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**NOTE ON CORPORATE SOCIAL  
RESPONSIBILITY  
SECTION 135 OF THE COMPANIES ACT 2013**

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<b>Applicability</b>	<p><b>COMPANIES HAVING:</b></p> <ul style="list-style-type: none"> <li>➤ <b>Net worth</b> more than or equal to <b>500 Crores</b> ,or</li> <li>➤ <b>Turnover</b> more than or equal to <b>1000 Crores</b>, or</li> <li>➤ <b>Net Profit</b> more than or equal to <b>5 Crores</b></li> </ul> <p><b>IN ANY OF THE 3 PRECEDING FINANCIAL YEARS.</b></p>
<b>CSR Committee</b>	<ul style="list-style-type: none"> <li>• <b><u>Listed Company</u></b>- It shall comprise of <b>3 or more directors</b> out of which <b>at least 1</b> director shall be an <b>independent director</b>.</li> <li>• <b><u>Unlisted Public Company</u></b>- It shall comprise of <b>3 or more directors</b> .These companies are <b>not required</b> to appoint an Independent Director in the CSR Committee.</li> <li>• <b><u>Private Company</u></b>- It shall comprise of <b>3 or more directors</b> .These companies are <b>not required</b> to appoint an Independent Director in the CSR Committee. <b>Private company</b> having <b>2</b> directors in its board shall constitute its CSR committee with 2 such directors</li> </ul>
<b>Role of CSR Committee</b>	<ol style="list-style-type: none"> <li>a) Formulate a <b>CSR Policy</b> which shall indicate the <b>Activities</b> to be undertaken for CSR as per Sch.-VII.</li> <li>b) <b>Recommend</b> the <b>amount of expenditure</b> to be incurred</li> <li>c) <b>Monitor</b> the CSR Policy of the Company</li> </ol>
<b>General Rules Regarding Activities Relating To CSR</b>	<ul style="list-style-type: none"> <li>• The CSR activities shall be undertaken by the company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.</li> <li>• The Board of a company may decide to undertake its CSR activities approved by the CSR committee, through a <b>registered trust or society or a company established by the company or its holding or subsidiary or</b></li> </ul>

**associate company** under section 8 of the act or otherwise

Provided that –

(i) If such trust, society or company is not established by the company or its holding or subsidiary or Associate company, it shall have an established **track record of three years** in undertaking similar Programs or projects;

(ii) The company has specified the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.

- The company should **execute a suitable MOU** with the trust/organisation to whom donation/contribution is made as per CSR policy .This is to comply with Rule 4(2)(ii) of Companies (CSR) Rules 2014, wherein it is specified that the company has to specify the project or programs to be undertaken through these entities, the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.
- Companies ,may built CSR capacities of their own personnel as well as those of their implementing agencies through institution with established track records of at least three financial year but such expenditure shall not exceed 5% of total CSR expenditure of the company in one financial year

**Activities**

**Relating To CSR**

1. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently able and livelihood enhancement projects;
3. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water;
5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;
6. Measures for the benefit of armed forces veterans, war widows and their dependents;
7. Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
8. Contribution to the Prime Ministers' National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
9. Contributions or funds provided to technology incubators located within academic institution which are approved by the Central Government;
10. Rural development projects.

➤ **Projects or programs or activities undertaken in India only shall amount to CSR expenditure**

<p><b>Specific Exclusions</b></p>	<ul style="list-style-type: none"> <li>• The CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with Section 135 of the Act.</li> <li>• Contribution of any amount directly or indirectly to any <b>political party</b> under Section 182 of the Act, shall not be considered as CSR activity.</li> </ul>
<p><b>Computation Of CSR Expenditure</b></p>	<ul style="list-style-type: none"> <li>• Companies covered under CSR, in every Financial Year, shall spend at least <b>2% of <u>Average Net Profits*</u></b> of the company made during the <b>3</b> immediately preceding financial years.</li> <li>• Companies shall give preference to the <b>local areas</b> and areas around it where it operates while incurring CSR expenditure.</li> <li>• <b>*Net profits</b> means net profit <b>before tax</b> as per books of accounts, computed as per <b>section 198</b> of the Companies Act 2013 and shall <b>not include:</b> <ul style="list-style-type: none"> <li>➤ profits arising from <b>branches outside India</b></li> <li>➤ any <b>dividend received</b> from other companies in India , which are covered under and complying with the provisions of Section 135 of the act.</li> </ul> </li> </ul>
<p><b>Failure to Contribute towards CSR activities</b></p>	<ul style="list-style-type: none"> <li>• Specify the reasons in its <b>Board’s report</b> for the failure to contribute towards CSR activities.</li> <li>• No Fine or Penalty in case of failure.</li> </ul>
<p><b>Display of CSR activities on its website</b></p>	<ul style="list-style-type: none"> <li>• The Board of Directors of the company shall, after taking into account the recommendations of CSR Committee, approve the CSR Policy for the company and disclose contents of such policy in its report and the same shall be displayed on the company’s website.</li> </ul>

