IN THE NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH, COURT – 1, AHMEDABAD

ITEM No.313

IA/1703(AHM)2026
in
CP(IB) 279 of 2018

Proceedings under Section 60(5) of IBC 2016 r/w Rule 11 of NCLT 2016

IN THE MATTER OF:

Mohit Chawla RP ofor Krishna Knitwear Technology Limited **.....Applicant**
V/s
The Assessing Office DCIT Central Circle 5(3) Mumbai Income Tax Department **.....Respondent**

Order delivered on: 23/11/2026

C O R A M:
MR. SHAMMI KHAN, HON'BLE MEMBER (J)
MR. SANJEEV SHARMA, HON'BLE MEMBER (T)

O R D E R
(Hybrid Mode)

The case is fixed for pronouncement of order. The order is pronounced in the open court, vide separate sheet.

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SANJEEV SHARMA
MEMBER (TECHNICAL)

-sd-

SHAMMI KHAN
MEMBER (JUDICIAL)

BEFORE THE ADJUDICATING AUTHORITY
NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH, COURT - I, AHMEDABAD

IA No.1703 (AHM) of 2026
IN
CP (IB) No. 279 (AHM) of 2018

(*Application under Section 60(5) of the Insolvency and Bankruptcy Code, 2016 read with Rule 11 of National Company Law Tribunal Rules, 2016)*

Mr. Mohit Chawla,
Resolution Professional of
M/s Krishna Knitwear Technology Limited
(IBBI Reg. No. IBBI/IPA-001/IP-P00524/2017-2018/10949)
Address for service: SCO 26, Level III,
Shri Balaji Complex, Old Ambala Road,
Dhakoli, Zirakpur – 140603
Email id:- camohitchawla@gmail.com

...Applicant

VERSUS

The Assessing Officer
DCIT Central Circle 5(3),
Mumbai, Income Tax Department,
Room No. 1906, Air India Building,
Nariman Point, Mumbai-400021
Email: mumbai.ccit5@incometax.gov.in

..... Respondent

Order Pronounced On: 23.11.2026

C O R A M

MR. SHAMMI KHAN, HON'BLE MEMBER (JUDICIAL)
MR. SANJEEV SHARMA, HON'BLE MEMBER (TECHNICAL)

A P P E A R A N C E:

For the Applicants : Mr. Ashwani Sharma, Advocate

For the Income Tax Department : **Ex- parte**

O R D E R
Per Bench

1. This Interlocutory Application has been filed on 01.10.2026 by the Applicant, under Section 60(5) of the Insolvency and Bankruptcy Code, 2016 read with Rule 11 of National Company Law Tribunal Rules, 2016, seeking the following reliefs: -

a. *Pass necessary directions to the Respondent for refunding the full amount of Rs. 26,41,770/- (Rupees Twenty-Six Lakh Forty-One Thousand Seven Hundred and Seventy Only) plus interest in the account of the Corporate Debtor, which was wrongfully adjusted against purported tax dues of the Corporate Debtor during the CIRP period;*

b. *Declare that the adjustment of the refunds for the Assessment Years 2018- 19 to 2025-26 against alleged tax demands, made on and after 13.01.2020 during the moratorium under Section 14 of the Code, is illegal, without jurisdiction, in violation of Sections 14 and 238 of the Code, and void ab initio;*

c. *Pass such other and further order(s) as this Hon'ble Tribunal may deem fit and proper in the facts and circumstances of the case, in the interest of justice and in the interest of the Corporate Debtor and its stakeholders.*

2. The Applicant has placed the facts through the I.A. and documents in the following manner: -

2.1 The Applicant submits that the CIRP of the Corporate Debtor commenced vide order dated 13.01.2020,

pursuant to which the moratorium under Section 14 of the IBC came into effect and has continued to remain in force throughout the relevant period, as the CIRP is still ongoing.

