CSR MADE EASY

Corporate Social Responsibility

Learning Series ◆ Vol.- I ◆ Issue - 2 ◆ 2015-16

SOME CONFUSING & DEBATABLE CSR ISSUES

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Some Confusing & Debatable CSR Issues

Introduction

1.1.1 The law relating to CSR in India is provided in Section 135 of the Companies Act, 2013 read with Schedule VII of the Act and The Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR laws are new and still evolving, therefore, there are many areas which lack clarity. In this issue some of the confusing and debatable issues have been discussed.

Independence of CSR Committee & NPOs Promoted by Company

1.2.1 Under Rule 4(2) a Company can implement CSR activity through Trust or Society promoted by it. A Company can promote a Trust and immediately start working through such Trust. It may be noted that if a Company works through other Trust or Society (which are not promoted by the Company) then such Trust or Society should have at least 3 years existence and experience.

1.2.2 A Trust or Society promoted by the Company can be controlled by the Company. There is no requirement of having Independent management or Directors in such Trust or Society promoted by the Company, i.e. the Director or his relatives can be the Trustees in such Trusts or be a part of the Governing Bodiy of the Society. The formation of such Trust and Society promoted by the Company and other allied issues shall be dealt separately in future issues.

1.2.3 However, Section 135(1) requires that a CSR Committee should be formed. There should be at least one Independent Director in such CSR Committee. More importantly the CSR law does not address the independence of the NPO or Trust to be promoted by the Company, which is more important. In fact in the CSR committee also there is no scope of having external independent persons, only the independent director from the board of the company is required to be included.

1.2.4 It may further be noted that contribution towards corpus to a Trust or Society promoted by the Company is also permissible as CSR expenditure. Currently a Company can create a closely held Trust and transfer funds including corpus which is not required to be utilised immediately.

Illustration: *Alpha Beta Ltd. promoted Alpha Beta Foundation, a Trust, to implement its CSR activity. Mr. A the Director of Aplpha Beta is the Trustee of this Trust. The other two Trustees are Wife and Son of Mr. A. The Company has transferred Rs.2 Crore towards the corpus of Alpha Beta Foundation as its CSR commitment.* This is a permissible arrangement.

CSR Expenditure Whether Charge Against Income or Appropriation

1.3.1 Whether CSR is a charge to the income or appropriation of income is an issue having different interpretation, particularly after the amendment to Section 37 of the Income Tax Act by Finance Act, 2015, where it was clarified that CSR expenditure will not be treated as a charge against income and shall not be allowed as expenditure under section 37.

1.3.2 Further, as per Companies Act, 2013 the expenditure on CSR is a charge against income as a separate line item. Part II of Schedule III requires a company to disclose by way of note additional information on CSR activities like –

- Gross amount required to be spent by the company during the year
- Amount spent during the year

The Guidance Note on Accounting for Expenditure on CSR Activities also confirms the above position.

1.3.3 As cited above, under Income Tax Act for the purpose of claiming expenditure of CSR u/s. 37 of the Income Tax Act, it is clarified that CSR expenses for the purpose of Section 37 is not a charged against income but it is mainly an application of income and therefore, CSR expenses are not allowed as deduction while computing the profit & loss from Income from Business & Profession'. On the contrary there are other sections under the Income Tax Act such as Section 35 or 35AC which allow CSR expenditure as a expenditure.

1.3.4 If the CSR expenditure considered as a charge against income then it raises another confusion; whether the 'average income' for CSR should be determined before or after charging such expenditure. Such issues and the tax implications thereof, shall be taken up in forthcoming issues.

The Fundamental Difference Between Section 181 and 135

1.4.1 Section 181 of the Companies Act, 2014 allows all the Companies to make voluntary contribution to bonafide charitable funds upto 5% of profit even without the approval of the general body. *In other words there is an overlap in the provisions of the Companies Act, 2013 with regard to voluntary contribution for charitable purposes. The fundamental difference between Section 181 and 135 has not been addressed and therefore, there is lack of clarity as far as Income Tax on CSR is concerned. It is not clear whether a contribution for charitable purposes will be permissible under Section 181 or 135 or both.*

1.4.2 Ideally all application under Section 135 should have been treated as charge against the income. And all contribution under Section 181 should be treated as voluntary contribution which are appropriation of income.

