

Amendment Notes for CA (Final) May 2021 Exams (New Syllabus as well as Old Syllabus)

A-1 Amendment in Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014

6. Compliances required by a person eligible and willing to be appointed as an independent director.-

(1) Every individual –

- (a) who has been appointed as an independent director in a company, on the date of commencement of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, shall within a period of ~~7 months~~ **13 months** from such commencement; or
- (b) who intends to get appointed as an independent director in a company after such commencement, shall before such appointment,

apply online to the institute for inclusion of his name in the data bank for a period of 1 year or 5 years or for his life-time, and from time to time take steps as specified in sub-rule (2), till he continues to hold the office of an independent director in any company:

Provided that any individual, including an individual not having DIN, may voluntarily apply to the institute for inclusion of his name in the data bank.

(2) ...

A-2 Amendment in Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014**4. Matters not to be dealt with in a meeting through video conferencing or other audio visual means.-**

- (1) The following matters shall not be dealt with in any meeting held through video conferencing or other audio visual means.-
- (i) the approval of the annual financial statements;
 - (ii) the approval of the Board's report;
 - (iii) the approval of the prospectus;
 - (iv) the Audit Committee Meetings for consideration of financial statement including consolidated financial statement, if any, to be approved by the Board under sub-section (1) of section 134 of the Act; and
 - (v) the approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover.
- Provided that where there is quorum in a meeting through physical presence of directors, any other director may participate through video conferencing or other audio visual means.
- (2) For the period beginning from the commencement of the Companies (Meetings of Board and its Powers) Amendment Rules, 2020 and ending on the ~~30th June, 2020~~ **31st December, 2020**, the meetings on matters referred to in sub-rule (1) may be held through video conferencing or other audio visual means in accordance with rule 3.

A-3 Insertion of Section 10A in IBC, 2016**SUSPENSION OF INITIATION OF CORPORATE INSOLVENCY RESOLUTION PROCESS (Sec. 10A)**

Any default arising during the period 25th March, 2020 till 6 months or such further period, not exceeding 1 year from such date, as may be notified in this behalf

- CG has notified further period of 3 months from 25th September, 2020 (Notification No. S.O. 3265(E) dated 24th September, 2020)
- CG has notified further period of 3 months from 25th December, 2020 (Notification No. S.O. 4638(E) dated 22nd December, 2020)



No application shall ever be filed for initiation of CIRP of a CD for the said default

Sec. 10A shall not apply to any default committed u/s 7, 9 and 10 before 25th March, 2020

A-4 Insertion of new sections w.r.t. IFSC**POWERS OF SEBI NOT TO APPLY TO IFSC****(Sec. 28C of SEBI Act, 1992)****Powers not exercisable by SEBI**

The powers exercisable by SEBI under this Act, –

- (a) shall not extend to an International Financial Services Centre set up u/s 18 of the Special Economic Zones Act, 2005;
- (b) shall be exercisable by the International Financial Services Centres Authority established u/s 4 of the International Financial Services Centres Authority Act, 2019, insofar as regulation of financial products, financial services and financial institutions that are permitted in the International Financial Services Centres are concerned.

Over-riding effect

Sec. 28C shall apply notwithstanding anything contained in any other law for the time being in force.

POWERS OF SEBI NOT TO APPLY TO IFSC**(Sec. 29B of SCRA, 1956)****Powers not exercisable by SEBI**

The powers exercisable by SEBI under this Act, –

- (a) shall not extend to an International Financial Services Centre set up u/s 18 of the Special Economic Zones Act, 2005;
- (b) shall be exercisable by the International Financial Services Centres Authority established u/s 4 of the International Financial Services Centres Authority Act, 2019, insofar as regulation of financial products, financial services and financial institutions that are permitted in the International Financial Services Centres are concerned.

Over-riding effect

Sec. 29B shall apply notwithstanding anything contained in any other law for the time being in force.

