



The Companies Act 2013

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E-newsletter

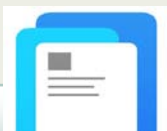
JANUARY, 2016

About the E-newsletter

Dear Users,

Thecompaniesact2013.com imports yet another innovation for all the valuable users in the form of e-newsletter. This is the issue of the **January month, 2016** comprising contemporary articles, latest notifications, circulars & orders.

The notion is to render all the updates about Company law of the current month in a compiled format and serve a better pavement for easy accessibility to the users.



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Startup India Standup India is a scheme launched by the government on **16th of January in 2016**. This campaign is planned to bring new opportunities for the youths of the country. This initiative is to encourage the young entrepreneurs to **greatly involve in the entrepreneurship** for better future. Under this program, around 1.25 lakh bank branches will encourage youth (at least one Dalit or Adivasi and one woman entrepreneur) entrepreneurs by giving them loan. This campaign will create new jobs opportunities for the people in India.

Announcing the start-up action plan at the concluding session of the Startup India event, Prime Minister Narendra Modi said Indian youth need to be **encouraged to be job creators rather than job seekers**.

WHAT IS STARTUP INDIA OFFERING TO THE ENTREPRENEURS?

- Stand Up India backed up by Department of Financial Services (DFS) **intends to bring up Women and SC/ST entrepreneurs**. They have planned to support 2.5 lakh borrowers with Bank loans (with at least 2 borrowers in both the category per branch) which can be returned up to seven years.
- You will be **able to register a start up in a day using the app**. One just has to fill a small application. This mainly **tries to reduce the tedious process of Registering**. They are currently working on minimizing the time spend in Licensing process of Start ups but nothing has been announced regarding the same.
- Also a **fast track mechanism** is to be launched for filing patents for startups, promised by PM Modi. “There will be no compromise on quality but the idea is to give the new enterprises opportunities” he added.
- PM plans to reduce the involvement of state government in the start ups so that entrepreneurs can enjoy freedom.
- **No tax would be charged on any start up up to three years** from the day of it’s establishment once it has been approved by Incubator.

ELIGIBILITY

A) MUST BE A PRIVATE LIMITED COMPANY/LLP/PARTNERSHIP FIRM

B) AGE SHOULD NOT BE MORE THAN 5 YEARS

C) TURNOVER SHOULD NOT EXCEED 25 CRORES

D) SHOULD DEVELOP A INNOVATIVE PRODUCT WHICH SHOULD ADD VALUE OF CUSTOMER AND SHOULD BE COMMERCIAL

E) GET AN APPROVAL FROM DIPP THAT YOUR COMPANY IS INNOVATIVE

F)
RECOMMENDATION LETTER BY INCUBATOR IN POST GRADUATE INDIAN COLLEGE

F1)
RECOMMENDATION LETTER BY INCUBATOR FUNDED BY GOI

F2)
RECOMMENDATION LETTER BY INCUBATOR RECOGNIZED BY GOI

F3) IS FUNDED BY INCUBATION FUND/ANGEL FUND/PRIVATE EQUITY FUND/ACCELERATOR/ANGEL NETWORK

F4) HAS PATENT GRANTED BY INDIAN PATENT AND TRADEMARK OFFICE RELATED TO BUSINESS

IF ENTREPRENEUR MEETS CONDITIONS A,B,C,D,E AND ANYONE OF F SERIES THEN IT IS ELIGIBLE UNDER START UP SCHEME.

KEY FEATURES OF SCHEME



1. **Self certification**

The start-ups will adopt self-certification to reduce the regulatory liabilities. The self-certification will apply to laws including payment of gratuity, labour contract, provident fund management, water and air pollution acts.

2. **Start-up India hub**

An all-India hub will be created as a single contact point for start-up foundations in India, which will help the entrepreneurs to exchange knowledge and access financial aid.

3. **Register through app**

An online portal, in the shape of a mobile application, will be launched to help start-up founders to easily register. The app is scheduled to be launched on April 1.

4. **Patent protection**

A fast-track system for patent examination at lower costs is being conceptualized by the central government. The system will promote awareness and adoption of the Intellectual Property Rights (IPRs) by the start-up foundations.