Accounting and Utilisation Issues in CSR

1.5.1 When CSR funds are utilised through other NPOs/Trust–then there are Accounting and Disclosure issues which need attention :

- If voluntary contribution is given to a Trust then the transfer itself should be treated as expenditure, irrespective of subsequent utilisation. However, under Schedule VII a Company has to give restricted grant as legal obligation for specific purposes, therefore it is not clear whether CSR grant can or cannot be voluntary contribution or should they be restricted grant only.

- If restricted project grants are given, then such grants are given as a fiduciary responsibility to the recipient organisations. Therefore, there should be clarity on how it should be treated in the books of the Company.
- If it is treated as application then an unexecuted contract at both ends is accounted as complete. Such treatment would be correct from accounting perspective, however, it will not provide a true and fair picture of actual CSR utilisation in the books of the company.
- Moreover, restricted project grants cannot be treated as income in the books of the recipient (unless the recipient organisation itself is the beneficiary and its networth increases). Hence the other option would be to show application to the extent of utilisation made by the implementing organisation in the books of the company. However, if we follow such accounting the CSR grant will remain a liability in the NPO's books and an asset in the Companies book.
- However, there is a difference between a 'liability' and 'legal obligation'. Once a legal obligation is created by the Company then it is no longer a asset in the books of the Company. Therefore, it is advisable to write off the CSR grant in the company's books and monitor the utilisation at the end of the NGO through subsidiary records.

1.5.2 The Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) do not distinguish the grants received in Independent capacity and fiduciary capacity. On the contrary the judicial precedence on such distinction is very clear and well settled.

1.5.3 The Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities (issued on May 15, 2015) issued by ICAI, while dealing with the issue of accounting of grant, has discussed in general terms and more specifically as applicable to voluntary contribution and no reference is made towards contribution in the nature of restricted grant.

1.5.4 Contribution to Corpus of a Trust/ society/ section 8 companies 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.

Corpus Donation and Allied Issues

1.6.1 Corpus Donations cannot be given for specific purpose, they are normally given with specific direction for indefinite retention without assigning any purpose. In other words a corpus fund is like a general fund; the only difference being the authority to retain the corpus fund for long period.

1.6.2 In such background (i) it is not possible to give a corpus donation for the specific activities mentioned in Schedule VII because, then a corpus would become an endowment. In other words, even if a long term fund is given for purposes under Schedule VII, it cannot be, technically a corpus donation. It has to be a restricted endowment (ii) an endowment is held in fiduciary capacity therefore, it cannot increase the corpus or networth of the recipient Trust

1.6.3 The current CSR provisions provide undue leeway to Companies to claim CSR without spending through corpus donation. Moreover, as discussed a corpus donation cannot be given for purposes under Schedule VII, therefore, such corpus donation to a company promoted foundation effectively becomes an long term endowment where the foundation does not have any immediate obligation of spending.

Companies Facing Conflict with FCRA Laws

1.7.1 Under Foreign Contribution Regulation Act (FCRA), 2010 the Foreign Companies and even Indian Companies* are not allowed to provide grant to other NPOs unless they have FCRA prior permission or registration. There are many Indian Companies having more than 50% share holding by foreigners; ICICI Bank, HDFC Bank, Infosys etc. are few examples. A corresponding amendment in the FCRA law is necessary otherwise most of the larger Companies will be implicated. Technically an Indian Company like HDFC Bank or Infosys cannot give grant to its own NPO or Foundation unless it has FCRA registration or prior permision.

1.7.2 As a matter of fact such deemed Foreign Companies cannot even setup Indian Trust or Society by making initial contribution/expenditure, because technically,

* Under Section 2(1)(j) of Foreign Contribution Regulation Act (FCRA), 2010 and Indian Company is also considered as foreign source if more than 50% of its share capital is held by foreign individuals or entities.

even for such initial contribution/expenditure also FCRA permission is necessary.

1.7.3 Hence such deemed foreign companies can have CSR expenditure either through FC registered organisation or by implementing CSR program on its own.

