

## CSR in India - FAQs and Analysis



*The Companies Act, 2013 has introduced several new provisions which are aimed at changing the face of Indian corporate business. One of such new provisions is Corporate Social Responsibility (CSR). Ministry of Corporate Affairs (MCA) has, vide its notification dated February 27, 2014 notified the provisions of Corporate Social Responsibility to be applicable w.e.f. April 01, 2014. CSR, which has largely been voluntary contribution by corporates so far, is now mandated by law. The introduction of CSR provision in the Companies Act is a welcome step and all companies which satisfy the CSR criteria will have to undertake CSR activities under the new CSR regime, during current financial year. This step is expected to add momentum to various social projects with some professional management of the private sector. Read on...*

By no means a new topic; the insertion of Section 135 in the Companies Act, 2013 has however triggered intensive deliberations on Corporate Social Responsibility in India Inc. A breakthrough initiative by the Government, CSR is an outcome of brilliant yet simple idea of removing Government as the intermediary in collecting tax and spending for public welfare and making the companies directly contribute to the public, *literally giving back to the society!* What with the numerous reasons contributing to pilferage in Government spending (which does not reach the public to the extent of collection),

CSR is expected to plug the leakage and ensure that companies take up on themselves the responsibility of developing the locality in which it is situated. Having said this, whether the corporate world would shoulder this responsibility to give effect to the true intention and spirit of the legislation, is something which the nation is eager to find out. This article is an attempt to identify the practical implementation, accounting and reporting issues relating to CSR and to evaluate the extent to which such issues have been clarified by the concerned authorities.



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**Section:** 135 of the Companies Act, 2013 notified with effect from 01.04.2014

**Rules:** Companies (Corporate Social Responsibility Policy) Rules 2014 notified vide G.S.R 129(E) with effect from 01.04.2014 as amended by the following notifications:

G.S.R 644(E) dated 12<sup>th</sup> September 2014

G.S.R 43(E) dated 19<sup>th</sup> January 2015

# Corporate Social Responsibility

**A breakthrough initiative by the Government, CSR is an outcome of brilliant yet simple idea of removing Government as the intermediary in collecting tax and spending for public welfare and making the companies directly contribute to the public, literally giving back to the society!**

## Part I - Applicability:

### 1. Whether applicable to all companies? Including OPCs, Section 8 companies (companies formed for charitable objects)?

Section 135(1): Every company having  
 A. Net Worth of ₹500 crore or more, OR  
 B. Turnover of ₹1,000 crore or more OR  
 C. Net Profit of ₹5 crore or more,  
 during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an Independent director.

### ➤ CSR applies to every company, whether public or private, which falls under the criteria specified in Section 135.

As far as applicability of CSR provisions to a One Person Company is concerned, Rule 6(1) of Companies (Incorporation) Rules, 2014 states as follows: “Where the **paid up share capital** of a One Person Company exceeds **₹50 lakhs or its average annual turnover** during the relevant period **exceeds ₹2 crores**, it shall cease to be entitled to continue as a One Person Company.”

- Since a company cannot continue as OPC when average annual turnover exceeds two crores, there is no question of applicability of CSR provisions to OPC going by the limits specified.
- Author is of the view that since the ordinary activities of Section 8 Companies itself is akin to what is mentioned in Schedule VII (Refer Q.10 Part III) of Companies Act, CSR provisions is not directed at these companies though there is no specific exemption!

### 2. Whether CSR is applicable to holding companies and subsidiary companies? I.e. whether group companies fall automatically if any one company in the group falls under CSR? Whether foreign companies too should abide by these provisions?

