

The Insolvency and Bankruptcy Code (Amendment) Bill, 2025: A Comprehensive Analysis of India's Evolving Insolvency Regime – By CA (IP) Reshma Mittal, Managing Partner, RR Insolvency Professionals LLP

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The Insolvency and Bankruptcy Code (Amendment) Bill, 2025: A Comprehensive Analysis of India's Evolving Insolvency Regime

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Executive Summary

The Insolvency and Bankruptcy Code (Amendment) Bill, 2025 formally tabled in the Lok Sabha on August 12, 2025, is designed to address persistent bottlenecks, enhance procedural efficiency, empower creditors, and align the Indian insolvency ecosystem with global best practices. The proposed changes are comprehensive, encompassing mandates for faster admission of insolvency applications, the introduction of novel frameworks for creditor-initiated, group, and cross-border insolvencies, clarification of critical definitions, streamlining of liquidation processes, and strengthening of regulatory oversight. These amendments are poised to significantly reshape the landscape for corporate debtors, creditors, and resolution professionals, ultimately fostering an improved environment for ease of doing business in India by promoting timely resolution, maximizing asset value, and bolstering investor confidence. It is important to note that the Bill is currently undergoing scrutiny by a select committee.

Introduction: The Evolution of India's Insolvency Regime

Context of the Insolvency and Bankruptcy Code, 2016

The Insolvency and Bankruptcy Code (IBC), enacted in 2016, transformed India's approach to resolving financial distress by establishing a unified, time-bound mechanism for corporate insolvency resolution and liquidation. It has been instrumental in fostering accountability and improving creditor recovery. By December 31, 2024, 8,175 insolvency processes had been initiated, with 3,485 successfully completed, leading to substantial asset realization.

Rationale for the 2025 Amendments("IBC 2.0")

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Despite its successes, the IBC faced challenges like prolonged delays, case backlogs, asset value erosion, and gaps in handling complex corporate structures and cross-border issues. The “IBC 2.0” initiatives, including the Amendment Bill and associated regulations, are the result of three years of stakeholder consultations and public feedback. A key focus is to streamline the Corporate Insolvency Resolution Process (CIRP), particularly for real estate cases.

Status of the Insolvency and Bankruptcy Code (Amendment) Bill, 2025, in Parliament

The Insolvency and Bankruptcy Code (Amendment) Bill, 2025, was formally tabled in the Lok Sabha on August 12, 2025. As of 2025, it is not yet law and has been referred to a select committee for detailed examination. Its final approval is anticipated, potentially during the monsoon session of Parliament.

Key Amendments: Provision-Wise Analysis

The following table provides a concise, provision-wise breakdown of the key amendments proposed in the Insolvency and Bankruptcy Code (Amendment) Bill, 2025, along with relevant changes from the 2025 Regulations.

Category of Amendment	Original Provision/Section	Proposed Amendment/New Provision	Key Change/Rationale	Implication/Impact
Foundational & Definitional Changes	Section 2(30) – “Security Interest”	Narrows definition to include only consensually created securities, excluding statutory liens.	Protects creditor rights; prevents statutory dues from disrupting secured credit.	Enhances certainty for secured creditors; de-prioritizes certain government claims.
	Section 5(2A) (New)	Defines “avoidance transaction” (Sections 43, 45, 49, 50) and “fraudulent or wrongful trading” (Section 66).	Removes ambiguity in identifying suspect transactions.	Streamlines prosecution of suspect transactions

	Section 5(11) – “Insolvency Commencement Date”	If multiple CIRP applications, initiation date is the date of the <i>first</i> application filed.	Addresses tactical delays from multiple filings.	Brings uniformity in computing statutory timelines; reduces litigation.
	Section 5(26) – “Resolution Plan”	Broadened to include sale of one or more assets as a restructuring method.	Introduces greater flexibility in resolution strategies.	Enables piecemeal or asset-level resolutions; faster value realization.
	Section 5(31A) (New)	New “service provider” definition (IPs, IPAs, IUs, etc.).	Expands IBBI’s regulatory reach.	Enhances oversight and accountability across the insolvency ecosystem. IPEs are not included in the definition of service provider.
	Voting Share Calculation (CoC)	Related party debt explicitly excluded from CoC vote-weight calculations.	Prevents bias and ensures independent decision-making.	Strengthens integrity of CoC voting; reduces manipulation.
CIRP Initiation & Process Streamlining	Section 7(4) & (5) – Financial Creditors	AA <i>mandates</i> admission/rejection within 14 days if default proven and application complete. Records from financial institutions are conclusive proof.	Removes NCLT discretion on 14-day rule; reduces admission delays.	Streamlines admission; reduces delays and frivolous objections.