1.7.4 Again there might be some debate whether such deemed foreign companies* can implement CSR activities, directly, on their own or they need registration under FCRA. We are of the opinion that such deemed foreign companies can implement CSR program, directly, without FCRA registration as the fund with them is out of profit generated in India and therefore, nature of fund in their hand is local. In other words, such companies can carry out CSR program on their own by paying vendors and beneficiaries directly. However, to work through other Trusts/NGOs they need registration under FCRA.

Further, while implementing program, care should be taken so that such implementation of program does not result in any creation of community Assets i.e. school building, communication building, etc. otherwise it may tantamount to transfer of FC fund to a non-FC registered/non registered organization.

1.7.5 It is important that clarity is brought in both FCRA and Companies Act. It is necessary that amendments are made under FCRA exempting such CSR expenditure from the purview of FCRA.

Reporting Requirement of CSR

1.8.1 The reporting format under the Companies (CSR) Rule is a broad guideline. It should have been linked with the Schedule III of the Companies Act in order to create formal responsibility of the auditor. Currently there is no formal linkage of CSR reporting with the audited financial statements, except as notes to be accounts.

1.8.2 In the formal financial audited reports, reporting on CSR expenditure is not required to be reported in the main statement, they only come as a note to the auditors report. It is important to provide more specific reporting and disclosure requirement including :

(i) the break up between Companies in case of pooling of expenditure;

(ii) the activity wise break up;

(iii) a declaration on the actual status of fund which have been given as grant to other NGOs because as per law the grant itself should be treated as application in the books of the Company;

(iv) in case of corpus donation the status & activities of the organisation.

1.8.3 In other words, the current reporting format under CSR should be linked with Schedule III of the Companies Act. Currently in the audited accounts, the CSR expenditure is required to be disclosed under clause (k) of para 5(i) of Schedule III in the notes to accounts.

1.8.4 The Company should display its CSR policy on its website. Therefore it is implied that every company eligible for CSR must have a website.

Lack of Clarity Regarding Administrative Expenses

1.9.1 There is no accounting standard or mechanism to determine administrative expenses. The judicial precedence is confusing and most of the administrative expenses have been treated as programme expenses. This will result in use of discretionary norms in determining the administrative expenses, affecting the uniformity in reporting under CSR Rules.

Treatment of Short fall or Excess in CSR Expenditure

1.10.1 The Companies Act, 2013 nor CSR Rules provided any guidance on whether a company has to provide for unspent amount (short fall in the expenditure to the extent of 2% of average Net Profit) or whether a company can carry forward the benefit of higher expenditure and can spend the lower amount in the subsequent years.

1.10.2 The term used in Section 135(5) is **shall ensure** that every company spends. The word **"shall ensure"** means to secure or to make sure but this can not be considered as mandate to spend minimum 2% of the average Net Profit of the last 3 years.

1.10.3 In view of above it is not required to provide for unspent amount (short fall in the expenditure to the extent of 2% of average Net Profit). This view also get support as :

a) Under Section 134(3)(o) the Board of the Company is required to report the short fall in CSR expenditure, however, there is no such requirement of reporting the short fall of CSR expenditure, in the audited financial statements.

b) The Guidance Note issued by ICAI, on Accounting for Expenditure on CSR Activities, issued on 15/05/2015 also confirmed this position.

1.10.4 However if CSR policy mentions that the company will cover the shortfall in the subsequent years then it creates a constructive obligation and there shall be a need for making provision for such shortfall in expenditure, though legally such provision will not be treated as charge against income in the profit and loss account.

1.10.5 Similarly neither the Act nor the CSR Rules provide guidance on whether the company can carry forward the higher expenditure and can use the same to lower CSR amount in the subsequent years. However as per the Guidance Note issued by ICAI, on Accounting for Expenditure on CSR Activities, the excess amount cannot be carry forward for set off in the subsequent years since 2% of average net profit of last 3 years is the minimum amount which is required to be spent u/s. 135(5) of the Act.

Treatment of Income made from CSR Activities

1.11.1 There is lack of clarity about incidental income from CSR activity. This issue becomes more pertinent when the income happens at the end of the implementing NGO.

1.11.2 Under Rule 6(2) the CSR Policy of the Company shall specify that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a Company. In other words surplus generated from CSR activities should be ploughed back to CSR funds over and above the 2% contribution.

