

## **Filing of modified return of income by successor entities consequent to business reorganization**

Section 170A of the Income Tax Act, 1961 (“**IT Act**”), inserted *vide* the Finance Act, 2022, enables entities going through business reorganization (amalgamation/demerger) to file modified returns for the assessment year to which the order of business reorganization is applicable. The modified return is to be furnished in the prescribed form and manner within 6 (six) months from the end of the month in which the said order is issued.

Pursuant to notification no. 110 of 2022 dated September 19, 2022, the Central Board of Direct Taxes has notified Rule 12AD of the Income Tax Rules, 1962 (“**IT Rules**”) and Form ITR-A as the return of income to be filed electronically by a successor entity to a business reorganization under Section 170A of the IT Act. Rule 12AD of the IT Rules is applicable from November 1, 2022 and allows the Income Tax Authorities to pass an order modifying the total income or complete the assessment or re-assessment proceedings in accordance with the order of the business reorganization and the modified return so furnished.

Further, *vide* order dated September 26, 2022 in F.No.370142/41/2022-TPL, where the order of business reorganisation is issued between April 1, 2022 and September 30, 2022, the time limit for filing modified returns is extended to March 31, 2023.

The rule also modifies Form ITR- 6 for the assessment year 2022-23 (relevant to the financial year 2021-22) or prior assessment years to include a tick box for the income tax returns filed as per Section 170A of the IT Act.

Section 170A of the IT Act is intended in assisting the Income Tax Authorities to keep a track of the affairs of the successor entity which undergo a complete change with effect from the date from which such reorganization takes place given that there are prolonged timelines involved in issuing such reorganization orders from their date of filing.

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### This Prism has been prepared by:



**Kumarmanglam Vijay**

Partner & Head of  
Practice - Direct Tax



**Divyam Mittal**

Senior Associate



**Shiv Singhal**

Associate



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For more details, please contact [km@jsalaw.com](mailto:km@jsalaw.com)

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