**CSR EXPENDITURE AND ITS ALLOWABILITY UNDER INCOME TAX ACT, 1961**

**Explanation 2 to Section 37(1) specifically states that CSR expenditure as per Section 135 shall not be deemed to be an expenditure incurred by the Assessee for the purposes of business or profession.**

**However, CSR expenditure can be planned in a way that the benefit of “Specific Provisions of Income Tax Act” be taken to improve prospects of deductibility of CSR**

<b>SR. NO.</b>	<b>SPECIFIC CSR ACTIVITIES REFERRED UNDER SCHEDULE VII</b>	<b>EXPENDITURE ALLOWED UNDER THE RELEVANT PROVISIONS OF THE INCOME-TAX ACT, 1961</b>	<b>QUANTUM OF DEDUCTION</b>
<b>1</b>	<b>Activities concerning Basic necessities of Life</b>		
	- Eradication of poverty, hunger and malnutrition	Section 35AC read with Rule 11K(i)(f) of Income-tax Rules, 1962	100%
	- Promoting Sanitation and health care and making available safe drinking water	Section 35AC read with Rule 11k(i) (a),(f),(j) of the 1962 Rules	100%
<b>2</b>	<b>Activities concerning Education</b>		
	- Promoting Education, including special education and employment Enhancing vocational skills	Section 35AC read with 11K(i)(c),(i), (o),(p),(s) of the 1962 Rules	100%

	especially among children, women and elderly and the differently able		
	- Livelihood enhancement programs	Section 35AC read with 11K(i)(j),(s) of the 1962 Rules	100%
<b>3</b>	<b>Activities addressing inequality and Gender discrimination</b>		100%
	- Promoting gender equality		
	- Empowering women	Section 35AC read with Rule 11K(i)(n),(i) of the 1962 Rules	
	- Setting up of homes and hostels for women and orphans		
	- Setting up old age homes, day care centre and such		
<b>4</b>	<b>Activities concerning Care for environment</b>		100%
	-Ensuring environmental sustainability and ecological balance	Section 35AC read with Rule 11K(i)(d),(h),(l),(q),(r) of the 1962 Rule	
	- Preservation of flora and fauna, animal welfare, agro forestry		
	- Conservation of natural resources and maintaining quality of soil, air and water		
<b>5</b>	<b>Activities concerning protection of National Heritage, Art and Culture</b>	Section 35AC read with Rule 11K (The notification issued under the Act in the past have accepted the said activities for deduction u/s. 35AC [except with no precedent available for protection of national heritage u/s. 35AC, but	100%
	- Protection of national heritage, art and culture including restoration of building and sites of historical importance and works of art		

	-Setting up public libraries	deduction could be claimed in Section 80G(2)(b)	
	-Promotion of traditional arts and handicrafts and its development		
<b>6</b>	<b>Activities concerning benefit to Armed Forces, veterans, war widows and their dependants</b>		
	- Measures for the benefit of armed forces, veterans, war widows and their dependents	Section 80G(2) (a)(i) and 80G(2) (a)(ii)(c)	100% 100%
<b>7</b>	<b>Activities concerning Sports</b>		
	- Training to promote rural sports, nationally recognised sports, Paralympics sports and Olympic sports	Section 35AC read with Rule 11K(i)(g)	100%
<b>8</b>	<b>Activities concerning national relief and welfare of Economically backward class of Society</b>		
	- Contribution to PM National relief fund or any other fund	Section 80G(2) (a)(iiia)	100%
	- Relief and welfare of the Schedules Casts, Schedules Tribes, \ Other backward castes,\ minorities and women	Section 35AC read with Rule 11K(i)(b),(c) and Rule 11K(ii) of the Income-tax Rules	100%
<b>9</b>	<b>Activities concerning Technology Incubators</b>		
	- Contributions or funds provided to technology Incubators located within	Section 35(2AA)	200%



	academic institutions which are approved by Central Government		
<b>10</b>	<b>Activities concerning Rural Development</b>		
	- Rural Development Projects	Section 35AC and Section 35CCA [with limited information available and provided on the term referred to as 'rural development projects' therefore, either of the provisions may be considered for allow ability of expenditure]	100%
<b>11</b>	<b>Donation to Charitable Trust /Society to carry out CSR activities as per Sch-VII</b>	U/s 80G	50%