1.11.3 In this context, it is not clear how the taxation of such surplus will be treated. Any income including the surplus from CSR activities will be taxable if the CSR activities are implemented directly by the Company. However, such surplus shall be exempted from tax, in the hands of company if the CSR activities are implemented through registered NPOs and the income directly accrues in the hands of NGO. Similarly if surplus is generated by another Corporate under pooling of expenditures, then also reporting and taxation issues remain unresolved.

1.11.4 There is a need to distinguish the various kind of surplus generated at various level and the treatment thereof.

1.11.5 Similarly there are accounting issues as to how to account for the income from CSR activities arising or accruing to the company or when the income happens at the end of the implementing NGO.

The Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities (issued May 15, 2015) issued by ICAI has covered this issue to some extent and recommended that any surplus arising out of CSR project or programme or activities shall be recognised in the statement of profit and loss and since this surplus cannot be a part of business profits of the company, the same should immediately be recognised as liability for CSR expenditure in the balance sheet and recognised as a charge to the statement of profit and loss. Accordingly, such surplus would not form part of the minimum 2% of the average net profits of the company made during the three immediately preceding financial years in pursuance of its Corporate Social Responsibility Policy.

Compliance of a Loss Making Company Falling in CSR Criteria

1.12.1 Corporate Social Responsibility (CSR) will apply even to a Company which is making losses if the networth exceeds Rs. 500 crore or the turnover exceeds Rs. 1,000 crore.

1.12.2 The current CSR provisions does not require any CSR activity if such Companies are making losses. There might be Companies which are making cash profits but book losses. For example, a Company may have cash profit before charging depreciation but loss after charging depreciation.

1.12.3 The intent of the Act seems to make CSR an appropriation of income activity rather than a charge against income. For instance, even a loss making Company s required to make all statutory payments and expenditures.

1.12.4 The current CSR laws do not distinguish between the statutory nature and the voluntary nature of CSR expenditures.

1.12.5 Another question to be addressed is that whether Loss making companies are expected to carry out CSR if they are eligible u/s 135 in the other two criteria. If yes, what shall be the method of calculation. Under the current scheme of provisions loss making companies would not be required to spend on CSR if the average profit of the last 3 year is also negative.

Can Losses be Treated as Negative Income for Average Profit ?

1.13.1 The current CSR law require computation of average profit for the past 3 years. 2% CSR expenditure has to be made based on such average profit. However it is not clear whether losses in any particular year be treated as negative income for average profit. For example, a Company has made profit in past 2 years and loss in one of the past 3 years. In such circumstances it is not clear whether the loss should be deducted for computing average profit. Ideally loss should be allowed to be deducted.

Can Companies Average Out CSR Expenditure in case of Pooling ?

1.14.1 Under Rule 4(3) a Company may also collaborate with other Companies for undertaking projects or programs 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 programs in accordance with the Rules. In other words, a group of Companies can jointly execute CSR programmes, such Companies can be holding and subsidiary Companies also.

1.14.2 However, it is not clear whether, in case of pooling of expenses, one Company spend less and another more. In other words, can Companies average out CSR expenditure. Normally each Company should be required to spend the requisite amount under CSR with or without pooling of expenses.

Will CSR Apply in First Three Year ?

1.15.1 A Company which falls into the CSR criteria in the first year of its operation, the question arises whether it should conduct CSR activities. There is no clarity in this regard. However, since the CSR expenditure is based on the last 3 years average profit, it seems that the CSR law should not apply in the first 3 years of existence, even if a Company falls into the CSR criteria.

The argument also gets support when the CSR Rules provides that when a Company ceases to come under CSR criteria, even then it has to continue CSR activities for 3 years. In other words if the CSR criteria does not apply for three consecutive financial years, then the company can stop complying with the CSR regulations.

1.15.2 However the second view may be that for the purpose of Net Profit calculation, average of the profit could be for one year or two years depending on availability of previous year's data. It is not mandatory to calculate average profit with three years only as where there is a reference to average calculation that has always meant, the averaging will be done with the number of years of past data available. As per this view, once the company comes within the ambit of CSR, then the company cannot escape its liability just because the past three years data are not available.

1.15.3 In view of the above, it seems that the more logical interpretation would be to assume applicability of CSR even during the first 3 years if the criteria are fulfilled. In other words CSR can apply from second year onwards.

