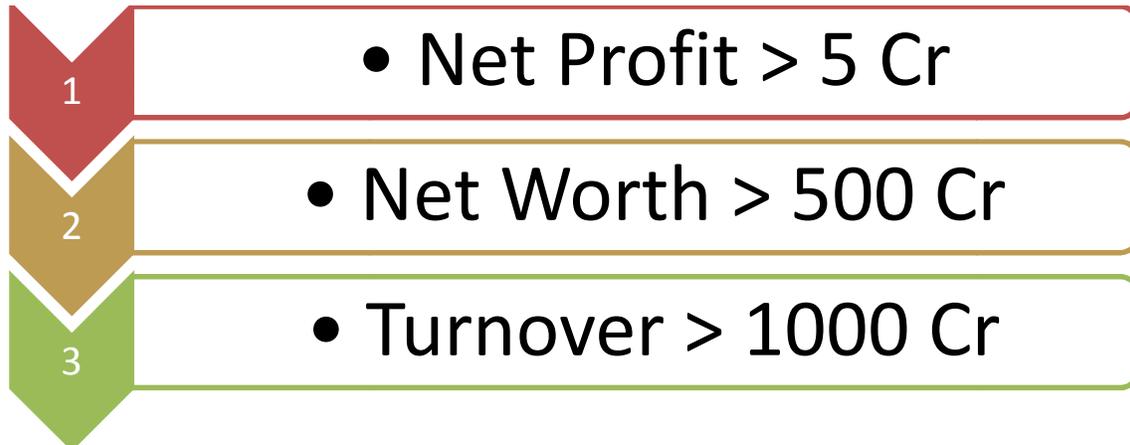


Who is Covered ?



Applicable to Proprietors and Partnerships = NO
Applicable for small Ltd / Pvt Ltd companies below these limits = NO

So, if you are still “SME”, enjoy. You are not covered.

But if you are a Mid-Corporate, there are chances that your profit might be over Rs 5 Cr, and then you have to Comply.

How much CSR payout ?

Section 135 (5) says

“(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

How much ?

2% of Net
Profit

Example

2% of Rs
10 Crores
= 20 Lakhs

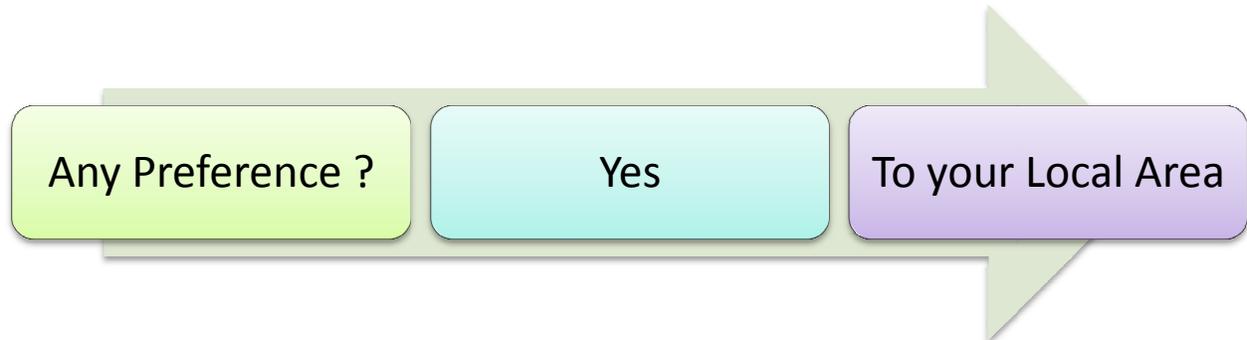


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Any Preference ?

Section 135 (5) further says ...

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:



Yes, you can think of this as your “responsibility”.
As much as it is “paying an Additional Tax”





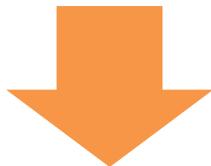
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Some of the salient provisions of CSR Rules are:-

- The CSR activities will have to be **carried out within India**,
- Applies to all **Foreign companies** Also ? Yes
- Contributions made to any **political party** = That is separate. So, **not covered here**.
- Money spent for the benefit of the **company's own employees (and their families)** have been **excluded** from CSR ambit.
- Profit from **overseas branches** and dividend received from other companies in India will be **excluded** from the net profit criteria, for deciding minimum contribution requirement.
- A company **may collaborate with other companies** for CSR activities → **YES** , provided they have to separately report about spending on such projects programmes.
- Companies carrying out CSR activities have to display details of works on their respective websites. → **Yes**
- And in their Annual Directors Report → **Yes**



Income Tax Treatment ? Is this Allowed as expenditure ?



Silence (No answer yet), Might be covered in next Budget

What is covered ?

CSR expenditure shall include **all expenditure** including **contribution to corpus**, or on projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee.

Who makes the Board ? you / Shareholders



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Who makes the CSR Committee ? You / Board, must include Independent Directors, if any

Which are the activities in which this CSR Fund has to be used ?

SCHEDULE VII of the Companies Act, lays down the following activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:—

- Eradicating extreme hunger and poverty;
- **Promotion of education;**
- Promoting gender equality and empowering women;
- Reducing child mortality and improving maternal health;
- combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- **ensuring environmental sustainability;**
- **employment enhancing vocational skills;**
- **social business projects;**
- contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- such other matters as may be prescribed.

Now do have a look – Which of these activities our own I-am-SME-of-India is doing ?

Employment Enhancing Vocational Skills = Many many projects

Environment = Our Solar Power Project

Education = Yes, we are educating Freshers in the ITI / also colleges = making them "Business FIT"

Social Business Projects = Many of them



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Can we Collaborate ?
Do we have to do this separately ?

Clause 4(2) of the CSR Rules says
The board, may decide to undertake the CSR Activities, Through a registered Trust, or a registered Society, or a company established by it (Holding / subsidiary), And associate companies.

So, if you have 4 “associate” companies, you can perform an activity together.

Clause 4(3) further says that you may collaborate, with other companies, for undertaking projects, programs or CSR Activities. Only condition is that you should be able to “report them” separately in your balance sheets

Can't we join Together , under 1 Flag and do this collectively ?

Yes you can.

Clause(2) further says, you may contribute to any trust / society / Company provided following factors are met

- a) Established Track Record of Three years , in similar projects
- b) Project objective is clear & Specific
- c) Modalities of Utilization is clear
- d) Monitoring mechanism is in place
- e) Reporting Mechanism is in place

Solution ?

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Now, as per reading of this CSR Policy your contributions to the I am SME of India and such other Trusts, Societies, NGO's will apparently be covered.

So, you do your compliance
And we do the ground work.

And you feel pride in being a part of this important Mission.

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Those interested may contact the I am SME of India, office

Together
WE WIN

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For queries, suggestions and feedback , you can e-mail us

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