

THE INSOLVENCY AND BANKRUPTCY CODE (AMENDMENT) ACT, 2026: RECALIBRATING INDIA'S INSOLVENCY FRAMEWORK

INTRODUCTION:

The Insolvency and Bankruptcy Code, 2016, does not limit itself to only solving issues of insolvency and bankruptcy, it also applies to reorganizing or restructuring the Company for better functioning and 'ease of doing business'. The Code covers all stakeholders, corporate persons, partnership firms and individual alike. Earlier, due to presence of a number of acts ruling different aspects, this sector seemed pretty scattered, this included acts such as, the *Presidential Towns Insolvency Act*, the *Provisional Insolvency Act* (which was later repealed), the *Sick Industrial Companies Act, 1985 (SICA)*; the *SARFAESI Act, 2002*; and the *Recovery of Debts and Bankruptcy Act, 1993 (RDBFI)*, etc¹. The Code over the years, has made consistent efforts to consolidate and rationalize them. It was enacted to address rising non-performing assets (NPAs), inefficient debt recovery, and a fragmented insolvency regime that caused delays and asset value erosion². The Code, apart from being timebound and comprehensive is also "creditor friendly", and this is where it draws distinction from its predecessors which were slow, time-consuming and leaned more towards the "debtors". The regime has now shifted from 'debtor-in-possession' to 'creditor-in-control' via the Committee of Creditors (CoC), and improving recovery rates while boosting ease of doing business.

Although well-intentioned, the 2016 code carried many structural faults in its framework, this included tribunal overload, litigation by promoters, delays beyond timelines, capacity shortages, and value erosion. This is what forms the basis of the amendments proposed by the 2026 Act to the Code³. The Act received assent and came into force from the April 6th 2026⁴. The amendment tightens timelines, mandates petition admission on proven default, expands avoidance transaction look-back, strengthens CoC powers, introduces Creditor-Initiated Insolvency Resolution Process (CIIRP), enhances group/cross-border provisions, and boosts efficiency via IBBI rule-making.

KEY AMENDMENTS PROPOSED BY 2026 ACT:

1. *Strengthening Definitions and Institutional Clarity*- With a view to remove ambiguity and standardise the interpretation, the Amendment refines key definitions. The

¹ *IBC and Its Interplay with Other Statutes*, LexisNexis India (Jan. 20, 2020), <https://lexisnexisindia.wordpress.com/2020/01/20/ibc-and-its-interplay-with-other-statutes/>.

² *Importance of Insolvency and Bankruptcy Code (IBC), 2016 in India*, [https://thelegalschool.in/blog/importance-of-insolvency-and-bankruptcy-code\(last visited Apr. 13, 2026\)](https://thelegalschool.in/blog/importance-of-insolvency-and-bankruptcy-code(last%20visited%20Apr.%2013,%202026)).

³ Shubhi, *Constitutional Amendments, IBC Changes, Data Protection Reforms, and Criminal Law Updates: Major Amendment Bills Introduced in Rajya Sabha*, SCC Times (Dec. 12, 2025), <https://www.sconline.com/blog/post/2025/12/12/major-amendment-bills-introduced-in-rajya-sabha-winter-session-2025/>.

⁴ THE INSOLVENCY AND BANKRUPTCY CODE (AMENDMENT) ACT, 2026 NO. 6 OF 2026.

⁵ *Parliament Passes Insolvency and Bankruptcy Code Bill, 2026 | DD News On Air*, Apr. 1, 2026, <https://www.newsonair.gov.in/parliament-passes-insolvency-and-bankruptcy-code-bill-2026/>.

introduction of terms like “registered valuer” aligns valuation practices with the Companies Act, 2013, while the term “service provider” consolidates regulated entities under a unified category. By clarifying that “security interest” must arise from contractual arrangements, it excludes statutory dues from secured creditor status. Modifying definitions like “avoidance transactions” and “fraudulent or wrongful trading” codify existing legal principles, while the insolvency commencement date is fixed as the date of the earliest application where multiple filings exist.

2. Admission⁶ of Applications and Procedural Discipline- The Act mandates that the Adjudicating Authority admit or reject applications within fourteen days, limiting judicial discretion to objective criteria such as existence of default and procedural compliance⁷. If any, reasons must be recorded for delays, and evidentiary reliance on information utilities is strengthened. This reform aligns creditor and debtor-initiated processes and ensures procedural uniformity.
3. Expansion of the Resolution Framework- Resolution plans, will now include sale of assets in whole or in part, thereby expanding restructuring flexibility. A significant innovation is the introduction of the ‘Creditor-Initiated Insolvency Resolution Process (CIIRP)’, a creditor-driven, time-bound mechanism that allows debtor-in-possession management with limited judicial intervention, subject to safeguards and conversion into formal CIRP where necessary.
4. Governance of Insolvency Professionals and Stakeholder Duties- The Amendment enhances accountability of insolvency professionals by expanding their role in claim verification and valuation. The duty of cooperation extends to all persons associated with the corporate debtor. Appointment procedures are streamlined, with greater regulatory oversight by the IBBI.
5. Committee of Creditors and Decision-Making Powers- The CoC’s authority is expanded to include supervision of liquidation and replacement of liquidators. Voting rights are clarified, and withdrawal of insolvency applications is tightly regulated, to prevent procedural misuse and ensure stability of the overall resolution process.
6. Liquidation and Distribution Reforms- Liquidation process is restructured to improve efficiency, by including stricter timelines, separation of roles between resolution professionals and liquidators, and enhanced CoC oversight. Distribution priorities and secured creditor rights are clarified, reinforcing predictability in asset realisation.
7. Avoidance Transactions and Misconduct- The passage governing preferential and fraudulent transactions is strengthened through expanded look-back periods and creditor-initiated enforcement where professionals fail to act, thereby improving accountability and recovery prospects.

