

COVID-19 UPDATE:

CSR FUNDS CAN BE USED FOR COVID-19

March 23, 2020

Introduction

The novel coronavirus (COVID-19) has been declared a pandemic by the World Health Organization and has affected numerous countries, including India. In response to the developing COVID-19 situation, the Ministry of Corporate Affairs (“MCA”) and other regulatory authorities have granted certain relaxations from regulatory compliances for the corporate sector. In our previous update dated March 20, 2020, we had summarised some of the key relaxations and measures which have been introduced. The update can be found here - <http://www.argus-p.com/papers-publications/thought-paper/covid-19-relaxations-from-certain-regulatory-compliances-for-corporates-and-other-measures/>

In this update, we have summarised the recent announcements made by MCA in relation to COVID-19.

CSR Funds can be used for COVID-19

Under the Companies Act, 2013, the board of every company having a net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more, or a net profit of Rs. 5 crore or more during any financial year, is required to ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the 3 immediately preceding financial years, in pursuance of its corporate social responsibility (“CSR”) policy. Only the projects or programs relating to activities, areas or subjects specified in schedule VII to the Companies Act, 2013 qualify as CSR activities.

In light of the developing COVID-19 situation, MCA has issued a circular on March 23, 2020 stating that spending of CSR funds for COVID-19 shall be an eligible CSR activity. Funds may be spent for various activities related to COVID-19 relating to promotion of healthcare, including preventive healthcare and sanitation, and disaster management.

Form COVID-19

As mentioned in our previous update MCA had announced that is in the process of developing and deploying a simple web form for companies/LLPs to confirm their readiness to deal with the COVID-19 threat. A web form named **CAR (Company Affirmation of Readiness towards COVID-19)** would be required to be filled by an authorised signatory of companies and LLPs. CAR-2020 would be deployed on March 23, 2020. All companies/LLPs have been requested to report compliance using the above mentioned web service “on the 23rd instant”.

Form COVID 19 is now available at http://www.mca.gov.in/Ministry/pdf/Car_22032020.pdf

MCA has also advised the following:

“Stakeholders may please note that there is no fee applicable for FORM CAR (Companies Affirmation of Readiness Towards COVID-19). SHs may also please note that the form has been deployed as a purely confidence building measure to assess the readiness of the companies to deal with COVID-19 Threat in India. As such no penalty or enforcement related action is applicable. Stakeholders may at their convenience file this form. It is purely voluntary as part of our contribution towards joining the movement to fight against the spread of the disease. Since the portal may experience heavy load, it would indicate 'Busy' alert whenever peak traffic is reached.”

DISCLAIMER

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