2.2 The Applicant submits that upon commencement of CIRP, the powers of the Board of Directors stand suspended and the management of the Corporate Debtor vests in the Resolution Professional, who is statutorily obliged under Sections 17, 18(f), 23(2) and 25 of the Code to take control and custody of the assets, manage the Corporate Debtor as a going concern, and preserve and protect its assets, and that the present application has been filed in discharge of such statutory duties.

2.3 The Applicant submits that the Respondent has adjusted income tax refunds aggregating to Rs. 26,41,770/- for AY 2018-19 to 2025-26 against alleged tax demands on various dates on or after 13.01.2020, during the CIRP and while the moratorium under Section 14 of the Code was in force.

2.4 The Applicant submits that the Corporate Debtor duly filed its income tax returns for AY 2018-19 to 2025-26, resulting in income tax refunds payable to it, and that the return acknowledgements and refund status reflecting the adjustments made by the

Respondent are annexed as Annexures A-1 and A-2, respectively.

2.5 The Applicant submits that the year-wise details of income tax refunds due to the Corporate Debtor and the dates on which the Respondent adjusted the same against alleged tax demands are as follows:

S. No.	Assessment Year	Refund Amount (Rs.)	Refund Processed Date	Refund Adjusted / Status Date	Remarks
1	AY 2018-19	6,78,320	–	06/07/2021	Refund adjusted against demand
2	AY 2019-20	6,45,330	–	19/03/2020	Adjusted against demand
3	AY 2020-21	6,05,630	–	15/05/2021	Adjusted against demand
4	AY 2021-22	2,48,370	–	28/10/2022	Adjusted against demand
5	AY 2022-23	2,64,450	–	10/11/2022	Refund adjusted
6	AY 2023-24	20,450	25/12/2023	25/01/2024	Refund processed, then adjusted
7	AY 2024-25	22,000	20/10/2024	10/11/2024	Refund processed, entire refund adjusted
8	AY 2025-26	1,57,220	12/02/2026	06/03/2026	Refund processed, entire refund adjusted against prior demands
TOTAL		**26,41,770**			

2.6 The Applicant submits that the entire income tax refund amounting to Rs. 26,41,770/- due to the Corporate Debtor has been adjusted by the Respondent after 13.01.2020, i.e., during the CIRP and while the moratorium under Section 14 of the Code was in force.

2.7 The Applicant submits that the chronology of the refund adjustments, when considered alongside the

commencement date of the CIRP, clearly demonstrates that the adjustments were made during the subsistence of the moratorium under Section 14 of the Code.

a. The Applicant submits that the refund for AY 2019-20 amounting to Rs. 6,45,330/- was adjusted on 19.03.2020, barely two months after the moratorium came into force on 13.01.2020.

b. The Applicant submits that the refunds for AY 2020-21 amounting to Rs. 6,05,630/- and AY 2018-19 amounting to Rs. 6,78,320/- were adjusted on 15.05.2021 and 06.07.2021, respectively.

c. The Applicant submits that the refunds for AY 2021-22 amounting to Rs. 2,48,370/- and AY 2022-23 amounting to Rs. 2,64,450/- were adjusted on 28.10.2022 and 10.11.2022, respectively.

d. The Applicant submits that the refunds for AY 2023-24 amounting to Rs. 20,450/-, AY 2024-25 amounting to Rs. 22,000/- and AY 2025-26 amounting to Rs. 1,57,220/- were processed on 25.12.2023, 20.10.2024 and 12.02.2026, respectively, and thereafter adjusted in their entirety on 25.01.2024, 10.11.2024 and 06.03.2026, respectively.

e. The Applicant submits that the refund for AY 2025-26 was adjusted on 06.03.2026, barely three weeks after the appointment of the present Resolution Professional on 13.02.2026, allegedly without any prior intimation or notice to the Resolution Professional.