Can Foreign Branches do Activities Directly ?

1.16.1 By virtue of the CSR Rule 3(1) the branches or project office of any Foreign Company as defined under Section 2(42) of the Act is also required to implement CSR.

1.16.2 However, the Foreign Companies and their Branches are subject to FEMA approval and restrictions. Under FEMA Foreign Companies are permitted to conduct only those activities which are specifically permitted by Reserve Bank of India. Therefore, technically CSR activities cannot be implemented unless approved by RBI under FEMA. As the normal permissible list of activities does not include charitable activities.

1.16.3 Any Foreign Corporate or Foreign NPO does not have a right to do charitable activity in India without specific approval from RBI under FEMA. A Foreign Corporate or Foreign NPO can have charitable activity in India only through registered charitable organisation having FCRA registration.

1.16.4 Technically and under strict legal interpretation all branches of Foreign Company should seek specific approval from RBI under FEMA if they fall under the criteria specified for CSR, otherwise they cannot do direct implementation of CSR activities.

1.16.5 However, as per the new Companies Act, 2013, CSR has been made mandatory as a part of business activity, therefore, even if CSR is not explicitly provided in the RBI letter of approval, it should be construed as permissible.

1.16.6 It is important that clarification is issued by RBI under FEMA in this regard.

1.16.7 As the branch and project office of any foreign company are also considered as a foreign source under FCRA, it has to be examined whether they need to have FCRA registration, in addition to approval under FEMA, for direct implementation of CSR activities.

Applicability of CSR in first 3 years of Foreign Branch or Project Office

1.17.1 In case of a Foreign Company the Net Profit for CSR purposes has to be determined for the Indian operations for a period of 3 years under Section 381(1)(a). This issue is not clear from CSR Rule, however, in our opinion Foreign branches and project offices will not come under the CSR provision for the first 3 years of their operation.

How Monitoring will be done When Funds are given to Other NGOs ?

1.18.1 Under CSR laws, the CSR Committee is required to monitor the implementation of CSR activities and report to the Board. However, when a Company is working through other Trust or NPOs, legally, the grant itself is treated as application of funds. In other words the CSR funds are utilised the moment the transfer of funds is made. In such circumstances it is not clear how the monitoring will be done by the CSR Committee. It seems that the audited statements and activity report from the implementing partner have to be relied upon.

Activities under Schedule VII do not seem to be Mandatory

1.19.1 The Section 135 and the Companies (CSR) Rules, 2014 provide that specific activities have to be conducted under CSR. Further, Schedule VII has been provided which elaborate the specific activities. Section 135(3)(a) provides that the activities should be undertaken by the Company as specified in Schedule VII. In other words on plain reading of Section 135 it seems that no other activities other than the one specified in Schedule VII are permissible.

1.19.2 However, Rule 2(c) defines that Corporate Social Responsibility shall not be confined to the projects and programmes specified in Schedule VII therefore, if one goes by the definition of CSR then all kinds of charitable activities are permissible and Schedule VII is just a indicative list.

1.19.3 Under the current enacted Rules it seems that there would not be any violation if a Company conducts legitimate charitable activities even beyond the list provided in Schedule VII. ***However, it could be legally debated whether a Rule can supersede the Act because Section 135(3)(a) clearly provides that the CSR activities should confirm to Schedule VII***.

1.19.4 Further, the Circular No. 21/2014 dt. 18th June, 2014 clarifies that the activities mentioned in Schedule VII should be interpreted liberally. The said circular is provided is ***Annexure 1***.

Whether CSR Grant can only be in the nature of Restricted Grant

1.20.1 Whether a company can make voluntary contribution out of CSR fund to another NGO or to a NGO established by a company is again an area requiring debate. As per the CSR Rules, the CSR expenditure has to be in conformity or in line with the activities which falls under the purview of Schedule VII of the Act and therefore the purpose of the grant has to be very specific.

1.20.2 Hence in view of this, CSR grant to other NGOs should only be by way of restricted grant and in normal situation no voluntary contribution can be given to another NGO or a NGO established by a company. In certain cases if the company has registered a foundation with the sole objective of CSR Schedule VII activities then voluntary contribution may also be given.

