



The Companies Act 2013

Enlightening Nation

E-newsletter

ABOUT THE E-NEWSLETTER

Dear Users,

To keep you updated about the latest notifications, circulars & orders issued during the month, thecompaniesact2013.com present herewith its monthly e-newsletter. This is the issue of the February month comprising contemporary articles & monthly amendments.

The notion is to render all the updates in a compiled format and serve a better pavement for easy accessibility.

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Corporate Social Responsibility(CSR)

- **Introduction:**

With the enactment of the Companies Act, 2013, India has become the forerunner to mandate spend on Corporate Social Responsibility (CSR) activities through a statutory provision.

While many corporate houses have been traditionally engaged in doing CSR activities voluntarily, the new CSR provisions put formal and greater responsibility on companies in India to set out clear framework and processes to ensure strict compliance. However, what the Companies Act does is bring more companies into the fold and increase the total CSR spend. In this Newsletter we discuss CSR Provisions and CSR Applicability for Corporates.

- **CSR Applicability:**

CSR IS APPLICABLE FROM 1ST APRIL 2014

Section 135(1) of Company Act 2013 mandates the CSR expenditure / CSR Applicability for the following companies– Every company having:

- a) Net worth of Rs.500 crore, or more;
OR
- b) Turnover of Rs.1000 crore, or more;
OR
- c) Net profit of Rs.5.00 crore, or more;

during the immediately preceding financial year.

(net profit excludes income from overseas branch & dividend distributed by company)

– If any company on which CSR provisions were applicable ceases to come in above criteria for consecutive three years, they are not required to follow the provision of CSR

- **Mandatory Expenditure :**

Section 135(5) mandates 2 percent of the Average net profit during the three immediately preceding financial years.

For Financial Year 2014-15 Calculation: Average net profit of FY 2011-12, 2012-13 & 2013-14 needed to be considered.

Average Net Profit is calculated as per section 198 i.e. Calculation done for managerial Calculation.

- **Medium of Expenditure on CSR Activity :**

- ❖ Self
- ❖ Through a registered trust or a registered society or a company established under Section 8 of the Act by the Company, either singly or along with its Holding or Subsidiary or Associate Company, or along with any other Company or Holding or Subsidiary or Associate Company of such other Company or otherwise
- ❖ Through a registered trust or a registered society or a Section 8 company not established by the Company, either singly or along with its Holding or Subsidiary or Associate Company, or along with any other Company or Holding or Subsidiary or Associate Company of such other Company, provided it shall have an established track record of 3 years in undertaking similar programs or activities
- ❖ Collaboration or pool resources with other companies

- **Activities for CSR Expenditure:**

Schedule VII mandates expenditure for the following activity-

- 1) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water,
- 2) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects,
- 3) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, daycare centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward ,
- 4) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water;
- 5) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts,
- 6) Measures for the benefit of armed forces veterans, war widows and their dependents;
- 7) Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;

8) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

9) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government,

10) Rural development projects,

11) Slum Area Development

• **Corporate Social Responsibility (CSR) Committee :**

The Board's Report under sub-section (3) of section 134 shall disclose the composition of CSR Committee. The CSR committee shall:

- a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- c) Monitor the Corporate Social Responsibility Policy of the company from time to time.

NOTIFICATIONS

A. S.O. 529 (E) Notification regarding Exemption to govt. company, Dated 05.02.2018

In exercise of the powers conferred by sub-section (6) of section 129 of the Companies Act, 2013 (18 of 2013), the Central Government, in the interest of public, hereby directs that the provisions of Accounting

Standard 22 or Indian Accounting Standard 12 relating to deferred tax asset or deferred tax liability shall not apply to a prescribed class of companies.

B. G.S.R. (E): Companies (Registered valuer and valuation) Rules, 2018, Dated 09.02.2018

In exercise of the powers conferred by section 247 read with section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules to amend the Companies (Registered valuer and valuation) Rules, 2017, namely:-

1. Short title and Commencement: -

(1) These rules may be called the Companies (Registered valuer and valuation) Rules, 2018.

(2) They shall come into force on the date of their Publication in the Official Gazette.

2. In the Companies (Registered valuer and valuation) Rules, 2017, in rule 11, for the figures, letters and word "31st March, 2018", occurring at both the places, the figures, letters and word "30th September, 2018" shall be substituted.

C. G.S.R. (E): Notification regarding enforcement of Sections of Companies Amendment Act 2017, Dated 09.02.2018

In exercise of the powers conferred by sub-section (2) of section 1 of the Companies (Amendment) Act, 2017 (1 of 2018), the Central Government hereby appoints 9th February as the date on which various provisions of the Companies (Amendment) Act, 2017 shall come into force ;

D. G.S.R. (E): Companies (Authorised to Register) Amendment Rules, 2018,, Dated 16.02.2018

These Rules may be called the Companies (Authorised to Register) Amendment Rules, 2018 which substitutes Form No. URC-1 of the Companies (Authorised to Register) Rules, 2014.

E. G.S.R. (E): Companies (Management and Administration) Amendment Rules, 2018, Dated 16.02.2018

These rules may be called the Companies (Management and Administration) Amendment Rules, 2018, which substitutes Form No. MGT-6 and Form No. MGT-15 of the Companies (Management and Administration) Rules, 2014.

F. G.S.R. (E): Companies (Audit and Auditors) Amendment Rules, 2018, Dated 16.02.2018

These rules may be called the companies (Audit and Auditors) Amendment Rules, 2018, which substitutes Forms ADT-1 and ADT-2 of the Companies (Audit and Auditors) Rules, 2014.

G. G.S.R. (E): Companies (Accounts) Amendment Rules, 2018, Dated 27.02.2018

These rules may be called the Companies (Accounts) Amendment Rules, 2018, which states that the Companies which are required to comply with Companies (Indian Accounting Standards) Rules, 2015 shall forward their statement in Form AOC-3A.

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- **[S.O. 529 \(E\) Notification regarding Exemption to govt. company, Dated 05.02.2018](#)**
- **[G.S.R. \(E\): Companies \(Registered valuer and valuation\) Rules, 2018, Dated 09.02.2018](#)**
- **[G.S.R. \(E\): Notification regarding enforcement of Sections of Companies Amendment Act 2017, Dated 09.02.2018](#)**
- **[G.S.R. \(E\): Companies \(Authorised to Register\) Amendment Rules, 2018, Dated 16.02.2018](#)**
- **[G.S.R. \(E\): Companies \(Management and Administration\) Amendment Rules, 2018, Dated 16.02.2018](#)**
- **[G.S.R. \(E\): Companies \(Audit and Auditors\) Amendment Rules, 2018, Dated 16.02.2018](#)**
- **[G.S.R. \(E\): Companies \(Accounts\) Amendment Rules, 2018, Dated 27.02.2018](#)**

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