
INTERPLAY BETWEEN INCOME TAX AND IBC CODE DURING LIQUIDATION

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ABSTRACT

Enacted in December 2016, the Insolvency and Bankruptcy Code (IBC) marked a significant transformation in India's bankruptcy framework, replacing the long-criticized and misused BIFR regime. The Code shifted the approach from a debtor-led process to a creditor-driven one, and in doing so, brought substantial amendments to laws such as the Income Tax Act, the SARFAESI Act, and the Companies Act-resulting in notable legal and economic changes across the country. To reinforce the effectiveness of its provisions, the IBC includes Section 238, which grants it overriding authority in cases of conflict with other laws. This article explores the dynamic between the IBC and tax authorities, with a focus on how statutory dues are treated and categorized during the Corporate Insolvency Resolution Process (CIRP). It also delves into the broader interaction between tax legislation and the IBC framework in India.

Introduction

Tax laws are designed under the constitutional framework to meet the government's budgetary needs. Business entities serve as a primary source of revenue for the government, making it crucial to establish an effective system to address the challenges faced by these entities. The efficient resolution of struggling businesses is vital for maintaining a healthy economy, ultimately benefiting all stakeholders, including the government.

The introduction of the Insolvency and Bankruptcy Code (IBC) in 2016¹ completely revamped laws related to distressed entities. Unlike previous laws that focused on restructuring, closure, or asset sales, the 2016 law emphasizes resolving troubled businesses. It is important to note that the IBC was not a tool for debt recovery but rather a lifeline for businesses on the brink of collapse, allowing them to recover. The law can also serve as a preventative measure for businesses at risk of distress, enabling them to be resolved as viable concerns.

The Code marked a significant reform in the Indian Insolvency regime. Prior to its enactment, there was a lack of effective, time-bound laws for insolvency resolution.² Earlier laws focused primarily on liquidation, without offering rehabilitation options. Liquidation involves closing the business, selling off assets, settling debts, and dissolving the entity. With the Code's introduction, the focus shifted from liquidation to insolvency resolution, aiming to preserve the business as a going concern rather than selling off assets piece by piece. The core principle of reorganization is that a business, if preserved or sold as a going concern, holds greater value than if its parts are sold separately. Therefore, reorganization proceedings aim to maintain the business's continuity, maximizing its value.³

The Code was introduced with the goal of establishing a framework for the time-bound resolution and reorganization of corporate entities, partnerships, and individuals, maximizing asset value, promoting entrepreneurship, and facilitating access to credit. It also seeks to balance the interests of all stakeholders, including modifying the priority order of government debt repayment.

¹ <https://ibbi.gov.in/uploads/whatsnew/e42fddce80e99d28b683a7e21c81110e.pdf> (Visited on 20.06.2025)

² <https://ijrpr.com/uploads/V6ISSUE2/IJRPR39167.pdf> (Visited on 20.06.2025)

³ <https://cag.gov.in/uploads/media/Compendium-of-Income-tax-Amendments-under-Finance-Act-2023-26-June-kp-yadav-sir-ITRA-064a79b283e7820-59167369.pdf> (Visited on 20.06.2025)

The provisions of the Code, such as default initiation, moratorium, time-bound procedures, professional-led processes, creditor control, and liquidation only in case of failure to resolve, create an effective framework to meet its objectives.

From the perspective of government revenue, the 2016 law ensures that healthy businesses continue to thrive in the economy, which is far more beneficial than a recovery-based approach. A healthy entity not only generates its own revenue but also sustains the revenue of its creditors and debtors, creating an interconnected web. The failure of one business can lead to the collapse of multiple stakeholders.

The long title to the IBC provides for establishment of the IBBI as one of its objectives. The IBBI was established on October 1, 2016, under section 188 of the IBC as a body corporate. Its head office is in New Delhi. The IBBI is a unique regulator – it regulates both the professionals involved and the transactions conducted. It has regulatory oversight over IPs, IPAs, IPEs and IUs. It also writes and enforces regulations for insolvency and bankruptcy processes, namely, the CIRP, the liquidation process, partnership and individual insolvency resolution, and partnership and individual bankruptcy. The IBBI conducts its quasi-legislative, executive and quasi-judicial functions simultaneously. It also seeks to develop the profession and the level of transactions. It is a key pillar of the ecosystem responsible for implementing the IBC.⁴

Constitution of the IBBI

Section 189 of the IBC provides for the constitution of the IBBI. It says the IBBI shall consist of the following members, who shall be appointed by the Central Government:

- a chairperson;
- three members from among the officers of the Central Government not below the rank of Joint Secretary or equivalent, one each to represent the Ministries of Finance, Corporate Affairs, and Law, ex-officio;
- one member nominated by the Reserve Bank of India (RBI), ex-officio; and

⁴ <https://www.ibbi.gov.in/> (Visited on 20.06.2025)

- five other members nominated by the Central Government, of whom at least three are fulltime members.

