

Highlights of Insolvency and Bankruptcy Code (Amendment) Act, 2026

The Ministry of Law and Justice has notified the **Insolvency and Bankruptcy Code (Amendment) Act, 2026** on April 06, 2026. The commencement notification for the amended provisions is yet to be notified. The amendments aim to strengthen the insolvency framework, improve timelines, enhance creditor participation, and streamline liquidation and resolution processes. Key highlights of the amendments are as follows:

Key definitions Amended:

- Section 3 of the Code, which deals with definitions, has been amended to insert a new clause (27A) defining the term “**registered valuer.**” The term shall carry the same meaning as assigned to it under Chapter XVII of the Companies Act, 2013.

Further, an Explanation has been inserted to clause (31) relating to **security interest** to clarify that a security interest shall exist only where it creates a right, title, interest, or claim over a property pursuant to an agreement or arrangement arising from the act of two or more parties. It has also been clarified that a security interest shall not include any interest created merely by operation of law for the time being in force.

Additionally, a new clause (31A) has been inserted to define “**service provider.**” The term means an insolvency professional, insolvency professional agency, information utility, registered valuer 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 this Code and is registered with the Board.

- Section 5 of the code has been amended to insert definitions for “avoidance transactions” and “fraudulent or wrongful trading”. A new proviso has been added after clause 11 which defines “initiation date”, to state that where multiple applications for initiation of the corporate insolvency resolution process in respect of a corporate debtor are pending before the Adjudicating Authority on the insolvency commencement date, the initiation date shall be the date on which the first such application was made before the Adjudicating Authority.

The Explanation to Section 5(26) which relates to “resolution plan” has been broadened. In general, clause (26) refers to a plan proposed by a resolution applicant for insolvency resolution of the corporate debtor as a going concern. The amended explanation now expressly allows sale of one or more assets of the corporate debtor through one or more resolution plans.

The proviso in Section 7(4) requiring the Adjudicating Authority to give reasons if default cannot be ascertained has been omitted.

Section 7(5) has been substituted to mandatorily require the Adjudicating Authority to admit or reject an application solely on: (i) existence of default, (ii) completeness of application, and (iii) no pending disciplinary proceedings against the proposed RP, within fourteen days, with a statutory obligation to record reasons for any delay.

Revised Framework for Withdrawal of Admitted CIRP:

Section 12A has been substituted to regulate withdrawal of admitted insolvency applications. Withdrawal is permitted only after the constitution of the Committee of Creditors (CoC) and before the first invitation for submission of a resolution plan has been issued by the resolution professional, subject to approval of 90% of the voting share of the CoC.

Appointment and Powers of IRP/RP:

- Section 16(2) has been amended to provide that, in Section 7 applications, the insolvency professional proposed by the financial creditor must be appointed as interim resolution professional if no disciplinary proceedings are pending.
- A new sub-section 16(3A) has been added to provide that in Section 10 applications; the Adjudicating Authority shall make a reference to the Board for the recommendation of an insolvency professional who may act as an interim resolution professional.
- Section 22(3)(a) has been amended to provide that a resolution professional is deemed appointed from the date of the passing of resolution by CoC, and this decision must be communicated to the insolvency professional, the corporate debtor, and the IBBI.

CoC's role in liquidation:

- Section 21 of the Insolvency and Bankruptcy Code, 2016, which deals with the constitution and functioning of the CoC, has been amended by insertion of a new sub-section (11) to provide that the CoC constituted during the Corporate Insolvency Resolution Process shall continue and supervise the conduct of the liquidation process by the liquidator, where the liquidation process of a corporate debtor is initiated under Chapter III of the Code.
- A proviso has been inserted to empower the Insolvency and Bankruptcy Board of India to specify such other class or classes of creditors who may attend meetings of the CoC during the liquidation process. However, such creditors shall not have any voting rights in such meetings.

