

S.No.	Proposed Amendment	SRRF Comment
1.	<p>Short title and commencement. - (1) These rules may be called the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020.</p> <p>(2) They shall come into force on the date of their publication in the Official Gazette.</p>	
2.	<p>In the Companies (Corporate Social Responsibility Policy) Rules, 2014, in rule 2, in sub-rule (1) –</p> <p>(i) for clause (c), the following clause shall be substituted, namely :-</p> <p>“(c) Corporate Social Responsibility (CSR)” means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in these Rules, but shall not include the following, namely-</p> <ul style="list-style-type: none"> i) Activities undertaken in pursuance of normal course of business of the company. ii) Any activity undertaken by the company outside India. iii) Contribution of any amount directly or indirectly to any political party under section 182 of the Act. iv) activities that significantly benefit the employees of the company and their families. <p>Provided that in case of any activity having less than twenty five percent employees as its beneficiary, then such activity shall be deemed to be CSR activity under these rules.”;</p> <p>(ii) for clause (e), the following clause shall be substituted, namely :-</p> <p>“(e) "CSR Policy" means a</p>	<p>Provided that in case of any activity having less than twenty five percent employees “and their families” as its beneficiaries, then such activity shall be deemed to be CSR activity under these rules</p>

statement containing the approach and direction given by the board of a company, as per recommendations of its CSR Committee, for selection, implementation and monitoring of activities to be undertaken in areas or subjects specified in Schedule VII of the Act.”

(iii) for clause (f), the following clause shall be substituted, namely :-

“(f) “International Organization” means an organization notified by the Central Government as an international organization under section 3 of the United Nations (Privileges and immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply.”

(iv) after clause (f) , following sub-clauses shall be inserted, namely:-

“(g) "Net profit" means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely: -

(i) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and

(ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act:

Provided that net profit in respect of a financial year for which the relevant financial statements were

	<p>prepared in accordance with the provisions of the Companies Act, 1956, (1 of 1956) shall not be required to be re-calculated in accordance with the provisions of the Act:</p> <p>Provided further that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381 read with section 198 of the Act.</p> <p>(h) “Ongoing Projects” means a multi-year project undertaken by a Company in fulfillment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall also include such projects that were initially not approved as a multi-year project but whose duration has been extended beyond a year by the Board based on reasonable justification.</p> <p>(i) “Public Authority” means ‘Public Authority’ as defined in subclause (h) of section (2) of Right to Information Act, 2005.”</p>	<p>(h) “Ongoing Projects” means a multi-year project undertaken by a Company in fulfillment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall also include such projects that were initially not approved as a multi-year project but whose duration has been extended beyond “a year the current financial year” by the Board based on reasonable justification.</p> <p>REASON: If a project is for a duration of less than one year, but likely to be completed beyond this financial year even than it should be classified as an ongoing Project, since it will not be complete at the end of the Financial Year.</p>
<p>3.</p>	<p>In the said Rules, in Rule 3, in sub-rule (2), in clause (b) for the words, brackets and figure ‘sub-section (2) to (5)’, the words, brackets and figure ‘subsection (2) to (8)’ shall be substituted;</p>	
<p>4.</p>	<p>In the said Rules, for rule 4, the following rules shall be substituted, namely:-</p> <p>“CSR Implementation - (1) The Board shall ensure that the CSR activities are undertaken by the company itself or through:</p> <p>(a) a company established under section 8 of the Act, or</p>	<p>Suggested Changes Add sub-clause (c) below 4(1)(b)</p>

<p>(b) any entity established under an Act of Parliament or a State legislature.</p> <p>Provided that such company/entity, covered under clause (a) or (b), shall register itself with the central government for undertaking any CSR activity by filing the e-form CSR-1 with the Registrar along with prescribed fee.</p> <p>Provided further that the provisions of this sub-rule shall not affect the CSR projects or programmes that were approved prior to the commencement of the Companies (CSR Policy) Amendment Rules, 2020.</p> <p>(2) A company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programmes in accordance with these rules.</p> <p>(3) A company may engage international organizations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.</p> <p>Provided that a company may also engage an international organization for implementation of a CSR project subject to prior approval of the central government.</p> <p>(4) Board of a company shall satisfy itself that the funds so disbursed have been utilized for the purpose and in the manner as approved by it and Chief financial Officer or the person responsible for financial management shall certify to the effect.</p>	<p>“(c) registered societies and registered charitable trusts to undertake CSR implementation, with a successful track record of minimum of three years”</p> <p>REASONS:</p> <ol style="list-style-type: none"> 1. 90 of the voluntary sector organizations are in the form of societies & trusts. Exclusion would totally disrupt all the CSR gains made till now. 2. Societies & Trusts come under State subject in the Constitution. Keeping them out to receive CSR resources, would send out a signal that the Centre is discriminating against federal structure of the Constitution. This has possibility of issue getting embroiled in legal controversy and should be avoided. 3. Several interpretations have been forwarded that "Societies & Trusts" are covered in the proposed draft rule (b). However above addition will make it abundantly clear that "Societies & Trusts" are covered, it should be specifically stated. <p>Proviso below sub-rule (3) should be removed.</p> <p>REASONS : International organizations have a very heavy salary costs based on their international scales. Asking companies to utilize their services at international rates is not fair at all. Indian agencies can achieve the same at a fraction of a cost. If the companies consider that these organizations provide value in terms of designing, capacity building, etc. then they may enter into contracts, within the limit of administrative expenses.</p>
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	(5) In case of ongoing projects, the Board of a company shall monitor the implementation of the project with reference to the approved timelines and year wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period. “	
5.	<p>In the said Rules, in rule 5, for sub-rule (2), the following sub-rule shall be substituted, namely:-</p> <p>“(2) The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following:</p> <p>(a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;</p> <p>(b) the manner of execution of such projects or programmes as specified in sub-rule (1) of Rule 4;</p> <p>(c) the modalities of utilization of funds and implementation schedules for the projects or programmes; and</p> <p>(d) monitoring and reporting mechanism for the projects or programmes.</p> <p>(e) Details of need and impact assessment, if any, undertaken by the company.”</p>	
6.	In the said Rules, Rule 6 shall be omitted.	
7.	<p>In the said Rules, for rule 7, the following rules shall be substituted, namely:-</p> <p>“CSR Expenditure: (1) The board shall ensure that the administrative overheads incurred in pursuance of sub-section (4) (b) of section 135 of the Act shall not exceed five percent of total CSR expenditure of the company for the financial year.</p>	<p>(1) The board shall ensure that the administrative overheads "of the company" incurred in pursuance of sub-section (4) (b) of section 135 of the Act shall not exceed five percent of total CSR expenditure of the company for the financial year.</p> <p>REASONS</p> <p>1. The above clarification (of adding "of the company", would limit administrative cost</p>

