

CORPORATE SOCIAL RESPONSIBILITY

“Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

by Lord Holme and Richard Watts

Corporate Social Responsibility (CSR) is a duty of every corporate body to protect the interest of the society at large. Even though the main motive of business is to earn profit, corporates should take initiative for welfare of the society and should perform its activities within the framework of environmental norms.

Previously it was voluntary for all the corporates to take steps for betterment of the society except government rules and regulation related to protection of environment. But, now with the massive efforts of Mr. Sachin Pilot and other parliamentary members, CSR has gained importance in New Companies Act, 2013.

Clause 135 of New Companies Act, 2013 includes following criteria for Corporate Social Responsibility.

- Net worth – Rs. 500 Crores or more OR
- Turnover – Rs. 1000 Crores or more OR
- Net Profit – Rs. 5 Crores or more.

If any company during any of the financial year fulfills, any of above conditions then it should –

- Constitute a CSR committee of Board which shall consist of minimum three directors, out of which one shall be independent director.
- The committee shall formulate and recommend CSR Policy which indicates company’s activity as specified in Schedule VII and also amount recommend for the same.
- At least 2% of the average net profit of the immediately preceding three financial years of the company shall be used for spending in accordance with the CSR Policy.
- According to the approach “Comply or Explain”, Board should explain the reason for not spending such amount if it fails to do so.
- The company shall give preference to its local area from where it operates, for CSR activities.

There are some points which are needed to be clarified like how income tax officials will treat the amount contributed towards CSR in terms of tax exemption. If more than the statutory amount is spent on CSR, will they allow more amount for exemption? Further in case of a private company having two Directors, how it can constitute a committee of three directors, including one independent director?

Lastly, though the motive of government is for improvement of society as a whole, on the other side, corporate sector is already carrying heavy burden of taxes both i.e. Direct as well as Indirect. Even current economic situation is very terrible as rupee value is degrading day by day. For early recovery we should motivate the corporate sector rather than levying extra responsibilities like CSR as major part of our GDP is contributed by corporate sector.