	Section 9(3)(e) & (5) – Operational Creditors	AA must record reasons for delay beyond 14 days. Operational creditors must submit financial info to IU <i>before</i> filing.	Ensures uniformity with financial creditors; complete info upfront.	Expedites admission for operational creditors; reduces incomplete applications.
	Nomination of Interim Resolution Professional (IRP)	Corporate debtors lose right to nominate IRP.	Avoids bias; ensures impartiality and independence of IRP.	Promotes fairness; reduces conflicts of interest.
	Section 19 – Assistance to IRP	Broadens “personnel” to “persons,” including contractual individuals like promoters.	Ensures broader cooperation for IRP in managing debtor’s affairs.	Improves IRP efficiency by securing comprehensive cooperation.
	Withdrawal of Admitted Cases (Sec 7, 9, 10)	Withdrawal only with 90% CoC approval; not allowed before CoC constitution or after first resolution plan invitation. 30-day AA disposal deadline.	Prevents misuse of withdrawal for tactical delays.	Curbs strategic delays; ensures commitment to CIRP.
Enhancing Resolution & Liquidation Frameworks	Section 14 – Moratorium Scope	Clarifies sureties cannot use subrogation rights against CD during moratorium.	Prevents indirect actions against CD during moratorium.	Strengthens moratorium effectiveness; provides stable resolution environment.
	Section 18 – Dissenting	Dissenting creditors receive minimum of	Prevents dissenting	Promotes consensual resolution; prevents

	Creditor Payouts	liquidation value or Section 53 share.	creditors from obstructing viable plans.	“hold-outs.”
	Section 54 – Liquidation Process Timelines	Liquidator timeline reduced from 1 year to 180 days; single 90-day extension.	Expedites liquidation; maximizes asset value.	Faster asset realization; reduces administrative costs. Potential delays resulting from litigation—especially concerning the recovery of receivables from the corporate debtor—could significantly impact the effectiveness of these reduced timelines.
	Liquidation Process Supervision	CoC empowered to supervise liquidation and replace liquidator (66% vote). Moratorium extended to liquidation. CIRP restoration from liquidation permitted once (max 120 days).	Facilitates better commercial decisions during liquidation.	Enhances creditor control; potentially more efficient outcomes.
	Resolution Plan Approval (Two-Stage)	AA can approve <i>implementation</i> first, <i>distribution</i> later (within 30 days). Formalizes “clean-slate principle.”	Provides certainty; reduces risk for resolution applicants.	De-risks distressed company acquisition; attracts more bidders. <div>NEW:Try New Search</div>

	Look-Back Period for Suspect Transactions	Look-back period starts from <i>initiation date</i> (application filing), not admission date.	Blocks strategic delays by debtors between filing and admission.	Enhances effectiveness of avoidance provisions; prevents value erosion.
	Secured Creditors' Obligations	14-day deadline for secured creditors to elect realization outside liquidation. Requires 66% consent for shared collateral. Mandates contribution to IRP/liquidation costs.	Ensures timely decision-making and fair contribution.	Promotes coordinated action; ensures equitable cost distribution.
	Government Dues Priority	Government dues <i>cannot</i> claim priority with secured creditors, even if secured. Two-year cap for higher priority.	Provides greater certainty for secured lenders.	Reinforces position of consensual secured creditors; makes lending predictable.
New Insolvency Frameworks	Chapter IV A (New) – Creditor-Initiated Insolvency Resolution Process (CIIRP)	Allows creditors (51% financial debt) to initiate out-of-court insolvency after 30-day notice. RP appointed by creditor. Moratorium <i>not</i> automatic.	Introduces faster, cost-effective out-of-court mechanism.	Empowers creditors with new resolution path; safeguards against immediate disruption.
	Chapter VA (New) – Group Insolvency Framework	Enables Central Government to make rules for group insolvency proceedings	Addresses lacuna in dealing with complex corporate group structures.	Facilitates coordinated resolution of related group value.

		(interconnected corporate debtors).		
	Section 240C (New) – Cross-Border Insolvency Framework	Empowers Central Government to frame rules for cross-border insolvency; designates special benches.	Aligns India's insolvency with global best practices (UNCITRAL Model Law).	Facilitates recognition of Indian proceedings abroad; improves foreign asset recovery.
Regulatory & Governance Enhancements	IBBI Powers Expanded (Clauses 55, 59, 60)	Replaces references with “service provider.” IBBI can levy fees, set “standards of conduct” for CoC, widens regulation scope.	Enhances regulatory oversight; ensures professionalism.	Strengthens IBBI authority; promotes accountability and ethical behavior.
	Disciplinary Process Overhaul (Sections 219, 220)	IBBI can issue SCN to any service provider. Allows multiple disciplinary committees; clarifies powers (penalties, suspension, disgorgement); doubles penalty cap (Rs. 2 crore); permits NCLAT appeals.	Streamlines and strengthens disciplinary mechanism.	Enhances accountability of IPs; ensures higher conduct standards.
	Information Utility Strengthening (Sections 214, 215)	IBBI sets authentication procedures/timelines for debtors. Operational creditors must submit info to IU before filing;	Ensures data integrity; reduces disputes over default records.	Improves reliability of financial info; expedites admission.

