THE INSOLVENCY AND BANKRUPTCY CODE (AMENDMENT) ACT, 2026

(Granted Presidential Assent on 6th April 2026)

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I. INTRODUCTION

The Insolvency and Bankruptcy Code (Amendment) Bill, 2025 ("**Bill**") was introduced in the Lok Sabha on 12th August 2025 by the Hon'ble Finance Minister. It was immediately referred to a Select Committee of the Lok Sabha (Chairperson Shri Baijayant Panda) on the same day. The Select Committee presented its detailed Report on 17th December 2025 after extensive stakeholder consultation, clause-by-clause examination and incorporation of 11 major recommendations and one amendment on recording of reasons by the Committee of Creditors. The Bill, as reported by the Select Committee, was passed by the Lok Sabha on 30th March 2026. It was passed by the Rajya Sabha on 1st April 2026 and was granted Presidential Assent on 6th April 2026.

The Insolvency and Bankruptcy Code (Amendment) Act, 2026 (Act No. 6 of 2026) ("**Amendment Act**" or "**Act**") comprises over 60 sections amending the Insolvency and Bankruptcy Code, 2016 ("**Code**"). It introduces three structural frameworks-

1. Creditor-Initiated Insolvency Resolution Process ("**CIIRP**"), an out-of-court, debtor-in-possession mechanism;

2. Enabling provisions for Group Insolvency; and

3. A rule-making framework for Cross-Border Insolvency aligned with UNCITRAL principles.

It also strengthens admission timelines, recalibrates liquidation, reinforces the clean-slate principle, clarifies the treatment of security interest and government dues, expands regulatory oversight, and strengthens creditor protections. Section 1(2) of the Amendment Act provides that the Act shall come into force on such date(s) as the Central Government may notify in the Official Gazette, with different dates possible for different provisions, allowing a staggered implementation of the proposed Act.

II. KEY AMENDMENTS

The salient features of the Amendment Act are as follows: –

1. **Clarification on "Security Interest"** [*Section 2; IBC Section 3(31)*]

   The Amendment Act inserts an explanation to the definition of "Security Interest" stating that it means only a right, title, interest or claim created by an agreement or arrangement between parties. Interests created merely by operation of law or statute (including government / statutory dues) are expressly excluded. This restores the legislative intent regarding the waterfall mechanism under Section 53. Government dues cannot claim priority over secured creditors (clarifying ***State Tax Office v. Rainbow Papers Limited***).

2. **Expansion of Definitions and the "Service Provider" Regime** [*Section 2; IBC Section 3(31A)*]

   The Amendment Act introduces a new comprehensive definition of "service provider" under Section 3 (31A) of the Code. It means "*an insolvency professional, an insolvency professional agency, an information utility, registered valuers, registered with the Board, and any person falling within the category of persons notified by the Central Government, for rendering services in relation to insolvency and bankruptcy processes under the Code.*"

   The definition expands the regulatory ambit of the Insolvency and Bankruptcy Board of India ("**IBBI**") to cover a wider range of entities and professionals involved in insolvency processes beyond the traditional insolvency professionals and agencies. Consequential amendments to replace earlier references in the Code have been proposed.

Simultaneously, Clause 3 of the Amendment Act makes definitional improvements in "avoidance transaction" and "fraudulent or wrongful trading."

3. **Mandatory Admission of CIRP Applications by Financial Creditors** [*Section 4; IBC Section 7*]

   The Amendment Act clarifies that the Adjudicating Authority shall admit an application for initiation of Corporate Insolvency Resolution Process ("**CIRP**") once the occurrence of default is established, no disciplinary proceedings are pending against the proposed resolution professional, and the procedural requirements of the section are satisfied.

   An Explanation clarifies that where these conditions are met, the Adjudicating Authority shall not reject the application on any other grounds, and its role is limited to verifying the existence of a default exceeding the threshold under Section 4. Another Explanation provides that where a financial creditor that is a financial institution submits a record of default along with its application, such record shall be treated as sufficient to ascertain the existence of default.

