

INTER*face*

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Analysing Income Tax Rules (6th Amendment), 2021

80G Registration & Compliances

Amendments in CSR Rules

The opinions and analysis expressed by the authors are their independent opinions and not necessarily that of FMSF. The quality and accuracy are of the utmost importance to us so if you spot an error in any article, kindly send an email at fmsf@fmsfindia.org with full details. Our team will work to verify the error and take necessary actions to avoid any such mistakes in future editions.

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Carrying A Lighted Lamp

There lived a man in a certain city all himself who couldn't see. He was blind. Yet, he carried a lighted lamp with him whenever he went out at night.

One night as he was coming home after having dinner outside, he came across a group of young people. They saw that he was blind, yet carrying a lighted lamp. They started passing comments on him and made fun of him. One of them asked him, "You are blind and can't see anything! Why do you carry the lamp then?"

The blind man replied, "Yes, unfortunately, I am blind and I can't see anything but a lighted lamp which I am carrying is for the people like you who can see. You may not see the blind man coming and end up pushing me. That is why I carry a lighted lamp".

Looking at things from another's perspective helps everyone to chart out the course well!!!



Sanjay Patil

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We are grateful to the authors who have contributed for the articles in this edition.

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- Editorial Team

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Analysing Income Tax Rules (6th Amendment), 2021

The Finance Act 2020 has brought in major changes for NGOs by introducing new section 12AB replacing section 12AA and bringing in similar amendments in section 10(23C) and Section 80G. The process of registration and approvals of NGOs shall be completely electronic under which a unique registration number (URN) shall be issued to all new and existing charitable institutions. This database shall help in mapping the exact size of NGO sector in India. Further, under the new scheme of registration, the department will revisit the registration every five years before the expiry of the period of exemption. Hence now, the registration under the new scheme shall be valid for a specified period, that is, up to 3 years for provisional cases and a maximum period of 5 years for regular registration.

These provisions pertaining to registration were originally made effective from 01-06-2020. Subsequently, due to the crisis caused by COVID-19, the Central Board of Direct Taxes (CBDT) announced deferment of the implementation of the new procedure for approval and registration. Accordingly, the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 ('the Amendment Act, 2020') deferred the date of enforcement of the new procedure introduced by the Finance Act, 2020 to 01-04-2021 and, therefore, the old process for approval under section 12AA and 10(23C) shall continue till 31-03-2021.

The CBDT has notified the Income-tax (6th Amendment) Rules, 2021. These rules shall come into force on the 1st day of April, 2021. In these rules, the CBDT has notified new rules and forms in case of trust or institution or fund mentioned under section 10(23C), 35, 12A, 80G.

In this issue we have discussed the new requirements of registration and approval for

NGOs effective from 1st April 2021

Form 10A for Provisional Registration and Revalidation of Existing Registration

The Income Tax (6th Amendment Rules), 2021 have notified Form 10A for making application for registration or provisional registration or intimation or approval or provisional approval.

This Form 10A should be used for both provisional registration as well as the revalidation of existing registration under Section 12A/12AA/10(23C)/80G.

Who can apply in Form 10A?

Form 10A shall be used for the following purposes.

- Application for revalidation of registration / approval for existing trust registered/ approved under Section 12A/12AA / 10(23C)/80G.
- Application for provisional registrations/ approval under section 12AB/ 10(23C) / 80G (For New cases).

Category	Time line to make application
Trusts already approved / registered and their approval/ registration is continuing an on 01-04-2021	On or before 31-08-2021
Trusts making application for provisional registration / approval	1 month before the commencement of the previous year relevant to the assessment year from which the said approval is sought.

Procedure on receipt of application in Form 10A

On receipt of an application in Form No. 10A, the PCIT or CIT shall pass an order in writing granting approval in Form No. 10AC and issue a sixteen-digit alphanumeric Unique Registration Number (URN) to the applicants.

If, at any point of time, it is noticed that Form No. 10A has not been duly filled in by not providing, fully or partly, or by providing false or incorrect information or documents required to be provided under this rule, the PCIT or CIT, after giving an opportunity of being heard, may cancel the approval granted in Form No. 10AC and URN, and such approval in Form No.10AC or such URN shall be deemed to have never been granted or issued.

Form 10AB for five-year registration and conversion of provisional registration

The Income Tax (6th Amendment Rules), 2021 have notified Form 10AB for making application for registration or approval.

Who can apply in Form 10AB?

Form 10AB shall be used for the following purposes.

- Conversion of provisional registration into regular registration
- Renewal of registration/approval after five years
- Activating inoperative registration under section 10(23C)/10(46)
- Re-registration for modification of objects for entities registered u/s 12.

Time line to Apply in Form 10AB

Category	Time line to Apply
Conversion of provisional registration into regular registration	Atleast 6 months before the expiry or within 6 months of commencement to fits activities, which ever is earlier.

Category	Time line to Apply
Renewal of registration/ approval after five year	Atleast 6 months prior to expiry of the said registration period.
Activating inoperative registration under section 10(23C)/10(46)	Atleast 6 months before the approval commencement of the assessment year from which the said registration is sought to be made operative.
Re-registration for modification of objects for entities registered under Section 12AB	Within 30 days from the date of the said adoption or modification

Procedure on receipt of application in Form 10AB

Once an application in Form 10AB is submitted by the Trust or Institution, a notice is issued by the concerned commissioner to furnish the documents/clarifications/ information to satisfy himself about the genuineness of activities of the trust or institution and the compliance of such requirements of any other law for the time being in force by the trust or institution as are material to achieve its objects. The commissioner is under an obligation to follow the procedure prescribed under section 12AB/10(23C)/80G before he grants or refuses registration or approval.

In case of an application made in Form No. 10AB, the order of registration or rejection or cancellation of registration shall be in Form No. 10AD and in case if the registration is granted, sixteen-digit alphanumeric number URN shall be issued by the PCIT or CIT.

Documents to Be Submitted

The application in Form Nos. 10A or 10AB shall be accompanied by the following documents:

- (a) where the applicant is created or established, under an instrument, self-certified copy of such instrument creating or establishing the applicant;
- (b) where the applicant is created or established, otherwise than under an instrument, self-certified copy of the document evidencing the creation or establishment of the applicant;
- (c) self-certified copy of registration with Registrar of Companies or Registrar of Firms and Societies or Registrar of Public Trusts, as the case may be;
- (d) self-certified copy of registration under Foreign Contribution (Regulation) Act, 2010 (42 of 2010), if the applicant is registered under such Act;
- (e) self-certified copy of existing order granting approval under clause (23C) of section 10;
- (f) self-certified copy of order of rejection of application for grant of approval under clause (23C) of section 10, if any;
- (g) where the applicant has been in existence during any year or years prior to the financial year in which the application for registration is made, self-certified copies of the annual accounts of the applicant relating to such prior year or years (not being more than three years immediately preceding the year in which the said application is made) for which such accounts have been made up;
- (h) where a business undertaking is held by the applicant as per the provisions of sub-section (4) of section 11 and the applicant has been in existence during any year or years prior to the financial year in which the application for registration is made, self-certified copies of the annual accounts of such business undertaking relating to such prior year or years (not being more than three years

immediately preceding the year in which the said application is made) for which such accounts have been made up and self-certified copy of the report of audit as per the provisions of section 44AB for such period;

- (i) where the income of the applicant includes profits and gains of business as per the provisions of sub-section (4A) of section 11 and the applicant has been in existence during any year or years prior to the financial year in which the application for registration is made, self-certified copies of the annual accounts of such business relating to such prior year or years (not being more than three years immediately preceding the year in which the said application is made) for which such accounts have been made up and self-certified copy of the report of audit as per the provisions of section 44AB for such period;
- (j) note on the activities of the applicant

Mode of Filing Form

The application in Form Nos. 10A or 10AB shall be furnished electronically under digital signature, if the return of income is required to be furnished under digital signature. In other cases, it shall be submitted through electronic verification code (EVC).

Verification of Form

The application shall be verified by the person who is authorised to verify the return of income under section 140, as applicable to the applicant.

Requirement of Darpan Id

NGOs play a major role in the development of the nation by supplementing the efforts of the Government. Registration with NITI Aayog is mandatory to apply for grants under various schemes of Ministries/Departments/Governments Bodies.

NGO-DARPAN portal has been started as an initiative of the Prime Minister's Office, to create and promote a healthy partnership between VOs/NGOs and the Government of India. This Portal is managed by NITI Aayog currently.

It is an e-governance application offered by NITI Aayog to electronically maintain data and transparency regarding NGOs/VOs in the country. NGOs have to sign-up on the NGO-DARPAN portal to obtain a Unique Identity Number (UIN) by furnishing the required details like registration number of the organization, PAN of the organization, PAN and Aadhaar details of the office bearers/trustees etc.

The Income Tax (6th Amendment) Rules, 2021 provides that:

- a) Details of Registration number with Darpan portal of Niti Aayog is to be provided if already there and
- b) mandatorily to be given if the applicant receives or intends to receive any grantor assistance from either the Central Government or state Government.

80G Registration & Compliances

Section 80G allows a deduction for the donation made to certain funds and institution. The deduction for such donation is allowed to the donor only if donee fund or institution is approved by the Principal Commissioner or Commissioner of Income Tax (PCIT/CIT), and fulfils other conditions. Hitherto, the institution or fund had to be approved by the CIT in accordance with the rules made in this behalf. Such approval was valid for perpetuity till it was withdrawn/cancelled.

With effect from 01-06-2020, the Finance Act, 2020 has amended the procedure relating to approval under section 80G. Subsequently, due to the crisis caused by COVID-19, the CBDT announced to deferment of the implementation of the new procedure for registration under the aforesaid sections. Accordingly, the date of enforcement of the new procedure introduced by the Finance Act, 2020 would be defective from 01-04-2021.

80G registration is no longer permanent and shall be valid for 5 years subject to renewal.

Form 10A is required to be filed for the renewal of 80G registration as on 01.04.2021 and Form 10AB is required to be filed for renewal at the end of five years. The procedure of filing Form 10A and Form 10AB has been discussed separately in another issue. In this issue we shall discuss the various other compliances pertaining to 80G.

