

March 2025

CSR & NPO



“Corporate social responsibility is measured in terms of businesses improving conditions for their employees, shareholders, communities, and environment. But moral responsibility goes further, reflecting on the need for corporations to address fundamental ethical issues such as inclusion, dignity, and equality..”

- Prof. Klaus Schwab, Founder, World Economic Forum

FROM THE EDITOR’S DESK...

The vehicle for bringing about change in society is as important as the funder contributing to it. Actual transformation at the grassroots level requires a vision and the passion to follow through. These vehicles, whether they are foundations, trusts, societies, or companies themselves, need to showcase stellar dedication and a crystal-clear strategy. The tone at the top, whether at the corporate level or at the level of the implementing partner, is of paramount importance to navigate upheavals and make a meaningful impact.

This edition of the newsletter presents one such leader of an NGO and showcases their exemplary attitude in achieving and improving the lives of many. The Finance Budget was presented by the Finance Minister with some welcome measures for easing compliance for the Charitable Institutions, which have been covered in this issue. The issue also provides a sneak peek into the three structures for charitable purposes and acceptable forms of implementing agencies for CSR, along with the pros and cons and suitability.

FACT FOCUS:

The total CSR Spend for the financial year 2022-23, was Rs. 29,987 Cr. approximately according to the National CSR Portal, with Education, Rural Development and Healthcare being major focus areas.

The contribution by PSU and Non PSU companies is depicted below:

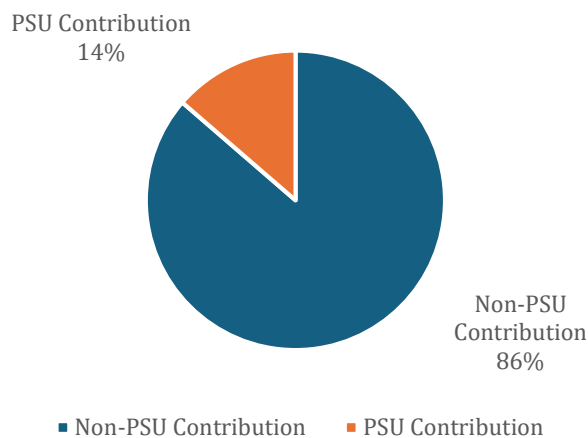
PSU:

- **Contribution** : Rs. 4,096 Crores - 14% - approx.
- **Top PSU Contributors**: ONGC, NTPC, Power Grid Corporation

Non-PSU:

- **Contribution** : Rs. 25,891 Crores - 86% - approx.
- **Top Non-PSU Contributors** : HDFC Bank, Tata Consultancy Services, Reliance Industries

PSU v/s Non-PSU CSR Spending



Source: National CSR Portal - (F.Y.22-23)

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LEADER SPEAK



**Nisreen Ebrahim, CEO,
Rangoonwala Foundation (I) Trust
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RF(I)T runs Community Centres in the midst of Mumbai's slums, where an activity-centric model engages women, children, and seniors in various development initiatives and activities. The capacity-building work encompasses vocational and other training programs. The health initiatives promote health-seeking behavior among women through health awareness campaigns, a health tracking system, health camps, and consultation clinics.

1. Name top 3 positive changes experienced by the non-profit sector since the introduction of section 135 of the Companies Act, 2013.
 1. Engagement of the Corporates with the Development Sector, often beyond what is mandatorily required
 2. Mainstreaming development issues
 3. Last, but of immense value to the development sector, is the availability of resources

2. Name top 3 concerns that plague the NPO sector
 1. Small NPOs and /or those working in remote areas are concerned with not being able to keep up with the regulatory compliances
 2. Access to resources, particularly for those NPOs which are not media savvy
 3. Inability to invest in Organizational Building due to limited resources available for this and the preoccupation with programme implementation

3. What are the top 3 things you would want your corporate donors to do differently?.
 1. Engage with NPOs as partners and remain invested for a reasonable period of time to

ensure stability, leading to sustainability. This is in addition to committing to multi-year projects

2. Engage beyond compliance for a mutually beneficial partnership
3. Provide platforms for the NPOs to be integrated in Organizational events etc. to amplify their visibility and reach to other stakeholders and instill a sense of ownership in the Corporate Donor

4. What are the top 2 regulatory changes on your wish list?

1. Consider CSR donation under 80G and inclusion of 80G benefit in the new tax regime
2. Reconsideration of the taxability of inter-Trust Donations (consider it as 100% application of funds)

5. What are the top 2 things you would want the NPO sector to have access to?

1. A meaningful, consistent dialogue with policy makers
2. Pro-active networks, that would translate to a level playing field for small, remote and non-techsavvy NPOs. If CSRs or Foundations would invest in incubating these, it would be a real value add for the sector.

