

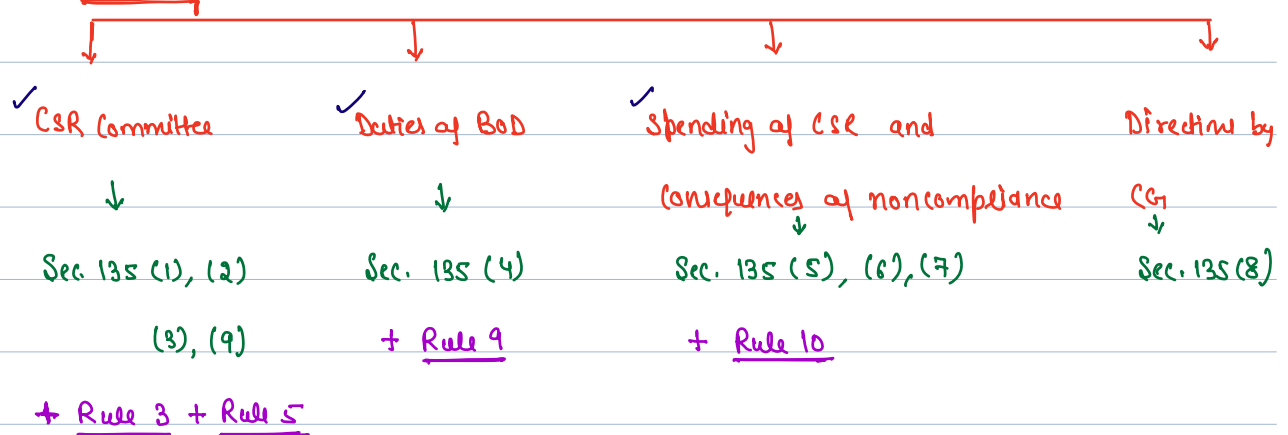
Lecture No. 3 of Chapter 9

(vii) Corporate Social Responsibility: Sec. 135 of Companies Act, 2013 and Companies (CSR Policy) Rules, 2014

(a) Meaning of CSR: Rule 2(1)(d) defines the term "CSR" so as to mean the activities undertaken by a company in pursuance of its statutory obligations u/s 135 of Companies Act, 2013, but shall not include the following:

- (i) Activities undertaken in pursuance of Ordinary Course of business;
- (ii) Activities undertaken by a company Outside India except for training of sports personnel.
- (iii) Contribution of any amount to a political party u/s 182.
- (iv) activities undertaken for the benefit of employees of company;
- (v) activities on sponsorship basis for deriving marketing benefits;
- (vi) activities which are carried out for the fulfillment of Other statutory obligations.

(b) Sec. 135:



(C) Other Provisions :

- (i) CSR Implementation : Rule 4
- (ii) CSR Expenditure : Rule 7
- (iii) CSR Reporting : Rule 8

CSR Committee :

Sec. 135 (1): Every company having ✓ Net worth \geq 500 Cr ; OR

✓ Turnover \geq 1000 Cr ; OR

✓ Net Profit \geq 5 Cr.

↓

during immediate preceding financial year

↓

shall constitute a CSR Committee of its Board.

Sec. 135 (4): If amount to be spent is \leq 50 lakh

↓ (2% of average NP of immediate preceding 3 yrs)

Requirement of constitution of CSR Committee shall not be applicable and

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function of CSR Committee shall be discharged by BOD.

Rule 3: Every company including its holding, subsidiary and a foreign company which fulfils the criteria specified in 135 (1)

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shall comply with the provisions of Sec. 135 of the Act and these Rules.

Example 1:

	NW	T/O	NP
FY 2019-20	750 Cr.	1050 Cr.	40 Cr.
2020-21	725 Cr.	1040 Cr.	30 Cr.
2021-22	650 Cr.	920 Cr.	20 Cr.

Q.1 How much amount is to be spent for CSR Activities in FY 2022-23.

Ans.: 2% of $\left[\frac{40 \text{ Cr.} + 30 \text{ Cr.} + 20 \text{ Cr.}}{3} \right] = 60 \text{ lakh}$

Q.2: whether the company is required to constitute CSR Committee and comply with the provisions of sec. 135

Ans.: Company is required to constitute CSR Committee as it satisfy the criteria of NW ($\geq 500 \text{ Cr.}$) and NP ($\geq 50 \text{ Cr.}$) during the immediate preceding financial year.

