

Cos under recast get more time to file modified income returns

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Synopsis

CBDT allows companies in business reorganisation to file modified returns by June 30, offering relief amidst Finance Bill 2022 implications. The decision aims to ease compliance burdens, promote tax transparency, and reduce court interventions for affected entities.



In a major relief to companies undergoing business reorganisation such as amalgamation, merger or demerger, the Central Board of Direct Taxes (CBDT) has allowed them to file modified returns of income with an extended deadline.

Companies undergoing business reorganisation, particularly those involved in schemes of amalgamation, merger, or demerger or succession post insolvency sanctioned by competent authorities, after June 2016 but prior to April 1, 2022, may now file modified return up to June 30, CBDT said in an order issued on Thursday.

Experts said the CBDT decision underscores the government's commitment to a business-friendly ecosystem as it brings relief to companies whose reorganisation orders were issued before the implementation of the Finance Bill 2022.

The bill mandated entities undergoing business reorganisation from April 1, 2022, onwards to furnish modified returns of income post reorganisation. However, it was applicable only for companies where sanction order for restructuring was issued between April 1, 2022, and September 30, 2022. This left companies with reorganisation orders issued before April 1, 2022, in a procedural conundrum. Many even approached the court.

The latest order by CBDT recognises delays in reorganisation orders and problems with filing returns by the successor company, experts said.

"This notification is poised to alleviate the compliance burden on affected entities while ushering in a new era of tax transparency and fairness," said Amit Agarwal, partner at CA firm Nangia & Co LLP.



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Facility for business reorganisations undertaken after June 1, 2016 but prior to April 1, 2022



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However, the entities, whose business reorganisation was sanctioned before April 1, 2022 were outside the purview of this provision and could not file modified income tax returns.

Our take Amit Agarwal, Partner, Nangia & Co said the initiative is aimed at enhancing efficiency and fairness in tax compliance. "This notification is poised to alleviate the compliance burden on affected entities while ushering in a new era of tax transparency and fairness," he said.