   The amendment also omits the proviso to Section 7(4) and expressly provides a ***14-day period*** under Section 7(5) for deciding the application. Where the application is not disposed of within this period, the Adjudicating Authority must record reasons for the delay in writing.

4. **Stricter Conditions for Withdrawal of Admitted Applications** [*Section 8, IBC Section 12A*]

   The Act limits the window of withdrawal of an insolvency application to only after the Committee of Creditors ("**COC**") has been constituted and before the first invitation for resolution plan is issued. The consent of 90% of the COC will be required for such withdrawals. The Adjudicating Authority must dispose of the application within 30 days (reasons to be recorded for delay).

5. **Introduction of Creditor-Initiated Insolvency Resolution Process** [*Section 40, insertion of Chapter IV-A; New Sections would be 58A- 58K*]

   The Amendment Act introduces an alternative insolvency resolution mechanism called the Corporate Insolvency Initiation and Resolution Process ("**CIIRP**"). This

process allows for the out-of-court commencement of insolvency proceedings and may be initiated by specified financial creditors belonging to notified classes, in respect of such categories of corporate debtors as may be notified by the Central Government. Initiation requires the consent of at least 51% in value of notified financial creditors. During CIIRP, management of the corporate debtor remains with the debtor, subject to supervision by the Resolution Professional ("**RP**"). The process may be converted into a regular CIRP at any stage by a decision of the COC. The timeline for CIIRP is 150 days, extendable by 45 days. The eligibility of corporate debtors for initiation of CIIRP is limited to such categories of corporate debtors as may be notified by the Central Government, including those based on asset and income thresholds, class of creditors, or quantum of debt. Further, CIIRP cannot be initiated where insolvency resolution or liquidation proceedings are already on-going, or where the corporate debtor has undergone a CIIRP, pre-packaged insolvency resolution process or completed CIRP within the preceding three years.

However, CIIRP may be initiated only by financial creditors belonging to notified classes of financial institutions. These financial creditors have not been notified presently. While this restriction may ensure that the process is used by creditors with sufficient financial expertise, the rationale for limiting the right of initiation to specific notified classes is unclear and may prioritise certain classes of creditors over others.

Further, the process is triggered only upon occurrence of default, defined as non-payment of a due debt, and there is a risk that other creditors may initiate CIRP before CIIRP. Since CIIRP can be initiated only by notified financial creditors and only upon default on their debt, operational creditors may trigger CIRP earlier if the company defaults on obligations such as rent, taxes, or salaries. Unlike CIRP, which is available to all creditors, CIIRP is limited to a specific class of financial institutions. Companies may therefore prioritize payments to operational creditors and smaller financial creditors over the notified financial creditors as they may prefer to mitigate the risk of CIRP over the initiation of CIIRP.

Restrictions placed on the company during CIIRP

a. 30-day Notice and Opportunity to Respond Before Commencement [*Section 40, - inserting Section 58B(2) and Section 40,- inserting Section Clause 58C*]

The initiating notified financial creditors must give the corporate debtor at least 30 days' advance notice of intention to initiate CIIRP, allowing the company to make representations or objections.

b. Management remains with the Board but subject to RP oversight [*Section 40 – inserting Section 58F(1) and 58F(2)*]

While the management of the company remains with the Board of Directors or partners (as the case may be) during CIIRP, it is overseen by the appointed RP. The RP is mandated to attend all meetings of the members, Board of Directors and any committee of directors, or partners. The RP has the explicit right to reject any resolution passed in these meetings. [*Act Clause 58 stipulates that save as otherwise provided, the relevant provisions of the Code shall apply mutatis mutandis to the CIIRP*]

c. Strict Obligations for Cooperation [*Section Clause 40 -inserting Section 58E(2), 58F(3)*]

Any personnel, promoter or person associated with the management of the corporate debtor is legally obligated to extend all assistance and cooperation with the RP so that the RP can perform their duties and exercise their powers.

