

V.S. Palanivel v. P. Sriram, CS, Liquidator, Etc.

Civil Appeal No. 9059 of 2022 / Civil Appeal No. 9060 of 2022 / Civil Appeal No. 9061 of 2022
[2024] 8 S.C.R. 1263 : 2024 INSC 659 | 2024-08-28

In a challenge by a former managing director/shareholder to an IBC liquidation auction, whether COVID-19 justified an adjudicatory extension of the balance-payment deadline; whether valuation, stakeholder consultation and sale procedure were defective; and whether an existing income-tax attachment under sections 222/281 and Second Schedule Rule 48 justified withholding the auction price until the attachment was formally lifted.

222 | 281 | Second Schedule, Part III, Rule 48

Two-judge bench | Hima Kohli, J. | Ahsanuddin Amanullah, J.

Assessment years: See the source-scope notes; no year inferred.

01 FACTS OF THE CASE

V.S. Palanivel, a shareholder and former managing director of the family-held Sri Lakshmi Hotels Private Limited, challenged NCLAT's common judgment dated 16 September 2022 upholding orders in the company's liquidation. Non-payment of an arbitral award led to admission of a financial creditor's section 7 IBC application on 28 February 2019. No revival plan was received and liquidation was ordered on 17 July 2019. The asset was land and a hotel/bar building at Tiruchirappalli.

Two registered valuers reported liquidation values of Rs 40,82,57,000 and Rs 38,00,00,000. Their average, Rs 39,41,28,500, became the first reserve price. Their separate 'Tax Value' figures exceeded Rs 48 crore and were not the liquidation values. No bid was received in the first auction, and the reserve was reduced by 25% to Rs 29,55,96,375 for the auction held on 23 December 2019. KMC Speciality Hospitals (India) Ltd. was the sole successful bidder. It received the demand/letter of intent on 26 December 2019; the Court treated 25 March 2020 as the outer 90-day payment date. The price was not paid by then.

The purchaser knew of the income-tax attachment before bidding. The Department had lodged a claim with the liquidator, who obtained an NCLT order on 10 February 2020 directing lifting of attachment subject to escrow conditions. On 22 April 2020 the purchaser sought more time, relying on both COVID-19 disruption and the attachment; NCLT granted an extension on 5 May 2020 until the Centre/State lockdown was lifted. Paragraph 36.7 records creation of an escrow account on 3 August 2020, deposit of the tax arrears of Rs 2,44,01,603 on 24 August 2020, formal lifting of attachment on 27 August, and the narrative records a sale deed on 28 August. The purchaser paid the balance price on 24 August. Party submissions elsewhere describe some dates differently; the Court's own final chronology is used here.

Palanivel sought to stall or undo the auction, recall the extension order and challenge the sale. Civil Appeal 9059/2022, concerning the effort to stall the auction, did not survive once the sale was completed. The judgment addresses Civil Appeals 9060 and 9061/2022. The grounds included undervaluation, lack of a stakeholders' consultation committee, breach of the payment rules and reliance on the attachment. By judgment the land contained a functioning 200-bed mother-and-child hospital.

Source: [reported rendition / paragraphs 1-9 / PDF pages 7, 8, 9, 10, 11 / judgment](#); [reported rendition / paragraphs 36.3-36.7 / PDF pages 51, 52, 53, 54 / judgment](#); [official signed judgment / paragraphs 1-9 / PDF pages 1, 2, 3, 4, 5, 6, 7 / judgment](#); [official signed judgment / paragraphs 36.7 / PDF pages 51, 52 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court accepted the COVID-19 lockdown as a valid basis for the extension in this case. Regulation 47A covered tasks in a liquidation process that could not be completed because of the lockdown, not merely filing litigation. Read with the Supreme Court's limitation orders, it supported relief for a payment deadline expiring at the onset of the lockdown. The Court distinguished cases involving earlier-expired deadlines or repeated defaults under other statutory schemes (paragraphs 32.1-32.12).

It rejected the undervaluation challenge: the reserve reflected the average liquidation values, not the higher 'Tax Value' figures, and Schedule I Rule 4A permitted a reduction up to 25% after a failed auction. The appellant had not produced a better bidder despite invitations. It also rejected the stakeholders' consultation objection, considering the liquidation commencement date, the regulatory explanation and the appellant's failure to nominate a representative or object in time. The reported rendition misnumbers the end of the valuation discussion as 32.4-32.6; the official original correctly labels it 33.4-33.6 (paragraphs 33-34).