Transfer of Assets of Guarantors in CIRP:

- A new Section 28A(1) has been inserted to permit transfer of assets of personal or corporate guarantors during Corporate Insolvency Resolution Process (CIRP) of the corporate debtor. It provides that where a creditor of the corporate debtor has taken possession of an asset of a personal guarantor or corporate guarantor of the corporate debtor under any applicable law, and such law permits transfer of the asset, the creditor may allow transfer of such asset as part of the insolvency resolution of the corporate debtor, subject to prior approval of the Committee of Creditors and in such manner and subject to such conditions as may be specified.
- A proviso has been inserted to state that where the corporate guarantor is undergoing CIRP or liquidation, transfer of such asset shall require approval of the CoC of the corporate guarantor by a vote of not less than **66% of the voting share**, and the amount realised from such transfer shall form part of the CIRP or liquidation estate of the corporate guarantor, as the case may be.

- A further proviso clarifies that during liquidation of the corporate guarantor, approval of the Committee of Creditors shall be required only where the creditor has relinquished such asset to the liquidation estate under Section 52 of the Code.
- Where the personal guarantor is undergoing insolvency resolution or bankruptcy process, such transfer shall require approval by majority of more than **three-fourths in value of its creditors**, and the amount realised shall form part of such process.
- Further, Section 28A(2) states that pursuant to the transfer of asset under sub-section (1), the transferee shall receive all rights in relation to the asset.
- Section 28A(3) provides that the amount realised pursuant to the transfer of asset shall be adjusted against the guarantor's debt after deduction of applicable charges and expenses in respect of the preservation and protection of the asset. Any surplus shall be paid to the guarantor.

Resolution Plan Approval and Implementation Framework:

- After the existing provision in section 31(1), a new proviso has been added to provide that the Adjudicating Authority may, on an application made by the Resolution Professional with approval of the Committee of Creditors by not less than **66% voting share**, first approve the implementation of the resolution plan and thereafter approve the manner of distribution within **30 days** from such approval.

Further, before rejecting a resolution plan, the Adjudicating Authority may issue notice to the Committee of Creditors to rectify defects in the plan.

- Additionally, a new sub-section (2A) has been inserted to provide that the Adjudicating Authority shall pass an order approving or rejecting the resolution plan within **30 days** from the date of receipt of the plan, and where such order is not passed within the prescribed period, reasons for delay shall be recorded in writing.
- Section 31(4), which generally requires the successful resolution applicant to obtain necessary approvals required prior to the approval of such resolution plan by the committee of creditors has been amended to provide that such approvals must be obtained before the resolution plan is submitted to the Adjudicating Authority under Section 30(6).
- Section 31(5) provides that where a resolution plan has been approved, any licence, permit, registration, quota, concession, clearance, or similar right granted by the Central Government, State Government, local authority, sectoral regulator, or any statutory authority associated with the resolution plan shall not be suspended or terminated for the remaining validity period, provided the corporate debtor or successful resolution applicant complies with the obligations in respect of the remaining period of such grants or rights.
- Section 31(6) provides that upon approval of the resolution plan, unless otherwise stated in the plan:
 - any claim against the corporate debtor and its assets arising prior to the approval date shall stand extinguished; and
 - no proceedings shall be continued or initiated against the corporate debtor or its assets on the basis of such past claims.

Initiation, Restoration, and Conduct of Liquidation:

- Section 33 relating to initiation of liquidation, has been amended to provide that the Adjudicating Authority shall pass a liquidation order within 30 days of receipt of the application or intimation. It has also been provided that CIRP may be restored in specified cases before passing of liquidation order, subject to approval of 66% voting share of the Committee of Creditors.

- Under Section 33 (1)(a) reference to fast-track insolvency under section 56 is deleted.

- Section 33 (1)(b)(iv) has been inserted to provide that subject to provisions of 52, NCLT can declare a moratorium.

- Section 33 (1)(b)(v) has been inserted to provide that NCLT may pass an order appointing a liquidator for the liquidation process in accordance with section 34.

- Section 33(1A) has been inserted to provide that, notwithstanding anything contained in sub-section 1, where the grounds for liquidation exists, the Adjudicating Authority shall, before passing a liquidation order, consider an application of the Committee of Creditors approved by not less than 66% of the voting share for restoration of the corporate insolvency resolution process, and after considering such application pass any of the below mentioned orders:

- if the ground mentioned in clause (a) of sub-section (1) exists, restore the corporate insolvency resolution process to be completed within such duration as it deems fit, but not exceeding one hundred and twenty days; or
- if the ground mentioned in clause (b) of sub-section (1) exists,—
 - (i) restore the corporate insolvency resolution process to the stage of invitation for submission of a resolution plan, which shall be completed in such manner and subject to such conditions as may be specified; and
 - (ii) provide the duration for completion of such restored corporate insolvency resolution process as it deems fit, but not exceeding one hundred and twenty days.