POWERS OF RBI NOT TO APPLY TO IFSC**(Sec. 44A of FEMA, 1999)****Powers not exercisable by RBI**

The powers exercisable by RBI under this Act, –

- (a) shall not extend to an International Financial Services Centre set up u/s 18 of the Special Economic Zones Act, 2005;
- (b) shall be exercisable by the International Financial Services Centres Authority established u/s 4 of the International Financial Services Centres Authority Act, 2019, insofar as regulation of financial products, financial services and financial institutions that are permitted in the International Financial Services Centres are concerned.

Over-riding effect

Sec. 44A shall apply notwithstanding anything contained in any other law for the time being in force.

A-5 Amendment in Section 3 of FCRA, 2010**Prohibition to accept foreign contribution (Sec. 3)**

- (1) No foreign contribution shall be accepted by any –
- (a) candidate for election;
 - (b) correspondent, columnist, cartoonist, editor, owner, printer or publisher of a registered newspaper;
 - (c) **public servant**, Judge, Government servant or employee of any corporation or any other body controlled or owned by the Government;
 - (d) member of any Legislature;
 - (e) political party or office-bearer thereof;
 - (f) organisation of a political nature as may be specified under sub-section (1) of section 5 by the Central Government;
 - (g) association or company engaged in the production or broadcast of audio news or audio visual news or current affairs programmes through any electronic mode, or any other electronic form as defined in clause (r) of sub-section (1) of section 2 of the Information Technology Act, 2000 or any other mode of mass communication;
 - (h) correspondent or columnist, cartoonist, editor, owner of the association or company referred to in clause (g).

~~**Explanation.** In clause (c) and section 6, the expression "corporation" means a corporation owned or controlled by the Government and includes a Government company as defined in section 617 of the Companies Act, 1956.~~

Explanation 1. For the purpose of clause (c), 'public servant' means a public servant as defined in section 21 of the Indian Penal Code.

Explanation 2. In clause (c) and section 6, the expression 'corporation' means a corporation owned or controlled by the Government and includes a Government company as defined in clause (45) of section 2 of the Companies Act, 2013.

- (2) (a) No person, resident in India, and no citizen of India resident outside India, shall accept any foreign contribution, or acquire or agree to acquire any currency from a foreign source, on behalf of any political party, or any person referred to in sub-section (1), or both.
- (b) No person, resident in India, shall deliver any currency, whether Indian or foreign, which has been accepted from any foreign source, to any person if he knows or has reasonable cause to believe that such other person intends, or is likely, to deliver such currency to any political party or any person referred to in sub-section (1), or both.
- (c) No citizen of India resident outside India shall deliver any currency, whether Indian or foreign, which has been accepted from any foreign source, to-
- (i) any political party or any person referred to in sub-section (1), or both; or
 - (ii) any other person, if he knows or has reasonable cause to believe that such other person intends, or is likely, to deliver such currency to a political party or to any person referred to in sub-section (1), or both.
- (3) No person receiving any currency, whether Indian or foreign, from a foreign source on behalf of any person or class of persons, referred to in section 9, shall deliver such currency –
- (a) to any person other than a person for which it was received, or
 - (b) to any other person, if he knows or has reasonable cause to believe that such other person intends, or is likely, to deliver such currency to a person other than the person for which such currency was received.

A-6 Amendment in Section 7 of FCRA, 2010**Prohibition to transfer foreign contribution to other person (Sec. 7)**

~~No person who—~~

~~(a) is registered and granted a certificate or has obtained prior permission under this Act; and~~

~~(b) receives any foreign contribution,~~

~~shall transfer such foreign contribution to any other person unless such other person is also registered and had been granted the certificate or obtained the prior permission under this Act;~~

~~Provided that such person may transfer, with the prior approval of the Central Government, a part of such foreign contribution to any other person who has not been granted a certificate or obtained permission under this Act in accordance with the rules made by the Central Government.~~

~~Procedure for transferring foreign contribution to any unregistered person (Rule 24 of the Foreign Contribution (Regulation) Rules, 2011):~~