6. Name your (one) most satisfying experience in recent times

RF(I)T believes in nurturing a volunteer cadre from amongst the people it works with – Women, Youth, Patients for long term sustainability and ownership. It is gratifying to see that this process has evolved and matured over the past 2 decades of our work with the urban poor and we have progressed in our mission of helping people help themselves.



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UNION BUDGET 2025 : TRUST RELATED AMENDMENTS

With the aim of reducing the burden of compliance on Charitable Trusts, the following provisions are proposed in the Financial Budget 2025.

❑ Period of Registration for Small Trusts with income up to INR 5 crore

(Effective date: April 1, 2025):



- In order to ease the regulatory strain, the validity of final registration under section 12AB has been increased from 5 years to 10 years.
- For approvals granted after April 1, 2025: The time limit for existing approvals is not extended and are required to make renewal application before 30 September 2025.

❑ Incomplete details in registration application not to be treated as specified violation leading to cancellation of registration

(Effective date: April 1, 2025):



- This will ensure that the minor omissions do not attract the severe punishment of cancellation of registration and consequent levy of tax on accreted income.
- Furnishing **false or incorrect information** in the application, however, continues to be a **specified violation**.



❑ Change in the definition of substantial contributor & specified person

(w.e.f AY 2025-26):



- Presently, a 'substantial contributor' is a person whose total contribution from the inception of the trust up to the end of the relevant previous year exceeds INR 50,000. This makes the maintenance of details of substantial contributors not feasible for trusts, as most trusts receive aggregate donations exceeding INR 50,000 from multiple donors over the years
- This definition of 'substantial contributor' has now been revised to include any person whose total contribution to the trust or institution,
 - *Exceeds INR 1 lakh in the relevant previous year or*
 - *Exceeds INR 10 lakh in aggregate from inception up to the end of the relevant previous year.*
- Additionally, the **relatives of such persons** and the concerns in which they have substantial interest **are no longer** to be considered as **specified persons**.
- The removal of relatives of such persons and the concerns in which they have substantial interest will make it practical for trusts to maintain and report the necessary details.
- However, maintaining donor details from inception remains challenging, as the majority of trusts have been in existence for a long time.

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KEY SECTORAL ALLOCATIONS IN THE BUDGET:

As in previous years, the budgetary allocation remains in favor of the Finance, Defence, and Development sectors. Although there is a percentage increase in the allocation for Education this year, significant investment in healthcare and education is needed to harness the demographic dividend before it diminishes in a decade

Agriculture

- PM Dhan Dhanya Krishi Yojana- Crop diversification, irrigation improvements, better post-harvest storage
- Propagation of Seeds
- Self-reliance in pulses
- Enhanced Credit - Kisan Credit Card
- Makhana Board for Bihar
- Cotton farmers' support for increased productivity

Education

- Investment in Artificial intelligence
- Expansion of IITs and Medical colleges
- Skill development initiatives through Atal Tinkering Labs
- Broadband Connectivity for Schools
- Bharatiya Bhasha Pustak Scheme – Digital books in Indian languages

Livelihood

- National Centres of Excellence for Skilling
- Boosting MSMEs & 'Make in India'
- Enhanced Credit for MSMEs & Startups
- Scheme for first time entrepreneurs
- Measures for labour intensive sectors like Leather/ Toys/ Food processing

Healthcare

- Cancer care
- Medical education
- Medical tourism
- Import duty reduction on medicines

Environment

- Nuclear Energy Expansion
- Green Manufacturing – Incentives for solar PV cells, EV batteries
- Installation of Rooftop Solar



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KNOW THE PERSPECTIVE

Comparative Analysis of Entities: Section 8 Company, Trust & Society

To accomplish goals, having a systematic structure helps. When these goals are noble and charitable, three options are available in the Indian context. Similarly, companies wanting to contribute through Corporate Social Responsibility (CSR) can either do so directly or through implementing agencies. The options for not-for-profit /implementing agencies must fall into one of the following three categories:

- Section 8 Company
- Registered Trust
- Registered Society

So, let us explore each entity type, analysing their suitability and ease of operation

- **Section 8 Company** is a non-profit organization established under the **Companies Act, 2013**. Income and profits are strictly applied toward the stated objectives. No profits are distributed to members by way of dividends or otherwise
- Members can include equity shareholders, partnerships, LLPs, associations, or registered cooperatives (excluding "one-person companies")
- Instead of allotting shares, it can have share capital by guarantee. Generally, for charitable activities, a company by guarantee is preferred.
- It is governed by a Board of Directors nominated by shareholders as per the Companies Act, 2013. Registration involves adhering to all the formalities under the Companies Act, including filing annual returns and preparing financial statements.
- Setting up and maintaining a Section 8 Company may involve higher costs and several compliance formalities.