Requirement to File Statement of Donation and to Issue Certificate to Donors

With effect from financial year 2021-22, the institutions notified under section 35 or approved under Section 80G are required to file a statement of donation received and also to issue the certificate to the donor. Deduction on account of the donation shall be allowed to the donor only on

the basis of the statement filed by the donee trust or institution. Hence, if a statement is not filed, the donor will not get a deduction for the donation. In case of delay in filing such statement, a late fee of Rs. 200 per day shall be applicable under newly inserted Section 234G of the Income-tax Act. Further, a penalty under Section 271K, which shall not be less than Rs. 10,000 and which may extend up to Rs. 1 lakh, shall be leviable if the trust or institution fails to file such statement or fails to issue a certificate of donation.

The Income Tax (6th Amendment) Rules, 2021 has inserted new Rule 18AB for Furnishing of Statement of particulars and certificate under clause (viii) and clause (ix) of section 80G(5) or under section 35(1A).

Form for filing

Statement of particulars required to be furnished by the reporting person shall be furnished in respect of each financial year, beginning with the financial year 2021-2022, in Form No. 10BD

Aggregation of Amount

The reporting person shall, while aggregating the amounts for determining the sums received for reporting in respect of any person, take into account all the donations of the same nature paid by that person during the financial year. The donations shall be proportionately attributed to the value of the donation or the aggregated value of all the donations to all the persons, in a case where the donation is recorded in the name of more than one person and where no proportion is specified by the donors, attribute equally to all the donors.

Certificate to Donor

The reporting person shall furnish the certificate to the donor in Form No. 10BE specifying the amount of donation received during financial year from such donor.

Date of filing and Issuing Certificate

The certificate of donation in Form 10BE is required to be furnished to the donor on or before the 31st May, immediately following the financial year in which the donation is received.

Statement of donation in Form No. 10BD shall be furnished on or before the 31st May, immediately following the financial year in which the donation is received.

Expenditure on Religious Activity

Form 10A and 10AB have a category of charitable cum religious organisation which settles the confusion of whether an organisation can be both charitable as well as religious simultaneously. The Forms separately require reporting of expenditure on religious activities which will be considered for eligibility of 80G registration.

Normally the religious trusts are not allowed to be approved under section 80G. However, Section 80G(5B) allows for a charitable organisation to have a religious activity not exceeding 5% of the total income in that previous year. It provides as under:

"Notwithstanding anything contained in clause (ii) of sub-section (5) and Explanation 3, an institution or fund which incurs expenditure, during any previous year, which is of a religious nature for an amount not exceeding five per cent of its total income in that previous year shall be deemed to be an institution or fund to which the provisions of this section apply. [80G(5B)]"

As Section 80G(5B) provides that upto 5% of religious activity shall be permissible and therefore to that extent an organisation can be charitable cum religious.

The details of religious activities are to be filled in Point No. 21 of Form 10A. This point is only to be

filled for approval under clause (iv) of first proviso to section 80G(5) i.e. If the applicant is applying for provisional approval, then point number 21a and 21b are to be filled.

Similarly, Point 27 of Form 10AB has asked for the details of religious expenditure, this has to be filled if the institution is applying for re-approval after expiry for 5 years or converting provisional approval into normal approval.

Hence the organisations having 80G approval and going for revalidation of this approval should ensure that they are complied with under section 80G(5B) before making such application for revalidation.

Statement of Donation

The Finance Act, 2020 inserted Clause (viii) and (ix) in Section 80G(5) requiring trust or institution approved under section 80G to file a statement of donation received and also to issue the certificate to the donor. It has been further stated that deduction on account of the donation under section 80G shall be allowed to the donor only on the basis of the statement filed by the donee trust or institution. Hence, if a statement is not filed, the donor will not get a deduction for the donation.

In case of delay in filing such statement, a late fee of Rs. 200 per day shall be applicable under newly inserted Section 234G of the Income-tax Act. Further, a penalty under Section 271K, which shall not be less than Rs. 10,000 and which may extend up to Rs. 1 lakh, shall be leviable if the trust or institution fails to file such statement or fails to issue a certificate of donation.

Due date of filing Statement and Issuing Certificate

The newly inserted Rule 18AB provides that the statement in Form 10BD shall be filed on or before the 31st May, immediately following the financial year in which the donation is received. The donee is also required to issue the certificate in Form 10BE which is also required to be issued on or before the 31st May, immediately following the financial year in which the donation is received.

Filing of Correction Statement

There could be any inadvertent mistake while filing the statement of donations. It could be name, and PAN of donor or the amount of donation. Rule 18AB doesn't provide for the filing of correction statement in any inadvertent mistake by the reporting entity.

Filing of NIL Statement of Donations

The question may arise if there is no donation received by an entity which is approved under Section 80G, whether it is required to submit nil statement of donations for that period?

Rule 18AB does not contain any provision to clarify whether reporting entity is required to submit NIL statement of donation.

Deduction to Donor

The trusts or institutions which have been granted perpetuity of approval under section 80G are required to make an application again under the amended provision of section 80G.

If your NGO is existing on 1st April 2021 and already approved under Section 80G, then you will be required to make an application again. The application for approval in all such cases has to be made in Form 10A within 3 months from the date on which the new provisions shall come into force i.e. application has to be filed on or before 30th June 2021. The application for the registration in Form 10A shall be made to the PCIT OR CIT authorized by the CBDT.

Now, the question arises if an organisation collects donation but does not apply for renewal or if approval application is cancelled.

The new notified Rules and Forms do not propose quarterly uploading of 80G related data of donation received and donation certificate to be issued. In such circumstances the donors will not be able to claim 80G benefit against donation given to organisations between 1st April 2021 to 30th June 2021 if such organisation loses its registration.

This appears to be harsh as the donor should not be penalised by subsequent actions of the donee, when the donee clearly had the approval under section 80G on the date of the donation and loses the registration on a subsequent date.

For the purpose of section 35CCA it has been held in various cases that even if the approval is withdrawn retrospectively, deduction allowed before withdrawal cannot be withdrawn in regular assessment or re-assessment or by way of revision under section 263.

In the case of *Ramdass Maneklal Gandhi v. UOI* [2000] 108 Taxman 590 (Bom.) it was held that it is well-settled law that assessee is entitled to rely upon certificate granted to an institution under section 35CCA for claiming deduction under that section, which was valid and subsisting when donation was made to it, there was no escapement of income of assessee on account of allowance of said deduction.

80G Registration & Compliances- Statement of Donation

Overview of section 80G

One of the best ways to save money on tax while also doing your bit to contribute to the world is by making donations towards charities that will then give you deductions under section 80G. In India, all NPOs whether trust, society or section 8 company can take registration under 80G to accept donations and provide deduction benefit to the donor. To get registration under 80G, the important pre-requisite is registration under 12A. In simpler words all 12A registered entities can get registration under 80G after fulfilling the eligibility criteria mentioned by government in this regard.

The government through Finance Act 2020, brought some compliance changes for 80G registered entities like providing certificate to donors for donation made and statement of donation (commonly known as 80G Return) to department. In this particular article we are going to discuss procedural and factual parts of 80G return.

Section 80G of the Income Tax Act primarily deals with donations made towards charity, with an aim to provide tax incentives to individuals indulging in philanthropic activities. This section offers tax deductions on donations made to certain funds or charities. An amount donated by an individual to an eligible charity can be claimed as a tax deduction while filing of an income tax return. All donations are not eligible for deductions under section 80G, only donations made to prescribed funds qualify as a deduction. For instance, donations made to foreign trusts and political parties (allowed under 80GGC/80GGD) are not covered under the ambit of this section and individuals cannot claim tax deductions for such donations.

Not all donations qualify for 100% tax deductions (like PM relief fund, PM care fund etc). Some of them are restricted to 50% (like Jawaharlal Nehru

Memorial Fund, Indira Gandhi Memorial Fund etc.) of the amount contributed, whereas some others qualify for the same deduction but up to a maximum limit of 10% of the adjusted gross total income of the taxpayer. The prescribed list of such institutions is provided in section 80G of the income tax act.

All taxpayers (individuals/companies/Hindu Undivided Family) are eligible to make donations to charity under Section 80G and claim a deduction, subject to limits set down by the government. NRIs are also entitled to the benefits under Section 80G, provided their donations are to eligible trusts or institutions.

Registration under 80G

Any 12A registered entity can take registration under section 80G of the IT Act. In order to take registration, online form 10A is required to be filed and after approval a provisional registration for three (3) years will be granted, at the end of three years a form 10AB is required to be filed for renewal of the provisional registration. The process of renewal is a new concept that is inserted by Finance Act 2020 and accordingly all registrations will be valid for five(5) years and need to be renewed after the end of every five years.

In this particular issue we are going to cover the statement of donation that an 80G registered organisation need to furnish to department of Income Tax as per the amended provisions of the Act.

NPOs or other institutions that are approved under section 80G are now required to file statement of donation received. Deduction on account of donation under section 80G shall be allowed to the donor only on the basis of the statement filed by the donee institutions. If there is

any mistake in the aforesaid statement or any addition, deletion or updation is warranted in it, then the institution may also deliver to the said prescribed authority a correction statement for rectification of the information furnished in the statement in prescribed form and verified in prescribed manner (but Rule 18AB doesn't provide for the filing of correction statement in any inadvertent mistake by the reporting entity). This statement of donations must be furnished electronically and verified digitally in Form 10BD on or before 31st May 2022.

Statutory Requirement to file Statement of Donation

Finance Act 2021, has inserted a new provision in section 80G of the Income tax act, 1961 with respect to Statement of Donation to be filed by every institution in prescribed form where such institutions are approved under section 80G are now required to file statement of donation received. On 26th March 2021 the CBDT has issued Notification no. 19/2021 dated 26/03/2021 which includes details about Form No. 10BD.

Statement of Donation is required to be furnished by every research association, university, college or other institution or company or fund (hereinafter referred to as reporting person) under section 80G(5)(iii) or under section 35(1A)(i) for each financial year, beginning from financial year 2021-2022, in **Form No. 10BD** and shall be verified in the manner indicated therein.

The reporting person, i.e. any research association, university, college or other institution or company or fund, shall, while aggregating the amounts for determining the sums received for reporting in respect of any person:

- (i) Take into account all the donations of the same nature paid by that person during the financial year; and
- (ii) Proportionately attribute the value of the donation or the aggregated value of all the donations to all the persons, in a case where the donation is recorded in the name of more than one person and where no proportion is specified by the

Information required to be collected by Reporting Person

The following below mentioned details are required to be collected by reporting person of donee institution from the donors:

Name of the donor: it should be as per the PAN or Income Tax records.