Section 189 further provides that these members shall be persons of ability, integrity, and standing, with known capacity to deal with problems relating to insolvency or bankruptcy. They must have specialized knowledge and experience in the fields of law, finance, economics, accountancy, or administration. The term of office of the chairperson and all members (other than ex officio members) is five years, or till they reach 65, whichever is earlier; they are eligible for re-appointment. Under section 232 of the IBC, the chairperson, members, officers, and other employees of the IBBI shall be deemed, while enforcing the provisions of the IBC, to be public servants as defined in section 21 of the Indian Penal Code, 1860. Under section 233, no suit, prosecution, or other legal proceeding can be brought against the chairperson, member, officer, or other employee of the IBBI for anything done or intended to be done in good faith under the IBC or its rules and regulations.

Powers and Functions of the IBBI

The functions of the IBBI are well defined in section 196(1) of the IBC⁵ They are exercised subject to the general direction of the Central Government. They include registering and renewing/withdrawing/suspending/canceling the registration of IPAs, IPs, and IUs; specifying minimum eligibility criteria and providing regulations for them; and inspecting and investigating them if required. The Insolvency and Bankruptcy Code (Second Amendment) Act, 2018,⁶ amended section 196(1) to include a new sub-clause (“aa”) that adds to the IBBI’s functions the task of promoting the development, and regulating the working and practices, of IPs, IPAs, and IUs. The IBBI is also empowered under section 196(2) of the IBC to make model bylaws that IPAs must follow that provide for minimum standards of professional competence, professional and ethical conduct of members, enrollment of members and the manner of granting membership, monitoring and reviewing of members, and related matters. Overall, under section 196, the IBBI has the following broad powers and responsibilities:

- regulation and development of market processes and practices relating to the CIRP, the

⁵ <https://ibbi.gov.in/uploads/legalframework/bb54a1ddf9a7cd75ab18b566a83c6370.pdf> (Visited on 20.06.2025)

⁶ [https://ibbi.gov.in/webadmin/pdf/whatsnew/2018/Aug/The%20Insolvency%20and%20Bankruptcy%20Code%20\(Second%20Amendment\)%20Act,%202018_2018-08-18%2018:42:09.pdf](https://ibbi.gov.in/webadmin/pdf/whatsnew/2018/Aug/The%20Insolvency%20and%20Bankruptcy%20Code%20(Second%20Amendment)%20Act,%202018_2018-08-18%2018:42:09.pdf) (Visited on 20.06.2025)

liquidation process, and individual insolvency and bankruptcy;

- registration and regulation of service providers for the insolvency process, including IPs, IPAs, and IUs;
- oversight of markets and service providers through surveillance, investigation, and grievance redressal;
- enforcement of regulations for service providers and adjudication, if necessary, to ensure their orderly functioning; and
- professional development of expertise through education, examination, and training.

Section 196(3) of the IBC gives the IBBI powers similar to those of a civil court under the Code of Civil Procedure, 1908, while trying a suit. These include the power to seek discovery and production of books of accounts and other registers and documents of any person at any time or place the IBBI specifies; the power to summon and enforce attendance of people it wants to examine under oath; and the power to issue a commission to examine witnesses or documents. Under section 230 of the IBC, the IBBI also has the power to delegate whichever powers and functions it deems necessary to any of its members or officers. Its order could also specify the conditions for delegation. However, the powers of the IBBI under section 240 (regulation-making powers) cannot be delegated. The IBBI has issued the Insolvency and Bankruptcy Board of India (Delegation of Powers and Functions) Order, 2017 (which may also be amended by the IBBI), to this effect.⁷ The IBBI has also been designated the registration authority under the Companies (Registered Valuers and Valuation) Rules, 2017⁸—notified by the Central Government under the Companies Act, 2013—for the registration, regulation, and development of the profession of valuers in the country. Thus, IBBI also registers and regulates valuers and registered valuer organizations, the first line regulator of the valuers. Registered valuers perform various valuation functions under the Companies Act,

Section 238. Provisions of this Code to override other laws.