- Section 33(1B) The corporate insolvency resolution process of a corporate debtor may be restored in accordance with sub-section (1A) only once.

- Section 33(2A) The Adjudicating Authority shall pass a liquidation order within a period of thirty days from the date of receipt of an intimation or application, as the case may be, to initiate the liquidation process.

Provided that if the Adjudicating Authority has not passed an order within such period, it shall record the reasons for such delay in writing.

- Section 33(6) has been amended to read that were a liquidation order has been passed, no suit or other legal proceeding shall be commenced, or if pending at the date of the liquidation order, shall be proceeded with by the liquidator, on behalf of the corporate debtor, except with the leave of the Adjudicating Authority and subject to such terms as the Adjudicating Authority may impose.

Separation of Roles of Resolution Professional and Liquidator:

- Section 34(3) Every person who is or has been a personnel, promoter, or part of the management of the corporate debtor, or who is engaged under a contract for service with the corporate debtor, shall provide such assistance and cooperation to the liquidator as may be required for managing the affairs of the corporate debtor or for discharging the functions entrusted to him. For this purpose, the provisions of section 19 shall apply to the liquidation and voluntary liquidation processes, in the same manner as they apply to the corporate insolvency resolution process, with references to the liquidator substituted for references to the interim resolution professional or resolution professional, and references to the corporate insolvency resolution process substituted with references to liquidation and voluntary liquidation, respectively.

- Section 34(4) Notwithstanding anything contained in this section or section 34A, an insolvency professional who has been appointed as the resolution professional for the corporate insolvency resolution process under Chapter II shall neither be appointed nor be continued as the liquidator for the liquidation of the same corporate debtor.

- Section 34(5) Upon the passing of an order for liquidation, the resolution professional shall hand over to the liquidator all records and documents relating to the conduct of the corporate insolvency resolution process.

- Section 34(6) The Board shall, within ten days of the reference made by the Adjudicating Authority under sub-section (1), recommend the name of an insolvency professional, other than the resolution professional appointed for the corporate insolvency resolution process under Chapter II, along with his written consent in the specified form, for appointment as the liquidator.

- Section 34A(1) has been inserted to provide that where the CoC forms the view that the liquidator appointed under section 34 or section 34A needs to be replaced, it may, by a resolution passed with not less than sixty-six per cent of the voting share, decide to replace such liquidator with another insolvency professional, subject to obtaining the written consent of the proposed liquidator in the prescribed form.

- Section 34A(2) Where such a resolution is passed, the CoC is required to apply to the Adjudicating Authority for the appointment of the proposed liquidator, and the Adjudicating Authority shall, if satisfied that no disciplinary proceedings are pending against the proposed insolvency professional, pass an order replacing the existing liquidator and appointing the proposed insolvency professional as the liquidator.

Expanded Rights of Creditors and Members in Avoidance Proceedings:

- Section 47(1) has been substituted to provide that where any preferential transaction, undervalued transaction, extortionate credit transaction, or fraudulent or wrongful trading has taken place, and the resolution professional or the liquidator, as the case may be, has failed to report such transaction or conduct to the Adjudicating Authority, a creditor (individually or jointly with other creditors), or a member or partner of the corporate debtor, may apply to the Adjudicating Authority seeking appropriate orders under the relevant provisions of this Chapter or Chapter VI.

- Section 47(2) has been amended to provide that upon examination of such application, if the Adjudicating Authority is satisfied that the relevant transaction or trading has occurred, it shall pass an order for avoidance of such transaction or trading, in the same manner as if the application had been made by the resolution professional or the liquidator.

- Section 47(3) has been amended to provide that where the Adjudicating Authority is satisfied, after passing the avoidance order, that the resolution professional or the liquidator had sufficient information or opportunity to ascertain such transaction or trading but failed to report it, the Adjudicating Authority shall direct the Board to initiate disciplinary proceedings against such resolution professional or liquidator, as the case may be.