2.8 The Applicant submits that the income tax refunds constitute assets and legal rights/beneficial interests of the Corporate Debtor, forming part of its estate, and that the Respondent, by adjusting such refunds

against alleged tax demands during the moratorium, has effectively recovered its alleged dues in violation of Section 14 of the Code.

2.9 The Applicant submits that upon assuming charge of the affairs of the Corporate Debtor and examining its books of accounts, records and income tax e-filing portal, the Applicant discovered the aforesaid adjustments, which were made without any prior notice or intimation to the Applicant or the erstwhile Interim Resolution Professional/Resolution Professional, or any opportunity of being heard.

2.10 The Applicant submits that vide letter dated 18.08.2026, the Resolution Professional called upon the Respondent to reverse the adjustments made during the moratorium and release the refunds to the Corporate Debtor. A copy of the said letter is annexed as Annexure A-3.

2.11 The Applicant submits that, in the absence of any response, the Resolution Professional sent a reminder letter/e-mail dated 02.09.2026 to the Respondent, reiterating the request for reversal of the adjustments and release of the refunds. A copy of the reminder is annexed as Annexure A-4.

2.12 The Applicant submits that despite the aforesaid letter and reminder, the Respondent has neither reversed the adjustments nor refunded the amount to the Corporate Debtor, or furnished any response,

thereby compelling the Applicant to approach this Hon'ble Adjudicating Authority for appropriate directions.

2.13 The Applicant submits that the adjusted funds are urgently required to meet the CIRP costs under Section 5(13) of the Code, preserve the Corporate Debtor as a going concern and protect the interests of all stakeholders, including the Committee of Creditors, and that the continued retention of the said amount by the Respondent is causing serious prejudice to the Corporate Debtor's estate.

2.14 The Applicant submits that no other application or proceeding in respect of the subject matter of the present application has been filed before this Hon'ble Adjudicating Authority or any other Court, Tribunal or Authority.

GROUNDS

2.15 The Applicant submits that Section 14(1) of the Code provides for a moratorium from the insolvency commencement date, prohibiting, inter alia, the institution or continuation of proceedings against the Corporate Debtor, transfer or disposal of its assets or legal rights or beneficial interests therein, and any action to foreclose, recover or enforce any security interest created over its property.

2.16 The Applicant submits that Section 14(1)(a), (b) and (c) of the Code prohibits the initiation or continuation

of legal proceedings, recovery or enforcement of security interests, and transfer, encumbrance or disposal of the assets or legal rights of the Corporate Debtor during the moratorium. The moratorium is intended to protect the assets of the Corporate Debtor, prevent coercive recovery and enable the Resolution Professional to preserve and maximise its value for the benefit of all stakeholders.

2.17 The Applicant submits that the adjustment of tax refunds against alleged tax demands amounts to coercive recovery from the assets of the Corporate Debtor through proceedings under the Income Tax Act, without its consent or knowledge, and that the Respondent cannot circumvent the prohibition under the moratorium by effecting such recovery through set-off.

2.18 The Applicant submits that adjustment of income tax refunds against tax demands during the moratorium is impermissible under the aforesaid provisions of the Code, as held by the Hon'ble NCLAT in ***Mr. Devarajan Raman (Liquidator) v. Principal Commissioner Income Tax and Ors***., *(2024) ibclaw.in 332 NCLAT*, which squarely applies to the facts of the present case.

2.19 The Applicant submits that Section 238 of the Code gives overriding effect to its provisions over any inconsistent provisions of other laws, including the

Income Tax Act, 1961, and that the same has been affirmed by the Hon'ble Supreme Court in ***Principal Commissioner of Income Tax v. Monnet Ispat and Energy Ltd.***, (2018) 18 SCC 786.

2.20 The Applicant submits that the Hon'ble Delhi High Court in ***Tata Steel Ltd. v. Deputy Commissioner of Income Tax***, (2023) ibclaw.in 861 HC, has held that Section 238 of the Code overrides any inconsistent provisions of other laws, including the Income Tax Act, 1961, in matters relating to insolvency resolution of corporate persons.