The vittles of this law shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue

⁷ 2013, and the IBC. <https://ibbi.gov.in/uploads/DOP%20booklet%20final.pdf> (Visited on 20.06.2025)

⁸ https://www.mca.gov.in/Ministry/pdf/Companies_Registered_Valuers (Visited on 20.06.2025)

of any similar law. This particular provision purports to address multitudinous conflicts arising between the IB Code and other bills. In the posterior discussion, we shall see how the vittles of the IB Code have circumvented other statutory laws and the same has been given effect to by virtue of Section 238 of the IB Code.⁹

Several issues have arisen when during the liquidation proceedings under the IB Code, the duty authorities have invoked their right to recover pretenses. Section 53 of the IB Code is applicable provision which has been a bone of contention for the duty authorities with the IB Code. The provision provides for a cascade medium ranking the applicable stakeholders and designating the precedence of their claim in the following manner.

53.Distribution of assets (1) Notwithstanding anything to the contrary contained in any law legislated by the Parliament or any State Legislature for the time being in force, the proceeds from the trade of the liquidation means shall be distributed in the following order of precedence and within similar period and in similar manner as may be specified, videlicet —

- (a) the bankruptcy resolution process costs and the liquidation costs paid in full;
- b) the ensuing debts which shall rank inversely between and among the following —
 - i) workmen's pretenses for the period of twenty- four months antedating the liquidation inception date; and
 - ii) debts owed to a secured creditor in the event similar secured creditor has relinquished security in the manner set out in Section 52;
- c) stipend and any overdue pretenses owed to workers other than workmen for the period of twelve months antedating the liquidation inception date;
- d) fiscal debts owed to relaxed creditors;
- e) the following pretenses shall rank inversely between and among the following
 - i) any quantum due to the Central Government and the State Government including the quantum to be entered on account of the Consolidated Fund of India and the Consolidated Fund

⁹ *Principal Commissioner of Income Tax v. Monnet Ispat and Energy Ltd.*

of a State, if any, in respect of the whole or any part of the period of two times antedating the liquidation inception date;

(ii) debts owed to a secured creditor for any quantum overdue following the enforcement of security interest;

f) any remaining debts and pretenses;

g) preference shareholders, if any; and

(h) equity shareholders or mates, as the case may be.

Sections 178, 179 of the Income Tax Act, 1961 vs. Section 53 of the IBC

In the case of *LML Ltd., In re*,¹⁰ the issue arose regarding the classification of capital gains tax liability incurred on the sale of a corporate debtor's assets during liquidation. Two possible interpretations were considered:

1. Treating the capital gains tax as part of "liquidation expenses."
2. Classifying it as an "operational debt" owed to the tax authorities.

The distinction was significant because, under the Insolvency and Bankruptcy Code (IBC), categorizing the tax as a liquidation expense would have given it priority over other claims, including workers' dues and secured creditors, in accordance with the waterfall mechanism under Section 53. The National Company Law Tribunal (NCLT) ruled that capital gains tax should be classified under operational debt (option 2) and must be recovered as per the hierarchy set out in Section 53 of the IBC. This decision was based on the language of Section 178 of the Income Tax Act, 1961, specifically sub-section (6), which was amended to state:

178(6): The provisions of this section shall apply notwithstanding anything contrary in any other law, except the Insolvency and Bankruptcy Code, 2016. This amendment clarified that the IBC's provisions, particularly Section 53, override Section 178 of the Income Tax Act. However, the legislature did not amend Section 179, which deals with the personal liability of directors in private companies under liquidation. According to Section 179, if a private

¹⁰ CP no (IB)55/ALP/2017 with CA no.56.2018

company's tax dues remain unpaid, its directors may be held jointly and severally liable unless they can prove that non-recovery was not due to their neglect, misfeasance, or breach of duty.

A similar issue was addressed in *Pooja Bahry, In re*¹¹, where the liquidator sold assets relinquished by secured creditors. The question before the Tribunal was whether the liquidator was required to deposit capital gains tax as part of the "liquidation cost." Referring to Section 178(6), the Tribunal held that such tax liabilities must be settled per the waterfall mechanism under Section 53 of the IBC.

