

# CSR Accounting, Audit & Taxation



**CA. PRAMOD JAIN**

**FCA, FCS, FCMA, LL.B, MIMA, DISA, IP**

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**Webcast, Chamber of Chartered Professionals  
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# CSR



# **ACCOUNTING – AS ON DATE**

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- ✖ If amount unspent**
  - + Report in Board report**
  - + Provision legally not required..... i.e. optional**

# **ACCOUNTING - PROPOSED**

- ✖ **By Companies (Amendment) Act 2019, however yet to be made effective - ....**  
**unless unspent amount relates to any ongoing project referred to in u/s 135(6), transfer such unspent amount to a Fund specified in Schedule VII, within a period of 6 months of the expiry of FY.**
- ✖ **When made effective – provision required for unspent amount.**

# **ACCOUNTING - PROPOSED**

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- ✖ **S. 135(6) - [inserted by Companies (Amendment) Act 2019, however yet to be made effective]**
- ✖ **Any amount remaining unspent u/s 135(5), pursuant to any ongoing project, shall be transferred within 30 days from the end of the FY to a special a/c to be opened in that behalf for that FY in any scheduled bank to be called the Unspent CSR A/c**

# ACCOUNTING - PROPOSED

- ✖ **S. 135(6) - [inserted ...]**
- ✖ **Such amount shall be spent in pursuance of its obligation towards the CSR Policy within 3 FYs from the date of such transfer, failing which - transfer to a Fund specified in Schedule VII, within 30 days from the date of completion of 3<sup>rd</sup> FY.**
- ✖ **When made effective – provision required for unspent amount.**

# **ACCOUNTING - PROPOSED**

- ✖ **3<sup>rd</sup> Proviso to S. 135(5) [TO BE inserted by Companies (Amendment) Bill 2020]**
- ✖ **If company spends an amount in excess - may set off such excess amount against the requirement to spend in such number of succeeding FYs and in such manner, as may be prescribed**
- ✖ **Take care of S. 181 limits . NP.. Not defined**
- ✖ **When made effective – asset recognition for excess amount spent.**



# PROPOSED – NOT ONGOING

Year	To be spent (Rs. In Crs)	Actual spent (Rs. In Crs)	C/F (Rs. In Crs)	Trf to Fund in 6 months from end of FY (Rs. In Crs)
2020-21	4	3	Nil	1
2021-22	3	4	1	Nil
2022-23	5	3	Nil	1



# **CSR IN KIND**

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- ✖ **Allowed or not?**
- ✖ **Q. No. 18 of FAQs issued by MCA - company will have to spend the amount**
- ✖ **Rule 4(1) of Companies (CSR Policy) Rules 2014 - activities undertaken in the normal course of business is not eligible for CSR expenditure**

# **CSR IN KIND**

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- ✘ **A company acquires / purchases goods, etc. and distributes / uses the same in its CSR project?**
  - ✘ **Allowed under current CSR provisions**
- ✘ **A company manufacturing / dealing in goods or services distributes those goods / services itself free of charge as CSR spend?**
  - ✘ **Currently Not in view of Rule 4(1)**
    - ✘ **However, in Mohd. Ahmed (Minor) vs. UOI & Ors dt 17.4.2014, MCA gave an affidavit that when a pharma Co. donates medicine to hospital... it is CSR**

## **CSR IN KIND**

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- ✗ **A company is in manufacturing of steel rods**
- ✗ **It manufactures steel beds for medical use?**
- ✗ **If these beds are sold (irrespective of cost incurred) ?**

**+Not a CSR spend.**

- ✗ **If give it free of charge?**

**+Would be a CSR spend as it would not be an activity undertaken in the normal course of business**

# ACCOUNTING

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- ✖ Cash – Separate head in CSR Expenditure
- ✖ Kind - Value of the goods distributed free of charge - measure at lower of cost and net realisable value as per AS-2 / Ind AS 2:
  - ✖ Reduce from Consumption / purchase
  - ✖ Reduce stocks
  - ✖ Entry would be:
    - ✖ CSR Expenditure      Dr
    - ✖ To    Purchase / Cost of Goods Consumed

# CSR



# AUDIT

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- ✖ **CARO 2020 – Deferred for a year**
- ✖ **Third Party – Utilization Certificate**



