

## **Government makes changes to CSR spending norms under the new companies law**

The government has made changes to the norms governing expenses on Corporate Social Responsibility (CSR) activities under the new companies law.

Certain class of profitable companies are required to shell out at least two per cent of their three-year annual average net profit towards CSR works. The requirement is part of the Companies Act, 2013, most of whose provisions came into effect from April 1.

Under the rules, companies are allowed to build CSR capacities for their own personnel through other institutions provided such expenses does not exceed five per cent of the total expenditure incurred on social welfare activities in one financial year.

Providing more clarity for stakeholders, the Corporate Affairs Ministry has said the five per cent cap would include "expenditure on administrative overheads".

The changes have been made to the Companies (Corporate Social Responsibility Policy) Rules, 2014, through a notification dated September 12.

These rules were notified in February this year. As per earlier norms, companies may build CSR capacities of their own personnel as well as those of their implementing agencies through institutions with established track records of at least three financial years but such expenditure shall not exceed five per cent of total CSR expenditure of the company in a single financial year.

CSR norms would be applicable on companies having at least Rs 5 crore net profit, or Rs 1,000 crore turnover or Rs 500 crore net worth.

Such corporates would need to spend two per cent of their three-year average annual net profit on CSR activities in each financial year, beginning 2014-15 fiscal.

Various activities including livelihood enhancement and rural development projects, reducing inequalities faced by socially and economically backward groups, working towards protection of national heritage, art and culture, come under the CSR ambit.

*(Economic Times)*