Rule 3 of Companies (CSR Policy) Rules, 2014 states that: “Every company **including its holding or subsidiary**, and a foreign company defined under clause (42) of section 2 of the Act having its branch office or project office in India which fulfils the criteria specified in sub-section (1) of section 135 of the Act shall comply with the provisions of section 135 of the Act and these rules”

- The words “*...including its holding or subsidiary...*” triggers a question that when one company falls under CSR, whether its parent holding company and its subsidiary too should comply with CSR even if those companies are outside the limits prescribed in Section 135. The mute question is whether the phrase “*which fulfils the criteria...*” applies to ‘every company’ or to the ‘holding or subsidiary’. Though the latter view seems to be the intention, MCA should clarify this situation.
- Since there is no specific provision regarding clubbing of net worth, turnover or net profit, and Rule 2(1)(f) (explained in point 4) specifically excludes profits of overseas branches, the question of clubbing does not arise. **Therefore, only figures as per stand-alone financial statements should be considered for applicability of CSR. Consolidated Financial Statements will not be considered for this purpose.**
- However, as far as a foreign company is considered, it is evident that if such company has a branch office or project office, that is to say, any physically traceable location in India through which it carries on its activities, then such company shall fall within the ambit of CSR, provided the eligibility criteria is met. However, if the company does not have a physical location but carries on the business through electronic mode, then the factors like location of server might come into play to determine whether the company has an office in India. MCA has to define what is meant by a branch or project office in order to clarify this situation.

**The words “*...including its holding or subsidiary...*” triggers a question that when one company falls under CSR, whether its parent holding company and its subsidiary too should comply with CSR even if those companies are outside the limits prescribed in Section 135.**

### 3. What is the relevant date to determine the net worth, turnover and net profit?

Section 135 uses the words “*every financial year*” and not at any time during the financial year.

Thus, we have to consider the situation as at the end of the Financial Year. This is also logical since a company may have net worth/turnover/net profit exceeding the limits at one point of time during the year but subsequent losses/sales returns might result in the company ceasing to fall within the limits at the end of the year.

### 4. What is meant by net profit for the purpose of CSR? Whether this Net profit is before tax or after tax?

Rule 2(1)(f) of CSR rules states as follows: “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 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:

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 (l) of section 381 read with section 198 of the Act.

- It can be noted that the rule uses the words “...as per applicable provisions of the Act...” which is Section 198 of the Companies Act.
- Thus, profits from overseas branches and dividends from companies in India can be excluded while computing net profits for the purpose of CSR.
- However, it appears that when the companies in India do not fall within the criteria for CSR, then the dividend from such companies should be included in computing the net profits of the company receiving the dividend. The logic could be that for companies falling under CSR,

dividend, (which is appropriated by them) is already considered as part of its net profits (and CSR obligation is to be discharged) and if the same is included as the profits of another company (which receives the dividend), then the same figure would be considered twice for the purpose of computing minimum CSR spend. When the company paying dividend does not fall under CSR, such dividend should be included in the profits of the company receiving the dividend.

- Net profits should be computed before Income Tax as per Section 198.

### 5. Can donations, compensation or damages be deducted in computing net profits? Should Income from House Property, income/loss from Capital Gains and Income from Other Sources be considered?

Section 198(5)(b) states that “*any compensation, damages or payments made voluntarily, that is to say, otherwise than in virtue of a liability such as is referred to in clause (m) of sub-section (4)*” should be excluded from net profits.

Subsection 4(m) states that legal liability including liability for breach of contract is deductible in computing net profits.

- Thus, compensation, damages, donations, or any other voluntary payments made without any obligation on the part of the company to do so cannot be deducted from net profits for the purpose of CSR. But this could cover all self-imposed liabilities like voluntary compensation paid to employees, bonus paid to employees exceeding minimum bonus, incentive payments to employees or reimbursements over and above agreed terms as a goodwill gesture, discount allowed on sales or services etc. since there is no legal obligation on the part of the company to pay. Whether strict interpretation is envisaged to segregate expenditure on this basis, which could be an exercise in itself, or only payments akin to donations are to be excluded, whether management/auditors should certify correctness of profit taken for applicability of CSR are open questions!
- As far as considering income other than business profits are concerned, the term profit itself indicates that only business profits are to be included in computing CSR and Section 198(3) specifically excludes capital profits. But definition of profit as per the Companies Act can cover income from house property as well as income

from other sources and companies cannot find shelter under the definitions under Income-tax Act to exclude these incomes!

