



**IN THE HIGH COURT OF GUJARAT AT AHMEDABAD**

**R/SPECIAL CIVIL APPLICATION NO. 16325 of 2025**

**FOR APPROVAL AND SIGNATURE:**

***HONOURABLE MR. JUSTICE A.S. SUPEHIA***

***and***

***HONOURABLE MR. JUSTICE PRANAV TRIVEDI***

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Approved for Reporting	Yes	No
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M/S. SHAFALI STEELS LIMITED

Versus

INCOME TAX OFFICER

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Appearance:

MR. JAIMIN R DAVE(7022) for the Petitioner(s) No. 1

MS HIRVA R DAVE(10742) for the Petitioner(s) No. 1

MS MANVI A DAMLE(10805) for the Petitioner(s) No. 1

MS MAITHILI D MEHTA(3206) for the Respondent(s) No. 1

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***CORAM:HONOURABLE MR. JUSTICE A.S. SUPEHIA***

***and***

***HONOURABLE MR. JUSTICE PRANAV TRIVEDI***

**Date : 27/04/2026**

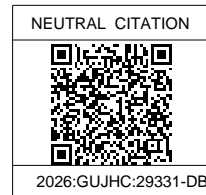
**ORAL JUDGMENT**

***(PER : HONOURABLE MR. JUSTICE PRANAV TRIVEDI)***

1. Heard learned advocate Ms. Manvi Damle for the petitioner and learned Senior Standing Counsel Ms. Maithili Mehta for the respondent.

2. Rule returnable forthwith. Learned Senior Standing Counsel Ms. Maithili Mehta waives service of notice on behalf of the respondent.

3. With the consent of the learned advocates for the respective parties, the matter is taken up for hearing, as the issue involved is very short.



4. The petition has been filed under Article 226 of the Constitution of India with the following prayers :-

*"8( a) To quash and set-aside action of Respondent in adjusting Income Tax Refund to the tune of Rs. 26,86,580/- for Assessment Year 2019-20 to 2023-24 as provided in intimations at Annexure - "E" to the Petition;*

*(AA) To quash and set aside communication dated 22.01.2026 passed by Respondent at Annexure-H to the petition.*

*(b) Direct Respondent to process the refund aggregating Rs. 26,86,580/- without any adjustment against extinguished income tax demands pursuant to the approval of resolution plan vide order dated 31.12.2021 passed in I.A. No. 901 of 2020 as per Section 30(6) read with Section 31 of the Insolvency and Bankruptcy Code, 2016 along with statutory interest;*

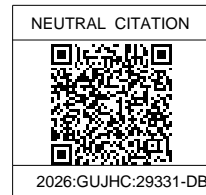
*(c) Any other and further relief, which is just and proper, may kindly be granted as may be deemed expedient by this Hon'ble Court in the facts and circumstances of the case.*

*d) Award cost of the present Petition."*

5. The brief facts of the case are as follows:

5.1. The petitioner is a company registered under the Companies Act, 1956. The petitioner was subjected to the insolvency proceedings under the Insolvency and Bankruptcy Code, 2016 ("IBC"), wherein, a Corporate Insolvency Resolution Process ("CIRP") was initiated under Section 9 of the IBC, which was admitted by the Adjudicating Authority vide order dated 17.12.2019.

5.2. An Interim Resolution Professional was appointed by the National Company Law Tribunal (for short "Tribunal"), who made a public announcement in accordance with Section 13, 15 and other relevant



provisions of the IBC read with the Regulation 6 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, (For short "Regulations, 2016") thereby inviting claims from the various creditors of the petitioner.

5.3. Further, under the CIRP, the Resolution Plan of M/s. Caxchem Chemical Corporation came to be approved by the Tribunal vide order dated 13.12.2021 under Section 30(6) of the IBC. The said Resolution Plan provided for the waiver and extinguishment of all the unassessed/assessed tax liabilities for the period prior to the Tribunal approval date.

5.4. The respondent has adjusted the income tax refunds for the Assessment Years 2018-19 to 2023-24 after the approval of the Resolution Plan for the dues towards income tax. It is the case of the petitioner that the respondent has illegally adjusted the refund amount towards income tax dues by way of impugned communication dated 22.01.2026 during the CIRP which is contravention to the provisions of IBC. It is the case of the petitioner that at the time of processing of the return of income for the subsequent Assessment Year i.e. 2024-25, the respondent has processed the income tax refund amount of Rs.9,34,830/- without adjusting the same against the past dues.

5.5. Challenging the legality of the action of the respondent in adjudicating the income tax refund of the petitioner against the income tax dues prior to initiation of CIRP under IBC, the petitioner has filed this



petition.

6. Learned advocate Ms. Manvi Damle appearing on behalf of the petitioner submitted that on the approval of the Resolution Plan under Section 31 of the IBC, all dues of the Corporate Debtor except those which have been specifically provided for in the Resolution Plan would stand extinguished in terms of the provisions of the IBC and the decisions of the Hon'ble Apex Court in the case of *Committee of Creditors of Essar Steel India Ltd. Through Authorised Signatory Vs. Satishkumar Gupta & Ors.*, reported in (2020) 8 SCC 531 and in case of *Ghanshyam Mishra and Sons Pvt. Ltd. Through the Authorized Signatory Vs. Edelweiss Asset Reconstruction Company Ltd.,through the Directors & Ors.* reported in (2021) 9 SCC 657. Learned advocate Ms. Manvi Damle submitted that in the present case, the tax dues stand extinguished in terms of the Resolution Plan.