5. **Rs 10,000 crore fund**

The government will develop a fund with an initial corpus of Rs 2,500 crore and a total corpus of Rs 10,000 crore over four years, to support upcoming start-up enterprises. The Life Insurance Corporation of India will play a major role in developing this corpus. A committee of private professionals selected from the start-up industry will manage the fund.

6. **National Credit Guarantee Trust Company**

A National Credit Guarantee Trust Company (NCGTC) is being conceptualized with a budget of Rs 500 crore per year for the next four years to support the flow of funds to start-ups.

7. **No Capital Gains Tax**

At present, investments by venture capital funds are exempt from the Capital Gains Tax. The same policy is being implemented on primary-level investments in start-ups.

8. **No Income Tax for three years**

Start-ups would not pay Income Tax for three years. This policy would revolutionize the pace with which start-ups would grow in the future.

9. **Tax exemption for investments of higher value**

In case of an investment of higher value than the market price, it will be exempt from paying tax

10. Building entrepreneurs

Innovation-related study plans for students in over 5 lakh schools. Besides, there will also be an annual incubator grand challenge to develop world class incubators.

11. Atal Innovation Mission

The Atal Innovation Mission will be launched to boost innovation and encourage talented youths.

12. Setting up incubators

A private-public partnership model is being considered for 35 new incubators and 31 innovation centres at national institutes.

13. Research parks

The government plans to set up seven new research parks, including six in the Indian Institute of Technology campuses and one in the Indian Institute of Science campus, with an investment of Rs 100 crore each.

14. Entrepreneurship in biotechnology

The government will further establish five new biotech clusters, 50 new bio incubators, 150 technology transfer offices and 20 bio-connect offices in the country.

15. Dedicated programmes in schools

The government will introduce innovation-related programmes for students in over 5 lakh schools.

16. Legal support

A panel of facilitators will provide legal support and assistance in submitting patent applications and other official documents.

17. Rebate

A rebate amount of 80 percent of the total value will be provided to the entrepreneurs on filing patent applications.

18. Easy rules

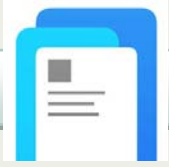
Norms of public procurement and rules of trading have been simplified for the start-ups.

19. Faster exit

If a start-up fails, the government will also assist the entrepreneurs to find suitable solutions for their problems. If they fail again, the government will provide an easy way out.

CONCLUSION

This initiative is the necessity to lead India in right direction. The most important point about this campaign is that it involves youths of the country as start-ups as they have fresh mind, innovative ideas, required strength, energy, skill, and new thinking to lead business. Youths are the energetic and highly skilled section of the society so they are better target for this campaign.



NOTIFICATION

A. NOTIFICATION NO S. O. (E).DATED 13.01.2016

In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the central Government hereby appoint the 13th day of January, 2015 as the date on which the provisions of sub-section {5}, sub-section (6) [except with respect to the manner of administration of the Investor Education and Protection Fund and sub-section (7) of section 125 of the said Act shall come into force.

B. NOTIFICATION NO G.S.R(E) DATED 13.01.2015

In exercise of the powers conferred by sub-sections (5),(6) and (7) of section 125 read with section,{69 of the Companies Act,2013 (18 of 2013), the Central Government hereby makes the following rules namely:-

1. Short title, extent and commencement

- 1) These rules may be called the Investor Education and Protection Fund Authority (Appointment of Chairperson and Members, holding of meetings and provision for offices and officers) Rules. 2016.
- 2) They shall come into force on the date of their publication in the Official Gazette.

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

- a) "Act" means the Companies Act 2013;
- b) "Authority means the Investor education and Protection Fund Authority constituted under sub-section (5) of section 125 of the Act.
- c) "Chairperson" means the chairperson of the authority appointed under rule (5) of these rules;
- d) "Company" means company as defined in sub-section (20) of section 2 of the Act and includes corresponding new bank' as defined in sub-section (d) of section 2 of the Banking Companies (Acquisition and transfer of Undertakings) Act, 1970 (5 of 1970) and clause (b) of section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act. 1980 (40 of 1980);
- e) "Fund" means the Investor education and protection Fund (IEPF) established under section 125 of the Act:
- f) "Investor" means any person. Who has committed money in shares, or debentures, bond or deposits under scheme or plan of a company registered under the Act.
- g) "Member' means members of the Authority appointed under sub-section (6) of section 125 of the Act: and
- h) "Section" means the section of the Act.