Address of the donor: Latest address as per latest ITR filed or address of donor matches with identification proof collected.

Donation Type: Corpus, Specific grant, others (could be general donations) this needs to be ascertained at the time of receipt of donations itself.

Mode of receipt: Cash, online transfers (including cheque/drafts). Cash donation received in excess of Rs.2000/- are not eligible for 80G claim in hands of donor and donor can give donations in kind also but such donation are not eligible for deduction under 80G.

Unique Identification Number: PAN (mandatory in case of resident donor), Aadhar, Taxpayer identification number of country where donor resides, passport number, election photo identity number, Driving license number, Ration card number.

Section code: under which section donation is made (like 80G or 35)

Mode of submission of Form 10BD and who shall verify the form?

Form No. 10BD, shall be furnished electronically under the digital signature, if the return of income is required to be furnished under digital; where digital signature is not required the form shall be furnished through electronic verification code.

Form No. 10BD shall be verified by the person who is authorized to verify the return of income under section 140, as applicable to the assessee in case of Trust the Trustee are authorized to verify Form 10BD.

Consequences of not filing Form 10BD

In case of delay in filing statement in Form 10BD a late fee of Rs. 200 per day shall be applicable under newly inserted section 234G of the Income-tax Act

What is the Penalty for failure to furnish Form 10BD?

If the trust or institution fails to file such statement, a penalty under Section 271K shall be leviable which shall not be less than Rs.10,000/- and which may extend up to Rs. 1 lakh. For all donations received during a FY starting from FY 2021-22 to be reported in Form No. 10BD.

Filing of NIL Statement of Donations

The question may arise if there is no donation received by an entity which is approved under Section 80G, whether it is required to submit nil statement of donations for that period? In this regard, Rule 18AB of Income Tax Rules does not contain any provision to clarify whether reporting entity is required to submit NIL statement of donation.

Conclusion

Requirement to furnish donation statement is a welcoming move. It is introduced to ensure the accountability, transparency, curtailing of the

incorrect claim of donations, putting an end to misreporting of donations by the entities which have obtained approval u/s 80G (5) of the Income Tax Act, 1961 and entities which have obtained approval u/s 35(1) of the Income Tax Act, 1961. This will also ensure the elimination of incorrect or wrong claims of donation made by the donors.

Earlier, there was no mechanism to validate or counter-check the deductions for donations claimed by the assessee under Section 80G and other sections. The deduction was allowed by the Income-tax department based on the claim of the assessee and at best based on the copy of the donation receipt but now the claims of the donors can be cross verified by statement filed by the donee organisations, as that statement would contain the PAN, Name & Address and other identification document of the donor already available with IT department through latest IT returns filed by the donors.

The claims of the donor can also be authenticated by ensuring that donations made by the assessee will appear in their Form 26AS and auto-population of the same while filing Income tax returns (ITR) by the donors. We should understand that if donee organisation fails to file Statement of Donation by return filing due date of the donor, then in this case the donor may not be allowed to take benefit of deduction under section 80G.

Designing Governance Manual

Every organisation has a governance process which guides and controls the way it operates. In some organization, these process are formal and fairly well structured while in some, it may be semi written. Again, there are some organization where governance is very informal. It is also found that certain organisations do not make a distinction between governance and management as well.

A clear description of roles and responsibilities of the Board Members in the Governance Manual would enable the members to internalize their role and ensuring effective governance

It may be clearly said that having a well defined governance process contributes to the overall efficiency of the organisation. Each step or process needs to be documented and assimilated together. One of the reference tools for the internal governance of the organisation is the "Governance Manual".

Purpose of Governance Manual

Governance Manual provides clarity to the Board Members and the management about their roles and responsibilities:

- Provides a clear distinction between governance and management
- Serves as a blue print for governance

Broad Contents of the Governance Manual

The Governance Manual should cover the following areas:

Strategic Direction of the Organisation: One of the basic duties of an NGO's Board is to provide strategic direction to the organisation. This includes;

- defining organizational values and setting standards for professional conduct;
- identifying and articulating a clear mission statement.
- ensuring a common understanding of the mission within the organisation;
- execution of the mission through appropriately planned activities and programs;

- regular reviewing of the mission to ensure it aligns with existing or planned activities.

Roles and Responsibilities of Board Members:

The Governance Manual should clearly identify and put forth the roles and responsibilities of the Board members. Even though the Board members govern as part of a collective leadership, they have individual duties as well such as:

- Understanding and supporting the organisation's mission;
- Attending meeting regularly;
- Maintaining confidentiality;
- Offering informed and impartial guidance;
- Appointing the Chief Functionary.

The service provided by the Board members is voluntary and the position held by them is honorary

A clear description of the roles and responsibilities of the Board members in the Governance Manual would enable the members in internalizing their role and ensuring effective governance.

Election/Selection of Board Members: The manual should provide clear and concise guidelines with regard to the election/ selection of Board members. The criteria for selecting Board members, election procedures etc. need to be clearly stated in the 'Governance Manual'. Based on the Board's functions, including representing the various constituencies, the process of selection of Board members (and their designated Alternates) takes several criteria into consideration. All these issues should be addressed in the Governance Manual.

Term of the Board Members: The tenure of the Board Members should be clearly indicated in the manual.

Orientation of Board Members: Orientation is the process of induction wherein new members integrate themselves into the overall organizational structure. Introducing new members to program, policies and strategic issues should form a part of the orientation process. The orientation of the Board members can happen at three levels:

- **Verbal Orientation:** Verbal orientation by other Board members on the various issues, policies, strategies, activities, mission, and vision of the organisation would provide a basic idea to the new member about the organisation.
- **Study of various documents:** The various documents such as vision, mission statement, activity reports, financial statements, informational brochure or any other relevant document of the organisation can be provided to the new Board member.
- **Field Visits:** The actual operation of the NGO can be understood by going to the field area. This would provide the new members with an overview of the ground reality. The basic guidelines about the orientation of a new Board member should be provided in the governance manual.

Conflict of Interest: The issue of conflict of interest is of growing concern in NGOs and the governance manual should address this issue clearly. A conflict of interest policy should be in place in order to deal with a potential conflict of interest situation.

Reimbursement: The service provided by the Board members is voluntary and the position held by them is honorary. This is because it is crucial that Board members do not derive, or be perceived as deriving, any direct or indirect benefit from their service in the Board. However, reimbursement of travel expenses incurred for attending Board meetings and other such expenses should be taken care of by the NGO. Further, if any of the specific skills of any particular Board member are used by

the NGO, then a reasonable compensation should be provided. The amount to be paid should be decided by the Board in the absence of the concerned Board member.

Board Meetings: The Board should hold regular meetings to reflect and discuss on the performance of the organisation and plan the future course of action. The Board meetings are also a platform for any strategic decision to be taken and any other issues that need to be dealt with. With regard to Board meeting, the Governance Manual should at least include the following things:

Preparation and Distribution of Meeting Agenda:

For the Board meeting to be effective and fruitful, it is required that all the members are informed about the agenda for the meeting. This would help the members prepare for the meeting in advance and actively participate in the decision making process. The manual should specify this and clearly state the person responsible for the preparation and circulation of agenda.

Quorum: The Manual should specify how many members constitute a quorum (minimum, number of members that must be present to make the proceedings of a meeting valid), and the manner in which decisions are taken and recorded. Such guidance helps the Board perform its tasks consistently and avoid doubts about the validity of its decisions.

Minutes: The record of Board meetings is a basic instrument of accountability. Minutes are a form of institutional memory that enables an organisation to work consistently. The Board should ensure that a record of all formal proceedings, including their time and place, attendance, agenda, and decisions maintained.

Appointment and Appraisal of Chief Functionary:

The Board is responsible for appointing the Chief Functionary of the NGO and delegating authority to him for the overall management of the organisation. It is the duty of the Board to see that Chief Functionary fulfills all the required criteria and is fully capable of delivering the required job role. Further, the Board should also ensure the accountability of the Chief Functionary by regular appraisals. It should also

provide a clear and precise job description to the Chief Functionary which will enable him to understand his role more clearly.

Board Appraisal: The Board appraisal is a process by which the Board introspects and measures its own performance. These kinds of self assessments help a Board sharpen its understanding of leadership and define the contribution it can make to the NGO. Ideally, the Board should set itself annual goals and measure its own performance against these targeted goals. The frequency and the procedure of the Board appraisal should form a part of the Governance Manual.

Drafting and Approving New Policies: Since the Board is primarily responsible for the governance of the NGO, it is therefore required that all the strategic issues pertaining to the NGO are clearly dealt with in the key policies of the organisation. The Board should ensure that all the key policies are well drafted and leave no room for doubt or confusion.

The broad contents described in above for the Governance Manual are by no means exhaustive. It just provides a brief overview of the major areas that need to be addressed in the Manual.

Conclusion :

Who should prepare Governance Manual?

The primary responsibility of preparing the Governance Manual is of the Board. However, they should also receive necessary feedback from the Chief Functionary and other senior staff members. Governance Manual serves as a blue print for the governance of the organisation.

As mentioned earlier, the Governance Manual is a key tool for internal accountability. It should aim at precise demarcations between governance and management. It is a reference for the Board members for their own conduct. A good Governance Manual provides clarity about the domain of operation for the Board and hence is responsible for effective governance.

Board Diversity Matrix

Introduction

The Board is supposed to be the most powerful body of an organisation and in the absence of an effective Board it is very difficult to ensure good governance in any organisation. Diversity plays a very crucial role in forming an effective Board. However, it has been seen that in many organisations diversity is not given much importance. Now, the question is what does diversity mean? Diversity may conjure up a racial and ethnic mix. This is certainly a part of it, but diversity of thought, background and experience is just as important. Having diversity of skills and expertise in the Board is a very important prerequisite for the effectiveness of governance.

The key question is whether the diversity in the Board is intentional or accidental? This needs to be answered by every Board. In other words, the Board needs to be intentional in creating diversity rather than allowing natural processes to take control and create diversity. In reality sometimes natural process may not throw up the ideal diverse Board. Therefore, adequate thought and plan must be made to create diversity.

One of the important aspects is to analyze the degree of diversity present in the Board. In this article we emphasize the need of a diverse Board and also provides with a matrix to assess the diversity of the Board and to find out where to bring in more diversity.