~~(1) A person who has been granted a certificate of registration or prior permission u/s 11 and intends to transfer part of the foreign contribution received by him to a person who has not been granted a certificate of registration or prior permission under the Act, may transfer such foreign contribution to an extent not exceeding 10% of the total value thereof and for this purpose, make an application to the Central Government in Form FC-5.~~

~~(2) Every application made under sub-rule (1) shall be accompanied by a declaration to the effect that—~~

~~(a) the amount proposed to be transferred during the financial year is less than 10% of the total value of the foreign contribution received by him during the financial year;~~

~~(b) the transferor shall not transfer any amount of foreign contribution until the Central Government approves such transfer.~~

~~(3) A person who has been granted a certificate of registration or prior permission u/s 11 shall not be required to seek the prior approval of the Central Government for transferring the foreign contribution received by him to another person who has been granted a certificate of registration or prior permission under the Act provided that the recipient has not been proceeded against under any of the provisions of the Act.~~

~~(4) Both the transferor and the recipient shall be responsible for ensuring proper utilisation of the foreign contribution so transferred and such transfer of foreign contribution shall be reflected in the returns in Form FC-4 to be submitted by both the transferor and the recipient.~~

No person who –

(a) is registered and granted a certificate or has obtained prior permission under this Act; and

(b) receives any foreign contribution,

shall transfer such foreign contribution to any other person.

A-7 Amendment in Section 8 of FCRA, 2010**Restriction to utilise foreign contribution for administrative purpose (Sec. 8)**

- (1) Every person, who is registered and granted a certificate or given prior permission under this Act and receives any foreign contribution, –
 - (a) shall utilise such contribution for the purposes for which the contribution has been received:
Provided that any foreign contribution or any income arising out of it shall not be used for speculative business:
Provided further that the Central Government shall, by rules, specify the activities or business which shall be construed as speculative business for the purpose of this section;
 - (b) shall not defray as far as possible such sum, not exceeding ~~50%~~ 20% of such contribution, received in a financial year, to meet administrative expenses:
Provided that administrative expenses exceeding ~~50%~~ 20% of such contribution may be defrayed with prior approval of the Central Government.
- (2) The Central Government may prescribe the elements which shall be included in the administrative expenses and the manner in which the administrative expenses referred to in sub-section (1) shall be calculated.

Speculative activities (Rule 4 of the Foreign Contribution (Regulation) Rules, 2011):

- (1) The following activities shall be treated as speculative activities:
 - (a) any activity or investment that has an element of risk of appreciation or depreciation of the original investment, linked to market forces, including investment in mutual funds or in shares;
 - (b) participation in any scheme that promises high returns like investment in chits or land or similar assets not directly linked to the declared aims and objectives of the organisation or association.
- (2) A debt-based secure investment shall not be treated as speculative investment.
- (3) Every association shall maintain a separate register of investments.
- (4) Every register of investments maintained under sub-rule (3) shall be submitted for audit.

A-8 Amendment in Section 11 of FCRA, 2010**Registration of certain persons with Central Government (Sec. 11)**

- (1) Save as otherwise provided in this Act, no person having a definite cultural, economic, educational, religious or social programme shall accept foreign contribution unless such person obtains a certificate of registration from the Central Government:

Provided that any association registered with the Central Government u/s 6 or granted prior permission under that section of the Foreign Contribution (Regulation) Act, 1976, as it stood immediately before the commencement of this Act, shall be deemed to have been registered or granted prior permission, as the case may be, under this Act and such registration shall be valid for a period of 5 years from the date on which this section comes into force.