## 6. Can the company opt out of CSR if it ceases to fall below the limits specified in Section 135 or is CSR applicable for lifetime?

Rule (3) (2) states that: "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 (5) of the said Section till such time it meets the criteria specified in sub-section (1) of Section 135"

Thus, if the company ceases to fall within the prescribed limits for a consecutive period of three years, it can opt out of CSR. But companies would not prefer to disclose that they have not spent on CSR because they are not legally bound to; which can affect their reputation. And the requirement of undertaking activities in project mode would mean that the activities might continue even during those years for which CSR is not applicable. Stoppage of activities already commenced is something which the corporate India would not even dare to think!

## Part - II Responsibilities to be met once CSR is applicable.

The responsibilities of the company, the CSR Committee and the Board of Directors have been stated separately.

### Responsibilities of the Company:

- ❖ Constitute CSR Committee of the Board consisting of three directors or more directors, out of which at least one director shall be an Independent director. **Section 135(1)**. Few exceptions are provided though, which are:
  - Companies which are not required to appoint Independent Director may form CSR Committee without Independent Director. **Rule(5)(1)(i)**.
  - A private company having only two directors on its Board shall constitute its CSR Committee with two such directors. **Rule 5(1)(ii)**.
  - A foreign company shall constitute CSR Committee with two persons, one person should be resident in India and authorised

to accept on behalf of the company; service of process and any notices or other documents required to be served on the company; and the other person can be nominated by the foreign company.

### Rule 5(1)(iii).

- ❖ Institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company. **Rule 5(2)**.
- ❖ Spend on CSR. **Section 135(5)**
- ❖ Give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities. **Proviso to Section 135(5)**

### Responsibilities of the CSR Committee–Section 135(3)

- ❖ Formulate and recommend to the Board CSR Policy.
- ❖ Recommend the amount of expenditure to be incurred on CSR.
- ❖ Monitor CSR Policy from time to time.
- ❖ Update the CSR Policy from time to time.

### Responsibilities of the Board of Directors:

- ❖ Disclose the composition of the Corporate Social Responsibility Committee in the Board's report under Sub-Section (3) of Section 134. **Section 135(2)**.
- ❖ Approve the Corporate Social Responsibility Policy for the company after taking into account the recommendations made by the Corporate Social Responsibility Committee, and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; **Section 135(4)(a)**.
- ❖ Ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company. **Section 135(4)(b)**.
- ❖ Ensure that the company spends, in every financial year, at least two % of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. **Section 135(5)**.
- ❖ Specify the reasons for not spending the amount if the company fails to spend such amount, in its

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report made under clause (o) of Sub-Section (3) of Section 134. **Proviso to Section 135(5).**

## Part III – Spending on CSR

### 7. Whether companies should spend on CSR in the first year of applicability? Whether CSR spending is required for companies which have not completed three years?

- A practical issue faced by companies is that the applicability of CSR provisions might be known only at the end of the year so that those companies might not be able to spend 2% of average net profits in the same year. But there is no specific exemption provided under Section 135 in this regard and hence companies will have to reasonably anticipate the applicability and accordingly comply.
- Since the Section uses the term 'average net profits of three immediately preceding years', a liberal view might be taken that only those companies which have completed three years need to comply with CSR. Similarly foreign companies having branch office or project office in India for less than three years might also take this stand. However, there is no specific exemption granted in this regard and MCA should come out with a clarification.

### 8. Whether profits include losses?

Even though it is not specifically mentioned, average profits can be determined taking into account losses incurred in the relevant preceding years too. This means that even though the company may have to comply with other requirements like constitution of CSR Committee, framing CSR Policy, Disclosure *etc.*, it need not



spend if the average net profit so computed is zero or negative.

