

MCA UPDATES

1. The Companies (Specification of Definitions Details) Amendment Rules, 2022

On **September 15, 2022**, MCA vide **Notification No.: G.S.R 700(E)** amended the definition of Small Company. The scope of Small Company has been widened wherein the Paid-up Share Capital of the Company shall not exceed Rs. 4 Crores instead of Rs. 2 Crores and Turnover of the Company shall not exceed Rs. 40 Crores instead of Rs. 20 Crores. In other words, now a Small Company means a Company having Paid-up Share Capital upto Rs. 4 Crores and Turnover upto Rs. 40 Crores.

The link for the aforesaid notification is as mentioned below:

<https://www.mca.gov.in/bin/dms/getdocument?mds=tiMs9IFJ8xuPm%252B%252F0xc6fUw%253D%253D&type=open>

2. Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022

MCA has issued Notification No. G.S.R. 715(E) dated September 20, 2022 and amended the CSR Policy Rules, 2014 (“**the Original Rules**”). Following are the changes vide the CSR Policy Amendment Rules, 2022 (“**the Amended Rules, 2022**”):

1. The Company to ***continue to have its CSR Committee, till any amount remain unspent for Ongoing Project*** and are transferred to a separate Bank Account called as “**The Unspent Corporate Social Responsibility Account**” which are spent by the Company as per its obligation towards CSR within a period of three financial years from the date of such transfer of funds in the aforementioned Bank Account.
(To this effect Rule 3 (1) has been amended by inserting a proviso vide the Amendment Rules, 2022)
2. The provisions related to having a ***CSR Committee and compliance with CSR provisions have been done away with, if in the previous financial year, the Company does not cross the threshold criteria*** for the applicability of CSR, that is Net Worth of Rs.500 Crore, Turnover of Rs.1000 Crore and Net profit of Rs. 5 Crores.
(To this effect Rule 3 (2) has been deleted vide the Amendment Rules, 2022)
3. The Company can implement CSR activities or spend CSR expenditure through an ***implementing agency*** which can be Section 8 Company or Registered Society or Registered Public Trust, ***having registration under section 10(23C) of the Income Tax Act*** issued by the Principal Commissioner or Commissioner, and registered under Section 12A of the Income Tax Act, 1961 and having approval under section 80G of the Income Tax Act, 1961 having three years track record in undertaking similar activities or if it is established by the company itself then there is no requirement to have three years track record in undertaking similar activities.

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: www.amitadesai.com Email: info@amitadesai.com

Amita Desai & Co. Company Secretaries, Mumbai

Further, an Explanation is also added stating that the term **“entity”** mentioned under Rule 4 (1) (c), shall mean a statutory body constituted under an Act of Parliament or State legislature to undertake activities covered in Schedule VII of the Act.

(To this effect Rule 4 (1) has been substituted vide the Amendment Rules, 2022)

4. The Company may now book expenses incurred on **Impact Assessment** as CSR expenses for that financial year, which **shall not exceed 2% of the total CSR expenditure for that financial year or Rs.50 Lakhs, whichever is higher.** The earlier limit was 5% or Rs.50 lakhs whichever is lower.
(To this effect Rule 8(3) has been amended vide the Amendment Rules, 2022)
5. **Annexure II of the Original Rules has been substituted** with a new format which is the “FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD’S REPORT FOR FINANCIAL YEAR COMMENCING ON OR AFTER THE 1ST DAY OF APRIL, 2020”

The revised Annexure II will be part of Form AOC-4 which is currently filed as Form CSR-2 as an Addendum to Form AOC-4

There are the following changes in Annexure II

- (a) Instead of attaching Impact Assessment Report, now the Company to provide an executive summary along with the **Weblink of Impact Assessment**
 - (b) Details of **Average Net Profit, 2% as CSR, surplus add set off, etc were shifted from Sr No. 6 and 7 to Sr no. 5.**
 - (c) **No bifurcation on the amount spent on Ongoing and Other than Ongoing Projects** is required to be given for the FY and for the preceding FY. Instead of that just to mention the total amount spent on CSR Projects during the FY
 - (d) **New table inserted** giving details on the amount spent during the FY, the amount transferred to Unspent CSR Account in 30 days and the amount transferred to any Fund mentioned under Schedule VII in 6 months
 - (e) **New table inserted giving details of Capital Assets created or acquired** through CSR amount spent in the FY and giving details of Particulars of property, address, location with Pin code, date of creation, amount spent and details of Registered Owner.
6. In **Form CSR-1 to be filed by the implementing agency, three new options** have been inserted mentioning, Section 8 Co, Registered Public Trust and Registered Society, having registration under **Section 10(23C) of the Income Tax Act and approved under Section 80G of the Income Tax Act, 1961**

The link for the aforesaid Notification is as below:

<https://www.mca.gov.in/bin/dms/getdocument?mcs=1Wt3uUYzV0rGCr2Vxa8ztQ%253D%253D&type=open>

3. Clarification regarding rounding off the figures appearing in Financial Statement

MCA had vide Notification No. GSR 207 (E), dated March 24, 2021 introduced an amendment in Schedule III of the Companies Act, 2013 whereby the Companies were mandated to round off the figures appearing in the Financial Statements depending upon their total income. Now, on **September**

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26, 2022, MCA has clarified that in case the companies provide an absolute figure in e-forms i.e. AOC-4, the same shall not be treated as an incorrect certification by the professionals.

4. Extension of time for filing e-form DIR-3-KYC and web form DIR-3-KYC-WEB:

On **September 28, 2022**, MCA vide General Circular No. 09/2022 extended the last date of filing Form DIR-3-KYC and web-form DIR-3-KYC-WEB without late fees upto October 15, 2022. This extension was allowed after a representation received from various stakeholders for extending the time beyond September 30, 2022 for filing form DIR-3-KYC and web-form DIR-3-KYC-WEB.

The link for the aforesaid General Circular is as below:

<https://www.mca.gov.in/bin/dms/getdocument?mds=2itVg%252FZQrw%252FU4s9JXtbS1w%253D%253D&type=open>

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