

1<sup>st</sup> August, 2025

## Friday Tax Alert

### **Relaxation of time limit for processing of returns of income filed electronically which were invalidated by CPC: CBDT**

- ✓ It has been brought to the notice of Central Board of Direct Taxes ('the Board') that CPC Bengaluru (CPC) **has received grievances regarding erroneous invalidation, due to various technical reasons, while processing the returns filed electronically for different assessment years.** The time period for processing these returns has lapsed, latest being 31.12.2024 for A Y 2023-24. Therefore, these returns need to be validated and processed as per law.
- ✓ The matter has been considered by the Board and it has been decided to **relax the timeframe prescribed in second proviso to sub-section (1) of section 143 of the Income-tax Act, 1961 (the Act) in exercise of its powers under section 119 of the Act.** The Board hereby directs that **returns of income filed electronically upto 31.03.2024** which have been **erroneously invalidated by CPC shall now be processed.** The intimation under sub-section (1) of section 143 of the Act in respect of processing of such returns shall be sent to the Assessee's concerned by **31.03.2026.**
- ✓ All subsequent effects under the Act, including issue of refund along with interest as applicable, shall also follow in these cases. In those cases where PAN-Aadhaar linkage is not found, refund of any amount of tax or part thereof, due under the provisions of the Act shall not be made as laid down in Circular No.03/2023 dated 28.03.2023 vide F.No.370142/14/2022-TPL.
- ✓ This may be brought to the notice of all for necessary compliance.

*[Central Board of Direct Taxes (CBDT) Circular No. 10/2025 dated 28.07.2025]*

### **SLP dismissed against HC ruling that Sec 148 notice post-NCLT resolution plan approval for prior period was invalid**

#### **FACTS OF THE CASE:**

1. The petitioner was admitted into a CIRP and an order was passed by the National Company Law Tribunal (NCLT) wherein the resolution plan, as approved by the NCLT entailed a full waiver of all tax and tax-related interest dues pertaining to the period prior to commencement of the Corporate Insolvency Resolution Process (CIRP).
2. After the resolution plan was approved, the Assessing Officer issued a notice under section 148 seeking to initiate reassessment of the petitioner's income.

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3. The petitioner submitted its objections, specifically asserting that after approval of a resolution plan under section 31 of the IBC, the petitioner had begun on a new slate with all past claims and dues being extinguished in terms of the resolution plan.
4. The Assessing Officer, however, had passed an order rejecting all the objections raised by the petitioner and asserted that while recovery may be impermissible, prosecution of the erstwhile management and recovery from other persons would still be permissible, issued a notice dated under section 142(1) calling upon the petitioner to furnish various details.

## **DECISION OF THE ITAT:**

1. A plain reading of section 31(1) of the IBC would show that **once the Adjudicating Authority (the NCLT) approves the resolution plan**, it would be **binding on**, among others, the **Central Government and its agencies in respect of payment of any statutory dues arising under any law for the time being in force**. It is now trite law that the effect of resolution of a corporate debtor is that the terms of resolution bind tax authorities and their enforcement actions – a position in law declared in numerous judgments of the Supreme Court.
2. The Supreme Court in **Ghanashyam Mishra & Sons (P.) Ltd. v. Edelweiss Asset Reconstruction Co. Ltd. [2021] 126 taxmann.com 132/166 SCL 237 (SC)**, had held 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. 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 of the IBC could be continued.
3. It is therefore crystal clear that once a resolution plan is duly approved under section 31(1) of the IBC, the debts as provided for in the resolution plan alone shall remain payable and such position shall be binding on, among others, the Central Government and various authorities, including tax authorities. **All dues which are not part of the resolution plan would stand extinguished and no person would be entitled to initiate or continue any proceedings in respect of any claim for any such due.** No proceedings in respect of any dues relating to the period prior to the approval of the resolution plan can be continued or initiated.
4. In this clear view of the matter, there can be no manner of doubt that the impugned proceedings and their continuation against the petitioner-Assessee are wholly misconceived and untenable. The impugned proceedings are essentially reassessment proceedings, and that too of assessment year 2016-17. Evidently, such proceedings pertain to the period prior to the approval of the resolution plan. The outcome of such proceedings, particularly if adverse to the petitioner-Assessee, would clearly be in relation to tax claims for the period prior to the approval of the resolution plan. The resolution plan came to be approved on 6-5-2020. Any attempt to re-agitate the assessment for assessment year 2016-17, evidently and squarely, constitutes pursuit of claims for the period prior to even the initiation of the CIRP. The conduct of such proceedings would be directly in conflict with the law declared in Ghanshyam Mishra (supra) which makes it clear that **continuation of existing proceedings and initiation of new proceedings that relate to operations prior to the CIRP are totally prohibited after the**

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**approval of the resolution plan.** Consequently, nothing in the impugned proceedings can legitimately survive. [Para 17]

## **Conclusion**

The aforesaid position in law squarely applies to the facts of the instant case, and necessitates quashing the Impugned Proceedings. Evidently and admittedly, **the reassessment proceedings pre-date the CIRP. They would relate to the period prior to the approval of the resolution plan of the petitioner-assessee, and therefore stand extinguished.** This is why the Supreme Court has clearly ruled that initiation and continuation of proceedings relating to the period prior to the approval of the resolution plan cannot be indulged in. Upon completion of the CIRP, the petitioner-assessee has completely changed hands and has begun on a clean slate under new ownership and management.

Consequently, **all the notices and communications issued by the Revenue in connection with the Impugned Proceedings, and the consequential actions as impugned in this Writ Petition are hereby quashed and set aside.**

***SLP dismissed against High Court order by the Hon'ble Supreme Court of India in the case of Assistant Commissioner of Income Tax v. Uttam Galva Metallics Ltd. [2025] 176 taxmann.com 763 (SC).***

# **DESAI SAKSENA & ASSOCIATES**

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