- (2) Every person referred to in sub-section (1) may, if it is not registered with the Central Government under that sub-section, accept any foreign contribution only after obtaining the prior permission of the Central Government and such prior permission shall be valid for the specific purpose for which it is obtained and from the specific source:

~~Provided that if the person referred to in sub-sections (1) and (2) has been found guilty of violation of any of the provisions of this Act or the Foreign Contribution (Regulation) Act, 1976, the unutilised or unreceived amount of foreign contribution shall not be utilised or received, as the case may be, without the prior approval of the Central Government.~~

Provided that the Central Government, on the basis of any information or report, and after holding a summary inquiry, has reason to believe that a person who has been granted prior permission has contravened any of the provisions of this Act, it may, pending any further inquiry, direct that such person shall not utilise the unutilized foreign contribution or receive the remaining portion of foreign contribution which has not been received or, as the case may be, any additional foreign contribution, without prior approval of the Central Government:

Provided further that if the person referred to in sub-section (1) or in this sub-section has been found guilty of violation of any of the provisions of this Act or the Foreign Contribution (Regulation) Act, 1976, the unutilised or unreceived amount of foreign contribution shall not be utilised or received, as the case may be, without the prior approval of the Central Government.

- (3) Notwithstanding anything contained in this Act, the Central Government may, by notification in the Official Gazette, specify –
- (i) the person or class of persons who shall obtain its prior permission before accepting the foreign contribution; or
 - (ii) the area or areas in which the foreign contribution shall be accepted and utilised with the prior permission of the Central Government; or
 - (iii) the purpose or purposes for which the foreign contribution shall be utilized with the prior permission of the Central Government; or
 - (iv) the source or sources from which the foreign contribution shall be accepted with the prior permission of the Central Government.

A-9 Amendment in Section 12 of FCRA, 2010**Grant of certificate of registration or prior permission (Sec. 12)**

(1) An application by a person, referred to in section 11 for grant of certificate or giving prior permission, shall be made to the Central Government in such form and manner and along with such fee, as may be prescribed.

(1A) Every person who makes an application under sub-section (1) shall be required to open 'FCRA Account' in the manner specified in section 17 and mention details of such account in his application.

(2) On receipt of an application under sub-section (1), the Central Government shall, by an order, if the application is not in the prescribed form or does not contain any of the particulars specified in that form, reject the application.

(3) If on receipt of an application for grant of certificate or giving prior permission and after making such inquiry as the Central Government deems fit, it is of the opinion that the conditions specified in sub-section (4) are satisfied, it may, ordinarily within 90 days from the date of receipt of application under sub-section (1), register such person and grant him a certificate or give him prior permission, as the case may be, subject to such terms and conditions as may be prescribed:

Provided that in case the Central Government does not grant, within the said period of 90 days, a certificate or give prior permission, it shall communicate the reasons therefor to the applicant:

Provided further that a person shall not be eligible for grant of certificate or giving prior permission, if his certificate has been suspended and such suspension of certificate continues on the date of making application.

(4) The following shall be the conditions for the purposes of sub-section (3), namely:-

- (a) the person making an application for registration or grant of prior permission under sub-section (1),-
 - (i) is not fictitious or benami;
 - (ii) has not been prosecuted or convicted for indulging in activities aimed at conversion through inducement or force, either directly or indirectly, from one religious faith to another;
 - (iii) has not been prosecuted or convicted for creating communal tension or disharmony in any specified district or any other part of the country;
 - (iv) has not been found guilty of diversion or mis-utilisation of its funds;
 - (v) is not engaged or likely to engage in propagation of sedition or advocate violent methods to achieve its ends;
 - (vi) is not likely to use the foreign contribution for personal gains or divert it for undesirable purposes;
 - (vii) has not contravened any of the provisions of this Act;
 - (viii) has not been prohibited from accepting foreign contribution;
- (b) the person making an application for registration under sub-section (1) has undertaken reasonable activity in its chosen field for the benefit of the society for which the foreign contribution is proposed to be utilised;
- (c) the person making an application for giving prior permission under sub-section (1) has prepared a reasonable project for the benefit of the society for which the foreign contribution is proposed to be utilised;
- (d) in case the person being an individual, such individual has neither been convicted under any law for the time being in force nor any prosecution for any offence is pending against him;
- (e) in case the person being other than an individual, any of its directors or office bearers has neither been convicted under any law for the time being in force nor any prosecution for any offence is pending against him;
- (f) the acceptance of foreign contribution by the person referred to in sub-section (1) is not likely to affect prejudicially-
 - (i) the sovereignty and integrity of India; or
 - (ii) the security, strategic, scientific or economic interest of the State; or

