

Bill No. X of 2018

THE COMPANIES (AMENDMENT) BILL, 2018

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further to amend the Companies Act, 2013.

BE it enacted by Parliament in the Sixty-ninth Year of the Republic of India as follows:—

1. (1) This Act may be called the Companies (Amendment) Act, 2018.

Short title,
extent and
commencement.

5 (2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2. In the Companies Act, 2013, after sub-section (5) of section 135, the following proviso shall be inserted, namely:—

Amendment
of Section
135 of Act 18
of 2013.

10 Provided also that in every financial year, at least ten per cent. of the amount earmarked for Corporate Social Responsibility activities under this section shall be spent in the Northeast States of the Country.

STATEMENT OF OBJECTS AND REASONS

Section 135 of the Companies Act, 2013 mandates that every company, set up under the Companies Act and having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year should contribute 2 per cent of their profits on Corporate Social Responsibility (CSR) activities. It has been found that most of the companies spend their CSR funds and undertake their CSR activities in their areas of operation. For the financial year 2014-15, the CSR spending by companies/PSUs in Northeast India is a mere 153.52 crore out of the total Rs. 8803 crore and in financial year 2015-16, the CSR spending by companies in Northeast India is Rs. 176.59 crore out of a total of Rs. 9822 crore spent by the companies/PSUs. Thus, the CSR spending in Northeast India by the Companies/PSUs worked out to only 1.74 per cent in 2014-15 and 1.79 per cent in 2015-2016. This has resulted in the concentration of CSR spending of companies in the developed and industrialized areas of the country. Consequently, there is hardly any CSR spending by the companies in Northeast India which have little or no industry/company. This has further widened the gap in terms of infrastructure and other welfare activities between the Northeast and the rest of India.

In this backdrop, it is pertinent that there should be a mandatory provision in the Act that companies/PSUs should spend at least 10 per cent of their CSR Funds in the Northeast Region on the lines of the 10 per cent. mandatory budgetary spending for Northeast by the Central Ministries. This will ensure not only even distribution of the CSR Funds in the country but also ensure that North East does not lag further behind in infrastructural and social developments.

Hence this Bill.

RIPUN BORA

ANNEXURE

EXTRACTS FROM THE COMPANIES ACT, 2013

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135. (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. Corporate Social Responsibility.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility 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.

(4) The Board of every company referred to in sub-section (1) shall,—

(a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent of the average net profit of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (c) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Explanation.—For the purposes of this section—average net profit shall be calculated in accordance with the provisions of section 198.

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RAJYA SABHA

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further to amend the Companies Act, 2013.

(Shri Ripun Bora, M.P.)