Need for a Diverse Board

Board is essentially a group of individuals working together. The Board must be a fine blend of individuals drawn from different walks of life and diverse sections of community. It is sometimes observed that few members actually discharge their responsibilities while rest are decorative or play a peripheral role. Moreover, when members are too alike, the overall thought process becomes stereotyped and predictable. Therefore, it may hamper the decision making process, since others ideas/ issues are not debated/ discussed.

Diversity of background, skills and perspectives are considered essential ingredients of effective Boards. Multiple perspectives are necessary to bring in creativity and to challenge stereotype thought process. Diversity leads to more innovation, more outside box thinking and better governance.

Process of Creating a Diverse Board

Creating a diverse Board may sound lot easier than actually doing it. At first an organisation has to determine the set of competencies, priorities and expertise that are necessary to be present in a Board in order to be more effective. Once the competencies are determined, the organisation has to have some process for screening of these qualities. The next immediate step for an organisation is to conduct a gap analysis of the Board to identify the experience and competencies that are already there in the Board and to flag off areas where it's lacking. After completing a thorough analysis, organisation has to set high priority on the skills that they are looking for. However, the most important point here is to choose the members from a varied pool so that the balance of the Board is maintained in terms of gender, age, finance, governance and other specialized skills, etc.

Potential Benefits of a Diverse Board

More diversity leads to better governance. A diverse Board contributes to overall Board effectiveness by safeguarding and fulfilling the mission of the organisation and enhancing fiduciary oversight. A diverse Board brings fresh perspectives to decision making. A more diverse group fosters creativity and produces a greater range of perspectives and solutions to problems.

A Board with members having different external linkages can help in easy access to resources and help in establishing connections easily. Organisations having a more diverse Board can be a means of acquiring legitimacy in the view of society, media and Government.

Potential Costs of a Diverse Board

Conflict, lack of cooperation and insufficient communication can be a hurdle for a diverse Board since at times demographic and cultural differences may limit communication among subgroups created and create conflict and reduce interpersonal interaction and group cohesiveness. There might be a risk of compromising with expertise and skills just for the sake of having a diverse Board.

Nothing in this world is ideal and so is diversity. It may be because of human nature that we often feel baffled, threatened or even annoyed by persons with views and backgrounds very different from our own which results in the risk of constructive

disagreements turning into personal battles. However, the solution is definitely not to give up and avoid diversity. Rather the Board needs to make efforts to minimize the friction that diversity often introduces.

Conclusion

Diversity affects the way Board behaves. It may be noted here that having a broad range of collective attributes rather than same qualities helps the Board in fulfilling its responsibilities and should be looked at as a good practice. The Board diversity matrix is yet another tool to provide good governance and strategic oversight. A suggestive format for Board Diversity Matrix is given below:

	Current Board Members				Prospective Board Members			
	A	B	C	D	E	F	G	H
Desired Characteristics								
Personal								
AGE								
21-30 Yrs								
31-40 Yrs								
41-50 Yrs								
51-60 Yrs								
61 and above								
GENDER								
Male								
Female								
RELIGIOUS AFFILIATION (if necessary)								
-								
-								

NUMBER OF YRS. IN THE BOARD								
<1 Yr								
1-3 Yrs								
More than 3 Yrs								
Knowledge/ Expertise								
Financial Management								
Governance								
Law								
Policy Planning/ Advocacy								
Research								
Fundraising								
Public / media relation								
Proposal Writing								
Programme Management								
Risk Management								
Others								
Core Competencies								
Visionary								
Strategic Thinker								
Organisational Learning								
External Linkages								
Government								
Media								
NGO sector								
Corporate sector								
Religious Groups								
Others								

Source for Potential Board Members and Creating a Support Base

Introduction

Board members play a crucial role in any organisation. They are the trustees who hold the organisation in trust. At the same time, they are volunteers, don't derive any benefit from the organisation and have to act as the ultimate reference point. The motivating factor for a person to join the Board of an organisation is the cause for which the organisation works.

Challenges Faced by the Organisation

Many times trust deed/ Articles of Association/ rules and regulation of the organisations provide for rotation of Board members. When the rotation falls due, it becomes a challenge to identify new members. There are no material benefits for being on the Board and at the same time, there are sacrifices of time involved. Further finding persons who understand the principle of NPO governance is also not easy.

Another important issue is of time. People who believe or motivated by the cause may not have time required to be in the Board. Potential Board members must be able to give time. In effect, this leaves the organisation with a very limited option

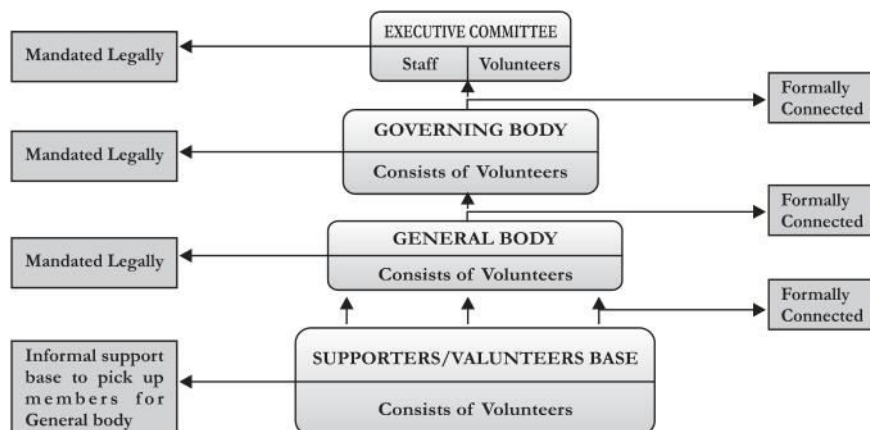
of persons available to be Board members. Unless, this is carefully planned and charted out it may so happen that when the time for rotation or change of members come, there may not be enough person to fill in the vacancy.

Various Levels in Governance Process

In an organisation a general body and a governing body is legally mandated and all the members are mostly volunteers. Some organisations also have an executive committee that is above the governing body. Executive committee comprises of key staff and some volunteers. However, it is very much necessary to create a supporter or volunteer base from where the organisation can pick up its potential Board members. This volunteer base is not mandated legally but is a desirable practice that an organisation may choose to follow. The size of the volunteer base should be around 2.5 times the general body size so that in case of rotation/ change of Board members the organisation will have ample choices to opt from.

Keeping all this in mind, an organisation has to systematically create a support base of potential Board members.

Creating a Support Base of Potential Board Members



In order to create a pool of potential Board members the first step is to have categories fixed. The organisation has to set the skills/ expertise that is required in the Board so that new dimensions can be brought into the Board. Finding potential members from diverse backgrounds with positive attitude to join the Board is essential. Possible sources from which an organisation can identify members for the support base are:

- Board members of similar sized organisations.
- CEOs of other unrelated charitable organisations.
- Inviting volunteers
- Advisory committee members
- Community leader
- Staff of un-related donor agencies
- Domain specialists
- Technical experts

Just creating a data base or pool of volunteers is not enough for an organisation. Even though these groups of people are legally not part of the governance process of the organisation, efforts must be made to involve them in the organisation in various ways. They can be made part of the organisation in various ways. They can be made part of any sub committee of the organisation.

Engaging the Support Base

- Nurturing the members by making them feel respected and valued and making them understand what the organisation stands for.

- Making them feel that they are part of the process.
- Sharing information regularly with our volunteer base so that they are well informed about the organisation.
- Inviting members to special occasions/ meetings.
- Involving them by asking them to select committees or roles they prefer and be a part of non-legislative advisory/ standing committees. organisation can ask the members to share their views on other areas in which the organisation needs help.

By doing all this, an organisation can create a strong volunteer base which can later be turned into potential Board members who can add value to the organisation.

There is a tool kit given in the following page by which volunteers can be selected to be part of the support base. The kit consists of few parameters to decide upon the selection of volunteers for the support base.

Evaluate Potential Member for the Support Board
(Rate on a scale of 1-5, 1 being the lowest and 5 being the highest)

Name of Potential Member	Alignment with vision/mission	Past Experience	Time Availability	Independence	No conflict of Interest	Total

Score Card:
Scores obtained
Maximum Marks: 25

Staff Policies- Recommended Practice

Objective

The main objective of this article is to provide guidance on equitable human resource management and compliance with legal regulations.

Introduction

All NPOs should create an environment conducive to retention of skilled staff, taking care of their immediate needs as well as future security. NPOs should establish proper policies and practices for staff and volunteers. All NPOs should have a written document with regard to personal policies and practices.

Recruitment Processes

The selection of the staff should be done through a transparent and open process where applications are invited through various processes such as advertisement, notice board, informing similar organisations or getting direct placements from relevant universities and institutes.

The prospective candidates should be short listed and be subjected to further screening by an interview board having external experts. All appointed candidates whether temporary or permanent should be issued an appointment letter providing the terms and conditions of the job.

All new incumbent joining the NPO must be oriented with the organisation's objectives, culture, system and values. All new staff including administrative staff should be provided field level exposure to internalize with the work and ethos of the NPO.

Other Recommended Practices

The employees should be provided fair compensation which should not be less than the minimum wages specified by the law and also should not be below the comparable industry/social sector standards. The employee benefits in addition to the salaries should normally include:

- Provident Fund
- Gratuity
- Medical expenses and insurance
- Sick leave, maternity leave, annual leave etc.

The NPO should comply with all the local and national laws pertaining to employees. The NPOs should have a staff capacity building and development policy in place. The capacity building measures should be followed by proper appraisal of all the employees which should be documented.

There should a transparent policy regarding transfer and promotions of employees which should be based on the annual appraisal of the staff.

All NPOs should have a redressal cell for the grievances of staff. If the complaints are against the senior management, then such redressal cell should be comprised by few board members.

Cash Flow Planning in Project Financial Management

The importance of cash flow planning and proper budgeting in non-profit sector is immense. NPOs usually operate on project based funding with different donors having specific budget and compliance requirements. As the non-profit sector relies primarily on donations and grants, planning and budgeting of funds is all the more important to effectively utilize any incoming funds and identify the timelines for raising of such funds.

Effectively managing finances for the non-profit sector is always important, but even more so when times are uncertain. A Cash Flow forecast can help an organization respond and adapt to immediate financial challenges. Equally important, cash flow forecasts are a vital tool for ensuring that a non-profit organization (NPO) stays viable in the long run.

In this article, we will look at the various aspects of cash flow planning in an NPO, some important points to consider while forecasting, and steps to prepare a cash flow statement.