The Court nevertheless held IBBI Schedule I Rule 12 mandatory: it expressly links failure to pay within 90 days with cancellation. The liquidator had no discretion to enlarge that period himself. That did not invalidate the particular NCLT extension, made under section 35 IBC read with Rule 11 of the NCLT Rules on sufficient cause in extraordinary COVID-19 circumstances. The decision does not treat every liquidation deadline as directory (paragraphs 35.8-35.16).

On the tax issue, the purchaser had bid with knowledge of the attachment and the 'as is' terms. Sections 222 and 281 and Second Schedule Rule 48 explained the recovery and transfer restrictions, including the prior-permission exception referred to by the Court. The liquidator had already obtained an adjudicatory order on 10 February 2020, communicated it to the purchaser and explained the Department's filed claim and IBC distribution setting. The tax arrears were less than the earnest-money deposit and could have been met from it. The Court therefore rejected the assertion that attachment was a serious and insurmountable obstacle to paying the balance or completing the transfer on these facts (paragraphs 36.2-36.7 and 36.10-36.11). This is not a general ruling that an attachment may be ignored, that section 281 is inapplicable to every insolvency sale, or that every NCLT order substitutes for assessing-officer permission.

IBBI Rule 13 concerns the procedural completion of sale after full payment and is directory; it did not make the distinct Rule 12 payment obligation conditional on the formal lifting of the attachment. Despite faulting the purchaser's delay, the Court declined to unwind the completed sale. It considered the operational hospital, the appellant's lack of vigilance and the restricted grounds for disturbing a confirmed auction. The final relief balanced those considerations by requiring additional money rather than returning the land (paragraphs 36.9-36.16).

02 DISCUSSION BY THE HON'BLE COURT

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Source: [reported rendition / paragraphs 32.1-32.12 / PDF pages 23, 24, 25, 26, 27, 28, 29, 30, 31 / judgment; reported rendition / paragraphs 33.1-33.3; printed 32.4-32.6 within heading 33 / PDF pages 31, 32, 33 / judgment; reported rendition / paragraphs 34.1-34.3 / PDF pages 34, 35, 36, 37 / judgment; reported rendition / paragraphs 35.8-35.16 / PDF pages 47, 48, 49, 50, 51 / judgment; reported rendition / paragraphs 36.2-36.14 / PDF pages 51, 52, 53, 54, 55, 56, 57 / judgment; official signed judgment / paragraphs 33.4-33.6 / PDF pages 33, 34 / judgment; official signed judgment / paragraphs 36.6-36.11 / PDF pages 51, 52, 53, 54, 55 / judgment](#)

03 JUDICIAL DECISION

Reading the operative order with paragraph 2, Civil Appeal 9059/2022 did not survive and the substantive appeals, 9060 and 9061/2022, were partly allowed on limited terms. The Court did not cancel the auction or declare the sale deed void. It directed the auction purchaser to deposit an additional Rs 5,00,00,000 with the liquidator, together with interest at 9% per annum from 26 March 2020 until actual payment, within eight weeks of the judgment. The liquidator was to distribute the money in accordance with NCLT orders under the IBC. This was not an award of Rs 5 crore directly to Palanivel or an adjudication of a new tax demand. Each party was to bear its own expenses. No inquiry into subsequent compliance is included.

Source: [reported rendition / paragraphs 2; 36.14-36.16 / PDF pages 8, 57, 58 / judgment; official signed judgment / paragraphs 2; 36.14-36.16 / PDF pages 2, 3, 56, 57 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Mixed: Palanivel obtained limited additional-payment relief; the auction purchaser retained the property and sale deed, subject to that monetary obligation

Civil Appeal 9059/2022 did not survive; merits confined to 9060-9061/2022, partly allowed by additional Rs 5 crore plus 9% p.a. interest; sale retained; own expenses

IBC auction objections and bounded tax-attachment/payment issue considered on merits; no tax assessment or competing-priority merits appeal decided

The attachment rationale depends on prior notice, the 10 February 2020 order, available funds and the actual record. The COVID-19 extension was extraordinary; liquidator discretion to ignore mandatory payment periods was rejected. The additional sum goes to the liquidator for IBC distribution, not directly to the appellant.