2.21 The Applicant submits that the income tax refunds constitute receivables and assets of the Corporate Debtor, which the Resolution Professional is required to take control and custody of under Section 18(f) of the Code and preserve and protect under Sections 20(1), 23(2) and 25(1), while managing the Corporate Debtor as a going concern. The unilateral adjustment of such refunds by the Respondent defeats these statutory obligations.

2.22 The Applicant submits that the alleged tax demands pertaining to the period prior to the insolvency commencement date constitute claims required to be submitted to the Resolution Professional under Sections 15 and 18 of the Code, to be dealt with in accordance with the resolution plan under Section 30 or, in liquidation, the waterfall mechanism under

Section 53 of the Code, and that the statutory dues of the Central Government are not entitled to any super-priority merely by virtue of being tax dues.

2.23 The Applicant submits that by adjusting the refunds against alleged pre-CIRP tax demands, the Respondent has effectively recovered its dues ahead of other creditors and the resolution plan, thereby gaining an undue advantage over other creditors, contrary to the collective and pari passu framework of the Code and the principle of equitable treatment of similarly situated creditors.

2.24 The Applicant submits that the balance of convenience lies in its favour, as the Corporate Debtor requires liquidity to meet CIRP costs and preserve its value as a going concern, whereas the Respondent's claims, if any, can be lodged and determined under the Code. It is further submitted that failure to reverse the adjustments would cause irreparable loss and prejudice to the Corporate Debtor and its stakeholders, including the Committee of Creditors, while unjustly enriching the Respondent at the expense of other creditors.

2.25 The Applicant submits that it craves leave to raise additional grounds and file further documents at the time of hearing of the present application.

3. This Adjudicating Authority, vide order dated 13.10.2026 and 27.10.2026, issued notice to the Respondent/ Income

Tax Department in the Interlocutory Application, calling upon to file their replies, if any. However, despite service of notice twice, neither the Respondent/ Income Tax Department appeared nor filed any reply or objection. Hence, vide order dated 18.11.2026 the Respondent/ Assessing Officer was proceeded **Ex-parte**.

4. We have heard the oral submissions of the Ld. Counsel for the Applicant/RP, Ex-parte against the Respondent/ Income Tax Department and perused the material available on record.

5. We have heard the learned Counsel appearing for the Applicant/Resolution Professional and have perused the pleadings, documents and the material available on record. Despite effective service of notice, the Respondent has neither appeared nor filed its reply and has been proceeded against ex parte. Accordingly, the matter is considered on the basis of the submissions advanced on behalf of the Applicant and the material placed on record.

Observations and Findings

6. The present Interlocutory Application has been filed by Mr. Mohit Chawla, Resolution Professional (RP) of M/s Krishna Knitwear Technology Limited (Corporate Debtor), under Section 60(5)(c) of the Insolvency and Bankruptcy Code, 2016 (IBC), read with Rule 11 of the National Company Law Tribunal Rules, 2016, seeking reversal of income-tax refund adjustments aggregating to Rs. 26,41,770/- made during the subsistence of the moratorium and restoration of the said amount to the Corporate Debtor, together with applicable statutory interest.

7. The Corporate Debtor was admitted into Corporate Insolvency Resolution Process (CIRP) by order dated 13.01.2020 in CP (IB) No. 279 of 2018. The moratorium under Section 14 of the Code commenced from the insolvency commencement date. The Applicant/RP was appointed by order dated 13.02.2026 passed in IA No. 1035 of 2023 and allied matters. The record before us indicates that the CIRP has continued and neither approval of a resolution plan nor an order of liquidation

has been brought to our notice for the period relevant to the present application.

