Corporate Social Responsibility (CSR)

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

**Applicable on?**
- All companies including a holding or subsidiary company in India
- Branch or project offices of foreign companies
- Net worth of INR 5 billion or more
- Turnover of INR 10 billion or more
- Net profit of INR 50 million or more
- 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**

- Promotion of gender equality/empowering women
- Promotion of education including employment enhancing vocational skills
- Eradicating hunger, poverty and malnutrition
- Ensuring environmental sustainability
- Training to promote sports
- Measures for benefit of armed forces veterans, war widows and dependents
- Funds provided to technology incubators with academic institutions
- Protecting national heritage, art and culture
- Contribution to PM National Relief Fund/ any specified fund
- Rural development projects

**CSR – Way forward**

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**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:

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Nature of CSR Expenditure</th>
<th>Contribution to / Expenditure on</th>
<th>Probable benefits under IT Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution Based</td>
<td>Deduction in respect of donation to certain funds, charitable institutions etc</td>
<td>Prime Ministers Relief Fund, Prime Ministers Drought Relief Fund, Jawaharlal Nehru memorial Fund, NGOs, Others as specified u/s 80G</td>
<td>100% or 50% with or without restriction</td>
</tr>
<tr>
<td>Scientific Research Expenditure</td>
<td>Research association or to a university, college, or other institution to be used for scientific research</td>
<td>Research association, university college or other institution to be used for social or statistical research</td>
<td>175% of the sum paid</td>
</tr>
<tr>
<td>Project Based</td>
<td>Promoting social and economic welfare or uplift of the public</td>
<td>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</td>
<td>100% of the sum paid or expenditure incurred</td>
</tr>
<tr>
<td>Employment enhancing vocation skills</td>
<td>On any skill development project notified by CBDT</td>
<td></td>
<td>1.5 times of sum paid</td>
</tr>
</tbody>
</table>

**How Deloitte can help?**

- **Strategize**
  - Identify suitable CSR initiatives
  - Formulating CSR Policy
  - Advice on suitable form of entity
  - CSR Benchmarking

- **Implement**
  - Assistance in formulation Trust/Institutions
  - Requisite Approvals from Tax/other authorities
  - Deductibility of CSR Expenditure under IT Act
  - Preparing Standard Operating Procedures

- **Comply**
  - Review of Compliances on Annual basis
  - Report on Compliance to CSR Committee
  - Filing a tax return for claim of CSR Expenditure
  - Baseline and Outcome Assessment

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Contacts

Ahmedabad/Baroda
Heritage, 3rd Floor,
Near Gujarat Vidyapith,
Off Ashram Road,
Ahmedabad – 380 014
Tel: +91 (079) 2758 2542
Fax: +91 (079) 2758 2551

Bangalore
Deloitte Centre, Anchorage II,
100/2, Richmond Road,
Bangalore 560 025
Tel: +91 (080) 6627 6000
Fax: +91 (080) 6627 6010

Chennai
No.52, Venkatanarayana Road, 7th Floor,
ASV N Ramana Tower,
T-Nagar,
Chennai 600 017
Tel: +91 (044) 6688 5000
Fax: +91 (044) 6688 5050

Delhi/Gurgaon
Building 10, Tower B, 7th Floor, DLF Cyber City,
Gurgaon 122 002
Tel: +91 (0124) 679 2000
Fax: +91 (0124) 679 2012

Hyderabad
1-8-384 and 385, 3rd Floor,
Gowra Grand S.P.Road,
Begumpet,
Secunderabad – 500 003
Tel: +91 (040) 6603 2600
Fax:+91 (040) 6603 2714

Kolkata
Bengal Intelligent Park Building Alpha,
1st floor, Block EP and GP Sector V,
Salt Lake Electronics Complex,
Kolkata - 700 091
Tel: +91 (033) 6612 1000
Fax: +91 (033) 6612 1001

Mumbai
Indiabulls Finance Centre,
Tower 3, 28th Floor,
Elphinstone Mill Compound,
Senapati Bapat Marg, Elphinstone (W),
Mumbai – 400013
Tel: +91 (022) 6185 4000
Fax: +91 (022) 6185 4101

Pune
106, B-Wing, 7th Floor,
ICC Trade Tower,
Senapati Bapat Road,
Pune – 411 016
Tel: +91 (020) 6624 4600
Fax: +91 (020) 6624 4605

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