(2) Words and expressions used in these rules and not defined herein but defined in the Act or in the Companies (Specification of Definitions details) Rules, 2014, shall have the same meanings respectively assigned to them in the Act or in the said rules.

3. Establishment of the Authority-The Authority shall be established on such date as may be notified by the Central Government.
4. Composition of the Authority (1) The Authority shall consist of the following, namely:-

- a) Chairperson
- b) Six members
- c) Chief Executive Officer

(2) The Chief Executive officer shall be the convener of the Authority.

5. Chairperson of the Authority- The Secretary. Ministry of corporate Affairs shall be the Ex-officio Chairperson of the Authority.
6. Chief Executive Officer of the Authority.- The Central Government person to be the Chief Executive Officer of the Authority.
7. Members of the Authority.- The Central Government may appoint the following as the members of the Authority namely:-
 - i. a person not below the rank of Executive Director to be nominated by the Reserve bank of India as ex-officio member
 - ii. a person not below, the rank of executive Director to be nominated by the Securities and Exchange Board of India as ex-officio member;
 - iii. Four persons having special knowledge and experience of not less than fifteen years. In finance, management. Accountancy or law with one person from each discipline and such person shall have special knowledge, or professional experience, which shall in the opinion of the Central Government, shall be useful to the Authority.
8. The term of office of members of the Authority.-

- 1) The members of the Authority appointed under clause (iii) of rule 7 shall hold office for a period of three years and shall be eligible for reappointment;

Provided that no member shall hold office for more than three terms.

Provided further that a member shall be eligible of reappointment after expiration of cooling off period of three years after his term.

- 2) Notwithstanding anything contained in sub-rule (1), the Central government shall have the right to terminate the services of a member appointed under clause (iii) of rule 7, at any time before the expiry of the period specified under sub-rule (1) by giving him notice of not less than three months in writing the reasons mentioned in sub-rule(4), and a member shall also have the right to relinquish his office, at any time before the expiry of the period specified under sub-rule (1) by giving to the Central Government notice of not less than three months in writing
- 3) The members appointed under clause (iii) of rule 7 shall hold office for a period of three years or till attaining the age of 65 years whichever is earlier.
- 4) The Central Government shall remove a member from office if he-
 - a) is, or at any time has been, adjudicated as insolvent;
 - b) is of unsound mind and stands so declared by a competent court;
 - c) has been convicted of an offence which. in the opinion of the Central government. involves a moral turpitude:

- d) has, in the opinion of the Central government, so abused his position as to render his continuation in office detrimental to the public interest.

Provided that no member shall be removed under this sub-rule unless he has been given a reasonable opportunity of being heard in the matter.

9. The number of officers and employees of the Authority: - The Authority shall have such number of officers and other employees for rendering secretarial assistance and for its day to day functions as are set out in Schedule I to these rules.

10. Functions of the Authority :-

- i. Subject to the provision of the Act, the Authority shall have the duty to administer the Fund of investor Education and Protection.
- ii. The general management of the affairs of the Authority shall vest in the Chief Executive Officer, who may exercise powers which may be authorized by the Authority.
- iii. The Chief Executive Officer shall function under superintendence and direction of the Chairperson.
- iv. Without prejudice to the generality of the provisions, the functions of the Authority shall include the following, namely:-
 - a) The Authority may constitute permanent Committees for overseeing its functions;
 - b) Each Committee shall comprise two members, Chief Executive Officer and concerned functional head who shall be the secretary of the Committee. The Committee shall be headed by an ex-officio member;
 - c) The Committee may invite experts with special knowledge and expertise. As and when required to assist it on any specific issue;
 - d) The Authority may outsource, If required, work related to Funds and Shares Management.
 - e) The broad functional divisions of the Authority shall be as per Schedule II to these rules,

11. Meetings :-

- (1) The Authority and its Committees shall meet at such times and places as it may consider necessary.
- (2) The Authority and its Committees shall determine its own procedure for holding of meetings.
- (3) If the Authority or its Committees has to hold a meeting else where than in New Delhi. The approval of the Chairperson of the Authority shall be obtained indicating the reasons thereof,
- (4) The Authority and the Committees shall meet at least once in a quarter and at least four such meetings shall be held in a financial year:

Provided that not more than one hundred and twenty days shall intervene between two consecutive meetings.

