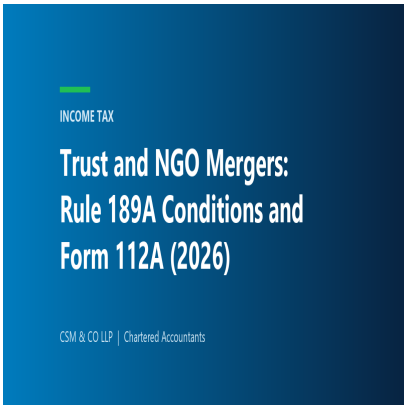



# Trust and NGO Mergers: Rule 189A Conditions and Form 112A (2026)

## Description

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**Quick summary**

- The CBDT has notified the conditions a registered non-profit organisation must meet to merge with another one without attracting tax on accreted income, by inserting Rule 189A into the Income-tax Rules, 2026 (Notification No. 139/2026, G.S.R. 961(E), dated 30/10/2026).
- A regular registration cannot merge with a provisional one, and a provisional one cannot merge with a regular one.
- Any outstanding demand that is not in appeal must be cleared, and a demand still under appeal must be paid by the merged organisation once the appeal is final.
- The objects of the merged organisation cannot be changed for five years from the end of the financial year of the merger, and the merger must not benefit any related person.
- The merged organisation must file the new Form 112A with the Principal Commissioner or Commissioner within one month from the end of the month in which the merger takes effect, and both organisations must get their books audited as on the date of merger.

Two charitable trusts with the same objects often want to become one body: the trustees overlap, the running costs are duplicated, or one of them has stopped doing real work. Under the Income-tax Act, 2025 that merger can be done without a tax bill, but only on conditions the Act said would be “prescribed” and which, until now, did not exist. The Central Board of Direct Taxes has now prescribed them.

*New to these terms? See the technical terms explained in simple words further down.*

## At a glance

| Item | Detail |
|---|---|
| Notification | No. 139/2026, G.S.R. 961(E) |
| Date | 30 October 2026, in force from the same date |

| Item | Detail |
|---|---|
| Rules called | Income-tax (Eighth Amendment) Rules, 2026 |
| What it does | Inserts Rule 189A into the Income-tax Rules, 2026, after Rule 189 |
| New form | Form No. 112A, inserted in Appendix III after Form No. 112 |
| Powers used | Section 533, read with section 352(4) [Table: Sl. No. 8] and section 354A |
| Who it affects | Any registered non-profit organisation merging with another one having the same or similar objects |

- Issued by the CBDT, Department of Revenue, Ministry of Finance, under F. No. 370142/32/2026-TPL.
- The principal Rules were published on 20/03/2026 (G.S.R. 198(E)) and were last amended on 19/10/2026 (G.S.R. 901(E)) before this notification.
- Not covered by this notification: how a merger is actually carried out under trust law, society law or the Companies Act. Rule 189A deals only with the income-tax conditions.

## Why this notification was needed

Section 352 of the Income-tax Act, 2025 charges tax on **accreted income** at the maximum marginal rate when a registered non-profit organisation leaves the system, including when it merges with an entity that does not fit the rules. Serial number 8 of the table in section 352(4) is the merger entry.

Section 354A takes a merger out of that charge when it is with **another registered non-profit organisation having the same or similar objects**, and when the **prescribed conditions** are met. Those conditions had not been written, so section 354A could not safely be relied on. Rule 189A now writes them.

## The conditions in Rule 189A

| Clause | Condition |
|---|---|
| (a) and (b) | A regular registration under section 332 cannot merge with a provisional registration under section 332, and the reverse is barred as well |
| (c) | No outstanding demand (tax, interest, penalty, fine or any other sum) of the merging organisation that is not in appeal before an appellate authority |
| (d) | Where an appeal is pending, the merged organisation pays the demand once the appeal attains finality |
| (e) | The objects of the merged organisation are not amended for five years from the end of the financial year in which the merger takes place |

| Clause | Condition |
|---|---|
| (f) | All assets and liabilities of the merging organisation become those of the merged organisation from the date of merger |
| (g) | The merger results in no direct or indirect benefit to a related person, as referred to in section 337(1) [Table: Sl. No. 2], of either organisation |
| (h) | All obligations of the merging organisation become obligations of the merged organisation (see the next table) |
| (i) | Form 112A is filed within one month from the end of the month in which the merger comes into effect |
| (j) | An assessment, reassessment or other proceeding made or initiated on the merging organisation is deemed to have been made or initiated on the merged organisation |
| (k) | In other cases, proceedings for the tax year of the merger up to the date of merger, and for earlier tax years, are made on the merged organisation in like manner and to the same extent as they would have been on the merging one |
| (l) | Both organisations get their books audited by an accountant as defined in section 515(3)(b), as on the date of merger |

