

The Finance Bill, 2026 proposes to insert a new Section 354A in the Income Tax Act, 2025. It provides that tax on accreted income under Section 352 will not apply when a registered NPO merges with another registered NPO having the same or similar objects, subject to prescribed conditions. This aligns the provision with Section 12AC of the Income Tax Act, 1961 and reduces litigation risk in genuine NPO mergers. At the same time, a clarification has been made in the table under Section 352 (Sl. No. 8), applicable from tax year 2026-27, to remove earlier confusion about when accreted tax applies.

Now, accreted tax will apply if a registered NPO merges with:

- a) an entity that is not a registered NPO, or
- b) a registered NPO with similar objects but prescribed conditions are not met, or
- c) a registered NPO with different objects.

DO YOU KNOW?



The Finance Bill, 2026 proposes to insert Section 354A in the Income Tax Act, 2025, clarifying when tax on accreted income under Section 352 will apply in case of NPO mergers.