8. The Applicant has placed on record the income-tax return acknowledgements and refund-status records for Assessment Years (AYs) 2018-19 to 2025-26 as Annexures A-1 and A-2. The year-wise particulars of the refunds and the adjustment/status dates, as reflected in the records produced, are set out below:

Assessment Year	Refund amount (Rs.)	Adjustment date	Processed date / note
2018-19	6,78,320	06.07.2021	
2019-20	6,45,330	19.03.2020	
2020-21	6,05,630	15.05.2021	
2021-22	2,48,370	28.10.2022	
2022-23	2,64,450	10.11.2022	
2023-24	20,450	25.01.2024	Processed 25.12.2023
2024-25	22,000	10.11.2024	Processed 20.10.2024
2025-26	1,57,220	06.03.2026	Processed 12.02.2026
TOTAL	26,41,770		

9. The total of the year-wise amounts is arithmetically consistent with Rs. 26,41,770/-. The adjustment/status dates reflected in the table are all subsequent to commencement of CIRP on 13.01.2020. The refund of Rs. 1,57,220/- for AY 2025-26 was processed on 12.02.2026 and adjusted on 06.03.2026, after appointment of the present RP on 13.02.2026. The refund-status records indicate that the amounts were adjusted against tax demands and were not credited to the Corporate Debtor's

bank account. The underlying assessment years, nature and precise quantum of each demand against which the adjustments were made are not fully particularised in the material before us; no finding is therefore returned on the validity or quantum of those demands.

10. Before filing the present application, the Applicant addressed a letter dated 18.08.2026 and a reminder dated 02.09.2026 to the Respondent, seeking reversal of the adjustments and release of the refund amount with applicable interest. No response or restoration of the amount is shown on record. The application was filed on 01.10.2026.

11. The service record, including the affidavits of service and the orders dated 13.10.2026, 27.10.2026 and 18.11.2026, has been considered. Having regard to service by email, dasti and post, including delivery at the Respondent's relocated office, we are satisfied that notice was effectively and sufficiently served. Despite such service and the opportunity granted, the Respondent neither appeared nor filed a reply and was accordingly proceeded against ex

parte. The application is therefore considered on its merits on the basis of the material available on record.

12. The principal issue for consideration is: -

The issue that arises for consideration is whether the Respondent/Income Tax Department could, during the subsistence of the moratorium under Section 14 of the IBC, adjust income-tax refunds aggregating to Rs. 26,41,770/- payable to the Corporate Debtor against outstanding tax demands, and whether the said amounts are liable to be restored.

13. Section 60(5)(c) of the IBC confers jurisdiction upon this Adjudicating Authority to decide questions of law or fact arising out of or in relation to the insolvency resolution or liquidation proceedings of the Corporate Debtor. The present dispute concerns receivables/assets of the Corporate Debtor allegedly appropriated during CIRP and the operation of the moratorium; it therefore arises directly out of and is connected with the CIRP. Rule 11 of the NCLT Rules, 2016 preserves the inherent powers of this Tribunal to make such orders as may be necessary to meet the ends of justice.

14. Section 14(1) of the IBC imposes a moratorium from the insolvency commencement date. Section 14(1)(a) prohibits

institution or continuation of proceedings against the Corporate Debtor, including execution of judgments or orders; Section 14(1)(b) restricts transfer, encumbrance, alienation or disposal by the Corporate Debtor of its assets or legal/beneficial interests; and Section 14(1)(c) prohibits action to foreclose, recover or enforce a security interest created by the Corporate Debtor. Section 14(4) provides that the moratorium continues until completion of CIRP, subject to the statutory events bringing it to an end. In the present case, the moratorium was in force on the dates of the impugned adjustments.

15. The duties of the IRP/RP under Sections 17, 18(1)(f), 20(1), 23(2) and 25 of the Code include taking control and custody of the assets of the Corporate Debtor, preserving and protecting such assets, and managing the Corporate Debtor as a going concern. An income-tax refund, once determined as payable, constitutes a receivable/asset of the Corporate Debtor. The RP is accordingly entitled and duty-bound to seek restoration where such receivable has been appropriated in a manner inconsistent with the Code.