- (iii) the public interest; or
- (iv) freedom or fairness of election to any Legislature; or
- (v) friendly relation with any foreign State; or
- (vi) harmony between religious, racial, social, linguistic, regional groups, castes or communities;
- (g) the acceptance of foreign contribution referred to in sub-section (1),-
 - (i) shall not lead to incitement of an offence;
 - (ii) shall not endanger the life or physical safety of any person.
- (5) Where the Central Government refuses the grant of certificate or does not give prior permission, it shall record in its order the reasons therefor and furnish a copy thereof to the applicant:
Provided that the Central Government may not communicate the reasons for refusal for grant of certificate or for not giving prior permission to the applicant under this section in cases where is no obligation to give any information or documents or records or papers under the Right to Information Act, 2005.
- (6) The certificate granted under sub-section (3) shall be valid for a period of 5 years and the prior permission shall be valid for the specific purpose or specific amount of foreign contribution proposed to be received, as the case may be.

A-10 Insertion of Section 12A in FCRA, 2010**Power of CG to require Aadhaar number, etc., as identification document (Sec. 12A)**

Notwithstanding anything contained in this Act, the Central Government may require that any person who seeks prior permission or prior approval under section 11, or makes an application for grant of certificate under section 12, or, as the case may be, for renewal of certificate under section 16, shall provide as identification document, the Aadhaar number of all its office bearers or Directors or other key functionaries, by whatever name called, issued under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, or a copy of the Passport or Overseas Citizen of India Card, in case of a foreigner.

A-11 Amendment of Section 13 of FCRA, 2010**Suspension of certificate of registration (Sec. 13)**

- (1) Where the Central Government, for reasons to be recorded in writing, is satisfied that pending consideration of the question of cancelling the certificate on any of the grounds mentioned in sub-section (1) of section 14, it is necessary so to do, it may, by order in writing, suspend the certificate ~~for such period not exceeding 180 days as may be specified~~ **for a period of 180 days, or such further period, not exceeding 180 days, as may be specified** in the order.
- (2) Every person whose certificate has been suspended shall –
 - (a) not receive any foreign contribution during the period of suspension of certificate:
Provided that the Central Government, on an application made by such person, if it considers appropriate, allow receipt of any foreign contribution by such person on such terms and conditions as it may specify;
 - (b) utilise, in the prescribed manner, the foreign contribution in his custody with the prior approval of the Central Government.

Extent of amount that can be utilised in case of suspension of the certificate of registration (Rule 14 of the Foreign Contribution (Regulation) Rules, 2011):

The unspent amount that can be utilised in case of suspension of a certificate of registration may be as under: –

- (a) In case the certificate of registration is suspended under sub-section (1) of section 13 of the Act, up to 25% of the unutilised amount may be spent, with the prior approval of the Central Government, for the declared aims and objects for which the foreign contribution was received.
- (b) The remaining 75% of the unutilised foreign contribution shall be utilised only after revocation of suspension of the certificate of registration.

A-12 Insertion of Section 14A and Amendment of Section 15 of FCRA, 2010**Surrender of certificate (Sec. 14A)**

On a request being made in this behalf, the Central Government may permit any person to surrender the certificate granted under this Act, if, after making such inquiry as it deems fit, it is satisfied that such person has not contravened any of the provisions of this Act, and the management of foreign contribution and asset, if any, created out of such contribution has been vested in the authority as provided in sub-section (1) of section 15.

Management of foreign contribution of person whose certificate has been cancelled *or surrendered* (Sec. 15)

- (1) The foreign contribution and assets created out of the foreign contribution in the custody of every person whose certificate has been cancelled u/s 14 *or surrendered u/s 14A* shall vest in such authority as may be prescribed.
- (2) The authority referred to in sub-section (1) may, if it considers necessary and in public interest, manage the activities of the person referred to in that sub-section for such period and in such manner, as the Central Government may direct and such authority may utilise the foreign contribution or dispose of the assets created out of it in case adequate funds are not available for running such activity.
- (3) The authority referred to in sub-section (1) shall return the foreign contribution and the assets vested upon it under that sub-section to the person referred to in the said sub-section if such person is subsequently registered under this Act.

