MCA Notification Regarding Unspent Corporate Social Responsibility Account

On 20th September 2022, the MINISTRY OF CORPORATE AFFAIRS (MCA), through Notification - CG-DL-E-21092022-238956, notified that the central government hereby further amend the Companies (Corporate Social Responsibility Policy) Rules, 2014. The rule may be called the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022, and it shall come into force on 20th September.

The rule 3 of the said Rules further states that a company having any amount in its unspent Corporate Social Responsibility account has to constitute a committee called the CSR Committee and has to comply with all the provisions mentioned under Sub - Section (2) to (6) of Section 135.

Sub - Rule (2) of Rule 3 has been omitted.

Rule 4 for Sub-rule (1) shall be substituted for Companies (Corporate Social Responsibility Policy) Rules, 2014

(1) The Board will make sure that the CSR activities are undertaken by the Company itself or through,

(a) A company Incorporated u/s 8 of the Act or registered as a public trust, society is exempted from sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered u/s 12A and approved under 80-G of the IT Act, 1961 (43 of 1961), established by the Company, either singly or along with any other company; or

(b) Company incorporated as Section 8 or registered as trust or society which the central government or State government establishes; or

(c) Entity established under the Act of Parliament or State Legislature; or

(d) a company Incorporated under section 8 or 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 80-G of the Income Tax Act, 1961, and has an accepted track records of not less than 3 years in undertaking same activities.

Rule 8, in sub-rule 3 in clause (c) of the said Rules.
(i) The words "Five Percent "or "Two Percent" shall be substituted
(ii) The Word "Whichever Is less" or "Whichever is Higher" shall be substituted

The Said rules for Annexure – II shall be substituted with the following Annexure namely:-

- A brief line of the CSR policy of the Company
- CSR Committee Composition
- A Web link reflects the Composition of the CSR Committee, CSR policy and CSR Projects, which is approved by the Board and disclosed on the company website.
- Executive Summary along with the web link of the impact assessment of the CSR projects
- Amount Spent on CSR projects
- A detailed explanation of Unspent Corporate Social Responsibility Amount
- Capital Assets been created or Acquired through CSR Amount in the Financial Year.
- A Reason has to be specified if the Company failed to Spent 2% on Average Net Profit.

Official Notification - Attached here

Saiyam Shah
Legal Researcher