- (5) The meeting of the Authority shall be presided over by the Chairperson.
- (6) If for any reason, the Chairperson is unable to attend a meeting. Any other Member chosen by the Members present from amongst themselves at the meeting shall preside over the meeting.
- (7) In case of difference in opinion on any question before the Authority, or any of its Committees, the views of the majority shall be taken as the final decision.
- (8) More than fifty percent appointed Members of the Authority shall constitute the quorum for the transaction of business at a meeting of the Authority.
- (9) Two members of a Committee shall constitute the quorum for the transaction of business at a meeting of the Committee.
- (10) For journeys performed by a non-official member of the Authority or Committee or a special invitee in connection with the work of the Authority or Committee, the actual expenditure for attending the meeting shall be reimbursed subject to maximum of such expenditure limit applicable to a Senior Administrative Grade officer of Government of India.

12. Member not to participate in meetings in certain cases: - A member. Who has any pecuniary interest, direct or indirect in any matter that is brought up for consideration at a meeting of the Authority and its Committees, shall, as soon as possible after relevant circumstances have come to his knowledge. disclose the nature of his interest at such meeting and such disclosure shall be recorded in the proceedings of the Authority and its Committees, and the member shall not take any part in any deliberation or decision of the Authority and its Committees with respect to the matter.

13. Vacancies, etc., not to invalidate proceedings of Authority :- No act or proceeding of the Authority and its Committees shall be invalid merely by reason of-

- a) any vacancy in, or any defect in the constitution of the Authority and its Committees;
- b) any defect in the appointment of a person acting as a member of the Authority and its Committees;
- c) any laches in the procedure of the Authority and its Committees not affecting merits of the case.

14. Protection of action taken in good faith.-No suit, prosecution or other legal proceedings shall lie against the Central Government or Authority or any officer of the Central Government or any member, officer or other employee of the Authority for anything, which is in good faith done or intended to be done under these rules.

S.No.	Designation	Pay scale	Number of posts
1.	General manager	PB-4+GP Rs.8700	01
2.	Assistant General manager	PB-3+GP Rs.5400	01
3.	Senior Accounts officer	PB-3+GP Rs.5400	01
4.	Assistant Accounts officer	PB-2+GP Rs.4800	02

Schedule II

Functional Divisions of the Authority

1. Administration

- i. Establishing equipping, maintaining and operating administrative functions as may be necessary or deemed expedient for fulfilling the objects of the Fund.
- ii. Authority and committees of Authority related matters.

2. Investment/ Funds Management

- i. Maintaining funds standing to the credit of Fund. investing the same in bearing account of any nationalized bank.
- ii. Opening of depository account of authority and transferring into the account securities of investor and transferring to investors account securities upon settlement of the claim.

3. Claims and Settlement

- i. Making refunds to eligible investors after following due procedure in respect of claims lodged by investors in accordance with clause (a) of sub-section (3) of section 125 of the Act and rules made thereunder.
- ii. Distribution of disgorged amount as per the order of the court or the, Authority.
- iii. Distribution of disgorged amount in consultation with Legal and Enforcement Division. to eligible and identified security holders who have suffered losses due to any wrong actions of any person in accordance with the order of tribunal or order of the Authority, as the case may be. The amount to be distributed shall be limited to amount disgorged in respect of any particular order and no other funds can be used for distribution.

4. Legal and Enforcement

- i. Initiation of legal cases against non-compliant companies or persons.
- ii. Handling disputes and legal cases arising out of claims or settlement or any other dispute.
- iii. Reimbursement of funds from Fund for meeting legal expenses incurred in pursuing class action suits under section 37 and 245 of the Act by members, debenture holders or depositors as sanctioned by Tribunal in accordance with the procedure prescribed in this regard.