A-13 Amendment of Section 16 of FCRA, 2010**Renewal of certificate (Sec. 16)**

- (1) Every person who has been granted a certificate u/s 12 shall have such certificate renewed within 6 months before the expiry of the period of the certificate.

Provided that the Central Government may, before renewing the certificate, make such inquiry, as it deems fit, to satisfy itself that such person has fulfilled all conditions specified in sub-section (4) of section 12.

- (2) The application for renewal of the certificate shall be made to the Central Government in such form and manner and accompanied by such fee as may be prescribed.
- (3) The Central Government shall renew the certificate, ordinarily within 90 days from the date of receipt of application for renewal of certificate subject to such terms and conditions as it may deem fit and grant a certificate of renewal for a period of 5 years:

Provided that in case the Central Government does not renew the certificate within the said period of 90 days, it shall communicate the reasons therefor to the applicant:

Provided further that the Central Government may refuse to renew the certificate in case where a person has violated any of the provisions of this Act or rules made thereunder.

Renewal of registration certificate (Rule 12 of the Foreign Contribution (Regulation) Rules, 2011):

- (1) Every certificate of registration issued to a person shall be liable to be renewed after the expiry of 5 years from the date of its issue on proper application.
- (2) Every person shall apply to the Central Government electronically online in Form FC-3C with an affidavit executed by each office bearer and key functionary and member in Proforma 'AA' appended to these rules, 6 months before the date of expiry of the certificate of registration, for its renewal.
- (3) * * * [Omitted]
- (4) An application made for renewal of the certificate of registration shall be accompanied by a fee of Rs. 1500/- (One Thousand Five Hundred rupees only).
- (5) The fee for renewal of the certificate of registration shall be remitted by demand draft or banker's cheque in favour of the "Pay and Accounts Officer, Ministry of Home Affairs", payable at New Delhi or through online electronic payment gateway as specified by the Central Government.
- (6) In case no application for renewal of registration is received or such application is not accompanied by the requisite fee, the validity of the certificate of registration of such person shall be deemed to have ceased from the date of completion of the period of 5 years from the date of the grant of registration.

Illustration. A certificate of registration granted on the 1st January, 2012 shall be valid till the 31st December, 2016. A request for renewal of the registration certificate shall reach the Central Government, accompanied by the requisite fee, by the 30th June, 2016. If no application is received or is not accompanied by the renewal fee, the validity of the registration certificate issued on the 1st January 2012 shall be deemed to have lapsed with effect from the close of the day on 31st December, 2016.

- (7) If the validity of the certificate of registration of a person has ceased in accordance with the provisions of these rules, a fresh request for the grant of a certificate of registration may be made by the person to the Central Government as per the provisions of rule 9.
- (8) In case a person provides sufficient grounds, in writing, explaining the reasons for not submitting the certificate of registration for renewal within the stipulated time, his application may be accepted for consideration along with the requisite fee and with late fee of Rs. 5,000/- (Five Thousand rupees only), but not later than 1 year after the expiry of the original certificate of registration.

A-14 Amendment of Section 17 of FCRA, 2010**Foreign contribution through scheduled bank (Sec. 17)**

(1) Every person who has been granted certificate or prior permission under section 12 shall receive foreign contribution only in an account designated as 'FCRA Account' by the bank, which shall be opened by him for the purpose of remittances of foreign contribution in such branch of the State Bank of India at New Delhi, as the Central Government may, by notification, specify in this behalf:

Provided that such person may also open another 'FCRA Account' in any of the scheduled bank of his choice for the purpose of keeping or utilising the foreign contribution which has been received from his 'FCRA Account' in the specified branch of State Bank of India at New Delhi:

Provided further that such person may also open one or more accounts in one or more scheduled banks of his choice to which he may transfer for utilising any foreign contribution received by him in his 'FCRA Account' in the specified branch of the State Bank of India at New Delhi or kept by him in another 'FCRA Account' in a scheduled bank of his choice:

Provided also that no funds other than foreign contribution shall be received or deposited in any such account.

