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PSL Release

**Companies can spend CSR funds to combat the pandemic –
Clarifies Ministry of Corporate Affairs**

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1. Introduction

1.1 The Ministry of Corporate Affairs (“MCA”) vide circular dated 05.05.2021 has clarified that spending of Corporate Social Responsibility (“CSR”) funds towards setting up of COVID Care Infrastructure will be treated as an eligible CSR activity. This clarification comes in continuation to Circular No. 10/2020 whereby the MCA had clarified that spending CSR funds for COVID-19 is an eligible CSR activity. However, the Circular dated 05.05.2021 has provided and covered certain intricate details as discussed herein.

2. Spending for Covid Care Infrastructure - An Eligible CSR Activity

2.1 *Firstly*, the MCA clarified that spending of CSR funds for the following will qualify as an eligible CSR activity:

- a. Creating health infrastructure for COVID care;
- b. Establishment of medical oxygen generation and storage plants;
- c. Manufacturing and supply of oxygen concentrators, ventilators, cylinders, and other medical equipment for countering COVID-19; and
- d. Or any other similar activity relating to promotion of health care including, preventive health care, and disaster management as eligible CSR activity under item no. (i) and (xii) of Schedule VII of the Companies Act, 2013.

2.2 *Secondly*, the MCA drew reference to item no. (ix) of Schedule VII of the Companies Act, 2013 and clarified that contribution to specified Research and Development projects including, public funded universities and organizations engaged in conducting research in Science, Technology, Engineering, and Medicine will be an eligible CSR activity as well.

2.3 *Lastly*, Companies including Government companies may undertake the activities or projects using CSR funds directly by themselves or in collaboration as shared responsibility with other companies subject to fulfillment of Companies (CSR Policy) Rules, 2014.

3. PSL Opinion/ Analysis

3.1 In order to bolster the healthcare infrastructure and combat the second wave of the pandemic, the MCA has incentivized the corporates to come forward and contribute towards setting-up a robust medical infrastructure by permitting them to spend CSR funds on COVID care facilities.