

Profitable firms may have to earmark funds for CSR

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NEW DELHI: The ministry of corporate affairs is working on the broad contours of a code that will require all profit-making companies to set aside an amount proportionate to their turnover or profits for corporate social responsibility (CSR) initiatives, a government official said.

The government plans to make the process consultative, rather than prescriptive, on the proportion of funds earmarked for CSR activities to make it acceptable for corporates, he said, requesting anonymity. Once finalised, the code may be woven into the Companies Bill, 2009, that is currently being considered by a parliamentary standing committee.

The proposal, if implemented, will see private companies stepping up their CSR activity. Currently, profit making PSUs across sectors are required to shell out up to 2% of their net profit towards CSR work.

The proposed code may see the government coming up with incentives for companies that spend beyond a limit on CSR activities. The government, which has roped in industry association Ficci to come up with a draft paper, may consider sops for companies doing CSR work.

The matter will be deliberated at the Corporate Week, scheduled to be held next month. The week, which will see a dialogue between the government and corporates, will aim at reaffirming India Inc's commitment towards inclusive growth and sustainable development.

Minister for corporate affairs Salman Khurshid had recently said that companies may even be extended fiscal relief for their involvement in CSR work.

"Industry has a positive approach for extending their support towards CSR initiatives because of their business interests involved in the same," said a person familiar with the making of the code.

With the government showing some willingness to incentivise corporates for doing their bit towards social development, companies should not oppose any effort by the government to make profitable companies accountable, he said, requesting anonymity.

The minister had said that one of the ways to attract companies towards CSR work is to develop a system of CSR credits, similar to carbon credits which are given to companies for green initiatives.

While a method for offering incentives has not yet been finalised, the sops could be in the form of fiscal benefits equivalent to the credit points they have earned.