5. Investor Education and Protection

- i. Registering associations or institutions or professional bodies or chambers of commerce and industry or other or organizations engaged in investor education and protection activities-
- ii. Sanctioning grants to the registered entities for seminars, programmes, Projects or activities in the field of corporate governance, Investors' Education and Protection including research activities.
- iii. Monitoring of the utilisation of the grants to ensure the achievements of the objectives of the sanctioning of the grants.
- iv. Cooperating and collaborating with institutions engaged in investor Education. corporate governance, awareness and protection activities.
- v. Conducting on its own or in collaboration with entities engaged in investor education and protection or academic institutions or other regulated entities like Stock Exchanges. Depositories.

Banks and Mutual funds nationwide investors' education and awareness programmes including seminars and symposia.

- vi. Setting up of institutional arrangements or infrastructure for taking up programmes projects and action plans keeping in view the objectives and expenditure relating thereto including research and training activities.
- vii. Publishing and disseminating information for investors' benefit and objects and achievements of the Fund.
- viii. Advising Central Government on the issues related to Investors' interest.
- ix. Sponsor specific studies or research or analysis for the development of capital market.

6. Finance, Accounts and Audit:

- i. Maintenance of accounts of inflow and outflow of funds.
- ii. Reconciliation of accounts of investors.
- iii. Preparation of all accounting reports, audit work and annual report.
- iv. Returns to Central government,
- v. Preparation of budget of authority and its monitoring.
- vi. Accounting for all claims of investor in respective accounts.
- vii. Procedure for accounting of investors' funds and securities.

7. The Chairperson may re-allocate functions ,merge or sub-divide divisions as per administrative requirement.

C. NOTIFICATION NO. G.S.R(E)DATED 22.01.2016

In exercise of the powers conferred by 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 (Incorporation) Rules, 2014, namely:-

1. Short title and commencement

- (1) These rules may be called the Companies (Incorporation) Amendment Rules, 2016.
- (2) They shall come into force from 26th day of January, 2016.

2. In the Companies (Incorporation) Rules, 2014 (herein after referred to as the principal rules), in rule 8,-

- i. in sub-rule (2)
 - a) Sub-clause (ii) of clause (b) shall be omitted;
 - b) Sub-clause (x) of clause (b) shall be omitted; and
 - c) Sub-clause (xvii) of clause (b) shall be omitted.
- ii. Sub-rule (3) shall be omitted.

iii. Sub-rule (a) shall be omitted.

3. In the principal rules, for Rule 9 the following shall be substituted namely :-

"9. Reservation of name - An application for the reservation of a name shall be made in Form No. INC.1 along with the fee as provided in the Companies (Registration offices and fees) Rules, 2014 which may be approved or rejected, as the case may be, by the Registrar, Central Registration Centre."

4. In the principal rules, in rule 36, in sub-rule (12) :-

i. After sub-clause (b), the following shall be inserted.-

(ba) After the resubmission of the documents and on completion of second opportunity, if the registrar still finds that the documents are defective or incomplete, he shall give third opportunity to remove such defects or deficiencies;

Provided that the total period for re-submission of documents shall not exceed a total period of thirty days.

ii. in sub-clause (c), for the words 'two opportunities', the words 'three opportunities' shall be substituted.
iii.

