



# Corporate Social Responsibility Expenditure

## Why in News

**Experts are calling** on the government **to ease CSR (Corporate Social Responsibility) regulations** to allow corporate **expenditure on vaccinations for employees** and **treatment of employees** suffering from Covid to be **covered** under spending for **CSR**.

- Under **current CSR norms**, companies are **not permitted** to count **expenditure** incurred **exclusively** for the **welfare of employees** as part of their **mandatory CSR expenditure**.

## Key Points

### ▪ Corporate Social Responsibility:

#### ◦ Meaning:

- The term "Corporate Social Responsibility" in general can be referred to as a **corporate initiative to assess and take responsibility for the company's effects on the environment** and impact on social welfare.

#### ◦ Governance:

- In India, the concept of CSR is **governed by clause 135 of the Companies Act, 2013**.
  - India is the **first country in the world to mandate CSR spending** along with a framework to identify potential CSR activities.
- The **CSR provisions** within the Act is **applicable to companies with an annual turnover of 1,000 crore and more, or a net worth of Rs. 500 crore and more, or a net profit of Rs. 5 crore and more**.
- The Act **requires companies to set up a CSR committee** which shall recommend a Corporate Social Responsibility Policy to the Board of Directors and also monitor the same from time to time.
- The Act **encourages companies to spend 2% of their average net profit in the previous three years on CSR activities**.

#### ◦ CSR Activities:

- The **indicative activities**, which can be undertaken by a company under CSR, have been **specified under Schedule VII of the Act**. The activities include:
  - Eradicating extreme hunger and poverty,
  - Promotion of education, gender equality and empowering women,
  - Combating **Human Immunodeficiency Virus, Acquired Immune Deficiency Syndrome** and other diseases,
  - Ensuring environmental sustainability;
  - 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 funds for the welfare of the Scheduled Castes, the Scheduled

Tribes, other backward classes, minorities and women etc.

◦ **Injeti Srinivas Committee:**

- A **High Level Committee on CSR** was formed in 2018 under the Chairmanship of Injeti Srinivas.
- The **main recommendations** included making CSR expenditure tax deductible, allowing the carry-forward of unspent balance for a period of 3-5 years, and aligning Schedule VII of the Companies Act with the **United Nations Sustainable Development Goals**.

▪ **Recent Development:**

- In 2020, the **Ministry of Corporate Affairs allowed companies to spend CSR funds on Covid-19 relief**, including preventive healthcare and sanitation and on research and development of Covid drugs, vaccines and medical devices.
- The **ambit was expanded further this year** to include awareness or public outreach programmes on Covid-19 vaccination and setting up of makeshift hospitals and temporary Covid care facilities.

▪ **Benefits of Further Easing CSR Norms:**

- **Role in Vaccination Drive:** Approximately, Rs. 10,000 crore is available with listed companies annually for spending on CSR activities. If the eligible unlisted companies are taken into account, the available sum may be larger. This can be handy in supplementing the expenditure of the Centre and States on vaccination.
- **Rural Population can be reachable:** Many of these companies have a presence in rural areas. This will ensure that the drive goes beyond the large cities and reach the rural population too.
- **Benefit of Allowing Corporate Expenditure on Vaccinations for Employees under CSR:** This will boost vaccinations for unorganised labour in the manufacturing sector and will benefit the overburdened healthcare system.

**Source:IE**

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