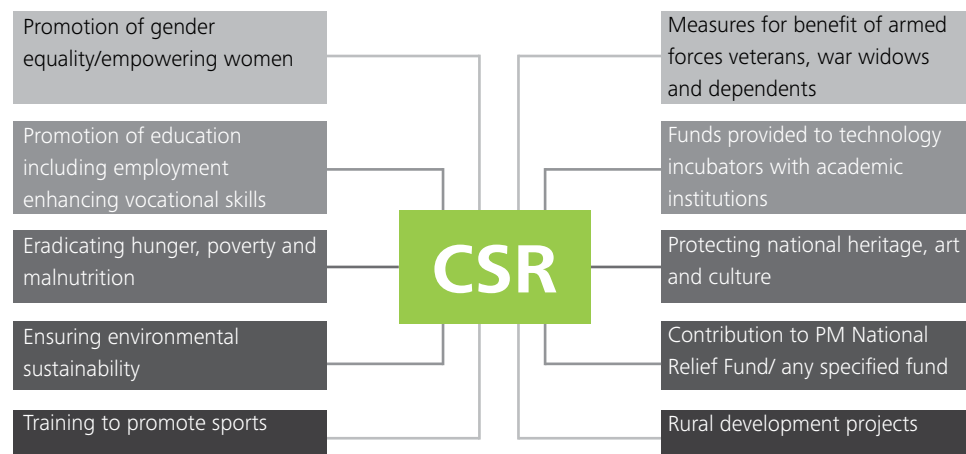


Corporate Social Responsibility (CSR)

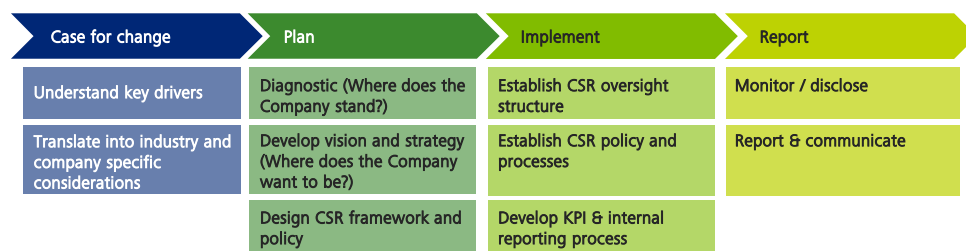
Applicability of CSR under Companies Act, 2013 ("Co. Act")

Applicable on?	Criteria?	How much to spend?
<ul style="list-style-type: none"> All companies including a holding or subsidiary company in India Branch or project offices of foreign companies 	<ul style="list-style-type: none"> Net worth of INR 5 billion or more Turnover of INR 10 billion or more Net profit of INR 50 million or more 	<ul style="list-style-type: none"> At least 2% of the average net profit of the company in the immediately three preceding financial years

Broad category of activities considered to be CSR activities under Co. Act



CSR – Way forward



Tax considerations

CSR expenditure to be incurred mandatorily under the Co Act is not deductible under section 37(1) of the Income-tax Act, 1961 (IT Act). However, if the expenses are aligned with the other provisions of the Act ie Section 35(1)(ii), 35AC etc., tax efficiency can be brought in. Illustrative list is given below:

Mechanism	Nature of CSR Expenditure	Contribution to / Expenditure on	Probable benefits under IT Act
Contribution Based	Deduction in respect of donation to certain funds, charitable institutions etc	Prime Ministers Relief Fund Prime Ministers Drought Relief Fund Jawaharlal Nehru memorial Fund NGOs Others as specified u/s 80G	100% or 50% with or without restriction
		Scientific Research Expenditure	Research association or to a university, college, or other institution to be used for scientific research
Project Based	Promoting social and economic welfare or uplift of the public	Research association, university college or other institution to be used for social or statistical research	125% of the sum paid
		PSU or a local authority or to an association / institution approved by the National Committee or expenditure incurred directly by such company on an eligible project	100% of the sum paid or expenditure incurred
	Employment enhancing vocation skills	On any skill development project notified by CBDT	1.5 times of sum paid

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