 2020

- Funds may be spent for various activities related to Covid under item no's (i) and (xii) of Schedule VII relating to promotion of healthcare, including preventive health care and sanitation and disaster management.

## Office memorandum dated 28<sup>th</sup> March '20

- Any contribution made to the PM CARES Fund shall qualify as CSR expenditure under the Companies Act 2013.

## General circular no 01/2021 dated 13<sup>th</sup> January 2021

- Spending of CSR funds for carrying out awareness campaigns/ programmes or public outreach campaigns on Covid vaccination programme is an eligible CSR activity under item no. (i), (ii) and (xii) of Schedule VII of Companies Act 2013

## General circular no 09/2021 dated 05th May 2021

- Eligible CSR activities include:
  - creating health infrastructure for COVID care
  - establishment of medical oxygen generation and storage plants
  - manufacturing and supply of Oxygen concentrators, ventilators, cylinders and other medical equipment for countering COVID or similar such activities

# CSR Contributions for Covid Relief in India

- **Procter & Gamble** announced that the company will contribute towards the vaccination of over 5 lakh Indian citizens by pledging Rs. 50 crore in partnership with government and local authorities in India
- **Wipro Limited** repurposed one of its IT campuses in Hinjewadi, Pune last year into a 450-bed intermediary care COVID-19 hospital in four weeks
- **HUL (Hindustan Unilever Ltd)** has contributed over 1 crore soaps and sanitizers to vulnerable communities during the outbreak
- **Infosys** has provided 2.4 million meals during this emergency and assisted more than 1 million people
- **Vedanta** imported 23 PPE machines in collaboration with the Ministry of Textiles and has teamed up with authorized apparel manufacturers to roll out over 5000 PPEs per day



# FAQs on CSR spend towards COVID-19

<b>Expenditure</b>	<b>Whether eligible under Schedule VII?</b>
Spending for COVID-19 related relief activities (awareness campaigns/programmes or public outreach campaigns on Covid vaccination programmes)	Yes
Contribution to PM-CARES Fund	Yes
Chief Minister's Relief Funds or State Relief Fund for COVID-19	No
State Disaster Management Authority	Yes
Payment of salary/wages to employees/workers or contract labour during lockdown	No
Payment of ex-gratia payment to temporary/casual/daily wage workers (over and above wages and specifically for COVID-19 duly certified by auditors)	Yes



Conclusion

# How to ensure the amount is rightly spent?

**1** Internal audit of CSR compliances by an independent party

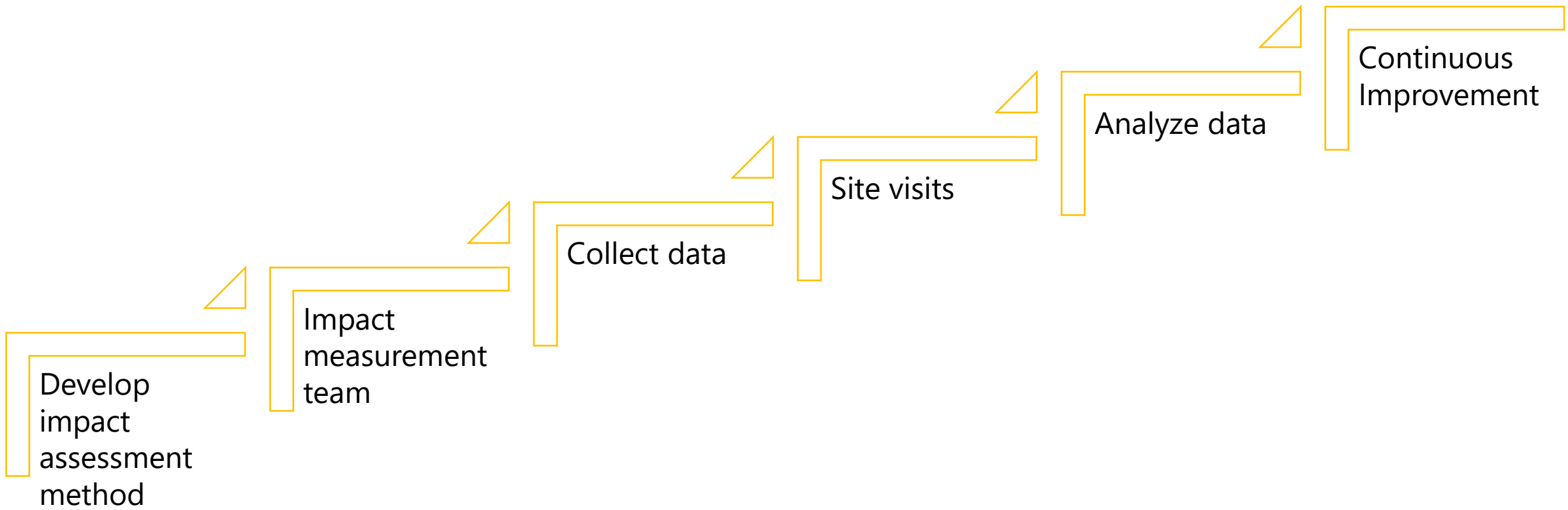
**2** CSR checklist as a tool for reflecting commitment towards stakeholders

**3** Due diligence of implementing agency

**4** Continuous monitoring of activity by the project leader

**5** Compliance with Global Standards of Social Responsibility

# Impact measurement



# Role of CA

- Support to CFO and Board for overall review of project implementation and assessment
- Develop MIS for tracking and easy monitoring
- Awareness about the compliance with the legal requirement of Companies Act to transfer the unspent amount in time bound manner
- CSR accounting and reporting



# Way Forward

More incentives for undertaking CSR

Mechanism for monitoring fund utilisation

Should there be progressive % limit to be spent on CSR?

Possibility of setoff of losses of group companies by calculating CSR on consolidated basis

Stringent norms for CSR through trust controlled by the Company

# Questions



Thank You

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