Section 8 Companies can accept CSR funds, donations, grants from individuals, corporations, and government bodies. Their structured operations make them a preferred vehicle for CSR funding.

Best Suited For:

- ✓ Large-scale, projects requiring high transparency and accountability.
- ✓ Organizations planning to secure substantial

funding from corporations or international donors.

- ✓ Entities having resources and infrastructure for meeting regulatory and compliance requirements.

- **A Trust** is an arrangement where a trustee holds property in a fiduciary capacity for the benefit of beneficiaries. A Trust may be a Public or a Private Trust. Trusts engaged in public charitable activities are one of the oldest forms of charitable organizations and are classified as Public Charitable Trusts.
- A Trust requires a minimum of two trustees, but there is no maximum limit. Trustees manage the Trust's assets and ensure its objectives are met.
- Some states have specific statutes for the governance and administration of Public Trust. For example, in Maharashtra there is Maharashtra Public Trust Act.
- Therefore, charitable Trusts established in States not having such an Act have the advantage of less compliance to that extent.
- The Trust Deed is the key constitutional document.
- Formation is relatively straightforward, involving the submission of a stamped Trust Deed and relevant documents to the Registrar. Trusts are cost-effective and easy to maintain, with fewer procedural requirements compared to Section 8 Companies, particularly when they are located in jurisdiction where there is no State Act as mentioned above.
- Public Trusts can accept donations, grants, investment (from specified investments) and rental income.

Best Suited For:

- ✓ Small to medium-sized projects focused on specific or localized issues.
- ✓ Projects where ease of setup and maintenance is prioritized over operational complexity.
- ✓ Governance is simplified as decision making is vested in Trustees, who are not answerable to shareholders (in case of Companies) or members (in case of Societies).

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Societies

- When seven or more persons unite for a literary, artistic, scientific, educational, or charitable purpose, they can form a Society under the Societies Registration Act, 1860. Many states have adopted their own versions of this Act.
- Membership is open to those who follow the Society's rules and pay the required subscription fees. Each member has one vote.
- Societies are democratically managed by an elected Governing Body comprising of members. Filing requirements, including audited accounts, vary by state regulations.
- Societies are moderately cost-effective but involve compliance with state-specific regulations, which can sometimes be cumbersome.
- Societies can accept membership fees, donations, grants, and income from approved investments and rental income.

Best Suited For:

- ✓ Medium-scale initiatives that require community involvement and prefer collective decision-making.
- ✓ Projects involving educational, cultural, or artistic activities, requiring more collaborative work.
- ✓ Organizations aiming to involve a broader base of members in decision-making

A Section 8 Company, a registered public trust, or a registered society should also be registered under Section 12A and 80G of the Income Tax Act, 1961, to avail income tax exemptions and pass on tax benefits to donors. Every entity that intends to undertake CSR activities must register itself with the Central Government by filing Form CSR-1 and have a 3-year track record in undertaking similar activities. If the entity wishes to receive foreign donations, registration under the Foreign Contribution Regulation Act, 2010, is mandatory.

Each entity- Section 8 Companies, Trusts, and Societies- offers unique advantages for pursuing charitable objects or implementing CSR. By carefully evaluating their objectives, resources, and regulatory requirements, organizations can select the most suitable vehicle to effectively advance their charitable or CSR goals!

CNK'S CHANGE AGENT



Vineet Thakkar
Article Assistant
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Churchgate

I am involved with the Rotaract Club of Mumbai Mulund South as a Director of the Board (District 3141). One of our flagship projects is "Dabbawala," for which I served as the Chairperson. In this project, we prepare and distribute meals to about 200 people from the underprivileged sections of society, every quarter. We undertake many more projects aimed at the betterment of our community.

I joined Rotaract because I have always believed in giving back to the community and making a positive impact. Rotaract provided me with the perfect platform to serve, connect, and grow as an individual while working towards meaningful causes.

The opportunity to collaborate with like-minded individuals and bring about change truly inspires me, and I am proud to be part of such an impactful organization. This is my fourth year in Rotaract, dedicated to serving the community.



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