5. In the principal rules, for the existing Form No.INC-1, the following form no. INC- I shall be substituted.

D. NOTIFICATION NO S.O(E) DATED 22.01.2016

1. In exercise of the powers conferred by sub-sections (1) and (2) Of section 396 of the Companies act ,2013 (18 of 2013) (herein after referred to as the Act, the Central Government hereby establishes a Central Registration Centre (CRC) having territorial jurisdiction all over India, for discharging or carrying out the function of processing and disposal of applications for reservation of names under the provisions of the said Act.
2. The CRC shall function under the administrative control of Registrar of Companies, Delhi (ROC Delhi), who shall act as the Registrar of the CRC until a separate Registrar is appointed to the CRC. The CRC shall process applications for reservation of name i.e., e-Form No. INC-1 filed along with the prescribed fee as provided in the Companies (Registration of Offices and Fees) Rules, 2014.
3. Processing and approval of name or names proposed in e-Form No.INC-29 shall continue to be done by the respective Registrar of Companies having jurisdiction over incorporation of companies under the Companies Act,2013 as per the provisions of the Act and the rules made there under.
4. The CRC shall be located at Indian Institute of Corporate Affairs (IICA), Plot No. 6,7, 8, Sector 5, Imt Manesar District Gurgaon (Haryana), Pin Code-722050.
5. This notification shall come into force from 26th fanuary,2016.

CIRCULARS

GENERAL CIRCULAR NO. 2/2016 DATED 15.01.2016

Subject :- Whether Hindu Undivided Family (HUF)/ its Karta can become partner /Designated Partner (OP) in Limited Liability Partnership (LLP).

1. Reference is invited to General Circular No. 13/2013 wherein, in paragraph 2, it has been clarified that as per section 5 of LLP Act; 2008 only an individual or body corporate may be a partner in a Limited Liability Partnership. A HUF cannot be treated as a body corporate for the purposes of LLP Act, 2008. Therefore, a HUF or its Karta cannot become partner or designated partner in LLP'.
2. However, the clarification inadvertently does not mention partner in the last sentence of the paragraph quoted above which has been pointed out by a stakeholder. It is hereby clarified that a HUF or its Karta cannot become partner or designated partner in LLP.
3. This issues with the approval of the Secretary, MCA.

GENERAL CIRCULAR NO. 1/2016 DATED 12.01.2016

Subject:- Frequently Asked Questions (FAQs) with regard to Corporate Social Responsibility under section 135 of the Companies Act, 2013.

1. Section 135 of the Companies Act, 2013, Schedule VII of the Act and Companies CSR Policy Rules, 2014 read with General Circular dated 18.06,2014 issued by the Ministry of Corporate Affairs, provide the broad contour within which eligible Companies are required to formulate their CSR policies including activities to be undertaken and implement the same in the right earnest, While complying with the Corporate Social Responsibility (CSR) provisions of the Act, Board of the eligible companies are empowered to appraise and approve their CSR policy including CSR projects or programmes or activities to be undertaken, In this connection, Ministry has been receiving several queries and references seeking further clarifications on various issues relating to CSR provision of the Act.
2. In continuation to this Ministry's General Circular dated'18th June, 2014 and 17th September, 2014, a set of FAQs along with response of the Ministry is provided for facilitating effective implementation of CSR :

FREQUENTLY ASKED QUESTIONS ON CORPORATE SOCIAL RESPOSIBITTIES

Sl. No.	FAQs
1.	Whether CSR provisions of the Companies Act, 2013 is applicable to all companies?
	CSR provisions of the Companies Act 2013 is applicable to every company registered under the Companies Act 2013 and any other previous. Companies law having <ul style="list-style-type: none">• net worth of rupees five hundred crore or more, or• turnover of rupees one thousand crore or more or