d. Mandatory Prior Approval from the COC [*Section 40 Inserting Section 58F(1) and Explanatory Notes on 58F*]

The Company and its management must fully cooperate with the RP in claim verification, preparation of the information memorandum, submission of resolution plans, and other procedural requirements. [*Clause 58K stipulates that save as otherwise provided, the relevant provisions of the Code shall apply mutatis mutandis to the CIIRP*]

e. Moratorium Restrictions [*Section 40 -inserting section 58G(1) and 58G(2)*]

With the approval of the COC (or 51% of notified financial creditors if COC has not yet formed), the RP can apply for moratorium. If confirmed by the Adjudicating Authority, this imposes standard moratorium restrictions under Section 14, prohibiting the continuation or institution of legal proceedings against the company, as well as the transfer of assets or recovery of property during CIIRP.

f. Prohibition on Initiating Competing Insolvency Processes [*Section 40- inserting Section 58B(5)*]

On the commencement of CIIRP, via public announcement, no new application to initiate a CIRP or a Pre-Packaged Insolvency Resolution Process (PPIRP) can be filed or admitted against the corporate debtor.

g. Threat of Conversion of CIIRP to CIRP On Account Of Non-Cooperation [*Section 40 -inserting Section 58H(1)(b)*]

If the Adjudicating Authority is satisfied that the corporate debtor or its personnel have failed to assist or cooperate with the RP, it shall order the company to be converted from a CIIRP into a standard CIRP.

6. **Minimum Payment Protection to Dissenting Financial Creditors** [*Section 18; IBC Section 30(2)*]

The Amendment Act mandates that a resolution plan must provide dissenting financial creditors (who voted against the plan) a payment of **not less than the lower of** either their liquidation value or the amount they would receive under the Section 53 waterfall mechanism.

This requirement to earmark a minimal payout to the dissenting financial creditors ensures that the approval of a feasible and viable resolution plan is not obstructed.

7. **Codification of Clean-Slate Principle and the Two-Stage Approval of a Resolution Plan** [*Section 19; IBC Section 31*]

The Amendment Act inserts a proviso to Section 31(1) enabling the Adjudicating Authority to approve the implementation of a resolution plan first and, by a separate order within 30 days, approve the manner of distribution. This power may be exercised only upon an application by the RP with the approval of the COC. Before granting such approval, the Adjudicating Authority must be satisfied that the plan complies with the mandatory requirements under Section 30, except those relating to distribution. The plan, once approved for implementation, will remain binding on all stakeholders, and the moratorium under Section 14 will continue until the distribution is subsequently approved and the process is completed.

The Amendment Act provides for the constitution of a committee for the implementation and supervision of the resolution plan consisting of a RP or any

other insolvency professional, representatives of a class or classes of creditors and the resolution applicant. This committee must mandatorily be provided for in the Resolution Plan.

The amendment also inserts a proviso to Section 31(2) empowering the Adjudicating Authority to permit the COC to rectify procedural or non-material defects in the resolution plan, before rejecting it. A new sub-section (2A) requires the Adjudicating Authority to pass an order approving or rejecting the plan within 30 days. Further, the proviso to Section 31(4) is amended to require that any approval from the Competition Commission of India under the Competition Act, 2002 must be obtained before the resolution plan is submitted to the Adjudicating Authority.

The Act also inserts sub-sections (5) and (6) to statutorily recognise the clean-slate principle. Sub-section (5) provides that grants, licences, concessions, or similar rights granted by governmental or regulatory authorities and associated with the resolution plan shall not be suspended or terminated during their remaining term, provided the corporate debtor or resolution applicant complies with the conditions attached to such rights. Sub-section (6) clarifies that all claims not provided for in the approved resolution plan stand extinguished, and no proceedings may continue against the corporate debtor or its assets in respect of such claims, without affecting claims against former promoters, management, or guarantors. It also extinguishes any right of indemnity against the corporate debtor arising from the settlement of pre-approval debts by persons jointly liable with the debtor.