### 9. What are the contents of CSR Policy? Should the activities for which the company intend to expend money be stated in CSR Policy? Can the company spend on any activity not mentioned in CSR Policy?

Rule 6(1) states that the CSR Policy of the company shall, *inter-alia*, include the following, namely -  
 (a) a list of CSR projects or programs which a company plans to undertake falling within the purview of the Schedule VII of the Act, specifying modalities of execution of such project or programs and implementation schedules for the same; and  
 (b) monitoring process of such projects or programs:

Rule 6(2) requires CSR Policy to include that surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company.

Thus, it is necessary to plan the activities and to include that in CSR Policy. The companies generally can only spend on such activities which has already been planned and included in CSR Policy. But there is no restriction in making further amendments to the CSR Policy so companies are at liberty to amend the CSR policy to include any activity on which they intend to spend on CSR. If the company has actually spent money on any activity which is not included in its CSR Policy, it may provide adequate disclosure justifying the reasons why the activity could not be so included **but such expenditure cannot be considered as CSR.**

### 10. What are the permitted activities on which companies can spend money under CSR? Is the list restrictive?

Schedule VII of the Companies Act, 2013 enlists the broad categories of activities on which companies can spend under CSR. Activities relating to:—

(i) eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.

(ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

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(iii) 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;

(iv) 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 including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;

(v) 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;

(vi) measures for the benefit of armed forces veteran, war widows and their dependants;

(vii) training to promote rural sports nationally recognised sports and Olympic sports;

(viii) contribution to the Prime Minister's 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; and

(ix) contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;

(x) slum area development

**Explanation.**—For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.

Companies have the freedom to liberally interpret the list and consider spending on activities which can be brought within the purview or intention of these activities so as to give effect to the intention of the Central Government. The company may even restrict the benefit of these activities to a particular category say students, women or the companies may restrict themselves to spend only on any one of the activities mentioned above too.

## 11. Which activities are specifically excluded from CSR?

- Activities in the ordinary course of business of the company. **Rule 4(1) and Proviso to Rule 6.**

- Activities undertaken outside India. **Rule 4(4).**
- The CSR projects or programs or activities that benefit only the employees of the company and their Families. **Rule 4(5).**
- Expenditure to build CSR capacities of own personnel as well as those of their implementing agencies, including expenditure on administrative overheads exceeding 5% of total CSR spending in any given financial year. **Rule 4(6).**
- Direct or indirect contribution to any political party under Section 182 of the Act. **Rule 4(7).**
- Any activity which do not fall within the purview of Schedule VII to the Companies Act, 2013. **Rule 7.**

Following additional restrictions have been imposed *vide* **Circular 21/2014 dated 18.06.2014:**

- Donations to trusts whether established by the company or otherwise. Only corpus contributions are allowed as CSR expenditure.
- Activities not undertaken in project/programme mode; one-off events such as marathons/awards/charitable contribution/advertisement/sponsorships of TV programmes *etc.*
- Expenditure incurred by Foreign Holding company on behalf of Indian subsidiary in India if the expenditure is not routed through the Indian subsidiary.
- Contribution to unregistered trusts. If such trusts are not required to be registered under any state law, the trust should at least be registered under the Income-tax Act.
- Contribution to trusts not established for the purpose of CSR.
- Contribution to trusts not established by the company but does not have a track record of three years in implementation of those activities.
- Corpus contribution to registered trusts if the corpus is not specifically created for spending in CSR activities.

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**There is no specific punishment for not spending the requisite 2%, either fully or partially. What is required is that the Boards Report should disclose the fact that the company has not been able to spend 2% and also the reason(s) why it was unable to spend.**

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- Expenditure incurred for fulfilment of any Act/ Statute of regulations such as labour laws.
- Expenditure incurred by way of compensation or damages imposed by any court of law.

## 12. What happens if the company fails to spend entirely or there is short-fall in spending amount earmarked for CSR? What reasons can it give?

