



Implications of Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021

January 2021

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With you today

Speakers:



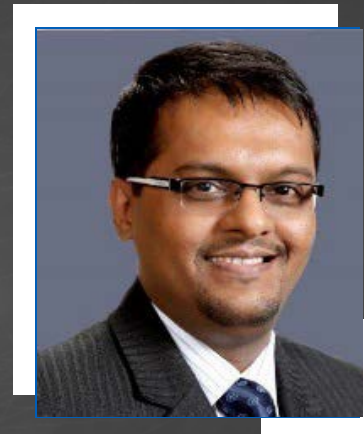
Santhosh Jayaram



Akil Master



Nabin Ballodia



Anish Mehta



Gurvinder Parmar

Check points...

Note: All attendees will be on mute mode by default. Please type your questions in the Q&A box

Rima Kudukar

The **chat box** allows you to chat with a panelist/all panelists/ host/ all participants (including all attendees)

Raise hand to ask a question

Q&A allows you to ask questions to the presenter, host, presenter and host and all panelists. Always choose 'All panelists'

Chose whom you want to chat with from **the drop down**.

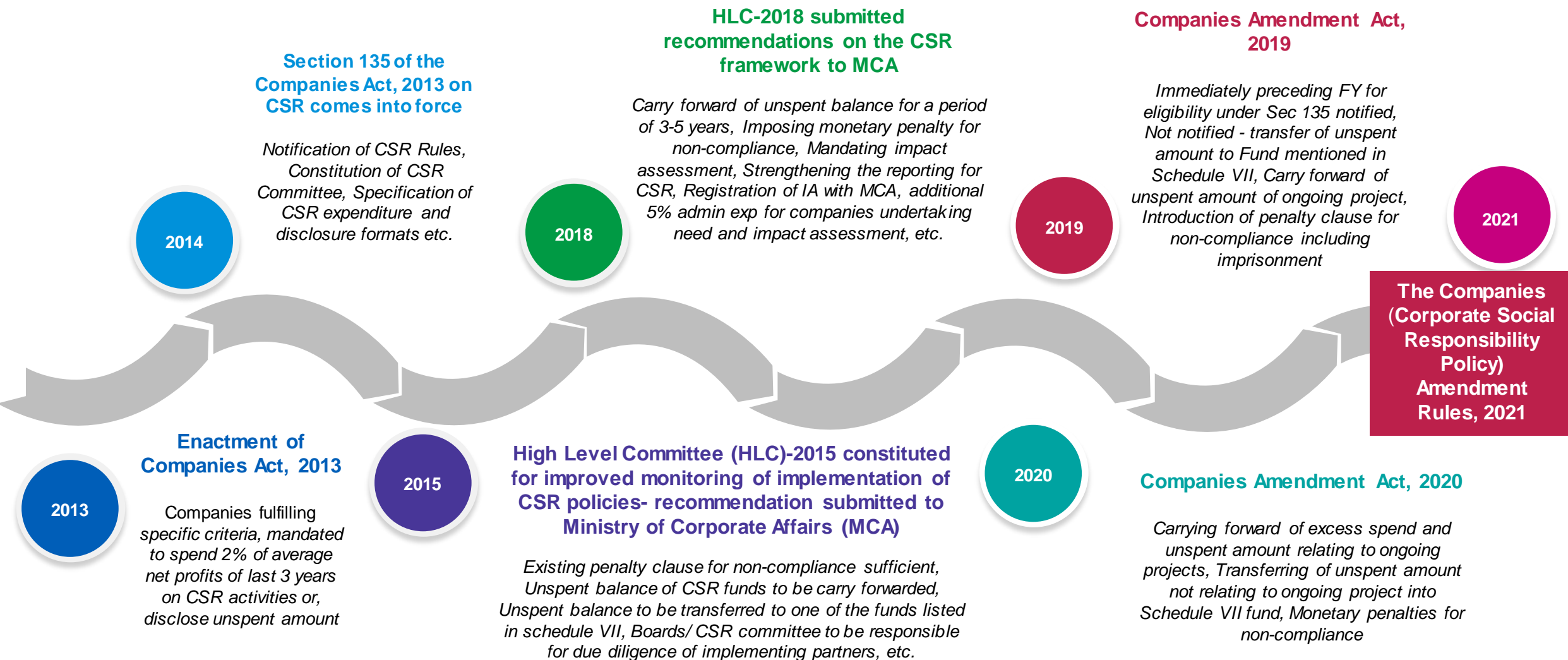
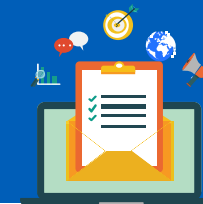
Always select all panelist/all panelist and attendees