	<ul style="list-style-type: none"> a net profit of rupees five crore or more during any financial year
2.	What is meaning of 'any financial year mentioned above?'
	<p>"Any Financial year" referred under Sub- Section (1) of Section 135 of the Act read with Rule 3(2) of Companies CSR Rule, 2014 implies any of the three preceding financial years (refer General Circular No. 21/2014, dated: 18.06.2014)</p>
3.	Whether CSR expenditure of a company can be claimed as business expenditure?
	<p>The amount spent by a company towards CSR cannot be claimed as business Expenditure. The Finance Act, 2014 provides that any expenditure incurred by an assessee on the activities relating to Corporate Social Responsibility referred to in section 135 of the Companies Act, 2013 shall not be deemed to be an expenditure incurred by the assessee for the purposes of the business or profession.</p>
4.	Whether the 'average net profit' criteria for section 135(5) are Net profit before tax or Net profit after tax?
	<p>Computation of net profit for section 135 is as per section 198 of the Companies Act, 2013 which is primarily PROFIT BEFORE TAX (PBT).</p>
5.	Can the CSR expenditure be spent on the activities beyond Schedule VII?
	<p>General Circular No. 21/2014 dated June18,2014 of MCA has clarified that the statutory provision and provisions of CSR Rules, 2014, is to ensure that activities Undertaken in pursuance of the CSR policy must be relatable to. Schedule VII of the Companies Act, 2013. The entries in the said Schedule VII must be interpreted liberally so as to capture the essence - of the subjects enumerated in the said Schedule. The items enlisted in the Schedule VII of the Act, are broad-based and are intended to cover a wide range of activities. The General Circular also provides an illustrative list of activities that can be covered under CSR. In a similar way many more can be covered. It is for the Board of the company to take a call on this.</p>
6.	What tax benefits can be availed under CSR?
	<p>No specific tax exemptions have been extended to CSR expenditure per se. The Finance Act, 2014 also clarifies that expenditure on CSR does not form part of business expenditure. While no specific tax exemption has been extended to expenditure incurred on (SR, spending on several activities like contributions to Prime Ministers Relief Fund, scientific research, rural development projects, skill development projects, agricultural extension projects, etc., which find place in Schedule VII, already enjoy exemptions under different sections of the Income Tax Act, 1961.</p>
7.	Which activities would not qualify as CSR?
	<ul style="list-style-type: none"> The CSR projects or programs or activities that benefit only the employees of the company and their families. One-off events such as marathons/ awards/ charitable contribution/advertisement/sponsorships of TV programmes etc. Expenses incurred by companies for the fulfillment of any other Act! Statute of regulations (such as labour laws, land Acquisition Act, 2013, Apprentice Act, 1961 etc.) Contribution of any amount directly or indirectly to any political party. Activities undertaken by the company in pursuance of its normal course of business. The project or programmes or activities undertaken outside India.
8.	Whether a holding or subsidiary of a company which fulfils the criteria under section 135(1) has to comply with section 135, even if the holding and subsidiary itself does not fulfill the criteria?

	Holding or subsidiary of a company does not have to comply with section 135(1) unless the holding or subsidiary itself fulfills the criteria.
9.	Whether provisions of CSR are applicable on Section 8 Company, if it fulfills the criteria of section 135(1) of the Act ?
	Section 135 of the Act reads" Every company", i.e. no specific exemption is given to section 8 companies with regard to applicability of section 135, hence section 8 companies are required to follow CSR provisions
10.	Can contribution of money to a trust/Society/Section 8 Companies by a company be treated as CSR expenditure of the company?
	General Circular ,No. 21/2014 of MCA dated June 18,2014 clarifies that Contribution to Corpus of a Trust/ Society/ Section 8 companies etc. will qualify as CSR expenditure as long as: i. the Trust/ Society/ Section 8 company etc. is created exclusively for undertaking CSR activities or ii. Where the corpus is created exclusively for a purpose directly relatable to a subject covered in-Schedule VII of the Act.
11.	Whether display of CSR policy of a company on website of the company is mandatory or not?
	As per section 135(4) the Board of Directors of the company shall, after taking into account the recommendations of CSR Committee, approve the CSR Policy for the company and disclose contents of such Policy in its report and the same shall be displayed on the company's website, if any (refer Rule 8 & 9 of CSR Policy, Rules 2014).
12.	Whether reporting of CSR is mandatory in Board's Report?
	The Board's Report of a company qualifying under section 135(1) pertaining to a financial year commencing on or after the pt day of April, 2014 shall include an annual report on CSR containing particulars specified in Annexure. (refer Rule 9 of CSR Policy. Rules 2014).
13.	Whether it is mandatory for Foreign Company to give report on CSR activity?
	In case of a foreign company, the balance sheet filed under sub-clause (b) of subsection (1) of section 381 shall contain an Annexure regarding report on CSR.
14.	Whether contribution towards disaster relief qualifies as CSR or not?
	(May please refer point no. 7 to the annexure to General Circular dated 18.06.2014 issued by Ministry of Corporate Affairs).
15.	Whether contribution "in kind can be monetized to be shown as CSR expenditure?
	Section 135 prescribes "... Shall ensure that company spends.... ".The company has to spend the amount.
16.	If a company spends in excess of 2% of its average net profit of three preceding years on CSR in a particular year, can the excess amount spent be carried forward to the next year