Revised Regime for Realisation of Security Interest by Secured Creditors:

- Section 52(2) has been substituted to provide that where a secured creditor chooses to realise its security interest outside the liquidation estate under clause (b) of sub-section (1), such creditor must, within fourteen days from the liquidation commencement date, inform the liquidator of the security interest and identify the specific asset proposed to be realised. In the event of failure to comply with this requirement, the security interest shall be deemed to have been relinquished to the liquidation estate.

Further, the proviso states that where multiple secured creditors hold security interests over the same asset, no secured creditor shall be entitled to realise such security interest unless the realisation is agreed to by secured creditors representing not less than sixty-six per cent of the value of all secured claims over that asset.

- Section 52(8) is substituted to provide that insolvency resolution process costs, liquidation costs, and workmen's dues, as specified in section 53, shall be deducted from the proceeds realised by secured creditors who enforce their security interest under this section and such deducted amounts are required to be transferred to the liquidator for inclusion in the liquidation estate, in the manner, within such period, and subject to the conditions as may be specified.

Time-Bound and Structured Dissolution Process by substituting Section 54:

Section 54(1) now provides that the liquidator shall complete liquidation of the corporate debtor's assets and apply for dissolution within one hundred and eighty days from the liquidation commencement date.

Provided that the Adjudicating Authority upon sufficient cause being shown, allow extension up to ninety days.

Section 54 (1A) and (1B) provide that where proceedings relating to avoidance transactions, fraudulent or wrongful trading, or applications under section 47, or any suit or legal proceeding concerning distribution under section 53, respectively, are pending at the stage of dissolution, the Committee of Creditors shall determine the manner in which such proceedings are to be pursued and the resulting proceeds distributed, in accordance with prescribed conditions.

Section 54(2A) empowers the Adjudicating Authority to dissolve CoC upon receipt of a decision of the CoC under section 33(2). Where any assets remain upon such dissolution, they shall be disposed of in

the prescribed manner, with proceeds applied towards insolvency resolution process costs and any surplus credited to the Insolvency and Bankruptcy Fund.

Section 54(2B) clarifies that dissolution shall not affect the continuation of proceedings referred to in sub-sections (1A) and (1B).

Section 54(4) mandates that dissolution orders be passed within thirty days of receipt of the application or intimation, with reasons required to be recorded for any delay.

Other Procedural Amendments:

- Section 61 is amended by insertion of **sub-section (6)**, which mandates National Company Law Appellate Tribunal (NCLAT) to dispose off appeals within three months from the date of receipt.

- Section 64A, a new penalty proviso has been inserted to provide that if any person initiates a frivolous or vexatious proceeding before the Adjudicating Authority under this Part, it may impose upon such person a penalty which shall not be less than one lakh rupees, but may extend to two crore rupees.

- Section 99(1) has been amended to state that the resolution professional shall **within twenty-one days** of his appointment, examine the application filed under section 94 or section 95, as the case may be, and submit a report to the Adjudicating Authority recommending for approval or rejection of the application. The time period available to the resolution professional to examine the application and submit a report has been **extended from 10 days to 21 days**.

- Section 106(1A) has been inserted to state that if no repayment plan is submitted within the specified timeline under sub-section (1), the resolution professional shall submit a report to the Adjudicating Authority, and the Authority shall pass an order terminating the insolvency resolution process of the debtor and the debtor or the creditors shall be entitled to file an application for bankruptcy under Chapter IV.

Introduction of new Chapters:

- A new Chapter IV-A “Creditor initiated Insolvency Resolution Process” has been inserted. This chapter introduces a new, creditor-led insolvency resolution framework under the Insolvency and Bankruptcy Code (IBC) that allows eligible financial creditors to initiate an insolvency process without first approaching the Adjudicating Authority. By enabling creditors to directly appoint a resolution professional, allowing management to remain in control, and limiting early judicial intervention, Chapter IV-A aims to speed up resolution, reduce litigation and delays and enhance creditor autonomy,

- A new Chapter V-A “Group Insolvency” (Section 59A) has also been inserted that lays the foundation for group insolvency, empowering the Central Government to formulate rules for coordinated insolvency proceedings of corporate groups, recognising that insolvency of interconnected companies cannot be effectively resolved in isolation. The chapter has a rule-based framework with Group CoC mechanisms and flexible application of IBC provisions.

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