Q50

With reference to Corporate Social Responsibility (CSR) rules in India, consider the following statements: 1. CSR rules specify that expenditures that benefit the company directly or its employees will not be considered as CSR activities. 2. CSR rules do not specify minimum spending on CSR activities. Which of the statements given above is/are correct? (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2 Official key: A.

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Explanation

(a) Official key

1 only. Spend that benefits the company or its employees is generally not CSR; a 2% minimum is specified.

(b)

2 only. Companies Act does specify a minimum CSR spend (2% of average net profits).

(c)

Both. Statement 2 is false.

(d)

Neither. Statement 1 holds.

Summary

Official key is (a) 1 only. CSR rules exclude activities that benefit the company or its employees (except some listed exceptions). Section 135 does specify a minimum: 2% of average net profits of the last three years for eligible companies. So statement 2 is false.

Related possible facts

These can be asked in a future Prelims paper.

Section 135
Companies Act, 2013; CSR committee and 2% spend for companies above thresholds.

Schedule VII
List of permitted CSR activities.