Additionally, the Tribunal highlighted a key distinction between the IBC and the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act, 2002. Under SARFAESI, secured creditors can sell assets and fully appropriate the proceeds without first settling capital gains tax. If, under the IBC, capital gains tax were treated as a liquidation cost, it could result in secured creditors receiving lower recoveries than they would under SARFAESI. This would create an inconsistency, discouraging creditors from relinquishing security into the common pool.

Comparison of Sections 88 and 89 of the CGST Act, 2017 with Section 53 of the IB Code

The provisions outlined in Sections 88 and 89 of the Central Goods and Services Tax (CGST) Act, 2017, share similarities with Sections 178 and 179 of the Income Tax Act, 1961.

Under Section 88(1) of the CGST Act, similar to Section 178(1) of the Income Tax Act, when a company undergoes liquidation or winding up, the appointed liquidator must notify the Commissioner of their appointment. Additionally, Sections 88(3) and 89 of the CGST Act, much like Section 179(2) of the Income Tax Act, 1961, establish the principle of vicarious liability for company directors. This means that if a private company is liquidated and outstanding tax, interest, or penalties remain unpaid, the directors of the company will be held jointly and severally liable for these dues.

The key issue under discussion pertains to Section 88(1). While it mirrors Section 178(1), it does not include the provision found in Section 178(6) of the Income Tax Act, 1961, which

¹¹ Dyna rasayan udyog pvt ltd vs pooja bahry & Anr on 24th April, 2023

explicitly states that the Insolvency and Bankruptcy Code (IB Code) takes precedence over Section 178 of the Income Tax Act.

TDS and Its Relation to Section 53 of the IB Code

Section 194-IA (1) of the Income Tax Act, 1961, states that when a transferee makes a payment to a resident transferor for the transfer of immovable property (excluding agricultural land), they must deduct 1% of the transaction amount as TDS at the time of crediting or paying the sum, whichever is earlier.

In the case of *Pooja Bahry, In re*, the adjudicating authority ruled that Section 194-IA of the Income Tax Act does not override the waterfall mechanism outlined in Section 53 of the Insolvency and Bankruptcy Code (IB Code).

However, in *Om Prakash Agarwal v. CIT (TDS)*¹², the issue revolved around whether the successful bidder of a liquidation asset should deduct TDS. The liquidator requested a ruling to prevent the bidder from deducting TDS on the payment. The National Company Law Tribunal (NCLT) rejected this argument, stating that the overriding effect of Section 238 of the IB Code applies to disputes between creditors and debtors but not to TDS deductions.

The rationale was that TDS deduction does not amount to giving priority to government dues over other creditors, as it is not a direct tax demand. The government is not making a claim against the corporate debtor; rather, it is the purchaser's obligation to deposit the deducted TDS with the Income Tax Department. Consequently, Sections 53 and 238 of the IB Code were deemed inapplicable to TDS deductions.

In a recent ruling, the Supreme Court rejected the review petitions challenging its decision in *State Tax Officer v Rainbow Papers Ltd.*, which had unsettled the established view that statutory dues (including tax claims) are categorized as operational debt in insolvency proceedings. The Court instead ruled that statutory dues should be treated as debts owed to secured creditors, and any resolution plan that overlooks such debts is subject to rejection. The dismissal of these petitions is expected to significantly influence India's insolvency law framework.

¹² Company Appeal (AI) Insolvency No. 624 of 2020

The Insolvency and Bankruptcy Code, 2016 (IBC), which came into effect on December 1, 2016, aimed to overhaul India's insolvency resolution process. It sought to establish a swift mechanism for corporate distress resolution while maximizing the value of assets of entities undergoing insolvency procedures.

1. Clean Slate Principle under the IBC, 2016

A central tenet of the IBC is the 'clean slate' principle, which asserts that an entity undergoing insolvency resolution should not inherit unexpected liabilities, allowing the applicant to restart the business afresh. This principle is embedded in Section 31 of the IBC, which stipulates that an approved resolution plan is binding on all stakeholders, including the corporate debtor, its employees, members, and creditors. The purpose is to ensure compliance with the terms of the approved plan by all parties, including government authorities, and to prevent claims not included in the plan. The preamble of the IBC also reflects this intent by balancing stakeholder interests, including altering the priority of government dues payments. The clean slate principle was reinforced by the Supreme Court in, where the Court stated that the legislative *Ajay Kumar Radheshyam Goenka v. Tourism Finance Corporation of India Ltd*¹³ intent is to freeze claims so the resolution applicant can start afresh without unexpected claims.

