

## Companies (Corporate Social Responsibility Policy)

### Amendment Rules, 2022

The MCA vide its Notification No. G.S.R. 715(E) dtd. 20th September, 2022, has notified **Companies (CSR Policy) Amendment Rules, 2022** to amend the provisions of Companies (CSR Policy) Rules, 2014.

The amended provisions shall come into force on the date of its publication in the Official Gazette i.e., 21st September, 2022.

Sr.No.	Amendment	Effect/ Comments
1.	<b>Insertion: Rule 3 second proviso</b>  Provided further that a company having any amount in its Unspent Corporate Social Responsibility Account as per sub-section (6) of section 135 shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the said section.	<p>This amendment is introduced to make sure that even when a Company is not required to form a CSR committee, it shall form the same in case any amount is outstanding in its Unspent Corporate Social Responsibility Account as per sub-section (6).</p> <p>As it is provided under sub-section (9) that, "Where the amount to be spent by a company under sub-section (5) does not exceed 50 lakh, the requirement under sub-section (1) for constitution of the Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company."</p> <p>But keeping in view this amendment, even the companies which find roof under subsection (9) shall be required to constitute CSR Committee.</p>
2.	<b>Omission: Rule 3 (2)</b> sub-rule (2) shall be omitted.	<b>Omitted provision:</b> "Every company which ceases to be a company covered under sub section (1) of section 135 of the Act for three consecutive financial years shall not be required to -  (a) constitute a CSR Committee; and (b) comply with the provisions contained in sub-section (2) to (6) of the said section,



		<p>till such time it meets the criteria specified in sub-section (1) of section 135.”</p> <p>In the existing provisions, a company which ceased to be a company covered under section 135(1) for 3 consecutive F.Ys. was not required to constitute a CSR Committee and comply with the provisions of sub-section (2) to (6). Vide this amendment, this provision has been omitted. So once CSR provisions become applicable, it shall remain applicable.</p>
<p><b>3.</b></p>	<p><b>Substitution: Rule 4 (1)</b></p> <p>(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 a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company; or</p> <p>(b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or</p> <p>(c) any entity established under an Act of Parliament or a State legislature; or</p> <p>(d) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.</p> <p><b>Explanation.</b> - For the purpose of clause (c), the term “entity” shall mean a statutory body constituted under an Act of Parliament or State legislature to undertake activities covered in Schedule VII of the Act.’</p>	<p>This is a welcoming change as from now onwards, even a company established under section 8 of the Act, or a registered public trust or a registered society which has exemption under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 along with approval under 80G shall be eligible to undertake CSR activities on behalf of other companies.</p> <p>Further, an explanation is added to clarify the meaning of the term “entity” under clause (c).</p>
<p><b>4.</b></p>	<p><b>Substitution: Rule 8(3)(c)</b></p> <p>(I) for the words “five percent”, the words “two percent” shall be substituted.</p> <p>(ii) for the words “whichever is less” the words “which ever is higher” shall be substituted.</p>	<p><b>Amended provision:</b></p> <p>A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.</p> <p>Vide this amendment, the cap of 5% is brought down to 2%, however, the word lower is substituted with higher which means that, in any case, minimum 50 lakh can be booked as expenditure towards CSR by a company under taking impact assessment.</p>

<b>5.</b>	<b>Substitution: Annexure II</b>	<p>Vide this amendment, the format for the Annual Report on CSR activities to be included in the Board's Report for financial year commencing on or after the 1st day of April, 2020 is amended.</p> <p><b>The link to the amended format is as follows:</b> <a href="https://egazette.nic.in/WriteReadData/2022/238956.pdf">https://egazette.nic.in/WriteReadData/2022/238956.pdf</a></p> <p>For the Board Meetings to be held on or after 21st September, 2022, it is pertinent to take note of the changes made in the CSR Report.</p>
<b>6.</b>	<b>Substitution: E-form CSR-1 Serial Number 1</b>	<p><b>1. Nature of the entity</b></p> <ul style="list-style-type: none"><li>● Company established under section 8, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.</li><li>● Company established under section 8, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.</li><li>● Registered public trust, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.</li><li>● Registered public trust, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.</li><li>● Registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 and approved under section 80G of the Income Tax Act, 1961.</li><li>● Registered society, registered under section 12A and approved under section 80G of the Income Tax Act, 1961.</li><li>● Company established under section 8 or registered Trust or registered Society established by the Central Government or State Government.</li><li>● Entity established under an Act of Parliament or State Legislature.</li></ul> <p><b>Comments:</b></p> <p>This amendment is to bring form CSR-1 in line with the amendments made in rule 4.</p>

## Disclaimer:

The author is based in Jabalpur and is a Practicing Company Secretary dealing in Corporate, Legal & Taxation services. The information contained in this write up, as provided by the author, is to provide a general guidance to the intended user. The information should not be used as a substitute for specific consultations. Author recommends that professional advice is sought before taking any action on specific issues.

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