<p>Provided that a company undertaking impact assessment, in pursuance of sub-rule (3) of Rule 8, may incur administrative overheads not exceeding ten percent of total CSR expenditure for that financial year.</p> <p>(2) Any surplus arising out of the CSR projects or programmes or activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and action plan of the company.</p> <p>(3) The CSR amount may be spent by a company for creation or acquisition of assets which shall only be held by a company established under section 8 of the Act having charitable objects or a public authority.</p> <p>Provided that any asset created by a company prior to the commencement of Companies (CSR Policy) Amendment Rules, 2020, shall within a period of One hundred and eighty days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than ninety days with the approval of the board based on reasonable justification.</p> <p>(4) Unspent balance, if any, towards fulfilment of CSR obligation at the time of commencement of these Rules shall be transferred within a period of thirty days from the end of Financial Year 2020-21 to special account viz., 'Unspent Corporate Social Responsibility Account' opened by the company and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund</p>	<p>to the company's administrative cost, which is the real intention behind putting limit on administrative exps.</p> <p>(3) The CSR amount may be spent by a company for creation or acquisition of assets which shall only be held by a company established under section 8 of the Act “or a registered society or a registered Trust” having charitable objects, or a public authority.</p> <p><u>REASONS</u></p> <ol style="list-style-type: none"> 1. Charitable entities which are implementing projects use these assets mainly for implementing the charitable projects. Any charitable entity which has acquired such assets while implementing the project should continue to hold these assets, only if it continues to use it for future charitable purpose and if the CSR company finds is satisfied with its for the charitable purpose. 2. Transferring of a used asset to another entity, which may not find it very useful will result in waste of resources spent on those assets.
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	specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.”	
8.	<p>In the said Rules, in rule 8, after sub-rule (2), following sub-rule shall be inserted, namely:-</p> <p>“(3) A company having the obligation of spending average CSR amount of Rs 5 Crore or more in the three immediately preceding financial years in pursuance of sub section 5 of Section 135 of the Act, shall undertake impact assessment for their CSR projects or programmes, and shall disclose details of the same in its Annual Report on CSR.”</p>	
9.	<p>In the said Rules, for rule 9, the following rules shall be substituted, namely:-</p> <p>“Display of CSR activities on its website: The Board of Directors of the company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website for public viewing, as per the particulars specified in the Annexure.”</p>	<p>Display of CSR activities on its website: The Board of Directors of the company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website for public viewing, as per the particulars specified in the Annexure "within 30 days of the Board meeting in which such approval is granted."</p> <p>REASONS</p> <ol style="list-style-type: none"> 1. Many time companies don't put up such report on their website for long period, therefore there should be a time period, within which such reports should be made available to the public.
10.	<p>In the said Rules, after rule 9, following rule shall be inserted, namely:-</p> <p>“ Rule 10 :National Unspent Corporate Social Responsibility Fund :</p> <p>(1) The Central Government shall establish a fund called the “National Unspent Corporate Social Responsibility Fund” (herein after referred as “the Fund”) for the purposes of sub-section (5) and (6) of section 135 of the Act. The Fund shall be utilized for the purposes of undertaking CSR projects in the in areas</p>	

	<p>or subjects specified in schedule VII of the Act. Provided that until such fund is created the unspent CSR amount in terms of provisions of sub-section (5) and (6) of section 135 of the Act shall be transferred by the company to any fund as specified in schedule VII of the Act.</p> <p>(2) The manner of administration, authority for administration of the Fund shall be in accordance with such guidelines as may be prescribed by the Central Government from time to time.”</p>	
<p>11.</p>	<p>In the said rules, in the annexure,- (i) The e-form CSR-1 shall be inserted, namely:</p>	
	<p style="text-align: center;">CSR-1</p>	<p>How societies & trusts or other entities established under a Central or State Law who do not have CIN would be able to file such a form is not clear. This should be clarified in the Rules itself or at least on the CSR-1 Form.</p>
	<p style="text-align: center;">Annexure report</p>	<p>Companies preparing report in the form of Annexure are required to give CIN No. only for entities which are implementing CSR. Such a requirement would make companies only select S.8 companies.</p> <p>Considering "Societies & Trusts" & "other entities established under any Central or State laws" are also required to implement CSR, hence Form should have a provision of CIN as well as any other Id No. that could be unique. For example</p> <ul style="list-style-type: none"> - 12AA registration, or - Unique ID that Darpan Portal gives, or - Tax Dept plans to give each 12AA registered entity shortly.