What is Cash Flow Planning?

A budget is basically a financial expression of project plan and its activities. However, cash flow plan is an estimation of cash requirement based on the activity schedule of the project.

In an NPO, the major sources of income are grants from various donors, general donations or receipts from any of the development activities. Similarly, NPOs have a wide range of expenses primarily programmatic as well as administrative expenses such as salaries, rent, audit fees, etc.

A Cash Flow plan determines the cash requirement on a periodic basis - monthly or quarterly. While a budget gives an overview of the financial plan for a project/ program, it is when the budget is broken

down into activity schedule, the cash requirements can be determined.

Important Points to Consider While Preparing a Cash Flow Statement

For a sound cash flow management within the organisation, it is advisable to reflect on the following points in the planning process:

1. Know the timing of activities

Cash flow forecasts are not simply the budget broken down into twelve equal instalments - but an important exercise to know when specific activities will take place. For example, for a training project, when will the courses take place, when will costs have to be paid and will the course fees be paid in advance etc.

2. Record the expected timing of payments

Expenses must be entered on the cash flow forecast when the cash is expected to leave the bank. For example, the amount payable towards Provident Fund of employees for the month of March needs to be paid before 15th of next month. Even though it is accrued in the month of March but is actually paid in April. Therefore, it should be accounted accordingly for the outflow in the cash flow statement.

3. Salary payments

Salaries are usually paid monthly. But do not forget that deductions, such as income tax, are often paid to the authorities the month after salaries are paid, or in some cases paid annually.

4. Grant schedules

Every donor has a different grant schedule which cannot be ignored while anticipating cash requirement. For example, a particular donor may have a six-monthly payment schedule. This needs to be considered while preparing the cash flow statement as it will directly influence the timing of recording the inflow.

5. Exclude non-cash transactions

Obvious but easily forgotten! Exclude non-cash transactions from the cash flow forecast (e.g. donations in kind or depreciation). So if these are on the budget, they have to be left off the cashflow.

6. Unforeseen expenses

There are always some expenses which are unforeseen or uncontrollable in nature for e.g. equipment repairs. It is best to put a monthly or quarterly estimated sum for these kind of expenses. The estimates can be taken from past experiences.

7. Budget to be kept as a Base

For preparing a cash flow plan, budget should be kept as base. Budget is an expression of activities in financial terms and based on the activity schedule of the project, the budget is determined. For instance, a budget depicts the total finances required for an activity, say workshop. However, when one breaks down the sequence of activities required to hold that workshop, the timing of cash flow requirement can be ascertained.

8. Separate Bank Account

Dedicating a separate bank account for a project is highly important from cash management point of view. The more segregated project funds are, the easier it becomes to determine the real time cash position. Often times, intermixing of project funds leads to difficulty in separating transactions with a common source. For example, it becomes a tedious task to segregate interest income for each project.

How to Prepare a Cash Flow Statement?

In order to prepare a cash flow statement, it is advisable to follow a step wise approach. As it is clear now on what to consider while preparing a cash flow statement, following basic steps that can be followed to prepare one:

Step 1: Break down the Budget

The very first step in preparing a cash flow statement is analysing the project budget and breaking it down into smaller segments. For instance, a budget indicates the fund planned for the workshops to be held during Year 1 of the project duration. However, it does not indicate the precise timing of implementation. Therefore, before building the cash flow forecast, one needs to determine the timing of the planned activities during the period.

Step 2: Prepare Activity Schedule

NPOs operate on project based funding and to ensure that the project is timely, it is essential to determine the timeline of each and every activity. That is why it is so important to prepare an Activity Schedule.

While the fixed costs remain constant, the programmatic part may be discussed with the Program team to ascertain the timeline of activities. Once the activity schedule is prepared, the monthly or quarterly cash requirement can be ascertained. Ideally, it is a good idea to undertake cash flow planning monthly. Some of the examples of sources of cash inflow and outflow are as under:

Anticipated Cash Inflow	Anticipated Cash Outflow
Project grant	Salary to program and administrative staff
Donations	Office rent
Fee from service revenue	Audit fee
Interest income on project balance	Procurements
Exchange rate gains	Program expenses for e.g., training expenses, workshop expenses, travel costs, etc.

Note: *It is very important to keep donor's policies in mind while estimating cash inflow and outflow. Since project funds are usually restricted in nature, the utilization needs to be planned carefully. For instance, organization's common costs should be duly allocated project wise as per the existing Common Cost Allocation policy. Similarly, decisions like investment of project funds should be checked with the donor's policy.*

Step 3: Determine Grant Schedule

After preparing the activity schedule, the next step is raising the required funds. Every donor has a different grant schedule and cash inflow is highly dependent on that. The cash flow forecast should take into consideration the anticipated timing of cash inflow and plan activities in such a manner that no implementation delay occurs due to non-payment. The biggest benefit of building cash flow forecasts for the non-profit sector is that, it can be used to identify and respond to cash deficits and cash surpluses in advance.

Step 4: Taking Corrective Actions

In order to avoid the situations of Surplus/ Deficit (Excess/ Shortfall of Income over expenditure) in the project, it is important to analyse the cash flow status with the actual implementation status. This could be done through variance analysis exercise and results of the same should be deliberated in a common team meeting.

For example, in case of shortage of funds, a new program or planned activity can be delayed until sufficient funds are available in the project. However, this must first be discussed with the different funding agencies, which may have their own set of unique and independent principles for grant management.

Conclusion:

Preparing a cash flow statement is not a one-time activity. Projections should be updated and reviewed regularly. The frequency will depend on how closely the organization's cash flow needs to be monitored.

Managing cash flow for NPOs can be an ongoing challenge. Thankfully, cash flow forecasts are an effective way to avoid running out of cash unexpectedly. By understanding cash flow and planning ahead, one can avoid unexpected shortage of funds in the project, provide stability to our organizations and build organizational capacity.

Suggestive format of Cash Flow Statement

INCOME				
	June Qtr.	Sept. Qtr.	Dec Qtr.	Mar Qtr.
Income from operation				
Donations				
Grants				
Income from Investment				
Bank Interest				
Other Cash Receipts				
Total Income (A)				

EXPENDITURE				
	June Qtr.	Sept. Qtr.	Dec Qtr.	Mar Qtr.
Project 1				
Programme Cost				
Administration Cost				
Project 2				
Programme Cost				
Administration Cost				
Any other Cost				
Total Expenditure (B)				
Quarterly Surplus or Deficit (C) = A - B				
Opening Cash & bank Balance (D)				
Quarterly Surplus or Deficit (C)				

Linking Programme with Finances

Introduction

"You and I ought not to die before we have explained ourselves to each other", this is what John Adams, the second President of USA, wrote to Thomas Jefferson over their persisting differences. Similar dynamics exist between the programme and the finance department. However, efforts should be made to bring them closer because the quality of the programme and the accountability aspects are seriously compromised due to lack of coordination between the two. The areas in which there should be greater coordination between programme and finance are as under:

- Planning
- Budgeting
- Implementing programme
- Monitoring
- Reporting
- Evaluating/ Assessing the performance
- Formulation of organizational policies

Recommended Practices

Providing explanatory value to the finance report: The financial reports should have programmatic explanation and notes to accounts. For instance, expenditure under the head 'Training and Capacitation' can be supported by suitable notes explaining the number of training held and the type of participants. Therefore, the finance report should be prepared with help of programme department.

Short term reports for programme should be in terms of the expenditure heads: All short term programme reports for 3 to 6 months should be in relation with the expenditures incurred during that period.

Assessment and reporting of non-cash contribution: The involvement of programme staff should be made in assessment of own means

and non-cash contributions to facilitate greater coordination between the finance department and the programme department.

Clearly defined norms for natural heads and programme heads: The expenditures of NPOs are mostly booked and reported as per programme heads. But each programme head can comprise various natural heads. For example, "Conference and Seminars" is a programme head, but it can comprise various natural heads such as "Travel, Cost of Material, Rent of Auditorium etc.". All NPOs should formulate a transparent policy regarding the admissibility of natural head under each programme head and vice-versa. This exercise has to be done jointly by the finance department and the programme department.

Building Capacity of programme staff on basics of finance: The finance staff should be capacitated and oriented in the basics of finance and legal compliances, so that fundamental errors are not committed during the implementation of the programme.

The notes to account should be programme oriented: The annual statements of account should provide programme oriented notes to account, such as:

- Primary data of achievement in terms of the expenses.
- Staff welfare security measures undertaken.
- Provisions for contingencies and disaster mitigation.
- Ratio of administrative expenditure and programme expenses and other relevant ratios, etc.

The donor reporting ideally should be done through a unified report: It is desirable that the finance report and the programme report are prepared simultaneously with cross references and submitted in a unified form.

Amendments in CSR Rules

1. Background and Introduction

Corporate Social Responsibility ("**CSR**") was for the first time introduced as a statutory obligation for companies by way of Companies Act 2013 under Section 135. Thereafter, the Companies (Corporate Social Responsibility Policy) Rules were notified on 27th February 2014 ("**CSR Policy Rules, 2014**") to lay down the specifications and procedure to be followed by the companies while discharging their CSR obligations.

Further amendments to the Companies Act, 2013 resulted in some major changes in the CSR provision. Prior to providing for the notified changes, the Ministry of Corporate Affairs (MCA) had released the Draft Companies (Corporate Social Responsibility Policy) Amendment Rules in March 2020 ("**Draft Rules**") inviting public comments. Thereafter, on 22nd January 2021, the MCA finally issued the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.

2. Summary of Changes

The Companies (CSR Policy) Amendment Rules 2021 have overhauled India's CSR regime. Besides giving effect to changes introduced in Section 135 of Companies Act, such as transfer of unspent CSR amount and setting off of excess CSR expenditure, the new rules have introduced the new requirements like impact assessment, engagement of international organisations. Even with respect to the concepts earlier present in the 2014 Rules, such as meaning of CSR, CSR Policy, CSR Implementation, the provisions of the New Rules appear to be more detailed and structured.

The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 has been attached as annexure to this document and only analysis of major amendments have been given topic wise below.

3. Definition of CSR

CSR activities should be as per Schedule VII of the Companies Act, 2013 as amended time to time. However, the amended rule 2(d) defines the Corporate Social Responsibility (CSR) specifically mentioning the activities which cannot be considered as CSR activities.