16. Section 245 of the Income-tax Act, 1961 provides a mechanism for setting off a refund against a sum remaining payable under that Act, subject to its statutory requirements, including prior intimation to the assessee. The material before us does not establish that the Respondent complied with the applicable intimation requirement in respect of each impugned adjustment. Nevertheless, the determination herein is not founded solely on Section 245 or the absence of such intimation. The exercise of statutory power under the Income-tax Act during CIRP must be read harmoniously with the moratorium under Section 14 and the overriding provision in Section 238 of the IBC. To the extent that an adjustment operates as recovery of a tax claim from an asset of the Corporate Debtor during the moratorium, it cannot be used to defeat the insolvency process.

17. In support of its contention that adjustment of income-tax refunds against outstanding tax demands during the moratorium is impermissible, the Applicant has relied upon ***Mr. Devarajan Raman, Liquidator of Kotak Urja Pvt. Ltd. v. Principal Commissioner of Income Tax and***

Ors., Company Appeal (AT) (Insolvency) No. 977 of 2023, decided on 24.05.2024, reported as 2024 SCC OnLine NCLAT 690 / (2024) ibclaw.in 332 NCLAT. In that case, the Hon'ble NCLAT held that an income-tax refund is an asset of the Corporate Debtor and that adjustment of such refund against outstanding tax demands during the subsistence of the moratorium is impermissible. The NCLAT also held that expiry of the maximum CIRP period, by itself, does not bring the moratorium to an end while the CIRP remains pending and no resolution plan has been approved or liquidation order passed. It further held that such set-off diminishes the pool of assets available to creditors and affords the Department recovery outside the collective insolvency process, and directed restoration of the adjusted amount while reserving liberty to lodge its claim under the IBC. The present case is stronger on this aspect, as the adjustments were made during the continuing CIRP and moratorium.

18. The Applicant has further relied upon ***Principal Commissioner of Income Tax v. Monnet Ispat and Energy Ltd***., (2018) 18 SCC 786, the Hon'ble Supreme

Court recognised that Section 238 of the IBC overrides anything inconsistent in another enactment, including the Income-tax Act. The same overriding principle has been considered by the Hon'ble Delhi High Court in ***Tata Steel Ltd. v. Deputy Commissioner of Income Tax***, W.P.(C) No. 13188 of 2018, decided on 31.10.2023, reported as 2023 ibclaw.in 861 HC. These authorities support the proposition that the statutory power under the Income-tax Act must yield to the IBC to the extent of inconsistency.

19. In ***Sundaresh Bhatt, Liquidator of ABG Shipyard Ltd. v. Central Board of Indirect Taxes and Customs***, Civil Appeal No. 7667 of 2021, decided on 26.08.2022, reported as 2022 SCC OnLine SC 1101, wherein the Hon'ble Court held that once the moratorium operates, the concerned statutory authority may assess or determine the quantum of statutory dues, but cannot proceed to recover such dues in a manner inconsistent with the moratorium and the insolvency process. The statutory authority is required to submit its claim in accordance with the mechanism prescribed under the Code.

20. This Adjudicating Authority has considered the same issue in ***Varun Anil Chopra v. Income Tax Department***, IA/952(AHM)2026 in CP(IB)/409(AHM)2025, order dated 25.08.2026, wherein adjustment of a refund against pre-CIRP tax dues during moratorium was held impermissible, notwithstanding reliance on Section 245 of the Income-tax Act. Further, in ***Wind World (India) Limited through its RP v. Income Tax Department***, IA/996(AHM)2025 in CP(IB) No. 14(AHM) of 2018, order dated 06.03.2026 (reported as 2026 LLBiz NCLT (AHM) 190), this Bench held that income-tax refunds determined during CIRP form part of the Corporate Debtor's assets and cannot be appropriated towards pre-CIRP tax demands during moratorium. The Department was directed to restore the adjusted amount with statutory interest, if admissible under Section 244A of the Income-tax Act.

