

Insolvency and Bankruptcy Code (Amendment) Act, 2026

The Insolvency and Bankruptcy Code (Amendment) Act, 2026 receives Presidential assent on April 6, 2026, marking a significant overhaul of India's insolvency framework. It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint provided that different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

Key Amendments:

- 1. Expanded Definitions & Clarifications (Sections 3 & 5): The amendment introduces and clarifies several critical terms:**
 - a. "Registered valuer" aligned with the Companies Act, 2013.
 - b. "Service provider" expanded to include insolvency professionals, agencies, information utilities, and other notified entities.
 - c. Clarification that security interest must arise from agreement, not merely by operation of law.
 - d. New definitions for "avoidance transactions" and "fraudulent or wrongful trading."
- 2. Stricter Timelines for Admission of Insolvency Applications: Sections 7, 9, and 10 have been amended to mandate:**
 - a. 14-day timeline for admission or rejection of applications.
 - b. Mandatory recording of reasons for delay by Adjudicating Authority.
 - c. Clarification that records of default with information utility is sufficient proof for financial creditors.
- 3. Overhaul of Withdrawal of Insolvency Applications (Section 12A)**
 - a. Withdrawal now barred before CoC constitution and after invitation of resolution plans.
 - b. Requires 90% CoC approval.
 - c. NCLT must decide within 30 days, failing which reasons must be recorded.
- 4. Strengthening Moratorium & Guarantor Protection (Section 14): Clarifies that moratorium applies even when sureties initiate proceedings against corporate debtor under guarantee contracts.**
- 5. Enhanced Role & Powers of Resolution Professional:**
 - a. Mandatory verification and valuation of claims by IRP (Section 18).
 - b. Broader obligation on all persons (not just personnel) to cooperate (Section 19).

- c. RP now explicitly empowered to file applications for avoidance and wrongful trading (Section 25).

6. Creditors Empowered in Avoidance Actions (Section 47)

- a. Creditors, members, or partners can directly approach NCLT if RP/liquidator fails to act.
- b. Tribunal can also initiate disciplinary action against RP/liquidator for inaction.

7. Committee of Creditors (CoC) Gains Oversight in Liquidation

- a. CoC to supervise liquidation process (Section 21).
- b. Power to replace liquidator with 66% vote (new Section 34A).
- c. CoC continues even in ongoing liquidation cases in certain situations.

8. New Framework for Resolution Plans (Sections 30 & 31)

- a. Protection for dissenting financial creditors must receive minimum liquidation value or proportionate distribution.
- b. Mandatory reasoned approval by CoC.
- c. Resolution plans may be implemented first, distribution approved later (within 30 days).
- d. Post-approval, all prior claims extinguished, no fresh proceedings allowed against corporate debtor, and government licences and approvals to continue post-resolution if conditions are met.

9. Major Changes in Liquidation Process

- a. Introduction of restoration of CIRP before liquidation (Section 33):
- b. CoC (66%) can seek revival within 120 days.
- c. Mandatory 30-day timeline for liquidation orders.
- d. Liquidator must be appointed on recommendation of the Board, not automatically RP.
- e. Secured creditors must declare intent within 14 days, failing which security is deemed relinquished.

10. Revised Waterfall & Government Dues (Section 53)

- a. Clarifies treatment of secured vs unsecured portions of debt.
- b. Government dues split between secured and unsecured categories depending on nature of security.

11. Time-Bound Dissolution Process (Section 54)

- a. Liquidation to be completed within 180 days (extendable by 90 days).

- b. NCLT to pass dissolution order within 30 days.
- c. CoC empowered to decide handling of pending litigations and proceeds.

12. Introduction of Creditor-Initiated Insolvency Process (New Chapter IV-A): The amendment introduces a creditor-led insolvency mechanism:

- a. Financial creditors (with 51% approval) can initiate process without NCLT admission stage.
- b. Corporate debtor given 30 days to respond.
- c. Process deemed to commence upon public announcement.
- d. Completion timeline: 150 days (extendable by 45 days).
- e. Allows conversion into CIRP or closure depending on outcomes.
- f. Management remains with board, but RP has oversight powers.

13. Lower Thresholds in Pre-Pack Insolvency: Approval thresholds reduced from 66% to 51% for certain decisions in pre-pack processes.