ANNEXURE - 01

CIRCULAR NO. 21/2014 DT. 18TH JUNE, 2014

General Circular No. 21/2014

No. 05/01/2014- CSR
Government of India
Ministry of Corporate Affairs

5th Floor, 'A' Wing,
Shastri Bhawan, Dr. R. P. Marg
New Delhi - 110 001
Dated: 18th June, 2014

To,
All Regional Director,
All Registrar of Companies,
All Stakeholders

Subject: - Clarifications with regard to provisions of Corporate Social Responsibility under section 135 of the Companies Act, 2013.

Sir,

This Ministry has received several references and representation from stakeholders seeking clarifications on the provisions under Section 135 of the Companies Act, 2013 (herein after referred as 'the Act') and the Companies (Corporate Social Responsibility Policy) Rules, 2014, as well as activities to be undertaken as per Schedule VII of the Companies Act, 2013. Clarifications with respect to representations received in the Ministry on Corporate Social Responsibility (herein after referred as ('CSR') are as under:-

(i) The statutory provision and provisions of CSR Rules, 2014, is to ensure that while 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 amended Schedule VII of the Act, are broad-based and are intended to cover a wide range of activities as illustratively mentioned in the Annexure.

(ii) It is further clarified that CSR activities should be undertaken by the companies in project/ programme mode [as referred in Rule 4 (1) of Companies CSR Rules, 2014]. One-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV programmes etc. would not be qualified as part of CSR expenditure.

(iii) Expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) would not count as CSR expenditure under the Companies Act.

(iv) Salaries paid by the companies to regular CSR staff as well as to volunteers of the companies (in proportion to company's time/hours spent specifically on CSR) can be factored into CSR project cost as part of the CSR expenditure.

(v) "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'.

(vi) Expenditure incurred by Foreign Holding Company for CSR activities in India will qualify as CSR spend of the Indian subsidiary if, the CSR expenditures are routed through Indian subsidiaries and if the Indian subsidiary is required to do so as per section 135 of the Act.

(vii) 'Registered Trust' (as referred in Rule 4(2) of the Companies CSR Rules, 2014) would include Trusts registered under Income Tax Act 1956, for those States where registration of Trust is not mandatory.

(viii) Contribution to Corpus of a Trust/ society/ section 8 companies 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.

2. This issues with the approval of Competent Authority.

Yours faithfully,

Sd/-
(Seema Rath)
Assistant Director (CSR)
Phone No. 23389622

Copy to:

1. PSO to Secretary
2. PPS to Additional Secretary
3. PS to DG (IICA)/JS (M) /JS(B)/JS(SP)/DII (UCN)/EA/DII(POLICY)
4. DIR (AK)/DIR (AB)/DIR(NC)/DIR(PS)
5. e-Governance Cell for uploading on website of MCA

Annexure referred to at para (i) of General Circular No. 21/2014 dated 18.06.2014

SI. No.	Additional items requested to be included in Schedule VII or to be clarified as already being covered under Schedule VII of the Act	Whether covered under Schedule VII of the Act
1.	Promotion of Road Safety through CSR : (i) (a) Promotions of Education, "Educating the Masses & Promotion of Road Safety awareness in all facets of road usage, (b) Drivers' training, Schedule VII (ii) under (c) Training to enforcement personnel, (d) Safety traffic engineering & awareness through print, audio & visual media" should be included. (ii) Social Business Projects:"giving medical & Legal aid, treatment to road accident victims" should be included.	(a) Schedule VII (ii) under "promoting education". (b) For drivers training etc. "vocational skills". (c) It is establishment functions of Government **(cannot be covered)**. (d) Schedule VII (ii) under "promoting education". (ii) Schedule VII (i) under 'promoting health care including preventive health care.'
2.	Provisions for aids and appliances to the **differently- able** persons- 'Request for inclusion	Schedule VII (i) under 'promoting health care including preventive health care.'
3.	The company contemplates of setting up ARTIIC (Applied Research Training & Innovation Centre) at Nasik. Centre will cover the following aspects as CSR initiatives for the benefit of the predominately rural farming community: (a) Capacity building for farmers covering best sustainable farm management practices. (b) Training Agriculture Labour on skill development. (c) Doing our own research on the field for individual crops to find out the most cost optimum and Agri–ecological sustainable farm practices. (Applied research) with a focus on water management. (d) To do Product Life Cycle analysis from the soil conservation point of view.	Item no. (ii) of Schedule VII under the head of "promoting education" and "vocational skills" & "rural development". (a) "Vocational skill" livelihood enhancement projects. (b) "Vocational skill" (c) 'Ecological balance', 'maintaining quality of soil, air and water'. (d) "Conservation of natural resource" and 'maintaining quality of soil, air & water'.
4.	To make "Consumer Protection Services" eligible under CSR. (Reference received by Dr. V.G. Patel, Chairman of Consumer Education and Research Centre). (i) Providing effective consumer grievance redressal mechanism.	Consumer education & awareness can be covered under Schedule VII(ii) "promoting education".