As per rule 2(d), CSR shall not include the following, namely:

- I. activities undertaken in pursuance of normal course of business of the company. Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their 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, 2022-23 subject to the conditions that-
 - a. 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;
 - b. details of such activity shall be disclosed separately in the Annual report on CSR included in the Board's Report;
- II. any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;
- III. contribution of any amount directly or indirectly to any political party under section 182 of the Act;
- IV. activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);

- V. activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;
- VI. activities carried out for fulfilment of any other statutory obligations under any law in force in India"

4. Changes in Rule 4 - CSR Implementation

The heading of Rule 4 has now been changed from "CSR Activities" to "CSR Implementation". The rule 4 mentions for the organizations through which CSR activities of the companies can be implemented. The changes done under Rule 4 have very huge impact both on the companies as well as the CSR implementing agencies. The changes in Rule 4 are discussed below:

❖ **Mandatory Requirement of 12A and 80G:** Earlier to the amendment, the requirement of 12A and 80G registration was not mandated specifically for the Trust, Societies and section 8 companies who were implementing the CSR activities. However, the rule 4(1) have been amended now specifically mentioning that **registration under section 12A and 80 G of the Income Tax Act, 1961** is mandatory for the Trust, Societies and section 8 companies who intends to implement any CSR activities.

Even though the rule does not specifically mention for the CSR projects approved before 1st April, 2021, it is analysed as mandatory to have 12A and 80G registration to implement any CSR projects even it was approved before 1st April, 2021.

❖ **Entities established under an act of parliament or state legislature can also implement CSR activities:** The other change in rule 4(1) is that, now the entities established under an act of parliament or state legislature such as The Institute Chartered Accountants of India (ICAI), ISCI, ICAI, Government Universities etc. can also implement the CSR activities. However, the requirement of registration

under section 12A and 80G of Income Tax Act and having an established track record of 3 years in undertaking similar activities is not applicable in this case.

❖ **Mandatory registration with Central Government:** Rule 4(2) is a new addition to Rule 4. This amendment has impacted all the organizations who intends to do CSR activities and are eligible as per Rule 4(1). As per rule 4(2), every entity who intends to do CSR activities after 1st day of April, 2021 and are eligible as per Rule 4(1) shall have to mandatorily register themselves with the CG by filing the form CSR-1. After successful registration by the eligible entities, a unique CSR register number would be allocated to the applicant.

However, if certain CSR projects have been approved before 1st April, 2021 those projects can be validly implemented by the organizations covered in Rule 4(1) without obtaining CSR registration. Even though it seems that the projects approved before 1st April, 2021 can be implemented without having CSR registration number, it should be noted that the intent of the legislation is to ensure that every organization implementing CSR activities should register by filing the form CSR-1.

Also, the ongoing projects approved before 1st April, 2021 should not be implemented for more than the overall period of 3 years excluding the year of its commencement without obtaining CSR registration.

Rule 2(i) defines the ongoing project as ongoing project means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a

multi-year project but whose duration has been extended beyond one year by the Board based on reasonable justification.

❖ **Procedure for CSR registration:** The form CSR-1 can be downloaded from the MCA website. The link for downloading is <https://www.mca.gov.in/MinistryV2/companyformsdownload.html>. After downloading the form, the step-wise procedure has been mentioned below:

- a. Fill-in the required information correctly
- b. Sign and submit the form electronically
- c. Make electronic verification of the form by a Chartered Accountant (CA), or a Company Secretary (CS) or a Cost accountant (CMA) in practice
- d. The form needs to be uploaded on the MCA portal
- e. A unique CSR Registration Number will be generated by the system automatically.

❖ **Engaging International Organization in CSR Activities:** Rule 4(3) is a new addition to the rules which allow to engage the international organizations for the following activities:

- Designing;
- Monitoring and
- Evaluation of CSR projects or programmes as per its CSR policy
- Capacity building of their own personnel for CSR

It should also be understood that for engaging the specified international organization for above mentioned assignment, they should be directly engaged by the companies doing CSR and not the implementing partners.

Further, this should also be understood that those international organizations can be engaged only for capacity building of their own personnel for CSR and not for the other entities as mentioned in Rule 4(1).

*International organization has been defined under Rule 2(g) and should be understood as International organizations as notified by the Central Government under section 3 of the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply.

Namely, the specified international organizations are mentioned below:

- International Civil Aviation Organisation
- World Health Organisation (WHO)
- International Labour Organisation
- Food and Agriculture Organisation of the United Nations
- United Nations Educational, Scientific and Cultural Organisation (UNESCO)
- International Monetary Fund (IMF)
- International Bank of Reconstruction and Development
- Universal Postal Union
- International Telecommunication Union
- World Meteorological Organisation
- Permanent Central Opium Board
- International Hydrographic Bureau (vide Notification No. S. 2480 dated 10.10.60, Gazette of India, Pt II Sec 3 (ii) P. 3001
- Commissioner for Indus Waters, Govt. of Pakistan and to his Advisers and Assistants (Artich IV) vide

❖ **Collaboration with other companies for CSR:** Rule 4(4) is a new addition and allows a company to collaborate with other companies for CSR. The only condition is that the CSR committees of respective companies should be in a position to report separately on CSR activities as per the CSR rules.

❖ **Utilization of CSR funds for the purpose:** Rule 4(5) is a new addition and says that CSR funds should only be utilised for the purpose and in a manner as approved by the Board. It is the Board who should satisfy themselves that CSR funds have been utilised as mentioned and in addition, the CFO should certify the CSR utilization.

❖ **Monitoring of Ongoing projects:**

Rule 4(6) is a new addition and says that in case of ongoing projects, i.e. the projects for the period between 1 to 4 years, the Board shall monitor the CSR implementation with respect to following:

- Timelines and
- Year-wise allocation

Also, for the smooth implementation of CSR projects, the Board is competent to make modifications to the CSR projects/programmes.

5. Changes in Rule 5 - CSR Committees

Earlier to this amendment, the CSR Committee just needed to institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company. Now, the amended Rule 5(2) widens the scope of CSR committee to formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy and include the following:

- a) the list of CSR projects or programmes
- b) the manner of its execution
- c) the modalities of utilisation of funds and implementation schedules
- d) monitoring and reporting mechanism and
- e) details of need and impact assessment, if any

Further, as per the recommendation of CSR Committee, Board is allowed to alter such plan at any time during the financial year.

6. Changes in Rule 6 - CSR Policy

A Company willing to undertake activities through its own or any other organization as per Rule 4 should develop a CSR Policy which includes principles and procedures for selection, implementation and monitoring of activities. Furthermore, such policy should be displayed on its own website as per Rule 9 of the said Rules. The definition of CSR Policy has undergone a change in these amendments. As per rule, 2 (f), CSR Policy is defined as

"CSR Policy means a statement containing the approach and direction given by the board of a company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan.

7. Changes in Rule 7 - CSR Expenditure

The changes in rule 7 are discussed point wise below:

❖ **Contribution to Corpus for CSR**

Expenditure: Before the amendment, the old rule 7 mentioned that, CSR expenditure shall include all expenditure including contribution to corpus, to projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of schedule VII of the Act.

As clarified by MCA through general circular No. 21/2014 dated 18th June, 2014 contribution to Corpus of Trust/ society/ section 8 company, etc. will qualify as CSR expenditure as long as:

- (a) the trust/ society/ section 8 companies etc. is created exclusively for undertaking CSR activities; or
- (b) Where the corpus is created exclusively for a purpose directly relatable to a subject covered in Schedule VII of the Act.

The earlier Rule 7 as well as MCA clarification before the amended Rule 7 came into force, specifically mentions about the contribution to corpus may qualify as CSR expenditure subject to fulfilment of specified conditions therein. However, the amended rule does not mention anything specifically about corpus and the old rule and clarification cannot be applied when a new rule came into force.

Therefore, all the CSR expenditure including corpus, if any, needs to be classified as per schedule VII of the Companies Act, 2013. The other changes under rule 7 are discussed point wise below:

- ❖ **Administrative Expenses:** As per Rule 7(1), the administrative overhead* should not exceed 5% of total CSR expenditure. Further, it would be the duty of the board to ensure that the administrative overhead is within the specified limit of 5%.

*Rule 2(b) defines the Administrative overheads as the expenses incurred by the company for general management and administration of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme.

- ❖ **Surplus of CSR Activities:** As per Rule 7(2), any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project. Further, any unspent amount from an ongoing project should be transferred within 30 days of the end of the financial year, to the specifically designated Unspent Corporate Social Responsibility Account to be opened by the company in any scheduled bank. These amounts should be spent within the next three financial years, in accordance with the company's CSR policy.

If these amounts remain unspent even after the three-year period, then they should be transferred, within six months of the end of the financial year, to any fund specified in Schedule VII of the act (such as the PM National Relief Fund, PM CARES Fund, Disaster Management Fund, Clean Ganga Fund, and so on).

- ❖ **Set off of Excess CSR Spent:** Rule 7(3) allows to set-off excess CSR spent during a financial year against the requirement of CSR spending of immediate succeeding three financial years. In this regard it can be said that, if a company has spent amounts more than the mandatory two percent on CSR for a particular financial year, the company can set off such excess amounts against the required CSR spending in the next three financial years. The board of directors however, need to pass a resolution for this.

It's important to note that such excess amounts cannot include the surplus as per rule 7(2) arising out of CSR activities. For instance, if any interest is earned out of the assets acquired through the CSR funds, such interest would be treated as a surplus, but cannot be set off from the CSR budget of the following year.

- ❖ **Creation or acquisition of a capital asset:** As per Rule 7(4), CSR amount can be spent by a company for creation or acquisition of capital assets. However, the capital assets should not be held by the company but by the specified persons as mentioned below:

- a) a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number; or
- b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or
- c) a public authority*

*As per rule 2(j), "public authority" means any authority or body or institution of self-government established or constituted-

- a) by or under the Constitution;
- b) by any other law made by Parliament;
- c) by any other law made by State Legislature;
- d) by notification issued or order made by the appropriate Government,

and includes any-

- i. body owned, controlled or substantially financed;
- ii. non-Government organisation substantially financed,
- iii. directly or indirectly by funds provided by the appropriate Government;

Any capital asset created by a company prior to 22nd January, 2021, shall within a period of 180 days have to be transferred to the specified persons (as mentioned above). The period of 180 days may also be extended by a further period of 90 days with the Board approval and reasonable justification. i.e. the maximum time limit including reasonable extension for comply with the requirement of this rule is upto 18th October, 2021.

