

LIQUIDATION OF COMPANIES

SECTION 178: COMPANY IN LIQUIDATION

- (1) **Every person who is the liquidator of any company which is being wound up or the receiver of any assets of a company must give notice of his appointment, within 30 days to the Assessing Officer who is entitled to assess the income of the company.**
- (2) The Assessing Officer shall, after making such inquiries or calling for such information as he may deem fit, notify to the liquidator within 3 months from the date on which he receives aforesaid notice, the amount which would be sufficient to provide for the tax payable by the company.
- (3) **The liquidator shall not part with the assets/ properties of the Company until he set-aside an amount equal to the amount notified by the Assessing Officer as tax payable by the company.**
- (4) **However, liquidator can part with such assets or properties for the purpose of:**
 - (a) The payment of the tax payable by the Company; or
 - (b) For making the payment of Government dues; or
 - (c) For meeting the costs of the winding up of the company.
- (5) If the liquidator fails to give the notice or fails to set-aside the tax or parts with any of the assets of the Company, **he shall be personally liable for the payment of the tax which the company would be liable to pay.**

Note: As per section 276A, if the liquidator fails to comply with the provisions of section 178, then he shall be punishable with imprisonment upto 2 years and shall also be liable to fine.

SECTION 179: LIABILITY OF DIRECTORS OF PRIVATE COMPANY

Where any tax due from a **private company cannot be recovered**, then, every person who was a **director of the private company at any time** during the relevant previous year shall be jointly and severally liable for the payment of such tax unless he proves that the non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of the company. **THIS SHALL APPLY WHETHER COMPANY IS IN LIQUIDATION OR NOT.**

The expression "tax due" includes penalty, interest or any other sum payable under the Act.