Internationally, the clean slate principle is also recognized. In the United States, it is known as a "fresh start" under bankruptcy laws, and similar concepts exist in the UK, Poland, and other European nations.

In India, to ensure there are no claims against an entity undergoing insolvency resolution, several laws, including those related to income tax, were amended to allow IBC provisions to override other laws in case of conflict. However, some state-level VAT laws were not amended, causing ambiguity in applying the clean slate principle, particularly in relation to certain state VAT laws, which has been further complicated by recent court decisions.

2. Judicial Interpretations of the Clean Slate Principle and Government Dues As noted, the Supreme Court upheld the clean slate principle in *Ghanshyam Mishra*, ruling that government dues should be considered operational debt and be frozen and extinguished if not part of the approved resolution plan. This means that after the

¹³ Criminal Appeal No. 170 of 2023, Supreme Court

resolution plan's approval, no further claims can be accepted. The claims in the plan are binding on all stakeholders, including government authorities to whom statutory dues are owed, such as tax agencies. Consequently, statutory dues not included in the resolution plan will be extinguished.

This principle was further affirmed in *Committee of Creditors of Essar Steel India Ltd. v Satish Kumar Gupta*¹⁴, where the Court ruled that once the committee of creditors approves a resolution plan, it is binding on all stakeholders. This ensures that the successful resolution applicant can operate the business with a fresh start.

Contrary View Adopted by the Supreme Court in Treating the Government as a Secured Creditor

In contrast to previous rulings, the Supreme Court, in a 2022 judgment in *State Tax Officer v Rainbow Papers Ltd.*¹⁵ (Rainbow Papers), recognized the government as a secured creditor. The Court further ruled that a resolution plan that ignores the proportional payment of statutory dues must be rejected. It overturned decisions by the National Company Law Appellate Tribunal (NCLAT) and National Company Law Tribunal (NCLT), which had held that the government could not claim a first charge on the debtor's assets, as the state was not considered a secured creditor under the Insolvency and Bankruptcy Code (IBC). They also stated that Section 48 of the Gujarat Value Added Tax Act, 2003 (GVAT Act), which grants tax authorities a first charge on the property of a dealer, cannot override Section 53 of the IBC, which governs the distribution of proceeds during liquidation.

The Supreme Court, reversing the NCLT and NCLAT rulings, emphasized that it was the responsibility of the resolution professional to review the corporate debtor's books, which would reveal liabilities arising from statutory demands. These liabilities must be included in the information memorandum and addressed in the resolution plan. If this is not done, the plan will not comply with IBC provisions and must be rejected. As a result, the Court ruled that the resolution plan cannot be binding on the government. Additionally, the Court concluded that the state government qualifies as a secured creditor, as defined under the IBC, and that Section

¹⁴ CIVIL APPEAL NO. 8766-67

¹⁵ Civil Appeal No. 1661 of 2020, Supreme Court

48 of the GVAT Act does not conflict with Section 53 of the IBC, which places debts owed to secured creditors, including the state, on par with other specified debts.

Therefore, the *Rainbow Papers* decision contradicted the earlier Supreme Court ruling in *Ghanshyam Mishra*, which had established a different interpretation. On October 31, 2023, the Supreme Court dismissed the review petitions challenging the *Rainbow Papers* decision, cementing the principle established in that case. This dismissal is likely to have significant implications for companies going through insolvency proceedings under the IBC.

Applicability of the *Rainbow Papers* Ruling to Income Tax Matters

At this point, it's useful to consider Section 238 of the IBC, which states that the provisions of the IBC take precedence over any other laws that are inconsistent with its provisions. This principle has been affirmed in previous Supreme Court cases, such as *Sundaresh Bhatt, Liquidator of ABG Shipyard v Central Board of Indirect Taxes and Customs and Duncans Industries Ltd. v A. J. Agrochem*,¹⁶ where it was determined that the IBC overrides conflicting provisions in other laws.

