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CSR policy implications for COVID-19

Abstract

This article highlights all the facts about the CSR policy and COVID-19 funds. It has tried to state all the confusions regarding which fund shall come under the CSR policy and which not. Further, this article has also envisaged on remuneration payable to workers during COVID-19 and its relation to CSR fund. It helps to draw a conclusion on which all expenditure will be considered as CSR expenditure.

Introduction

The pandemic of novel corona virus (COVID-19) has loosened the roots of World Economy and raised concerns for the Governments about the financial crisis of the country. The Corona Outbreak has worsened the financial condition of the people for all the sectors. Government of every Country is continuously engaged in bringing initiatives to combat the inimical effects of this pandemic disaster. However, apart from government's assistance currently economy needs support from the incorporations of the Country to assist in this crisis period. This ideology many countries manifest but may be with different eligibility criteria, which they call as Corporate Social Responsibility. Archie Caroll (1991) described the umbrella of CSR in four parts:- economic, legal, ethical and philanthropic responsibility, these responsibilities every corporate which are eligible according to the criteria laid down by the statutory provision of the country, they need to perform this activities. This article will give insight into all the frequently asked questions which the Ministry of Corpoarte Affairs has notified through vide its general circular dated 23rd March 2020.

CSR in India

In India, CSR is a social responsibility on corporate to help socially in the areas specified by the Government as notified under Schedule VII of the Companies Act, 2013. Section 135 of the Companies Act, 2013 lays down the Corporate Social Responsibility upon the Companies. Currently, with the percolation of novel Corona Virus cases in India, Government has started making funds donated relating to Covid-19 including sanitation, disaster management and preventive healthcare as a part of Corporate Social Responsibility. So the Companies started donating every fund in the name of Covid-19 as Corporate Social Responsibility, they started taking the benefits of CSR activities. The Companies eligible under Section 135 of the Companies Act, 2013 for the CSR activity started the taking the benefit of CSR for every fund donated by them in the name of COVID-19. In order to avoid this confusion Ministry of Corporate Affairs in **General Circular No. 15/2020 dated 10th April , 2020** has clarified all the Frequently Asked Questions (FAQS) on Corporate Social Responsibility, articulating which all funds donated for COVID-19 would be included in CSR.

Eligibility of Funds for CSR Activities in India For COVID-19

Clearing all the confusions, Government has enlisted which all contributions would be considered as CSR. They provided that all the contributions made to the 'PM Cares Fund' shall be qualified as CSR activity. Further, they also clarified that the all the State funds such as 'Chief Minister's relief Fund' or 'State Relief Fund for COVID-19' is not included in the Schedule VII of the Companies Act, 2013 and hence ,such funds shall not be included in CSR activities under Section 135 of the Act. The Ministry vide this General Circular clarified that all the contributions made to the State Disaster Management Authority shall be eligible to be qualified as CSR activity.

CSR Expenditure for Covid-19

The Ministry of Corporate Affairs vide General Circular No. 10/2020 dated 23rd March,2020 clarified that all the spending of CSR funds for COVID-19 related expenditure shall be eligible to be qualified as CSR expenditure. Further, the same Circular envisages that the funds may be spent for various activities related to COVID-19 under items nos. (i) and (xii) of the Schedule

VII which relates to the activities related to the promotion of health care including preventive health care and sanitation, and disaster management. Further, the General Circular No. 21/2014 dated 18.06.2014 clarified that the items in Schedule VII are broad and may be interpreted liberally for this purpose. This all clarification were made in the Circular to make a clear understanding on what expenditures can be availed as CSR expenditure for the body corporate.

Remuneration to employees during lockdown and relation its relation with CSR Expenditure

The Ministry has given distinctive view that the payment of wages/ salaries to the employees or workers on daily basis or on contractual basis is a social and moral responsibility of the company. As during lockdown for these workers and employees the only means of livelihood to fight with the crisis time would be their daily wages and salaries and denial of payment would be against the moral obligation of the Employers. However, it was further clarified that if any ex-gratia payment is made to the temporary or casual workers or daily wage workers over and above the disbursement of wages, particularly for the purpose of combating COVID-19, this payment would be eligible to be qualified as CSR expenditure as one time exception. Another clarification was made regarding the disbursement of salaries would not be part of CSR expenditure as it is moral obligation of employer to pay salary.

CONCLUSION

CSR policy is a great initiative and is tantamount to the interest of society in general. However, the upsurge of novel Corona virus in Indian economy has created an emergency for the government. Making contribution of funds for COVID-19 is not helping the government to boost the funds for fighting with this inimical epidemic, but also for the corporate as they can take the benefits of CSR policy at the same time. This will be addendum to the company interest and goodwill and a great help for the society as whole to evict from the inimical effects of this virus.