There is no specific punishment for not spending the requisite 2%, either fully or partially. What is required is that the Boards Report should disclose the fact that the company has not been able to spend 2% and also the reason(s) why it was unable to spend. The reason could be that though the company has achieved a turnover of thousand crores, it has incurred a loss during the relevant period and hence it has not been able to spend on CSR. Financial or liquidity crunch may also be another reason which the companies can give for not complying with the CSR provisions. But the companies should also keep in mind the fact that such disclosures could be interpreted by the stakeholders differently which might have an impact on its Goodwill.

## 13. What are the different modalities which a company can adopt for complying with CSR provisions?

Rule 4(2) provides that “a company may carry out CSR activities directly or through a registered trust or registered society or a company established under Section 8 of the Act. The trust can be established by the company either singly, or along with its holding or subsidiary or associate company, or along with any other company or holding or subsidiary or associate company of such other company.”

Further, Rule 4(3) states that “A company may also collaborate with other companies for undertaking projects or programs 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 programs in accordance with these rules.”

Thus, the company can spend

- directly, OR
- through registered trust/society/Section 8 company established for CSR, OR
- by collaborating with other companies but each company should individually spend 2%, account for and report separately.

## 14. Can the company utilise excess amount spent in a particular financial year towards spending required for subsequent year? Can it carry forward short-fall in spending to future years?

Since the legislature provides freedom not to spend on CSR if there are genuine reasons and specifies only minimum expenditure required on CSR, no set-off or carry forward provisions are envisaged. Excess spending over 2% cannot be set off against obligation for the next year. Short-fall should be explained, but there is no practical relevance in carrying forward to next year.

## 15. Can the company spend money from past profits/capital profits/donations received from outside India/surplus arising out of CSR activities and claim it as CSR expenditure?

It is not mentioned anywhere that the companies should spend on CSR **out of the current year profits** only. This means that as long as the company spends money which comes up to at least 2% of the average net profits of three immediately preceding financial years, the source of money is immaterial. However, the surplus arising from CSR activity should anyway be ploughed back into CSR activities which seem to be the intention of legislature.

## 16. Is there any tax deduction available for CSR expenditure? Can the company spend 100% of CSR obligation as contribution to Prime Minister's National Relief Fund?

Section 37 of the Income-tax Act, 1961 specifically prohibits deduction for money spent on CSR. Explanation 2 to Section 37 states as follows:

“For the removal of doubts, it is hereby declared that for the purposes of sub-section (1), any expenditure incurred by an assessee on the activities relating to corporate social responsibility referred to in section 135 of the Companies Act, 2013 (18 of 2013) shall not be deemed to be an expenditure incurred by the assessee for the purposes of the business or profession.”

*Finance Act 2015 has inserted sub-clause (iiihk) and (iiihl) to Section 80G(2)(a) which provides 100% deduction for contribution to Swachh Bharat Kosh and Clean Ganga Fund, set up by Central Government, made otherwise (in addition to) than by way of CSR.*

Thus, there is no tax deduction available for CSR expenditure. The logic is that the companies now

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spend directly on public welfare which earlier was routed through government in the form of taxes. In a way, company pays tax to public directly!

**Another question arises that whether the company can contribute to those activities for which specific deductions are already available under the Income-tax Act such as Section 35, 35AC, 35CCA etc.**

Since the CSR provisions itself state that expenditure in the ordinary course of business is not CSR, it means any expenditure in furtherance of the main objectives as per its Memorandum of Association cannot be considered as CSR. Hence, expenditure as specified under Section 35, 35A, 35AB, 35ABB, 35AD, 35CCA, 35CCB, 35E cannot be considered as CSR *since those sections require that the company should have the object of carrying out such activities*. However, the benefit can be availed for 35AC (eligible projects or schemes, the details are notified by the Income Tax Department), 35CCC (agricultural extension activities), 35CCD (skill development project) etc.

