

LEGAL UPDATES

NCLAT: AUCTION BUYERS ARE NOT REQUIRED TO PAY PROPERTY TAXES FOR THE PRE-LIQUIDATION PERIOD

The National Company Law Tribunal (NCLAT) validated the National Company Law Tribunal (NCLT) ruling quashing the demand notice for pending property tax dues issued by the Appellant (a Municipality) to the Auction-purchaser ('Respondent') concerning a property sold by the Corporate Debtor's liquidator.

The Appellate Authority ordained that *"The auction-purchaser cannot be held liable to pay any such dues relating to the period prior confirmation of sale as has been held by the...Supreme Court in...Al Champdany Industries..."*

The Hon'ble Appellate Tribunal further annotated that *"The outstanding dues of the property tax relating to the period before sale confirmation are...dues that are akin to claim of an unsecured creditor and should be discharged in terms of the properties regarding the distribution of assets are given in section 53 of IBC."*

The respondent had argued that the properties in issue are free of any burden caused by municipal tax obligations and that the former Corporate Debtor, rather than the property in question, which was sold as part of a liquidation, is responsible for any previous unpaid property tax obligations, moreover, after examining the relevant Liquidation Process Regulations requirements.

It was further emphasised that the liquidation was required to create an asset memorandum outlining the value of the assets and that the liquidator was also required to inform the adjudicating authority of any obligations relating to the assets;

Consequently, Hon'ble NCLAT Delhi rejected the appeal, dismissing the Appellant's position that the Respondent should not be excused from paying overdue dues about the property as

specified in the demand notice, held that *“The auction-purchaser is held to be not liable to pay the Appellant the amount as demanded by its notice...”*