The additional explanation clause clarifies that the provisions of sub-sections (5) and (6) shall be deemed to apply to the resolution plan that is approved under sub-section (1) on and from the date of commencement of the Amendment Act.

8. **Comprehensive Reforms to Liquidation Process** [*Sections 13, 21,22, 23,25; IBC Sections 21, 34, 35(1)(a), 35(2), 38-42*]

The Amendment Act expands the role of the COC into the liquidation stage. Further, the Act clarifies that a RP appointed during the CIRP shall not automatically transition into the role of liquidator.

It provides that the appointment of the liquidator shall be undertaken through a structured mechanism involving the COC, the Adjudicating Authority and the IBBI. While the COC retains a central role in proposing and, where necessary, replacing

the liquidator with a 66% voting threshold, the final appointment is subject to confirmation and recommendation mechanisms involving the IBBI. Upon the appointment of the Liquidator, all records relating to CIRP are mandatorily required to be transferred from the RP to the Liquidator ensuring evidentiary and documentary transfer. Under the existing framework, the Code prioritises resolution over liquidation, with the COC supervising the process during the CIRP. If resolution fails, liquidation begins and the liquidator appointed by the NCLT, assumes and exercises quasi-judicial powers, including adjudicating claims and distributing assets. Creditors currently have no direct role in appointing or supervising the liquidator. The Act alters this structure by extending the creditor-in-control model into liquidation, while introducing institutional checks through the involvement of the IBBI. While the COC is empowered to propose and where necessary, replace the liquidator, such appointment or replacement, as the case may be, is no longer entirely creditor-controlled and will be subjected to safeguards. While the stated objective is to avoid duplication with the RP's verification of claims during CIRP, the functions of the two roles differ. The liquidator currently exercises quasi-judicial authority to admit or reject claims and determine their value, ensuring finality before distribution of liquidation proceeds. The Supreme Court in ***Swiss Ribbons Pvt. Ltd. v. Union of India***[1] recognised this distinction, noting that the RP merely verifies claims for the purpose of resolution, whereas liquidation requires definitive adjudication and ranking of claims for distribution. While the legislative intent is seemingly aimed at reducing duplication of tasks between the RP and the Liquidator, the Amendment Act does not completely eliminate adjudicatory functions at the liquidation stage.

9. **Revised Look-Back Period for Avoidance Transactions** [*Section 26-30; IBC Sections 43, 46, 49, 50*]

The Amendment Act extends the look-back period for avoidance transactions by shifting the reference point from the "insolvency commencement date" to the "initiation date" (date of filing of the first CIRP application). It also enables creditors or members to approach the Adjudicating Authority directly if the RP or liquidator fails to file applications for avoidance transactions.

[1] 2019 4 SCC 17

10. **Treatment of Personal Guarantors to Corporate Debtors** [*Section 51,55; IBC Sections 96, 124*]

The Amendment Act carves out an exclusionary framework in respect of personal guarantors to corporate debtors. Section 51 of the Amendment Act provides that the interim moratorium shall not apply where an application is filed in respect of a personal guarantor to a corporate debtor. This position is mirrored under Section 55 of the Act, which similarly excludes the application of the provisions to personal guarantors under Section 124 of the Code. These provisions align the treatment of personal guarantors of corporate debtors more closely with the creditor-friendly objectives of the IBC, ensuring that the mere filing of an insolvency or bankruptcy application by or against a personal guarantor does not trigger an interim moratorium.

11. **Enabling Framework for Cross-Border Insolvency** [*Section 67*]

The Amendment Act introduces an enabling provision for cross-border insolvency, empowering the Central Government to frame rules prescribing the manner and conditions for the administration and conduct of cross-border insolvency proceedings. However, the Act itself does not establish a comprehensive statutory framework, which raises concerns of excessive delegation of legislative power.