To: All panelists ▾

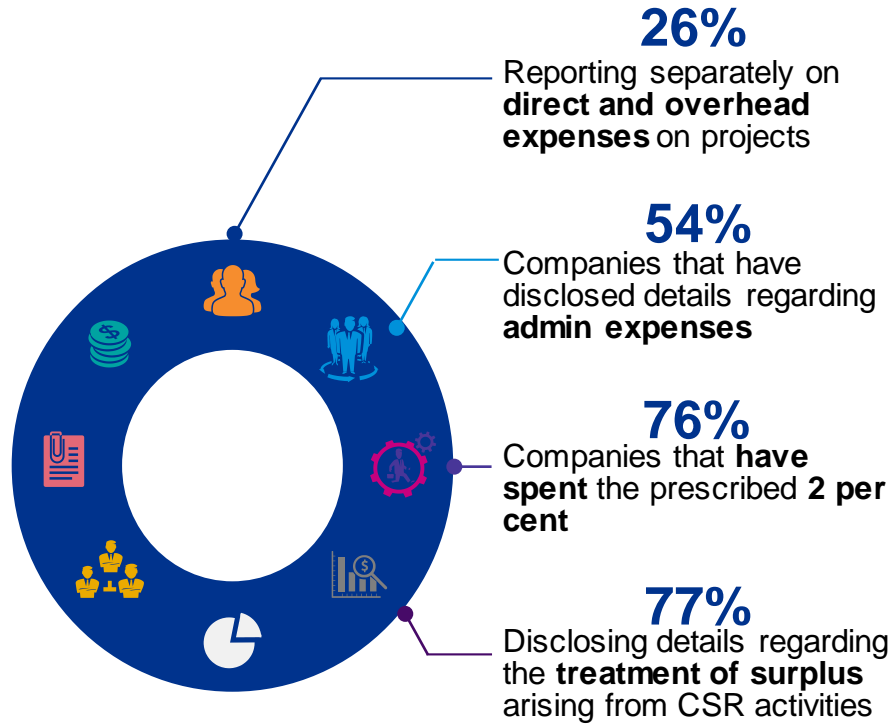
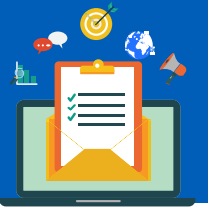
Your text can only be seen by panelists

Leave

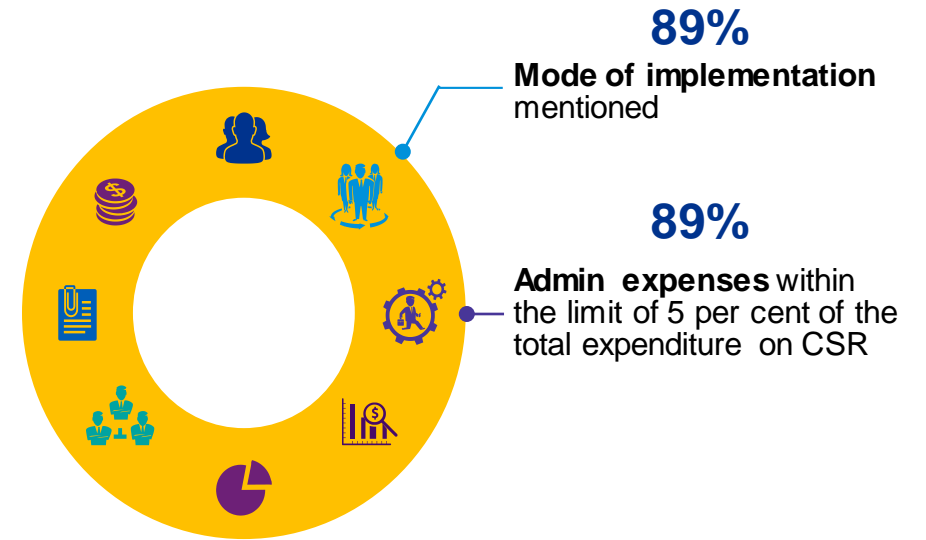
CSR legislation in India - timeline



CSR compliance trend



Less than 80% of the companies complying



80-90% of the companies complying

Source: KPMG CSR Reporting Survey 2019

Why are the new rules significant?



On 22 January 2021, the Ministry of Corporate Affairs notified the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.

These amendments have introduced some significant changes to provide framework for implementation of new provisions of the Companies (Amendment) Act 2019 and 2020

Significant Changes

1

CSR definition changed



2

Shift from directional to mandatory CSR



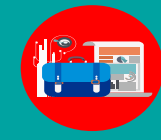
3

Registration requirement for implementing partners



4

Increased rigor for internal control



5

Focus on impact creation





Activities undertaken by a company to meet **statutory obligations** laid in Section 135 of the Companies Act.