## The obligations that carry over under clause (h)

| Obligation | Provision |
|---|---|
| Application of the merging organisation’s income is given effect to by the merged one | Section 341 |
| Application of its accumulated income is given effect to by the merged one | Section 342 |
| Tax on the specified income of the merging organisation is payable by the merged one | Section 334 |
| The conditions in section 340 must not be violated | Section 340 |
| Funds are invested only in the specified modes | Section 350 |
| Additional income-tax is paid whenever that liability arises | Section 352 |

The declaration in Form 112A repeats these undertakings and adds two more that the rule’s own clause (h) does not spell out: **depreciation is not to be claimed by the merged organisation where the cost of the asset was already claimed as application by the merging organisation**, and **a donor’s contribution to the merging organisation is counted towards the total contribution to the merged organisation** for the

purposes of section 355(h)(ii). The declaration also puts the section 340 conditions as not to be violated “not even by the merging registered non-profit organisations”.

## Form 112A: what it asks for

| Part | Contents |
|---|---|
| Part A | Merging organisation: name, address, PAN, e-mail id, contact number, date of merger |
| Part B | Merged organisation: name, address, PAN, e-mail id, contact number, and the annexures below |
| Declaration | Signed on behalf of the merged organisation, naming the date of the resolution of the trustees, governing body or management, with the undertakings listed above |

Annexures required against Part B:

| Annexure | Particulars |
|---|---|
| A-1 | Trust deeds of both the merging and the merged organisation |
| A-2 | Registration granted to both organisations |
| A-3 | Resolution of the trustees, governing body or management setting out the details of the merger |
| A-4 | Audited books of both organisations as on the date of merger, and for the financial year immediately preceding the tax year in which the merger took place |
| A-5 | Reasons for undertaking the merger |

The form is furnished **electronically**, either under digital signature or with an electronic verification code, and the notes to the form say some of the information will be pre-filled to the extent possible.

## Worked example of the dates

| Step | Date |
|---|---|
| Resolution of the trustees approving the merger | 05/01/2027 |
| Merger comes into effect | 20/01/2027 |
| End of that month | 31/01/2027 |

| Step | Date |
|---|---|
| Last date to file Form 112A | 28/02/2027 |
| Books of both organisations audited as on | 20/01/2027, the date of merger |
| Objects of the merged organisation frozen until | 31/03/2032, five years from the end of FY 2026-27 |

## What to do

1. **Check the registration status of both organisations first.** If one is provisional and the other regular, the merger cannot be routed through Rule 189A as it stands. Wait until the provisional registration has become a regular one.
2. **Pull the demand position for both PANs** from the e-filing portal. Clear anything that is not in appeal, and list anything that is, because the merged organisation will have to carry it once the appeal is over.
3. **Get the books of both organisations audited as on the date of merger**, by an accountant within section 515(3)(b). This is in addition to the normal annual audit, and it has to be as on that date, not as at the year end.
4. **Pass a clear resolution** of the trustees, governing body or management recording the merger and the reasons for it, and keep it for Annexures A-3 and A-5.
5. **Map the carried-over obligations before the merger, not after.** Unapplied income, accumulated income, corpus and investment holdings of the merging organisation all become the merged organisation's responsibility under clause (h).
6. **Diarise two dates**: the Form 112A deadline, one month from the end of the month of merger, and the end of the five-year object freeze.
7. **Confirm that no trustee, founder or other related person gains anything** from the merger, directly or indirectly. Clause (g) carries no threshold.