		debtors must authenticate/dispute.		
	Penalty for Frivolous Initiation of Proceedings	New Sections 64A (corporate) and 183A (individuals/firms) propose penalties for frivolous/vexatious proceedings.	Deters vexatious litigation; reduces burden on AAs.	Unclogs system; prevents delays from malicious filings.
	Penalty for Code Contraventions (Section 235A)	AA can impose proportional penalties upon IBBI/Government application for Code contraventions.	Provides clear legal mechanism for enforcing compliance.	Ensures adherence to IBC provisions; deters non-compliance.
Personal Insolvency Provisions	Interim Moratorium for Personal Guarantors	Interim moratorium (Sections 96 & 124) inapplicable if personal guarantor insolvency initiated by creditor/debtor.	Refines personal insolvency framework; prevents use as shield.	Allows parallel proceedings against guarantors; accelerates creditor recovery.
	Repayment Plan Submission (Individual Insolvency)	If no repayment plan within 21 days of claims submission, process terminates. Mandatory creditor meeting for personal guarantor repayment plans.	Expedites resolution for personal insolvencies.	Ensures faster progression to bankruptcy/repayment; reduces uncertainty.

	Government Dues Priority (Personal Insolvency)	Government dues priority aligned with corporate insolvency (two-year higher priority cap; no advantage if secured).	Ensures consistency and fairness across insolvency frameworks.	Provides clarity on government dues priority in personal bankruptcy.
	Transactions Defrauding Creditors (Section 164A)	Introduces “transactions defrauding creditors” for individuals/partnerships, mirroring corporate Section 49.	Prevents debtors from fraudulently alienating assets.	Strengthens ability to claw back assets in personal insolvency.
Technology Integration	Section 240B (New) – Electronic Portal	Empowers government to provide electronic portal for insolvency/bankruptcy procedures.	Leverages technology for efficient administration and transparency.	Facilitates electronic filings/communication; enhances speed and accessibility.
Miscellaneous & Enabling Provisions	Removal of Fast Track CIRP (Sections 55-58)	Chapter IV of Part II (fast track CIRP) proposed to be omitted.	Simplifies Code by removing underutilized mechanism.	Streamlines overall insolvency framework.
	Voluntary Liquidation (Section 59(5A))	Allows corporate debtor to terminate voluntary liquidation by special resolution, subject to creditor approval.	Introduces flexibility in voluntary liquidation processes.	Provides exit route from voluntary liquidation if circumstances change.
	Rule & Regulation-Making Scope	Expanded powers for Central Government and IBBI for “carrying	Provides greater flexibility to regulatory bodies	Facilitates adaptation to new scenarios; ensures

	Widened (Clauses 65-66)	out the purposes of the Code” and related to amendments.	to adapt framework.	Code remains dynamic.
	Removal of Difficulties Clause (Section 242)	Government can issue orders to remove difficulties within 5 years of Bill commencement.	Mechanism for addressing unforeseen practical challenges.	Ensures smooth transition and operationalization of new provisions.

Conclusions

The Insolvency and Bankruptcy Code (Amendment) Bill, 2025 represents a significant and comprehensive effort to evolve India’s insolvency regime. The proposed amendments demonstrate a clear commitment to addressing the practical challenges and bottlenecks that have emerged since the IBC’s inception in 2016. By mandating faster admission procedures, formalizing the “clean-slate” principle, and introducing new frameworks for creditor-initiated, group, and cross-border insolvencies, the Bill aims to drastically reduce procedural delays and enhance value maximization for stakeholders.

The emphasis on greater clarity in definitions, expedited liquidation timelines, and strengthened regulatory oversight by the IBBI signals a maturing insolvency ecosystem. The specific provisions for real estate cases and personal insolvency, particularly concerning guarantors, highlight a responsive approach to sector-specific complexities and emerging legal interpretations. While the Bill is currently under review by a select committee, its successful implementation is anticipated to further streamline the insolvency resolution process, improve investor confidence by providing greater certainty and predictability, and ultimately strengthen India’s position as a business-friendly jurisdiction aligned with global best practices. The reforms are poised to transform India’s insolvency regime into a swifter, more transparent, and globally competitive framework, fostering timely resolution and maximizing asset value.

Reference

1. All Press Release: Press Information Bureau – PIB, accessed August 16, 2025, <https://www.pib.gov.in/>