21. Applying the aforesaid principles to the record, the return acknowledgements and refund-status records establish the amounts and adjustment/status dates shown in the table. The Respondent has not appeared to controvert those documents, identify the demands against which the

refunds were adjusted, or demonstrate that the adjustments related to current-period liabilities or fell within any statutory exception. The Applicant's case that the refunds were appropriated against outstanding tax demands during CIRP remains uncontroverted. We have, however, independently examined the documents and find that the adjustments were made after 13.01.2020 and during the subsistence of the moratorium.

22. The description of the transaction as an "adjustment" or "set-off" does not alter its substance. By appropriating the refunds, the Respondent obtained satisfaction of its alleged tax claim from a receivable belonging to the Corporate Debtor, thereby reducing the assets available for the collective insolvency process and obtaining recovery outside the mechanism prescribed under the IBC. The unilateral appropriation is inconsistent with the purpose and operation of the moratorium under Section 14, read with Section 238 of the Code.

23. The Department's claim, if any, is required to be lodged and dealt with in accordance with Sections 5(20) and 5(21), 15, 18, 25 and 30 of the IBC and the applicable

Regulations, including Regulations 12 and 13 of the CIRP Regulations. In the event of liquidation, the claim would be dealt with under the applicable liquidation framework, including Section 53, subject to the nature and priority of the claim. No adjudication is made herein on the validity or quantum of the underlying tax demands.

24. We accordingly hold that the adjustment/appropriation of income-tax refunds aggregating to Rs. 26,41,770/- during the subsistence of the moratorium was impermissible under Section 14 of the IBC, read with Section 238, and is liable to be reversed. The Respondent's right, if any, to determine its statutory dues and lodge or pursue an admissible claim in accordance with the IBC and the applicable Regulations is preserved.

25. As regards interest, the Applicant has sought applicable interest. Statutory interest on income-tax refunds is governed by Section 244A of the Income-tax Act, subject to the conditions and computation prescribed therein. The competent Income-tax authority shall determine and pay such statutory interest, if otherwise admissible, in

accordance with law. No separate or additional rate of interest is fixed by this Tribunal.

26. Accordingly, the following directions are issued: -

I. The adjustment/appropriation of income-tax refunds aggregating to **Rs. 26,41,770/-** made against the Corporate Debtor's alleged tax demands during the subsistence of the moratorium is declared impermissible and contrary to Section 14 read with Section 238 of the IBC, and is hereby **set aside**.

II. The Respondent/Income Tax Department shall **reverse the aforesaid adjustments and restore/credit Rs. 26,41,770/-** to the designated bank account of the Corporate Debtor under the control of the Resolution Professional within **two weeks** from the date of this order.

III. The Respondent shall determine and pay such **statutory interest under Section 244A of the Income-tax Act, 1961**, if otherwise admissible, in accordance with the applicable statutory conditions and computation, and provide a calculation statement to the Applicant/RP at the time of compliance.

IV. The Respondent shall be at liberty to determine its statutory dues and lodge or pursue any admissible claim in accordance with the IBC and the applicable

Regulations. No opinion is expressed on the validity, quantum or assessment of the underlying tax demands.

V. During the subsistence of the moratorium under Section 14 of the IBC, the Respondent shall not appropriate any further refund due to the Corporate Debtor towards pre-CIRP tax demands in a manner inconsistent with the provisions of the IBC.

27. In view of the aforesaid findings and directions, **I.A. No. 1703 of 2026** is **allowed** and **disposed of** accordingly. No order as to costs.

-sd-
SANJEEV SHARMA
MEMBER (TECHNICAL)

-sd-
SHAMMI KHAN
MEMBER (JUDICIAL)

Rutvik Steno