MCA facilitates Corporate Social Responsibility (CSR) through Zero Coupon Zero Principal Instrument by expanding the scope of Schedule VII of the Companies Act, 2013

Responsibility for project execution and project evaluation will be on ‘Not for Profit Organization’ raising fund through ‘Zero Coupon Zero Principal Instrument’ defined in Rule 2 and will govern under Rule 4A

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In line with the vision of Viksit Bharat, the Ministry of Corporate Affairs has widened the ambit of Schedule VII by introducing a new item no. (xiii) i.e. “Subscription to zero coupon zero principal instruments on Social Stock Exchange." Ministry of Corporate Affairs (MCA), Govt. of India has facilitated Corporate Social Responsibility (CSR) through Zero Coupon Zero Principal Instrument by expanding the scope of Schedule VII of the Companies Act, 2013. Further, in order to facilitate the implementation of CSR through Zero Coupon Zero Principal Instrument, amendment in the CSR Policy Rules, 2014 has been made wherein definition of ‘Not for Profit Organization’ and ‘Zero Coupon Zero Principal Instrument’ has been introduced in Rule 2 and the criteria for Corporate Social Responsibility implementation through zero coupon zero principal instrument has been enumerated in Rule 4A.

This amendment is aimed at providing significant ease of compliance to the companies and will also help Not for Profit Organisations (NPOs), to raise funding for public welfare projects in a transparent and regulated manner. These Not for Profit Organisations (NPOs) will be able to issue Zero Coupon Zero Principal Instrument on the Social Stock Exchange (SSE) in accordance with the Securities and Exchange Board of India's Regulations.

Expenditure incurred by the CSR mandated companies for such instrument shall not exceed ten percent of the total Corporate Social Responsibility expenditure for that financial year.

The legal framework for Corporate Social Responsibility (CSR) has been provided under Section 135 of the Companies Act, 2013 (‘Act’), Schedule VII of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014. Schedule VII of the Act, enumerates the activities that can be undertaken as CSR, which are aligned with national priorities to promote inclusive and sustainable development.

The relevant amendment notifications (Gazette Notification no. G.S.R. 415 (E) and G.S.R 416 (E.) dated 27.05.2026) have been placed on the website of the M/o Corporate Affairs (www.mca.gov.in).

(Links:

1. https://www.mca.gov.in/bin/dms/getdocument?mds=uVuliv0Uu%252BB9uZpsyUH8Eg%253D%253D&type=open
2. https://www.mca.gov.in/bin/dms/getdocument?mds=xzeqwefP%252FSW%252Fvr%252B8Y%252FNHKw%253D%253D&type=open

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