

**Bill No. 160 of 2019**

THE COMPANIES AMENDMENT BILL, 2019

By

SHRI HIBI EDEN, M.P.

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BILL

*further to amend the Companies Act, 2013.*

BE it enacted by Parliament in the Seventieth Year of the Republic of India as follows:—

1. (1) This Act may be called the Companies (Amendment) Act, 2019.

Short title  
and  
commencement.

5 (2) It shall come into force on such date, as the Central Government may, by notification in the Official Gazette, appoint.

18 of 2013.

2. In section 135 of the Companies Act, 2013, in sub-section (5), for the words "at least two per cent.", the words "at least five per cent." shall be substituted.

Amendment  
of section  
135.

## STATEMENT OF OBJECTS AND REASONS

The Corporate Social Responsibility (CSR) provision in the Companies Act, 2013 requires companies to spend at least two per cent. of their average net profit made in the preceding three years on CSR. Some Indian companies already spend more than two per cent. on CSR programmes.

The Companies Act, 2013 expects business to spend two per cent. of their three year average profits on social initiatives. Even before the Act was put in place companies recognized they need to think about more than just profits and did so. However, the need is to increase the percentage earmarked for Corporate Social Responsibility funding by the companies.

The Bill, therefore, seeks to amend section 135 of the Companies Act, 2013 with a view to increase the existing Corporate Social Responsibility funding by the Companies from two per cent. to five per cent to—

- (a) increase the services that are made available through Corporate Social Responsibility;
- (b) reduce the burden of Government in selected sectors; and
- (c) manage the development needs of the rural India.

NEW DELHI;  
*June 26, 2019*

HIBI EDEN

ANNEXURE

EXTRACTS FROM THE COMPANIES ACT, 2013

(18 OF 2013)

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**135.** (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediate preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director:

Corporate  
Social  
Responsibility.

Provided that where a company is not required to appoint an independent director under sub-section (4) of section 149, it shall have in its Corporate Social Responsibility Committee two or more directors.

- (2) \* \* \* \*
- (3) \* \* \* \*
- (4) \* \* \* \*

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profit of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

*Explanation.*— For the purposes of this section "net profit" shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of section 198.

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*(Shri Hibi Eden, M.P.)*