6.1. Learned Senior Standing Counsel Ms. Maithili Mehta for the respondent-Department is not in a position to controvert the position of law as far as the extinguishment of the tax dues are concerned in terms of Section 31 of the IBC.

## **7. DISCUSSION & FINDINGS :-**

7.1. A perusal of the Resolution Plan which came to be approved on 13.12.2021 by the Tribunal would reveal the following provisions as



evident from the relevant portion extracted below:-

*“EFFECT OF THE RESOLUTION PLAN*

*(i) On payment of the proposed plan value payable to various stakeholders as mentioned at Para 6 of the Plan, the entire outstanding dues of each of the creditors/stakeholders mentioned therein shall stand discharged and nothing further shall be deemed to be payable to any of the category of the creditors/stakeholders as mentioned therein.. Further the secured creditors shall release their charge on the Assets of the company on receiving the full payment of the proposed plan value as envisaged in this plan and will also issue their "No Due" certificate for the same.*

*(ii) The plan shall be binding on the company, its creditors, guarantors, members, workmen and employees, Government/semi Government bodies and Authorities, and other stakeholders (including the existing promoter group) in accordance with Section 31 of the IBC.*

*(iii) The terms of the plan shall be deemed to have been approved by the company, its creditors, guarantors, members, workmen, employees and other stakeholders (including existing promoter group) and shall not require any separate approvals or actions of such persons.*

*(iv) The plan will result in total dilution of shareholding of the existing promoter group/other existing shareholders and the company will be 100% controlled and managed by Caxchem Chemical Corporation.*

*The plan thus addresses the interests of all stakeholders including Financial Creditors, Operational Creditors and other creditors, guarantors, members, workmen, employees, government bodies and other stakeholders of the company as contemplated by the IBC.”*

8. From the perusal of the above, it is evident that all tax liabilities, assessed and unassessed under the Income Tax Act, 1961 “shall stand waived and extinguished”.

9. In case of **Committee of Creditors of Essar Steel India Ltd.** (**Supra**), the Hon’ble Apex Court has held as under:-

*"107. For the same reason, the impugned NCLAT judgment in holding that claims that may exist apart from those decided on merits by the resolution professional and by the Adjudicating*



*Authority/Appellate Tribunal can now be decided by an appropriate forum in terms of Section 60(6) of the Code, also militates against the rationale of Section 31 of the Code. A successful resolution applicant cannot suddenly be faced with "undecided" claims after the resolution plan submitted by him has been accepted as this would amount to a hydra head popping up which would throw into uncertainty amounts payable by a prospective resolution applicant who would successfully take over the business of the corporate debtor. All claims must be submitted to and decided by the resolution professional so that a prospective resolution applicant knows exactly what has to be paid in order that it may then take over and run the business of the corporate debtor. This the successful resolution applicant does on a fresh slate, as has been pointed out by us hereinabove. For these reasons, NCLAT judgment must also be set aside on this count."*

10. In the case of ***Edelweiss Asset Reconstruction Company Ltd., (Supra)***, the Hon'ble Apex Court has categorically held as under:-

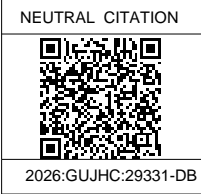
*"102.1 That once a resolution plan is duly approved by the adjudicating authority under sub-section (1) of Section 31, the claims as provided in the resolution plan shall stand frozen and will be binding on the corporate debtor and its employees, members, creditors, including the Central Government, any State Government or any local authority, guarantors and other stakeholders. On the date of approval of resolution plan by the adjudicating authority, all such claims, which are not a part of resolution plan, shall stand extinguished and no person will be entitled to initiate or continue any proceedings in respect to a claim, which is not part of the resolution plan.*

*102.2 The 2019 Amendment to Section 31 IBC is clarificatory and declaratory in nature and therefore will be effective from the date on which IBC has come into effect.*

*102.3 Consequently all the dues including the statutory dues owed to the Central Government, any State Government or any local authority, if not part of the resolution plan, shall stand extinguished and no proceedings in respect of such dues for the period prior to the date on which the adjudicating authority grants its approval under Section 31 could be continued.*

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*138 In the forgoing paragraph, we have held that the 2019 Amendment to Section 31 IBC is clarificatory and declaratory in*



*nature and therefore will have a retrospective operation. As such, when the resolution plan is approved by NCLT, the claims, which are not part of the resolution plan, shall stand extinguished and the proceedings related thereto shall stand terminated. Since the subject-matter of the petition are the proceedings which relate to the claims of the respondents prior to the approval of the plan, the same cannot be continued. Equally the claims, which are not part of the resolution plan, shall stand extinguished."*

11. Therefore, applying the decisions of the Hon'ble Apex Court to the facts of the present case, it is clear that on the complete extinguishment of all tax liabilities of the Corporate Debtor upon the approval of the Resolution Plan on 13.12.2021, there could be no occasion whatsoever for the respondents to proceed with the adjustment of the tax refund for Assessment Years 2018-19 to 2023-24. The action of the respondent in effecting such adjustment therefore cannot be sustained in law. In that view of the matter, this Court has not entered into the merits with regard to issuance of the tax refund.

12. Resultantly, the petition succeeds and the impugned action of adjustment of refund for Assessment Years 2018-19 to 2023-24 by way of communication dated 22.01.2026 is hereby quashed and set aside. Rule is made absolute to the aforesaid extent. No order as to costs.

**(A. S. SUPEHIA, J)**

**(PRANAV TRIVEDI, J)**

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