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Corporate Social Responsibility Under Section 135 of Companies Act 2013.

We live a dynamic life in a world that is growing more and more complex. Global-scale environment, social, cultural and economic issues have now become part of our everyday life. Boosting profits is no longer the sole business performance indicator for the corporate and they have to play the role of responsible corporate citizens as they owe a duty towards society.

Thus, in India, the Ministry of Corporate Affairs (MCA) introduced CSR as a mandatory compliance for certain companies under the Companies Act, 2013. Thus, it is a statutory obligation for companies to engage in CSR activities and projects, which will help achieve sustainable development goals and positively impact various aspects of society.

Corporate Social Responsibility (CSR) means the voluntary contributions made by companies to a better society and a cleaner environment. It is a concept whereby companies integrate social and other useful concerns in their business operations for the betterment of their stakeholders and society in general.

However, Section 135 of the Companies Act, 2013 ("Act") provides that certain companies must mandatorily contribute a certain amount towards CSR activities. As per the Act, 'Corporate Social Responsibility' means and includes but is not limited to:

Projects or programmes relating to activities specified in Schedule VII to The Act.

Projects or programmes relating to those activities which are undertaken by the Board of Directors of a company in ensuring the recommendation of the CSR Committee of the Board as per declared CSR Policy along with the conditions that such policy will cover subjects specified in Schedule VII of the Act.

CSR Applicability in India

The provisions of CSR applies to every company fulfilling any of the following conditions in the preceding financial year:

Net worth of more than Rs.500 crore

Turnover of more than Rs.1000 crore

Net profit of more than Rs.5 crore

The Board of Directors of every company for which the CSR provisions apply must ensure that the company spends in every financial year at least 2% of its average net profits made during the immediately preceding three financial years as per its CSR policy. If the company has not completed three financial years since its incorporation, it must spend 2% of its average net profits made during the immediately preceding financial years as per its CSR policy.

Schedule VII of India's Companies Act, 2013 outlines acceptable CSR (Corporate Social Responsibility) activities, including poverty and hunger eradication, promoting health, sanitation, education, and rural development, ensuring environmental sustainability, and preserving national heritage, art, and culture. Other permitted activities cover gender equality, supporting the armed forces and their dependents, disaster management, promoting sports, contributing to technology incubators, and supporting rural and slum development projects.

Here's a breakdown of the categories in Schedule VII:

Eradicating Poverty, Hunger, and Malnutrition:

Activities to promote health care, sanitation, and access to safe drinking water.

Promoting Education:

Efforts focused on special education, vocational skills for women, children, the elderly, and differently-abled individuals, and livelihood enhancement projects.

Promoting Gender Equality and Women's Empowerment:

Establishing homes and hostels for women and orphans, setting up senior citizen facilities like old-age homes and day-care centers, and implementing measures to reduce inequalities faced by socially and economically backward groups.

Ensuring Environmental Sustainability:

Activities related to ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources, and maintaining the quality of soil and air.

Protection of National Heritage:

Supporting the restoration of historical buildings, sites, and works of art, and promoting public libraries and traditional arts and handicrafts.

Support for Armed Forces:

Providing benefits to armed forces veterans, war widows, and their dependents.

Promotion of Sports:

Initiatives for rural sports, nationally recognized sports, Paralympic, and Olympic sports.

Disaster Management:

Relief, rehabilitation, and reconstruction activities during natural disasters.

Rural and Slum Development:

Projects for rural and slum area development.

Technology Incubators:

Contributions to technology incubators funded by government or public sector entities.

Public-Funded Institutions:

Contributions to public-funded universities, technology incubators, and national laboratories engaged in R&D.