At present, Section 234 of the Code permits the Central Government to enter into bilateral agreements with foreign jurisdictions for enforcement of the Code, though no such agreements have been concluded so far. The Insolvency Law Committee (2018) observed that this mechanism is ad hoc and may lead to delays and uncertainty for stakeholders. It therefore recommended the insertion of a dedicated part in the Code, based on the UNCITRAL Model Law on Cross-Border Insolvency, to provide a structured framework covering recognition of foreign proceedings, access to domestic courts, relief measures, and coordination between jurisdictions. The UNCITRAL Model Law has been adopted in over 60 jurisdictions.

In contrast, the Act delegates the formulation of the cross-border framework to subordinate legislation, without prescribing guiding principles in the Code. It also permits the rules to provide modifications, exceptions, or adaptations to provisions of the Code or the Companies Act, 2013 for implementation purposes. Such broad delegation may raise constitutional concerns. The Supreme Court in ***In re Delhi***

Laws Act (1973)[2] held that essential legislative functions such as determining legislative policy and laying down standards for its implementation, cannot be delegated. Delegation may be impermissible where the statute fails to clearly articulate policy, provide guiding standards, or effectively constrain executive discretion. Unlike the Bill, the Amendment Act has expanded the scope of delegated rule-making powers by explicitly including within their ambit the recognition of foreign proceedings, grant of relief, judicial cooperation and coordination mechanisms, and has clarified that "corporate debtor" includes limited liability persons incorporated outside India.

12. Group Insolvency

The Amendment Act empowers the central government to prescribe rules for insolvency proceedings against two or more corporate debtors that form part of a group. These rules will specify details such as a common NCLT bench for proceedings, appointing a common RP, and forming a joint COC.

13. Timelines for liquidation

The Amendment Act adds that the NCLT must pass the order for liquidation within 30 days from the date of the application or intimation. It also specifies that liquidation proceedings must be completed in 180 days, extendable by up to 90 days. Under the Code, a company may apply for voluntary liquidation. The Act specifies that voluntary liquidation proceedings must be completed within one year. NCLAT appeals to be decided within 3 months.

14. Penalty for frivolous proceedings

The Amendment Act introduces a penalty for filing frivolous or vexatious proceedings before the adjudicating authority (i.e. the NCLT for corporate debtors and the Debt Recovery Tribunal for individual debtors). This offence will be punishable with a penalty between one lakh rupees and two crore rupees.

III. CONCLUSION

[2] 1951 SCC 568

The IBC (Amendment) Act, 2026 represents a well-drafted legislative response to the implementation challenges and judicial interpretations that have emerged over the last decade. It strengthens and reinforces the foundational objectives of the Insolvency and Bankruptcy Code, 2016, particularly the creditor-in-control philosophy and the resolution over liquidation objective, while introducing modern, globally aligned mechanisms for group insolvency and cross-border insolvency.

From a legislative standpoint, the Amendment Act scores on precision, consistent use of mandatory terms such as "shall" in the language, insertion of explanations for abundant caution, and flexible commencement and saving clauses. The Amendment Act makes a commendable effort in incorporating judicial decisions and reducing lacunae. The clarity on security interest, use of "shall", and codification of the clean-slate principle, legislate landmark decisions thereby solidifying the stance of the Courts.

However, it raises concerns of excessive delegation of legislative power. The enabling provisions for group insolvency and cross-border insolvency empower the Central Government to frame detailed rules including modifications to the Code or the Companies Act, without laying down sufficient guiding principles or any policy framework.

Predicted impact

The Amendments are expected to reduce the overall litigation volume / backlog in the long term by introducing mandatory admission within 14 days with recorded reasons for delays beyond such period, tightening timelines across CIRP, CIIRP, and liquidation and codifying procedural clarity that limits frivolous challenges.

However, the narrower window for withdrawal of admitted applications (restricted to post COC but pre-issue of resolution plan invitation with 90% COC approval) may increase costs and unnecessarily burden the court by discouraging out-of-court settlement. Penalties are expected to act as a deterrent to reduce avoidable litigation.

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