	and be offset against the required 2% CSR expenditure of the next year?
	Any excess amount spent (i.e., more than 2% as specified in Section 135) cannot be carried forward to the subsequent years and adjusted against that year's CSR expenditure.
17.	Can the unspent amount from out of the minimum required CSR expenditure be carried forward to the next year?
	The Board is free to decide whether any unspent amount from out of the minimum required CSR expenditure is to be carried forward to the next year. However, the carried forward amount should be over and above the next year's CSR allocation equivalent to at least 2% of the average net profit of the company of the immediately preceding three years.
18.	What is the role of Government in monitoring implementation of CSR by companies under the provision of the Companies Act, 2013?
	<p>The main thrust and spirit of the law is not to monitor but to generate conducive environment for enabling the corporate to conduct themselves in a socially responsible manner, while contributing towards human development goals of the country.</p> <p>The existing legal provisions like mandatory disclosures, accountability of the CSR Committee and the Board, provisions for audit of the accounts of the company etc., provide sufficient safeguards in -this regard. Government has no role to play in monitoring implementation of CSR by companies</p>
19.	Whether government is proposing to establish any mechanism for third parties to monitor the quality and efficacy of CSR expenditure as well as to have an impact assessment of CSR by Companies?
	Government has no role to play in engaging external experts for monitoring the quality and efficacy of CSR expenditure of companies. Boards / CSR Committees are fully competent to engage third parties_ to have an impact assessment of its CSR programme to validate compliance of the CSR provisions of the law.
20.	Can CSR funds be utilized to fund Government Scheme?
	<p>The objective of this provision is indeed to involve the corporate in discharging their social responsibility with their innovative ideas and management skills and with greater efficiency and better outcomes. Therefore, CSR should not be interpreted as a source of financing the resource gaps in Government Scheme. Use of corporate innovations and management skills in the delivery of 'public goods' is at the core of CSR implementation by the companies. In-principle, (SR fund of companies should not be used as a source of funding Government Schemes. CSR projects should have a larger multiplier effect than that under the Government schemes.</p> <p>However, under CSR provision of the Act and rules made thereunder, the Board of the eligible company is competent to take decision on supplementing any Government Scheme provided the scheme permits corporate participation and all provisions of Section 135 of the Act and rules thereunder are complied by the company.</p>
21.	Who is the appropriate authority for approving and implementation of the CSR programmes /projects of a Company? What is Government's role in this regard?
	Government has no role to play in this regard. Section 135 of the Act, Schedule VII and Companies CSR Policy Rules, 2014 read with General Circular dated 18.06.2014 issued by the Ministry of Corporate Affairs, provide the broad contour within which eligible companies are

	<p>required to formulate their CSR policies including activities to be undertaken and implement the same in the right earnest.</p> <p>Therefore, all CSR programmes /projects should be approved by the Boards on the recommendations of their CSR Committees. Changes, if any, in the programme /project should also be undertaken only with the approval of the Committee /Board.</p>
22.	How can companies with small CSR funds take up CSR activities in a project /programme mode?
	<p>A well designed CSR project or programme can be managed with even small fund. Further, there is a provision in the CSR Policy Rules, 2014. that such companies can combine their CSR programs with other similar companies by way of pooling their CSR resources. (refer rule 4 in Companies (CSR Policy) Rules, 2014).</p>
23.	Whether involvement of employees of the company in CSR project /programmes of a company can be monetized and accounted for under the head of 'CSR expenditure'?
	<p>Contribution and involvement of employees in CSR activities of the company will no doubt generate interest / pride in CSR work and promote transformation from Corporate Social Responsibility (CSR) as an obligation. to Socially Responsible Corporate (SRC) in all aspects of their functioning. Companies therefore, should be encouraged to involve their employees in CSR activities. However monetization of pro bono services of employees would not be counted towards CSR expenditure.</p>

3. This issues with the approval of Competent Authority.

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