## Technical terms explained in simple words

| Term | What it means |
|---|---|
| Registered non-profit organisation | What the Income-tax Act, 2025 calls a trust, society or section 8 company that holds a tax registration. It replaces the old "trust registered under section 12A or 12AB" |
| Provisional registration | A first, time-limited registration given to a newly formed organisation before it has real activity to show. A regular registration follows later |
| Merging organisation | The one that goes in and stops existing separately |
| Merged organisation | The surviving one that the other merges into |
| Accreted income | The market value of everything the organisation owns, less what it owes. It is the base for the exit tax under section 352 |

| Term | What it means |
|---|---|
| Maximum marginal rate | The highest rate of tax plus surcharge applicable at the top of the scale, which is why the exit tax is heavy |
| Outstanding demand | Any tax, interest, penalty, fine or other sum payable because of an order passed under the Act |
| In appeal | A demand the organisation has formally challenged before an appellate authority, so it is not final yet |
| Attains finality | The point at which no further appeal is available or taken, and the demand is settled one way or the other |
| Related person | A founder, trustee, substantial contributor, manager or their relatives and concerns, as listed in section 337(1) [Table: Sl. No. 2] |
| Application of income | Actually spending the income on the charitable or religious objects, which is what supports the exemption |
| Accumulated income | Income set aside for a stated purpose instead of being spent, under section 342, to be used within the allowed time |
| Specified income | Income that is taxed even inside a registered organisation, such as anonymous donations and benefits given to related persons |
| Specified modes of investment | The limited list of permitted investments in section 350. Holding funds outside that list puts the exemption at risk |
| Assessment and reassessment | The department examining a return, and reopening an earlier year |
| Tax year | What the 2025 Act calls the year whose income is being taxed. It replaces the old “previous year” |
| Electronic verification code | A code used instead of a digital signature to confirm who filed a form |
| G.S.R. number | The serial number a statutory rule receives when it is printed in the Gazette of India |

## How CSM & Co LLP can help

We handle trust and NGO registrations, renewals and the annual compliance cycle, including the audit report in Form 112, the ITR-7 return and donor approvals. On a merger we check both organisations’ registration status and demand position before anything is signed, prepare the resolution and the annexures, carry out the date-of-merger audit for both bodies, file Form 112A inside the one-month window, and set up a working paper tracking the carried-over application, accumulation and investment positions, so the merged organisation can prove

where it stands in a later assessment. Please reach out to our team and we will be happy to assist.

## Frequently asked questions

### Why do merger conditions matter for a trust or NGO?

Under section 352 of the Income-tax Act, 2025, a registered non-profit organisation that merges with an entity which does not fit the rules becomes liable to tax on accreted income at the maximum marginal rate, that is on the market value of its assets less its liabilities. Serial number 8 of the table in section 352(4) is the merger entry. Section 354A keeps a merger with another registered non-profit organisation having the same or similar objects outside that charge, but only if the prescribed conditions are met. Rule 189A is what finally prescribes them.

### Can a provisionally registered trust merge with a fully registered one?

No. Rule 189A(1)(a) and (b) block it in both directions: an organisation registered under section 332 cannot merge with one that is only provisionally registered under section 332, and a provisionally registered one cannot merge with a registered one.

### What happens to a tax demand that is still under appeal?

The merger is not blocked. Rule 189A(1)(c) requires that there be no outstanding demand that is not in appeal, and clause (d) provides that where an appeal is pending, the outstanding demand of the merging organisation is to be paid by the merged organisation once the appeal attains finality. The liability follows the merger rather than stopping it.

### Which form reports the merger, and by when?

Form No. 112A, newly inserted in Appendix III of the Income-tax Rules, 2026. The merged organisation files it with the jurisdictional Principal Commissioner or Commissioner within one month from the end of the month in which the merger comes into effect, electronically, under digital signature or electronic verification code.

### What has to be attached to Form 112A?

Five annexures: the trust deeds of both organisations, the registration granted to both, the resolution of the trustees or governing body recording the merger, audited books of both organisations as on the date of merger and for the financial year immediately preceding the tax year of the merger, and the reasons for the merger.

### Can the merged organisation change its objects after the merger?

Not for five years from the end of the financial year in which the merger takes place. That is a condition in

Rule 189A(1)(e) and is also one of the undertakings signed in the declaration in Form 112A.

### From when does Rule 189A apply?

From 30/10/2026, the date the notification was published in the Official Gazette. The rule states that it comes into force on the date of its publication, with no separate appointed date.

## Official sources

- Gazette of India: Notification No. 139/2026, G.S.R. 961(E) dated 30/10/2026 (Income-tax Eighth Amendment Rules, 2026)
- Income Tax Department: Income-tax Rules, 2026 (Rule 189A inserted after Rule 189)
- Income Tax Department: Income-tax Act, 2025 as amended (sections 332 to 355, including 352, 354A and 533)

## Related reading

- Charitable Trusts and NGOs under the Income-tax Act, 2025: Registration, Exemption and Compliance (Tax Year 2026-27)

## Disclaimer

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