Exclusions –

- Activities in pursuance of normal course of business. However, a company in R&D of vaccines, drugs and medical devices may undertake COVID-19 related R&D as CSR for 3 FYs starting 2020-21
- Activities undertaken outside India except training of National or International level Indian sportspersons
- Contribution to political party
- Activities benefiting employees of the company
- Sponsorship for deriving marketing benefits for own products and services
- Fulfilment of obligations under any other law in force in India

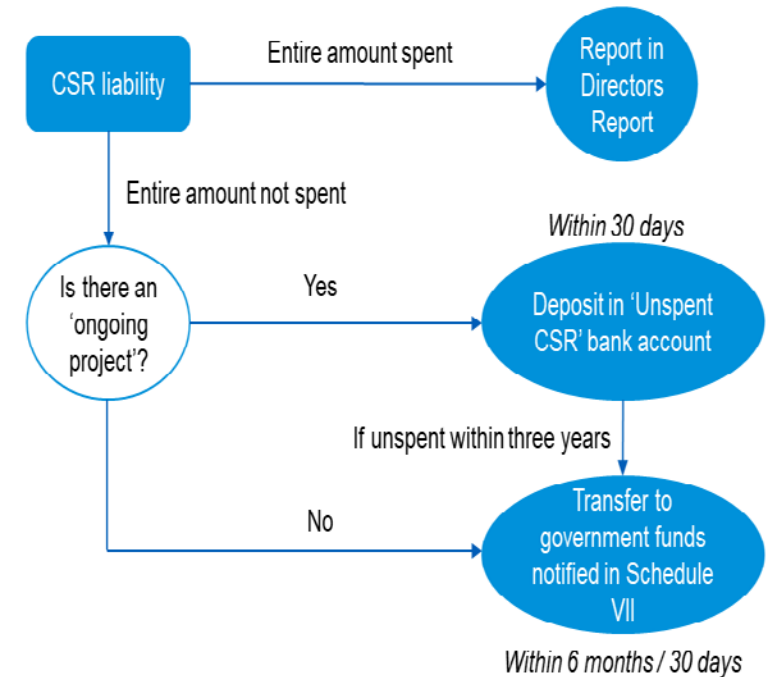


CSR spending - shift from directional to mandatory



- Mandatory CSR spends
 - Unspent amount relating to an ongoing project to be transferred to Unspent CSR Account and used within immediate succeeding 3 FYs in pursuance to CSR policy*.
 - Amount transferred to Unspent CSR Account remaining unspent at the end of immediate succeeding 3 FYs to be transferred to Government funds notified in Schedule VII*
 - Unspent amount not relating to ongoing projects to be transferred to Government funds notified in Schedule VII*
- Ongoing project defined as multi-year project not exceeding three years excluding the FY in which it was commenced. Board may extend duration of a project to make it an ongoing project.
- Board to monitor implementation of ongoing projects and shall be competent to make modifications, if required
- On Board's approval, excess CSR spending allowed to be carried forward for succeeding 3 FYs
- Ownership of capital assets created out of CSR fund to be held by
 - A section 8 Company, or a Registered Public Trust, or Registered Society, having charitable objects and CSR Registration Number, or
 - Collectives of beneficiaries, or
 - Public authority as defined in Section 2(h) of RTI ActExisting capital assets to be transferred within 180+90 days

What are implications in case of unspent CSR funds?





- Mandatory registration with the Central Government
- Form CSR-1 to be filled electronically and submitted to the registrar of companies
- Form CSR-1 to be verified by Chartered Accountant/ Company Secretary/ Cost Accountant in practice
- Not required for implementing partner of projects approved prior to 1 April 2021
- Implementing partners to have registration under 12A and 80G of Income Tax Act, 1961
- CSR Registration number of implementing partner to be disclosed in Annexure II



Increased rigor on internal control



- Board to satisfy that CSR fund is utilized for the purpose and manner approved by it
- CFO or person responsible for financial management to certify CSR fund utilized for the purpose and manner approved by the Board
- Board to monitor implementation of ongoing projects with respect to approved timelines and year-wise allocation
- New disclosure templates applicable for FY 2020-21. Following details required to be disclosed
 - Excess CSR spend carried forward and set-off
 - Surplus arising out of CSR projects
 - Unspent CSR amount transferred to “Unspent CSR Account” and/or “Schedule VII funds”
 - Separate disclosure for “ongoing projects” and “other than ongoing” projects
 - Details of capital assets created / acquired under CSR



Focus on impact creation



- Impact assessment mandated. Impact assessment expenditure limit is 5% of the mandated CSR or INR 5Mn, whichever is less
- Company with average CSR obligation of INR10 Cr. or more in immediate 3 preceding FYs shall take impact assessment through independent agency
- Impact assessment to be taken for CSR projects with outlays of INR one crore or more
- Impact assessment to be undertaken for projects completed not less than one year before undertaking the impact study
- Impact assessment report to be placed before the Board
- Details and reports of impact assessment undertaken, and amount spent on the same to be disclosed in the annual report on CSR



Penalty clause



- **Penalty clause incase a company fails to**
 - disclose unspent amount in annual report on CSR, or/ and
 - transfer unspent amount into fund specified in Schedule VII within specified time, or/ and
 - transfer unspent amount relating to ongoing project into unspent CSR account within specified time, or/ and
 - transfer amount remaining utilized in unspent CSR account after 3 years into fund specified in Schedule VII within specified time
- **A company in default shall be liable to a penalty of lower of the following amounts**
 - twice the amount required to be transferred by the company to the Fund specified in Schedule VII/Unspent Corporate Social Responsibility Account
 - one crore rupees
- **Every officer of the company in default shall be liable to a penalty of lower of the following amounts**
 - one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII/ Unspent Corporate Social Responsibility Account
 - two lakh





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