# CSR

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# EXPENDITURE DISALLOWANCE

- Explanation 2 to S. 37(1) - For removal of doubts, it is hereby declared that for the purposes of sub-section (1), any **expenditure** incurred by an assessee on activities **relating to CSR** referred to in s. 135 of Companies Act, 2013 **shall not be deemed to be an expenditure incurred by the assessee for purposes of business or profession.**

# INCOME TAX

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- **S. 37(1) - Any expenditure (not being expenditure of the nature described in s. 30 to 36 and not being in nature of capital expenditure or personal expenses of the assessee), laid out or expended wholly and exclusively for the purposes of business or profession shall be allowed in computing income chargeable under head "PGBP".**
- **Are expenditures u/ss 30 to 36 allowed??**

# **INCOME TAX**

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- **S. 30 - Rent, Rates, Taxes, Repairs and Insurance for buildings**
- **S. 31 - Repairs and Insurance of Machinery, Plant and Furniture**
- **S. 32 - Depreciation**
- **S. 36 – Other Deductions**
  - **used for the purposes of the business or profession, ...**

# INCOME TAX

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- **S. 36 – Other Deductions**
  - Related to employees...
  - (ix) any expenditure bona fide incurred by a company for the purpose of promoting family planning amongst its employees....
- **Rule 4(5) - CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities**

# **SALARIES**

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- ✘ **Allowed u/s 37.. If for business**
- ✘ **Rule 4(6) - Companies may build CSR capacities of their own personnel ....but such expenditure including expenditure on administrative overheads, shall not exceed 5% of total CSR expenditure of company**
- ✘ **FAQ - Salaries paid to regular CSR staff / volunteers of co. (in proportion to co.'s time spent specifically on CSR) can be factored into CSR project cost as part of CSR exp.**

# DONATIONS

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- ✖ **FAQ - One-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV programmes etc. - not CSR expenditure**
- ✖ **Has to be for a project / activity?**
- ✖ **Deduction u/s 80G?**

## SPECIFIC FUNDS – SCH VII

- × (viii) **Contribution** to the PM's National relief fund or any other fund set up by central govt. for socio-economic development & relief.
- × PM CARES Fund included therein through clarification by MCA vide Office Memorandum dt. 28.3.2020 - in Schedule VII (viii)
- × **S. 80G(2)(a)(iiia)**



## SPECIFIC FUNDS – SCH VII

- × (i) ....**Contribution** to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation (inserted w.e.f. 24.10.2014)
- × **S. 80G(2)(a) (iihk)** - Swachh Bharat Kosh, set up by the CG, **other than** the sum spent by the assessee in pursuance **of CSR u/s 135(5)** of Companies Act, 2013

## SPECIFIC FUNDS – SCH VII

- × (iv) ....**Contribution** to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga (inserted w.e.f. 24.10.2014)
- × **S. 80G(2)(a) (iihl)** - Clean Ganga Fund, set up by CG, where such assessee is a resident & such sum is **other than** the sum spent by assessee in pursuance of **CSR u/s 135(5)** of Companies Act, 2013

# SPECIFIC FUNDS – SCH VII

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## ✖ (ix) **Contribution** to:

- + Incubators funded by CG or SG or any agency or PSU of CG or SG
- + Public funded Universities,
- + IITs,
- + National Laboratories & Autonomous Bodies (established under auspices of ICAR, ICMR, CSIR, DAE, DRDO, DBT, DST, Ministry of Electronics & IT) engaged in conducting research in science, technology, engineering & medicine aimed at promoting SDGs

# DONATION TO OTHERS

✖ S. 80G(5) read with S. 80G(2)(a)(iv) :

+ Contribution

✖ If as per Schedule VII (ix)

✖ Others – only for project


✖ Total 12 activities.. Out of which only 4 contributions


✖ Out of 4 only against 2 can get 80G benefit


✖ Rest has to be activities / projects








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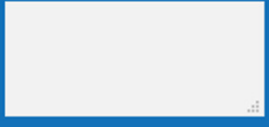
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# THANKS



**CA. Pramod Jain**

**[pramodjain@lunawat.com](mailto:pramodjain@lunawat.com)**

**+91 9811073867**



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