8. Changes in Rule 8 - CSR Reporting

The New Rules have added Rule 8(3) as per which companies having average CSR obligation of ten crore rupees or more in three immediately preceding financial years are required to undertake impact assessment through an independent agency of their CSR projects. The impact assessment reports are required to be placed before the Board and annexed to the annual report on CSR.

A Company undertaking impact assessment is allowed to book the expenditure towards Corporate Social Responsibility for that financial year not exceeding five percent of the total CSR expenditure or fifty lakh rupees, whichever is less.

The exact wordings of the Rule 8(3) are mentioned here below:

- a) Every company having average CSR obligation of ten crore rupees or more in pursuance of sub-section (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than

one year before undertaking the impact study.

- b) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- c) A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.

9. Changes in Rule 9 - Display of CSR Activities on its Website

The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.

This provision is similar to the earlier Rule 9 under CSR Policy Rules 2014. However, earlier it was only required to disclose the contents of approved CSR policy of the company on the website of the company for public access. Now, in addition to the company's CSR policy, CSR projects and composition of CSR committee (as applicable) is required to be disclosed.

10. Conclusion

The Companies (CSR Policy) Amendment Rules 2021 has brought in major amendments focussing on creation of database of the implementing agencies as well as laying down the rules for various aspects such as CSR Committees, CSR Policy and Expenditure. The aspects of CSR policy as well as Monitoring and Transparency mechanisms are still given in the hands of the Board and CSR Committee (if applicable) of the company. As a step towards transparency and better clarity of the provisions of the law, the new rules can be considered as a welcome step. However, the organisations are in process of adapting these rules and further operational challenges or opportunities will only be revealed over the period of implementation of these rules.

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 22nd January, 2021

G.S.R. 40(E).— In exercise of the powers conferred by section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014, namely:-

1. **Short title and commencement.** - (1) These rules may be called the **Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.**
(2) They shall come into force on the date of their publication in the Official Gazette unless explicitly provided elsewhere in this notification.
2. In the **Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as the said rules), for rule 2, the following rule shall be substituted, namely:-**

"2. Definitions. - (1) In these rules, unless the context otherwise requires,-

- (a) "Act" means the Companies Act, 2013 (18 of 2013);
- (b) "Administrative overheads" means the expenses incurred by the company for 'general management and administration' of Corporate Social Responsibility functions in the company but shall not include the expenses directly incurred for the designing, implementation, monitoring, and evaluation of a particular Corporate Social Responsibility project or programme;
- (c) "Annexure" means the Annexure appended to these rules;
- (d) "Corporate Social Responsibility (CSR)" means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in these rules, but shall not include the following, namely:-

- (i) activities undertaken in pursuance of normal course of business of the company:

Provided that any company engaged in research and development activity of new vaccine, drugs and medical devices in their 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, 2022-23 subject to the conditions that-

- (a) 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;
- (b) details of such activity shall be disclosed separately in the Annual report on CSR included in the Board's Report;
- (ii) any activity undertaken by the company outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;
- (iii) contribution of any amount directly or indirectly to any political party under section 182 of the Act;

- (iv) activities benefitting employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019);
- (v) activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services;
- (vi) activities carried out for fulfilment of any other statutory obligations under any law in force in India;

(e) "CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in section 135 of the Act;

(f) "CSR Policy" means a statement containing the approach and direction given by the board of a company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan;

(g) "International Organisation" means an organisation notified by the Central Government as an international organisation under section 3 of the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), to which the provisions of the Schedule to the said Act apply;

(h) "Net profit" means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely: -

- (i) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
- (ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act;

Provided that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381, read with section 198 of the Act;

(i) "Ongoing Project" means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding three years excluding the financial year in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification;

(j) "Public Authority" means 'Public Authority' as defined in clause (h) of section 2 of the Right to Information Act, 2005 (22 of 2005);

(k) "section" means a section of the Act.

(2) Words and expressions used and not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act. ”.

3. In the said rules, in rule 3, in sub-rule (2), in clause (b), for the words, brackets and figure “sub-section (2) to (5)”, the words, brackets and figure “sub-section (2) to (6)” shall be substituted.

4. In the said rules, for rule 4, the following rule shall be substituted, namely:-

“4. CSR Implementation :- (1) The Board shall ensure that the CSR activities are undertaken by the company itself or through -

- (a) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company, or

(b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or

(c) any entity established under an Act of Parliament or a State legislature; or

(d) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

(2) (a) Every entity, covered under sub-rule (1), who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the **01st day of April 2021:**

Provided that the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the **01st day of April 2021:**

(b) Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice.

(c) On the submission of the Form CSR-1 on the portal, a unique CSR Registration Number shall be generated by the system automatically.

(3) A company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.

(4) A company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programmes in accordance with these rules.

(5) The Board of a company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.

(6) In case of ongoing project, the Board of a Company shall monitor the implementation of the project with reference to the approved timelines and year-wise allocation and shall be competent to make modifications, if any, for smooth implementation of the project within the overall permissible time period. ”.

5. In the said rules, in rule 5, for sub-rule (2), the following sub-rule shall be substituted, namely:-

“(2) The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:-

(a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;

(b) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4;

(c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;

(d) monitoring and reporting mechanism for the projects or programmes; and

(e) details of need and impact assessment, if any, for the projects undertaken by the company :

Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect. ”.

6. In the said rules, rule 6 shall be omitted.

7. In the said rules, for rule 7, the following rule shall be substituted, namely:-

“7.CSR Expenditure. - (1) The board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.

(2) Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

(3) Where a company spends an amount in excess of requirement provided under sub-section (5) of section 135 , such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years subject to the conditions that –

(i) the excess amount available for set off shall not include the surplus arising out of the CSR activities, if any, in pursuance of sub-rule (2) of this rule.

(ii) the Board of the company shall pass a resolution to that effect.

(4) The CSR amount may be spent by a company for creation or acquisition of a capital asset, which shall be held by -

(a) a company established under section 8 of the Act, or a Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number under sub-rule (2) of rule 4; or

(b) beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities; or

(c) a public authority:

Provided that any capital asset created by a company prior to the commencement of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, shall within a period of one hundred and eighty days from such commencement comply with the requirement of this rule, which may be extended by a further period of not more than ninety days with the approval of the Board based on reasonable justification.”.

8. In the said rules, for rule 8, the following rule shall be substituted, namely:-

“8. CSR Reporting:- (1) The Board's Report of a company covered under these rules pertaining to any financial year shall include an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable.

(2) In case of a foreign company, the balance sheet filed under clause (b) of sub-section (1) of section 381 of the Act, shall contain an annual report on CSR containing particulars specified in Annexure I or Annexure II, as applicable.

(3) (a) Every company having average CSR obligation of ten crore rupees or more in pursuance of sub-section (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.

(b) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

(c) A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.”.

9. In the said rules, for rule 9, the following rules shall be substituted, namely:-

“9. Display of CSR activities on its website. - The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.

10. Transfer of unspent CSR amount. :- Until a fund is specified in Schedule VII for the purposes of sub-section (5) and(6) of section 135 of the Act, the unspent CSR amount, if any, shall be transferred by the company to any fund included in schedule VII of the Act.”.

10. In the said rules,-

(i) The Annexure shall be numbered as “Annexure –I” and in the heading of Annexure I as so numbered, after the words “BOARD’S REPORT”, the words and figures “FOR FINANCIAL YEAR COMMENCED PRIOR TO 1ST DAY OF APRIL, 2020” shall be inserted;

(ii) after Annexure –I as so numbered, the following Annexure shall be inserted, namely:-

“ANNEXURE -II

**FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES
TO BE INCLUDED IN THE BOARD’S REPORT FOR FINANCIAL
YEAR COMMENCING ON OR AFTER 1ST DAY OF APRIL, 2020**

1. Brief outline on CSR Policy of the Company.

2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report).

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in Rs)	Amount required to be setoff for the financial year, if any (in Rs)
1			
2			
3			
	TOTAL		

6. Average net profit of the company as per section 135(5).

7. (a) Two percent of average net profit of the company as per section 135(5)

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.

(c) Amount required to be set off for the financial year, if any

(d) Total CSR obligation for the financial year (7a+7b-7c).

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer

(b) Details of CSR amount spent against **ongoing projects** for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Project duration.	Amount allocated for the project (in Rs.).	Amount spent in the current financial Year (in Rs.).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.).	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State.	District.						Name	CSR Registration number.
1.												
2.												
3.												
	TOTAL											

(c) Details of CSR amount spent against **other than ongoing projects** for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Amount spent for the project (in Rs.).	Mode of implementation on - Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State.	District.			Name	CSR Registration number.
1.									
2.									
3.									
	TOTAL								

(d) Amount spent in Administrative Overheads

(e) Amount spent on Impact Assessment, if applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e)

(g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135(5)	
(ii)	Total amount spent for the Financial Year	
(iii)	Excess amount spent for the financial year [(ii)-(i)]	
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in Rs.)
				Name of the Fund	Amount (in Rs).	Date of transfer.	
1.							
2.							
3.							
	TOTAL						

(b) Details of CSR amount spent in the financial year for **ongoing projects** of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in Rs.).	Amount spent on the project in the reporting Financial Year (in Rs.).	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project - Completed /Ongoing.
1.								
2.								
3.								
	TOTAL							

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year

(asset-wise details).

(a) Date of creation or acquisition of the capital asset(s).

(b) Amount of CSR spent for creation or acquisition of capital asset.


(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).

Sd/- (Chief Executive Officer or Managing Director or Director).	Sd/- (Chairman CSR Committee).	Sd/- [Person specified under clause (d) of sub-section (1) of section 380 of the Act] (Wherever applicable).
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11. In the said rules, after annexure-II, following e-form shall be inserted, namely:

CSR-1 (Pursuant to section 135 of the Companies Act, 2013 and rule 4(1) and (2) of the Companies (CSR Policy) Rules, 2014)		Registration of Entities for undertaking CSR Activities
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Form Language ☐ English ☐ Hindi
Refer the instruction kit for filling the form.

1. *Nature of the Entity:

- ☐ Company established under section 8 of the Companies Act, 2013 with section 12A and section 80G registrations under the Income Tax Act, 1961.
- ☐ Registered Public Trust with section 12A and section 80G registrations under the Income Tax Act, 1961.
- ☐ Registered Society with section 12A and section 80G registrations under the Income Tax Act, 1961.
- ☐ Company established under section 8 of the Companies Act, 2013 or Registered Trust or Registered Society established by the Central Government or State Government.
- ☐ Entity established under an Act of Parliament or State Legislature.