The company can also contribute to PMNRF since it is included in Schedule VII but, there is specific restriction imposed by the insertion of *Proviso* to Section 135(5) which states that companies shall give preference to local or surrounding areas for spending money on CSR. The word 'preference' however does not prevent companies from contributing to PMNRF. The companies may plan in such a way (and include in its CSR Policy) that major portion of CSR expenditure is directed to local areas and balance is contributed to PMNRF.

## 17. Can the Board spend money on CSR or should the Company spend? Should the spending be on cash basis only?

- Section 135(5) states that "...the board shall ensure that the company spends.." which means that the company shall spend. The advisable practice is to conduct a General Meeting to approve the CSR expenditure. However, the Board can also spend money on CSR since the intention of legislature will be achieved but disclosure should be made in the Board's Report.
- Since freedom not to spend on CSR is also given for genuine cases, allowance of spending on accrual basis is not envisaged. Amounts payable cannot generally be considered as amount 'spent'. It is always prudent to give adequate disclosures in such situations.

## Part IV. Reporting and Disclosure:

The following points may be noted in this regard:

### The format of reporting in the Boards' Report

#### FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
2. The Composition of the CSR Committee.
3. Average net profit of the company for last three financial years
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)
5. Details of CSR spent during the financial year.
  - (a) Total amount to be spent for the financial year;
  - (b) Amount unspent, if any;
  - (c) Manner in which the amount spent during the financial year is detailed below.

Sl No.	CSR Project/ Activity Identified	Sector in which project is covered	Projects in a)local area OR b)other State, district where activities undertaken	Amount outlay Budget-wise or program-wise	Amount Spent a. direct expense b. Overheads	Cumulative expenditure up to reporting period	Cumulative expenditure up to reporting period

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

### Disclosure in Financial Statements:

- CSR expenditure should be shown under a separate head.
- Item 5(k) of the General Instructions for preparation of Statement of Profit & Loss as per Schedule III of the Act states that CSR

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expenditure should be shown as part of notes to Statement of Profit & Loss.

- Whether capital expenditure, advance given on account of CSR can be shown in the statement of profit and loss, or can we treat an asset purchased for CSR purposes as our own asset, should we charge depreciation under Companies Act, etc. is still a debatable point. Whether such contribution is a capital expenditure or revenue expenditure is the issue. Since it is a recurring payment, and also since no direct or tangible benefit is derived, it can be interpreted as revenue expenditure.
- Alternatively, even revenue expenditure on CSR can be interpreted to have long-lasting benefits to the company which could accrue for a substantial period of time and hence the entire amount spent on CSR could be interpreted as capital expenditure too. But the latter approach will result in practical difficulties to ascertain the period of amortisation what with additions to the same every year would further complicate things! **Moreover, the requirements of Schedule III as well as the clarification to Section 37 of the Income-tax Act all points to a fact that the legislature itself assumes the CSR spend to be treated as revenue expenditure.**
- When the CSR activities are carried out through a trust, only corpus contribution will appear in the financial statements. The summarised Receipts and Payments account of the trust

should be annexed/shown as part of notes to the Statement of profit and loss.

- Since appropriation part generally relates to the payments to owners, CSR does not relate to that part and **is to be shown above the line** since this portion cannot be distributed as dividend nor can be retained. This also goes along with the disclosure requirements as per Schedule III.

## Disclosures in the Website: (Hidden Opportunity as well)

This can be used by the companies to leverage their reputation so in addition to the format for disclosure in the Board's Report as discussed above, the details of CSR Policy, the progress of the activities, the results achieved, future initiatives supported by videos, webcasts *etc.* can be thought of by the Corporates.

## Benefits of CSR–Conclusion:

The public gets benefited in the form of better standard of living, there is no leakage or time delay as is the case when government spends on public welfare, the basic education contributes increase in purchasing power of people which indirectly increases customer base for the company, more profits, more CSR and the cycle continues. Indeed, there is no better mode of advertisement for the companies than CSR! Let us hope that the companies accept this responsibility in right earnestness and do not resort to suppression of turnover/profits just to escape the CSR compliance requirements because CSR is a Win-Win situation. ■