Additionally, the Income Tax Act, 1961 (ITA) was amended to ensure compatibility with the IBC. Specifically, Section 178(6) of the ITA, amended on November 1, 2016, clarifies that Section 178 (related to companies in liquidation) takes precedence over other laws, except for the IBC. This is different from the situation under the GVAT Act, where no such amendments were made following the IBC's enactment. Therefore, based on a straightforward reading of the ITA and IBC, the provisions of the IBC should take priority over the ITA, a position upheld in various rulings. This suggests that the *Rainbow Papers* ruling may not apply to income tax matters.

However, there have been instances where the *Rainbow Papers* ruling appears to have been applied to income tax matters. In the case of *Assam Company India Ltd.*, the NCLAT remitted the matter back to the NCLT, directing them to reconsider the case in light of the *Rainbow Papers* decision. In the original order, the NCLT had rejected certain late claims from the income tax department, as an amount had already been paid to the tax authorities under the

¹⁶ *Sundaresh Bhatt, Liquidator of ABG Shipyard Vs. Central Board of Indirect Taxes (Civil Appeal No. 7667/2021)*

approved resolution plan. The plan also explicitly stated that any claims not included in the plan would be extinguished. The NCLT's revised decision is still pending.

5. Developments Following *Rainbow Papers*

In a notable ruling (*Paschimanchal Vidyut Vitran Nigam Ltd. v. Raman Ispat Pvt. Ltd.*)¹⁷, the Supreme Court, while referring to *Rainbow Papers* outside the tax context, remarked that the earlier decision may have overlooked or not been presented with the waterfall mechanism under Section 53 of the Insolvency and Bankruptcy Code (IBC). This mechanism prioritizes secured creditors' claims over those of the government. The Court noted that the *Rainbow Papers* ruling did not factor this in, despite legislative intent and reports highlighting the government's lower priority in the repayment hierarchy. This interpretation brought judicial reasoning closer to the earlier *Ghanshyam Mishra* decision. However, since this was not a tax-related case, it's unlikely tax authorities would accept this reading, particularly as the Supreme Court had rejected review petitions challenging *Rainbow Papers*.

When rejecting these review petitions, the Supreme Court also dismissed the observations made in *Paschimanchal Vidyut*, affirming that one bench cannot comment on the discretion exercised by a bench of equal strength. It further clarified that *Rainbow Papers* had indeed considered Section 53 and other relevant IBC provisions, countering the claim that the waterfall mechanism was ignored.

There have been NCLAT rulings that aligned with *Ghanshyam Mishra*. For example, in *Zicom Saas Pvt. Ltd.*, the NCLAT interpreted Section 37 of the Maharashtra VAT Act to mean that the IBC's waterfall mechanism takes precedence, thereby treating the state tax department as an operational creditor, not a secured one. This view was reiterated in *Shop CJ Network Pvt. Ltd.* However, these judgments predated the Supreme Court's dismissal of the review petitions in *Rainbow Papers*.

More recently, in *Tata Steel Ltd.*, the Delhi High Court held that dues owed to all creditors, including statutory authorities, for periods before the approval of a resolution plan, must be paid strictly in line with that plan. Any claims not made during the resolution process or excluded from the plan would be extinguished. The Court upheld the 'clean slate' principle

¹⁷ (Civil Appeal No.7976 of 2019)

from *Ghanshyam Mishra*, although it made no mention of *Rainbow Papers*, despite being decided on the same day the review petitions in that case were dismissed.

Conclusion

The primary goal of the Insolvency and Bankruptcy Code (IBC) is effective resolution of distressed businesses, and this objective should be prioritized above all. Tax authorities should focus on facilitating swift and successful business revival, as a healthy, operational company will ultimately generate more revenue for the government through increased turnover. Past tax dues should not hinder the potential future success of a company. The *Rainbow Papers* judgment has placed a greater onus on tax authorities to thoroughly assess resolution plans, considering long-term tax benefits. It effectively increases the responsibilities on their part during insolvency proceedings.

The IBC is designed to rehabilitate companies and ensure a fair outcome for all stakeholders while supporting broader economic growth. Courts have consistently reaffirmed this intent when interpreting complex issues under the Code. Regarding tax reliefs during insolvency resolution, while the IBC allows resolution applicants the flexibility to include a wide range of restructuring measures, applicants often seek various tax benefits—such as extended carry-forward of losses, MAT relief, or benefits on loan write-backs. However, due to the absence of a uniform approach, different NCLTs have ruled inconsistently on granting such reliefs.

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