

Date: 5th May, 2022

To,
The Secretary,
Ministry of Corporate Affairs,
Shashtri Bhawan, New Delhi

Dear Sir,

Sub: Technical challenges faced in filing CSR-2

The Chamber of Tax Consultants, established in 1926, is one of the oldest non-profit organizations of tax practitioners, having Advocates, Chartered Accountants and Tax Practitioners as its members spread across Pan India. Many senior tax professionals who regularly appear before ITAT, High Courts and the Supreme Court are its Past Presidents. It has from time to time made various representations to different Government Authorities drawing their attention to pressing issues.

The Ministry of Corporate Affairs (MCA) has introduced web form CSR-2 which is a very welcome step and will definitely help a lot in collating the data with regard to CSR from all companies, which becomes all the more important in view of the amendment in Section 135 and CSR Rules which are effective from 22 January 2021. This initiative will surely bring lot of transparency in the disclosures with regard to CSR.

However, there are some practical challenges faced by companies with regard to filing of form CSR-2, which are listed out as below:

Point No. in Form CSR-2	Subject	Challenge faced
Point 2(b) & points 3(i), (ii), (iii)	SRN of AOC-4 and Details of Net worth, Turnover & Net profit	<p>It is not mentioned in help-kit that whether the SRN of AOC-4 filed for FY 2020-21 or for FY 2019-20 is to be mentioned in point 2(b).</p> <p>Further it is also not mentioned whether the details of Net worth, Turnover & Net profit for FY 2019-20 or FY 2020-21 are to be mentioned in points 3(i), (ii) and (iii).</p> <p>The Help kit to CSR-2 says for point 3 as: <i>“Enter the amount in field Net Worth, Turnover and Net Profit and it should correspond to the amounts available in database against the SRN entered in field 2(b).”</i></p>

		<p>Further it also says that <i>“Criteria that triggered CSR applicability shall be auto populated based on the criteria above”</i> (in point 3(iv)).</p> <p>This indicates that the details of Net worth, Turnover & Net profit as per financials of FY 2019-20 need to be mentioned in points 3(i), (ii) and (iii).</p> <p>This would mean that in point 2(b), the SRN of AOC-4 filed for FY 2019-20 should be mentioned.</p> <p>However, if SRN of AOC-4 filed for FY 2019-20 is mentioned in point 2(b), then the MCA system gives an error that <i>“the amounts of Net worth, Turnover & Net profit do not correspond to the SRN mentioned.”</i> Rather if SRN of AOC-4 filed for FY 2020-21 is mentioned, then there are no errors shown by MCA.</p> <p>Hence, we request you to please clarify whether the SRN of AOC-4 of FY 2020-21 only needs to be mentioned in point 2(b), as the language of the help-kit may create ambiguity in the minds of users.</p>
<p>Point 3(iv), point 4(d)(i) and points 5 to 9</p>	<p>Spending on CSR</p>	<p>If in case of a Company, net worth is less than Rs. 500 crores, turnover is less than Rs. 1000 crore and the net profit as mentioned under section 135 for FY 2019-20 is less than Rs. 5 crores, then such Company is not covered under Sec 135(1) for FY 2020-21</p> <p>However, Rule 3(2) of CSR Rules say <i>“Every Co which ceases to be a company covered in Sec 135(1) for three consecutive years shall not be required to:</i></p> <p><i>(a) constitute CSR Committee</i></p> <p><i>(b) comply with sub-section (2) to (6) of Sec 135”</i></p> <p>On harmonious reading of Sec 135(1) and Rule 3(2), it appears FY 2020-21 is not the only financial year to be checked for applicability of Sec 135(1). It appears that only when a Company ceases to be covered under sec 135(1) for 3 consecutive financial years, only then it shall not be required to comply with Sec 135(2) to (6).</p>

		<p>Hence, in the case given above, although the net profit of the Company as mentioned under sec 135 is less than Rs. 5 crores in FY 2019-20, but it was above Rs. 5 crores in FY 2018-19 or FY 2017-18, even then it was required to comply with Sec 135(2) to (6) during FY 2020-21.</p> <p>In case of such companies, while filing Form CSR-2, the point 3(iv) gets auto filled as 'Report for unspent CSR amount' and MCA system is not allowing to fill the points 4(d)(i) and 5 to 9.</p> <p>Hence, we request you to please get the technical changes done so that even such companies can fill the points 4(d)(i) and 5 to 9.</p>
Point 4	Details of Directors who attended CSR Committee meetings	<p>If in case of any company, if an individual was a director and member of CSR Committee during 2020-21 but as on the date of filing CSR-2, if that person has resigned from the Company, then MCA system is showing error in filling the details of such erstwhile directors in CSR-2</p> <p>Hence, we request you to please get the technical changes done so that details of such directors can be mentioned in CSR-2.</p>
Point 4(a)(iii)	Number of meetings of CSR committee held during the year?	<p>In this point, if any Company has not conducted any CSR Committee during FY 2020-21, then the CSR-2 is not allowing to mention 0 (zero).</p> <p>Hence, we request you to please get the technical changes done so that such companies can give correct disclosure.</p>
Point 7(a)	Details of CSR spending	<p>In the table given in this point, if CSR spending is done through Implementation agencies, then Form CSR-2 mandatorily asks to mention the CSR Registration number of the Implementation agency.</p> <p>However, as per Rule 4(2) of CSR Rules, CSR Registration Number became effective for the projects approved on or after 1st April 2021. This form is being filed for FY 2020-21, i.e., for the period when the facility to seek CSR Registration number had not yet become effective.</p>

		<p>Hence, we request you to please get the technical changes done to make this field voluntary.</p>
		<p>In the table given for this point, the details of location need to be entered. However, CSR-2 permits to enter maximum 4 locations only. Further, if the project is located in the state of Sikkim, it is not available in the dropdown list. Also, if any project is on a PAN-India basis, there is no option to select 'entire India'.</p> <p>Hence, we request you to please get the technical changes done to enable selection of more than 4 locations too, for selection of PAN-India basis and for selection of Sikkim State.</p>

Thanking you,

Yours Sincerely,

For **THE CHAMBER OF TAX CONSULTANTS**

Sd/-

Ketan Vajani
President

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Chairman
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