2. (a) Whether the Entity is established by any company or group of companies:

☐ Yes ☐ No

(b)(i) If yes, then provide the details of such company (s):

CIN of Company

Pre-fill

Add

Name of Company

(ii) If no, whether the entity has an established track record of three years in undertaking similar activities : ☐ Yes ☐ No

3. (a)* Type of existing entity:

*CIN/ Registration Number:

Pre-fill

(In case of a section 8 company, enter CIN. Else, enter registration number)

(b) *Name of the entity

(c) *Date of incorporation of the entity

(DD/MM/YYYY)

(d) *Address of the entity:

Line I

Line II

City

State/ Union territory

District

Pin Code

(e)* E-Mail ID of the entity

Send OTP

(f)*Enter OTP for email ID

Verify OTP

(g) *PAN of the entity

4.*Details of Directors/ Board of Trustees/ Chairman/ CEO/ Secretary/ Authorised Representatives of the entity:

Sl. No.	Name	Designation	DIN/PAN	Email ID

Attachments :

1.* Copy of Certificate of Registration;

Attach

2.*Copy of PAN of entity ;

Attach

List of Attachments :

Remove Attachment

***Declaration**

I am authorized by the Entity vide *resolution number *dated to sign this form and declare that the particulars given in the form herein above are true and also are in agreement with the documents maintained by the Entity.

To be digitally signed by one director in case of Section 8 company

To be digitally signed by one of the Trustee/ CEO in case of Registered Public Trust

To be digitally signed by Chairperson/ CEO/ Secretary in case of Registered Society

To be digitally signed by Authorised Representative in case of Entity established under an Act of Parliament or State Legislature

***To be digitally signed by**

DSC Box

*Designation

*DIN of the director; or DIN or PAN of the Trustee or
CEO or Chairperson or Chief functionary or
authorised representative of the Entity;

***Certificate by Practicing Professional**

I declare that I have been duly engaged for the purpose of certification of this form. It is hereby certified that I have gone through the provisions of the Companies Act, 2013 and Rules thereunder for the subject matter of this form and matters incidental thereto and I have verified the above particulars (including attachment(s)) from the original/certified records maintained by the Company/ applicant which is subject matter of this form and found them to be true, correct and complete and no information material to this form has been suppressed. I further certify that:

1. The said records have been properly prepared, signed by the required officers/ authorised representatives of the entity and were found to be in order;
2. All the required attachments have been completely and legibly attached to this form;
3. It is understood that I shall be liable for action under Section 448 of the Companies Act, 2013 for wrong certification, if any found at any stage.

***To be digitally signed by**

DSC Box

☐ Chartered accountant (in whole-time practice)

☐ Company secretary (in whole-time practice)

☐ Cost accountant (in whole-time practice)

*Whether associate or fellow ☐ Associate ☐ Fellow

*Membership number

Certificate of practice number

Note: Attention is drawn to provisions of Section 448 and 449 of the Companies Act, 2013 which provide for punishment for false statement/ certificate and punishment for false evidence respectively.

Modify

Check Form

Pre Scrutiny

Submit

This e-form has been taken on file maintained by the registrar of companies through electronic mode on the basis of statement of correctness given by the authorised person and professional.”

[E-F. No. CSR-05/3/2020-CSR-MCA]

GYANESHWAR KUMAR SINGH, Jt. Secy.

Note:— The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 129(E), dated the 27th February, 2014 and were subsequently amended by notification number G.S.R. 644(E), dated the 12th September, 2014, notification number G.S.R. 43(E), dated the 19th January, 2015, notification number G.S.R. 540 (E), dated the 23rd May, 2016, notification number G.S.R. 895(E), dated the 19th September, 2018 and notification number G.S.R. 526(E), dated the 24th August, 2020.

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FINANCIAL MANAGEMENT SERVICE FOUNDATION

Financial Due Dates Calendar for 2021-22

MONTH	PARTICULARS	DUE DATE	FORM NO.	EXTENDED DUE DATE
APR 2021	Payment of PF Cont. cum filing of Return of previous month	15-Apr-21	Electronic Challan	
	Quarterly intimation of FC receipt by associations for the quarter ending 31.03.2021	15-Apr-21	FCRA Portal	
	Payment of TDS deducted for the month of March, 21	30-Apr-21	Challan No. 281	
	Revalidation of registration under 12A/80G/10(23C) (* Trusts or Institutions is required to apply for registration and approval under new Section 12AB of IT Act within 3 months from 1 April 2021, i.e., by 30th June 2021.)	01-Apr-21 to 31-June-21	Form 10 A & 10 AB	31-Aug-21
	Filing of CSR-1 (* there is no due date specified for filing of Form CSR-1 with MCA but from 01.04. 2021 CSR Funding will be released only to that NGOs, that are registered with MCA by filing Form CSR-1.)	w.e.f. 01-Apr-21	Form CSR-1	
MAY 2021	Payment of TDS deducted in previous month	7-May-21	Challan No. 281	
	Payment of PF Cont. cum filing of Return of previous month	15-May-21	Electronic Challan	
	Filing of TDS Return for the Quarter January to March 2021	31-May-21	26Q and 24Q	15-Jul-21
JUN 2021	Payment of TDS deducted in previous month	7-Jun-21	Challan No. 281	
	Payment of PF Cont. cum filing of Return of previous month	15-Jun-21	Electronic Challan	
	Payment of Advance Income Tax by all assessee other the 44AD (upto 15% of income tax payable)	15-Jun-21	Challan No. 280	
	Issue of Certificate for TDS on non salary payments for the Quarter ending March 2021	15-Jun-21	Form 16A	31-Jul-21
	Issue of Certificate for TDS on Salary for the financial year 2020-21	15-Jun-21	Form 16	31-Jul-21
	Online Filing of Annual Return under FCRA in FC-4 for the year 2019-20	31-Dec-20	FC-4	30-Jun-21
	Due date for linking Aadhar with PAN	30-Jun-21		30-Sep-21
JUL 2021	Payment of TDS deducted in previous month	7-Jul-21	Challan No. 281	
	Quarterly intimation of FC receipt by associations for the quarter ending 30.06.2021	15-Jul-21	FCRA Portal	
	Payment of PF Cont. cum filing of Return of previous month	15-Jul-21	Electronic Challan	
	Filing of TDS Return for the Quarter April to June 2021	31-Jul-21	26Q and 24Q	
	Filing of Income Tax Return for FY 2021-22 by assessee other than company whose accounts are not required to be audited under any law	31-Jul-21	Various ITR forms	30-Sep-21
AUG 2021	Payment of TDS deducted in previous month	7-Aug-21	Challan No. 281	
	Payment of PF Cont. cum filing of Return of previous month	15-Aug-21	Electronic Challan	
	Issue of TDS Certificate for TDS on non salary payments for Quarter April to June 2021	15-Aug-21	Form 16A	
SEP 2021	Payment of TDS deducted in previous month	7-Sep-21	Challan No. 281	
	Payment of Advance Income Tax by All assessee other the 44AD (upto 45% of income tax payable)	15-Sep-21	Challan No. 280	
	Payment of PF Cont. cum filing of Return of previous month	15-Sep-21	Electronic Challan	
OCT 2021	Payment of TDS deducted in previous month	7-Oct-21	Challan No. 281	
	Quarterly intimation of FC receipt by associations for the quarter ending 30.09.2021	15-Oct-21	FCRA Portal	
	Payment of PF Cont. cum filing of Return of previous month	15-Oct-21	Electronic Challan	
	Filing of TDS Return for the Quarter July to September 2021	31st-Oct-21	26Q and 24Q	
	Audit Report (108) for NGOs availing exemption under section 11	30-Sep-21	108	31-Oct-21
	Filing of Income Tax Return for FY 2020-21 by company and other than company whose accounts are required to be audited under any law	31-Oct-21	ITR-7	30-Nov-21
NOV 2021	Payment of TDS deducted in previous month	7-Nov-21	Challan No. 281	
	Payment of PF Cont. cum filing of Return of previous month	15-Nov-21	Electronic Challan	
	Issue of TDS Certificate for TDS on non salary payments for Quarter July to Sept. 2021	15-Nov-21	Form 16A	
DEC 2021	Payment of TDS deducted in previous month	7-Dec-21	Challan No. 281	
	Payment of Advance Income Tax by All assessee other the 44AD (upto 75% of income tax payable)	15-Dec-21	Challan No. 280	
	Payment of PF Cont. cum filing of Return of previous month	15-Dec-21	Electronic Challan	
	Online Filing of Annual Return under FCRA in FC-4 for the year 2020-21	31-Dec-21	FC-4	
	Annual uploading of audited Balance sheet, Receipt and Payment Account and Income & Expenditure A/c for the year 2020-21 at the organization website	31-Dec-21	Organization's Website	
	Due date to file belated/revised return for FY 2020-21	15-Dec-21	ITR-7	31st Jan, 2022
JAN 2022	Payment of TDS deducted in previous month	7-Jan-22	Challan No. 281	
	Quarterly intimation of FC receipt by associations for the quarter ending 31.12.2021	15-Jan-22	FCRA Portal	
	Payment of PF Cont. cum filing of Return of previous month	15-Jan-22	Electronic Challan	
	Filing of TDS Return for the Quarter October to December 2020	31-Jan-22	26Q and 24Q	
FEB 2022	Payment of TDS deducted in previous month	7-Feb-22	Challan No. 281	
	Payment of PF Cont. cum filing of Return of previous month	15-Feb-22	Electronic Challan	
	Issue of TDS Certificate for TDS on non salary payments for Quarter Oct. to Dec. 2021	15-Feb-22	Form 16A	
MAR 2022	Payment of TDS deducted in previous month	7-Mar-22	Challan No. 281	
	Payment of Advance Income Tax by All assessee other the 44AD (upto 100% of income tax payable)	15-Mar-22	Challan No. 280	
	Payment of Advance Income Tax by All assessee covered under 44AD (upto 100% of income tax payable)	15-Mar-22	Challan No. 280	
	Payment of PF Cont. cum filing of Return of previous month	15-Mar-22	Electronic Challan	



FINANCIAL MANAGEMENT SERVICE FOUNDATION

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