Source: [reported rendition / paragraphs 2; 36.14-36.16 / PDF pages 8, 57, 58 / judgment; official signed judgment / paragraphs 2; 36.14-36.16 / PDF pages 2, 3, 56, 57 / judgment](#)

05 AKHB REVIEW POINT

For an insolvency-auction file involving a tax attachment, build separate timelines for price demand/payment, tax-recovery steps, permission or release orders and execution of the conveyance. Obtain the actual section 222 recovery record, Rule 48 attachment, tax claim, operative NCLT order, any section 281 permission, escrow conditions and proof of communication. The Court rejected the claimed payment obstacle on this record; do not recast that result as a universal priority ruling or a general power to disregard an attachment. Keep the mandatory IBBI payment requirement distinct from procedural completion of sale and the exceptional COVID-19 extension. Read the remedy exactly: the sale survived, and Rs 5 crore plus 9% interest was payable to the liquidator for authorised distribution. The reproduced source contains numerical and paragraph-number slips, so follow the explicit operative amount instead of recomputing relief from the valuation narrative. Verify later treatment and the applicable historical legislation before reliance; no automatic 2025 Act mapping is made.

Source: [reported rendition / paragraphs 35.11; 35.14-35.16; 36.2-36.16 / PDF pages 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Second Schedule, Rules 57 and 58 (quoted precedent)

PROVISION-SPECIFIC SCOPE

1.

Provision: Section 222

Role: substantively discussed in tax attachment issue

Description: The Court explained the Tax Recovery Officer's power to recover tax arrears by attachment and sale when considering the purchaser's asserted inability to complete the transaction.

Pinpoints

1.

Source url: [Open cited source](#)

Paragraphs: 36.6

Pdf pages: 53

Source role: judgment

Scr pages: 1315

2.

Source url: [Open cited source](#)

Paragraphs: 36.6

Pdf pages: 51

Source role: judgment

2.

Provision: Section 281

Role: substantively applied to asserted transfer obstacle

Description: The Court discussed invalidity against tax claims and the prior-permission exception, described in the judgment as the second proviso. It relied on the actual 10 February 2020 adjudicatory order and surrounding facts to reject an insurmountable obstacle; it did not comprehensively restate all statutory conditions or declare every NCLT order equivalent to assessing-officer permission.

Pinpoints

1.

Source url: [Open cited source](#)

Paragraphs: 36.6-36.7; 36.10-36.11

Pdf pages: 53; 54; 55; 56

Source role: judgment

Scr pages: 1315; 1316; 1317; 1318

2.

Source url: [Open cited source](#)

Paragraphs: 36.6-36.7; 36.10-36.11

Pdf pages: 51; 52; 53; 54; 55

Source role: judgment

3.

Provision: Second Schedule, Part III, Rule 48

Role: substantively discussed in tax attachment issue

Description: Explains the prohibitory effect of an immovable-property attachment. The Court rejected using the known attachment to postpone the independent balance-payment obligation on the facts.

Pinpoints

1.

Source url: [Open cited source](#)

Paragraphs: 36.5-36.10

Pdf pages: 52; 53; 54; 55

Source role: judgment

Scr pages: 1314; 1315; 1316; 1317

4.

Provision: Second Schedule, Rules 57 and 58

Role: quoted precedent analogy only

Description: C.N. Paramasivan was quoted regarding mandatory deposits in recovery auctions under the debt-recovery scheme. These are not the payment rules directly governing this IBC auction and should not be substituted for IBBI Schedule I Rules 12 and 13.

Pinpoints

1.

Source url: [Open cited source](#)

Paragraphs: 35.6

Pdf pages: 42; 43; 44; 45

Source role: judgment

Scr pages: 1304; 1305; 1306; 1307

2.

Source url: [Open cited source](#)

Paragraphs: 35.6

Pdf pages: 41; 42; 43

Source role: judgment

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Hima Kohli, J.

OTHER LEGAL CONTEXT

Insolvency and Bankruptcy Code, 2016: sections 7, 35 and 61; other IBC provisions occur in cited precedent; IBBI (Liquidation Process) Regulations, 2016: Regulations 31A, 33, 35 and 47A; Schedule I Rules 4A, 12 and 13; National Company Law Tribunal Rules, 2016: Rule 11; Supreme Court COVID-19 limitation orders, as applied with Regulation 47A in these circumstances

PRIMARY LEGAL SETTING

Insolvency and Bankruptcy Code, 2016 liquidation auction litigation, with a substantive but bounded Income-tax Act attachment issue; not an appeal against an income-tax assessment or tax-priority distribution order.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported rendition\)](#)

Identified source rendition: 58 PDF pages; SHA-256
56536bb0f752c52b6cb4c79b06226b1c97597f2ecc4d85abb6415527ada56d93. Original bytes preserved.