	(ii) Protecting consumer's health and safety, sustainable consumption, consumer service, support & complaint resolution. (iii) Consumer protection activities. (iv) Consumer Rights to be mandated. (v) all consumer protection programs & activities" on the same lines as Rural Development, Education etc.	
5.	a) Donations to IIM [A] for conservation of buildings and renovation of classrooms would qualify as "promoting education" and hence eligible for compliance of companies with Corporate Social Responsibility. b) Donations to IIMA for conservation of buildings and renovation of classrooms would qualify as "protection of national heritage, art and culture, including restoration of buildings and sites of historical importance" & hence eligible for compliance of companies with CSR.	Conservation & renovation of school buildings and classrooms relates to CSR activities under Schedule VII as "promoting education".
6.	Non Academic Technopark TBI not located within an academic Institution but approved and supported by Department of Science and Technology.	Schedule VII (ii) under "promoting education", if approved by Department of Science and Technology.
7.	Disaster Relief	Disaster relief can cover wide range of activities that can be appropriately shown under various items listed in Schedule VII. For example, (i) medical aid can be covered under 'promoting health care including preventive health care.' (ii) food supply can be covered under eradicating hunger, poverty and malnutrition. (iii) supply of clean water can be covered under 'sanitation and making available safe drinking water'.
8.	Trauma care around highways in case of road accidents.	Under 'health care'.
9.	Clarity on "rural development projects"	Any project meant for the development of rural India will be covered under this.
10.	Supplementing of Govt. schemes like mid-day meal by corporates through additional nutrition would qualify under Schedule VII.	Yes. Under Schedule VII, item no. (i) under 'poverty and malnutrition'.

11.	Research and Studies in the areas specified in Schedule VII.	Yes, under the respective areas of items defined in Schedule VII. Otherwise under 'promoting education'.
12.	Capacity building of government officials and elected representatives both in the area of PPPs and urban infrastructure.	No.
13.	Sustainable urban development and urban public transport systems	Not covered.
14.	Enabling access to, or improving the delivery of, public health systems be considered under the head "preventive healthcare" or "measures for reducing inequalities faced by socially & economically backward groups"?	Can be covered under both the heads of "healthcare" or "measures for reducing inequalities faced by socially & economically backward groups", depending on the context.
15.	Likewise, could slum re-development or EWS housing be covered under "measures for reducing inequalities faced by socially & economically backward groups"?	Yes.
16.	Renewable energy projects	Under 'Environmental sustainability, ecological balance and conservation of natural resources',
17.	(i) Are the initiatives mentioned in Schedule VII exhaustive? (ii) In case a company wants to undertake initiatives for the beneficiaries mentioned in Schedule VII, but the activity is not included in Schedule VII, then will it count (as per 2(c)(ii) of the Final Rules, they will count)?	(i) & (ii) Schedule VII is to be liberally interpreted so as to capture the essence of subjects enumerated in the schedule.
18.	US-India Physicians Exchange Program– broadly speaking, this would be program that provides for the professional exchange of physicians between India and the United States.	No.

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SAGA is a consulting organisation on CSR and Charities in South East Asia. SAGA came into existence in the year 2003, it was founded by Dr. Manoj Fogla. SAGA is involved in providing legal support and accompaniment on financial and governance issues to Corporates and Charities in South Asia. SAGA is also engaged in research and publication of materials that provide authentic analysis and precise determination of various legal and governance issues. SAGA has its head quarter in Cuttack and branches in New Delhi and Mumbai.

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