(2) The specified branch of the State Bank of India at New Delhi or the branch of the scheduled bank where the person referred to in sub-section (1) has opened his foreign contribution account or the authorised person in foreign exchange, shall report to such authority as may be specified, –

(a) the prescribed amount of foreign remittance;

(b) the source and manner in which the foreign remittance was received; and

(c) other particulars,

in such form and manner as may be prescribed.

Reporting by banks of receipt of foreign contribution (Rule 16 of the Foreign Contribution (Regulation) Rules, 2011):

The bank shall report to the Central Government, within 48 hours, any transaction in respect of receipt or utilisation of any foreign contribution by any person, whether or not such person is registered or granted permission under the Act.

A-15 Amendments in the Companies (CSR Policy) Rules, 2014 and Schedule VII

Corporate Social Responsibility		(Sec. 135)
1. Applicability	<p>(a) Sec. 135 applies to a company (including a foreign company) only if it satisfies one or more of the following criterion during the immediately preceding FY:</p> <p>(i) The net worth of the company is Rs. 500 crore or more.</p> <p>(ii) The turnover of the company is Rs. 1,000 crore or more.</p> <p>(iii) The net profit of the company is Rs. 5 crore or more.</p> <p>(b) Every company which ceases to fulfill the above criteria for 3 consecutive FYs shall not be required to –</p> <p>(i) constitute CSR Committee; and</p> <p>(ii) comply with the provisions contained in Sec. 135, till such time it meets the criteria specified above.</p>	
2. Constitution of CSR Committee	<p>(a) Every company to which Sec. 135 is applicable, shall constitute a Corporate Social Responsibility Committee of the Board (CSR Committee).</p> <p>(b) The CSR Committee shall consist of 3 or more directors, out of which at least 1 director shall be an independent director.</p> <p>(c) If a company is not required to appoint any independent director u/s 149(4), it shall have 2 or more directors in its CSR Committee.</p> <p>(d) In case of a foreign company, the CSR Committee shall comprise of at least 2 persons of which one person shall be a person resident in India authorised to accept on behalf of the foreign company service of notices and other documents, and the other person shall be nominated by the foreign company.</p>	
3. Duties of the CSR Committee	<p>(a) The CSR Committee shall formulate and recommend to the Board, a CSR Policy. CSR Policy shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII.</p> <p>(b) CSR Committee shall recommend the amount of expenditure to be incurred on the CSR activities.</p> <p>(c) CSR Committee shall monitor the CSR Policy of the company from time to time.</p> <p>(d) The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities.</p>	
4. Duties of the Board	<p>(a) The Board shall, after taking into account the recommendations made by the CSR Committee, approve the CSR Policy for the company.</p> <p>(b) The Board shall ensure that the activities as are included in CSR Policy are undertaken by the company.</p> <p>(c) The Board shall ensure that the company spends in every FY, at least 2% of the average net profits of the company made during the 3 immediately preceding FYs, in pursuance of its CSR Policy. 'Net profit' shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of Sec. 198.</p> <p>(d) The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.</p>	