[Open cited source rendition](#)

The report caption includes three appeals, but paragraph 2 removes Civil Appeal 9059/2022 from substantive consideration. The partly-allowed conclusion is read with that limit.

The valuation table at reported physical page 9 and official page 4 distinguishes Tax Value from Liquidation Value. Those labels and amounts were visually/textually verified; Tax Value is not recast as an assessed tax demand.

The report prints 32.4-32.6 inside the heading 33 valuation section on physical pages 32-33; the official original prints 33.4-33.6 on pages 33-34. Pinpoints preserve this rendition-specific difference.

Paragraph 36.15 gives the initial average liquidation value as Rs 39,41,28,800, whereas paragraph 5/table and paragraph 33.2 give Rs 39,41,28,500. Both renditions contain that Rs 300 discrepancy. The approximately Rs 10 crore differential and express Rs 5 crore award are not replaced by a fresh arithmetic calculation.

Paragraph 6 reports earnest money of Rs 2,95,59,698, while paragraphs 32.1 and 36.10 give Rs 2,95,59,638; paragraph 36.11's balance of Rs 26,60,36,677 corresponds to the former deposit figure. Paragraph 20's submission additionally prints the reduced reserve as Rs 29,95,96,375 instead of the repeatedly stated Rs 29,55,96,375. This note does not silently reconcile these source figures.

The Court's chronology in paragraph 36.7 is used for escrow creation, tax deposit and attachment release. Different dates in party submissions are not elevated into findings.

Paragraph 34.3 in both renditions describes the regulatory explanation imprecisely as tied to commencement of the IBBI Regulation, 2016, although paragraph 34.2 identifies the 25 July 2019 insertion. The note reports the actual rejection of the objection and chronology without offering that wording as a current regulatory rule.

The statement about a section 281 prior-permission exception and the specific NCLT permission order is kept fact-bound; this note does not equate all NCLT orders with assessing-officer permission or resolve all statutory transfer conditions.

Rules 57 and 58 appear inside the Court's quotation from C.N. Paramasivan, a recovery-auction precedent; the direct payment rule here is IBBI Schedule I Rule 12.

Footnotes and submissions contain inconsistent NCLAT appeal references (343/2022 in footnote 2 and 334/2021 in footnote 16 versus paragraph 1's 343/2021). Supreme Court appeal numbers are verified from both covers and paragraph 2; no uncertain subordinate reference is used as a separate case identifier.

Full bounded judicial text read, including all non-tax issues and quoted precedents. The note deliberately omits the unnecessary escrow bank-account number printed in a source footnote. Editorial headnotes and result lines are not treated as judicial reasons.

Both citations are printed on reported physical page 1; the neutral citation, common appeal caption and author are also verified on the official original cover.

No assessment year of the company's tax arrears is identified in the judicial text. Calendar dates of attachment, auction, escrow deposit and payment are not assessment years.

The common caption covers all three appeals. Paragraph 2 says Civil Appeal 9059/2022 no longer survives because the auction and sale deed were completed, and confines the substantive judgment to Civil Appeals 9060 and 9061/2022. Paragraph 36.16 partly allows the appeals on the stated terms; it must be read with that express scope limitation.

STATUTORY SCOPE

Income-tax attachment provisions and IBC/IBBI historical rules as discussed in this decision, including the COVID-19 setting; no independent consolidated current-statute audit

No automatic mapping to the Income-tax Act, 2025 and no certification of current insolvency-auction deadlines or tax priorities.

LATER TREATMENT

Source checked 2026-10-04. Subsequent appeals, review proceedings, stays, reversals and later judicial treatment have not been comprehensively checked. This note is not a citator status certificate.

IDENTIFIED SOURCE LINKS

[reported rendition - Physical PDF page 1 / SCR page 1263 - PDF pages: 58](#)

SHA-256: 56536bb0f752c52b6cb4c79b06226b1c97597f2ecc4d85abb6415527ada56d93

[official signed judgment - PDF pages: 57](#)

SHA-256: a4b3e88802bc4bc366b0ca19685cfbc57758255cc8aea58d3e38d1148cfdde07

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