Sec. 135(9) shall not be applicable as amount to be spent $> 50 \text{ lakh}$.

Example 2:

	NW	T/O	NP	
2019-20	750 Cr.	1050 Cr.	8 Cr.	
2020-21	725 Cr.	1040 Cr.	10 Cr.	2% of $\left(\frac{8 \text{ Cr.} + 10 \text{ Cr.} + 12 \text{ Cr.}}{3} \right)$
2021-22	650 Cr.	920 Cr.	12 Cr.	$= 20 \text{ lakh}$.

✓ Q.1 whether the company is required to constitute CSR Committee.

Q.2: whether the company is required to comply with the provisions of sec. 135

Q.3: what is the amount, company is required to spend for CSR activities.

Ans.: Q.1: Though NW of the company during immediate preceding FY is $\geq 500 \text{ Cr.}$, but the amt. to be spent towards CSR is $< 50 \text{ lakh}$, hence company is not required to constitute CSR Committee. functions of CSR Committee in this case shall be discharged by BOD.

Q.2: Company is required to ensure compliance of Sec. 135 of the Companies Act, 2013.

Q.3: ₹ 20 lakh.

Example:

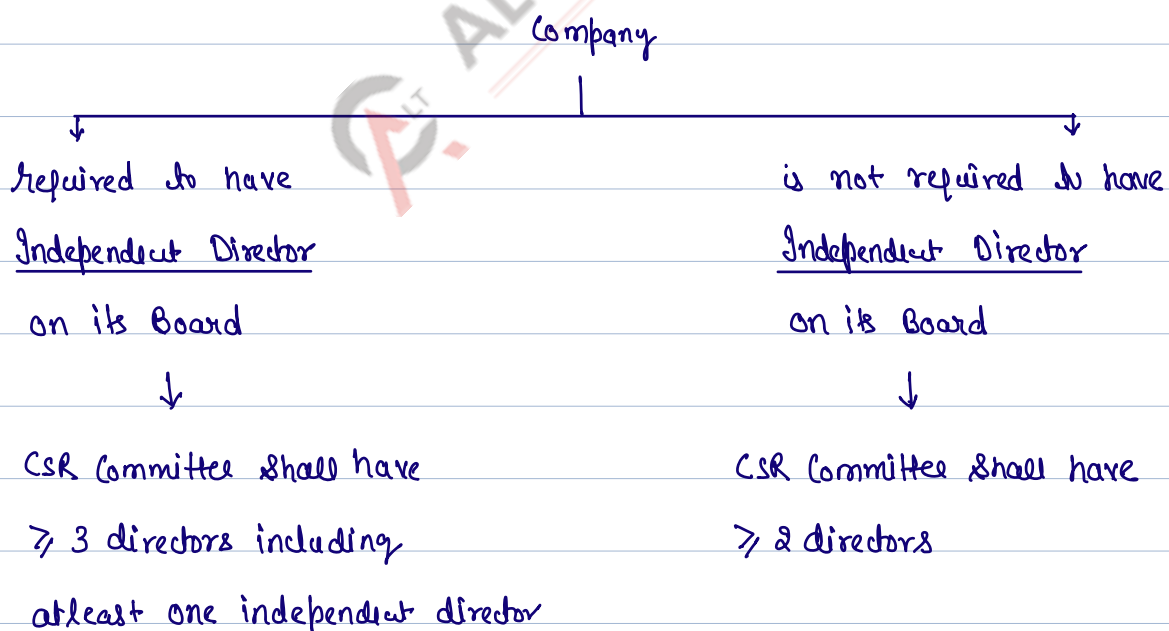
	NW	T10	NP	
2019-20	1000 Cr.	3500	200 Cr.	
2020-21	600 Cr.	1500	30 Cr.	Aug = 78 Cr.
2021-22	<u>400 Cr.</u>	<u>900 Cr.</u>	<u>4 Cr.</u>	2% = 1.56 Cr.

for FY 2022-23

Q: whether the company is required to ensure compliance of Sec. 135?

Ans: Company is not required to ensure compliance of Sec. 135 as it does not fall under any of the criteria specified u/s 135(1).

Composition of CSR Committee:



✓ Duties of CSR Committee and Board of Directors: - to be covered from book-