5. Disclosures in Board's report	<p>The Board's report shall disclose –</p> <ul style="list-style-type: none"> (a) the composition of the CSR Committee; (b) the contents of CSR Policy; and (c) the reasons for not spending the amount of 2% in pursuance of its CSR Policy (in case the company fails to spend such amount).
6. Definition of CSR	<p>Rule 2 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 defines CSR as follows:</p> <p>'Corporate Social Responsibility (CSR)' means and includes but is not limited to –</p> <ul style="list-style-type: none"> (i) Projects or programs relating to areas or subjects specified in Schedule VII to the Act; or (ii) Projects or programs relating to activities undertaken by the Board of directors of a company in pursuance of recommendations of the CSR Committee of the Board as per declared CSR Policy of the company subject to the condition that such policy will include activities, areas or subjects specified in Schedule VII to the Act.
7. Activities not amounting to CSR	<p>As per Rule 4 and Rule 6 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, following shall not amount to CSR Activities for the purpose of Sec. 135:</p> <ul style="list-style-type: none"> (a) The CSR projects or programs or activities undertaken outside India. (b) The CSR projects or programs or activities that benefit only the employees of the company and their families. (c) Contribution of any amount, directly or indirectly, to any political party u/s 182. (d) Any activity undertaken in pursuance of normal course of business of a company. <p><i>Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in its normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22 and 2022-23 subject to the conditions that –</i></p> <ul style="list-style-type: none"> <i>(i) such research and development activities shall be carried out in collaboration with any of the institutes or organisations mentioned in item (ix) of Schedule VII to the Act; and</i> <i>(ii) details of such activity shall be disclosed separately in the Annual Report on CSR included in the Board's Report.</i>
8. Manner of implementing CSR Policy	<p>Rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 makes the following provision with respect to manner of implementation of CSR Policy:</p> <ul style="list-style-type: none"> (a) The CSR activities shall be undertaken by the company, as per its stated CSR Policy. (b) The Board may decide to undertake its CSR activities approved by the CSR Committee, through – <ul style="list-style-type: none"> (i) a company established u/s 8 of the Act or a registered trust or a registered society, established by the company, either singly or alongwith any other company; or (ii) a company established u/s 8 of the Act or a registered trust or a registered society, established by CG or SG or any entity established under an Act of Parliament or a State legislature; or (iii) a company established u/s 8 of the Act or a registered trust or a registered society, other than those specified in (i) or (ii) above, if the following conditions are satisfied:

	<ul style="list-style-type: none"> ▪ Such company or trust or society has an established track record of 3 years in undertaking similar programs or projects ▪ The company has specified the projects or programs to be undertaken, the modalities of utilisation of funds of such projects and programs and the monitoring and reporting mechanism.
9. CSR Reporting	<p>Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, makes the following provisions with respect to CSR Reporting:</p> <p>(a) The Board's Report pertaining to any FY commencing on or after the 1st day of April, 2014 shall include an annual report on CSR.</p> <p>(b) In case of a foreign company, the balance sheet filed u/s 381 shall contain an Annexure regarding report on CSR.</p>
10. Display of CSR policy on the website	<p>The Board shall place the contents of CSR Policy on the company's website, if any, in such manner as may be prescribed.</p> <p>As per Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and Rule 6 of the Companies (Accounts) Rules, 2014, the CSR Policy and its contents shall be displayed on the company's website, if any, as per the particulars specified in the Annexure to the Companies (Corporate Social Responsibility Policy) Rules, 2014.</p>
11. CSR Activities to be in accordance with Schedule VII	<p>The Board shall ensure that activities included by a company in its CSR Policy are related to the areas or subjects specified in Schedule VII of the Act.</p> <p>Schedule VII contains such areas or subjects which may be undertaken by a company in pursuance of its CSR Policy. The areas or subjects specified in Schedule VII are as under:</p> <ol style="list-style-type: none"> (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set up by CG for the promotion of sanitation and making available safe drinking water (ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by CG for rejuvenation of river Ganga (v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts (vi) Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows (vii) Training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports (viii) Contribution to the Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund set up by CG for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women

- ~~(ix) Contribution to incubators funded by CG or SG or any agency or Public Sector Undertaking of CG or SG, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Biotechnology (DBT), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs)~~
- (ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and
- (b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs)
- (x) Rural development projects
- (xi) Slum area development
Explanation. For the purposes of this item, the term 'slum area' shall mean any area declared as such by CG or any SG or any other competent authority under any law for the time being in force
- (xii) Disaster management, including relief, rehabilitation and reconstruction activities.