⁶ Aishik Lahiri, *Insolvency And Bankruptcy Code (Amendment) Act, 2026 – Comprehensive Analysis*, (Apr. 10, 2026), <https://www.livelaw.in/articles/insolvency-bankruptcy-code-amendment-act2026-comprehensive-analysis-529563>.

⁷ Shubhi, *From Withdrawal to Creditor Control: Key Shifts under the IBC Amendment Act, 2026*, SCC Times (Apr. 7, 2026), <https://www.scconline.com/blog/post/2026/04/07/insolvency-bankruptcy-code-amendment-act-2026-explained/>.

8. *Moratorium, Guarantees and Ancillary Provisions*- Clarifications ensure uniformity in enforcement by extending the moratorium to surety proceedings and regulating guarantor asset transfers during insolvency.
9. *Appeals, Penalties and Enforcement*- The Amendment mandates time-bound disposal of appeals and introduces penalties for frivolous proceedings, moratorium violations, and non-compliance, thereby strengthening enforcement and deterrence.
10. *Emerging Areas: Group and Cross-Border Insolvency*- This is a novel provision added via amendment, it establishes a foundation for coordinated resolution frameworks aligned with global practices. The introduction of an electronic insolvency portal further modernises administrative processes.

COMPARISON WITH THE PRE-AMENDMENT REGIME:

The 2026 Amendment Act fundamentally restructures the IBC, from a framework that relied significantly on judicial interpretation to one that is more codified, predictable, and creditor-driven. Even though comprehensive, ambiguities still persisted under the old regime especially in core definitional areas particularly concerning ‘security interest,’ ‘avoidance transactions’, and ‘fraudulent trading’. The amended provisions resolve these uncertainties by explicitly excluding statutory dues from secured creditor status and introducing clear statutory definitions, thereby reducing interpretative inconsistencies and aligning practice with legislative intent.

Procedurally speaking, one of the most significant departures lies in the way applications of insolvency are treated. Previously, adjudicating authorities exercised considerable discretion in admitting cases (the “*may*” provision), often leading to delays and inconsistent outcomes⁸. The Amendment replaces this with a largely mandatory admission framework based on objective criteria such as proof of default and completeness of application. It also clarifies that in cases of multiple filings, the insolvency commencement date will be determined by the first application, effectively closing avenues for procedural abuse. Further, the scope and flexibility of resolution have also been substantially enhanced. While the earlier framework, permitted restructuring primarily through comprehensive resolution plans, the Amendment explicitly allows the sale of assets in parts, enabling more nuanced and commercially viable restructuring strategies. This is complemented by the introduction of the ‘Creditor-Initiated Insolvency Resolution Process (CIIRP)’, which represents a structural shift by enabling creditors to initiate a time-bound, quasi out-of-court process with elements of debtor participation, an option that did not exist under the original Code⁹.

The institutional and stakeholder responsibilities have also been expanded via amendment. Earlier, the duty of cooperation was limited largely to the corporate debtor; but

⁸ IBC Laws Editorial Team, *Insolvency and Bankruptcy Code (Amendment) Act, 2026 – Clause-Wise Summary and Key Changes*, IBC Laws, <https://ibclaw.in/president-assents-to-insolvency-and-bankruptcy-code-amendment-act-2026/> (last visited Apr. 13, 2026).

⁹ Dheeraj Mishra, *How Latest Amendments to Insolvency and Bankruptcy Code Promise a Swifter Resolution Process*, The Indian Express, Apr. 3, 2026, <https://indianexpress.com/article/explained/ibc-amendment-bill-2026-key-changes-explained-10616544/>.

now it extends to all associated persons, ensuring broader accountability. Similarly, enforcement of avoidance transactions was previously dependent solely on the resolution professional or liquidator. But the Amendment also empowers creditors to initiate such proceedings in cases where professionals fail to act, as a result - reducing the risk of inaction. With respect to liquidation, under the old regime it often suffered from delays and limited oversight; now it has been streamlined through stricter timelines and enhanced creditor involvement¹⁰. These changes collectively improve transparency and fairness in asset distribution¹¹. Another notable shift lies in the introduction of flexibility within 'exit' mechanisms. Under the previous regime, voluntary liquidation once initiated could not be reversed (largely); the Amendment on the other hand, permits revival of subject to specified approvals, reflecting a more pragmatic approach to business continuity. At the same time, the absence of a strong penalty framework in the earlier Code allowed scope for misuse through frivolous or vexatious filings. The new provisions introduce explicit penalties, reinforcing procedural discipline and deterring abuse.

Lastly, the pre-amendment IBC was largely confined to single-entity insolvency and lacked statutory backing for cross-border coordination. The Amendment addresses this gap by enabling frameworks for 'group insolvency' and 'cross-border insolvency', signalling a move toward a more modern, globally aligned insolvency regime. Overall, the transition reflects a shift from a flexible but often uncertain system to one that is more rule-based, enforcement-oriented, and commercially responsive, with greater emphasis on speed, clarity, and creditor empowerment.

CONCLUSION:

The Insolvency and Bankruptcy Code (Amendment) Act, 2026 constitutes a decisive evolution in India's insolvency regime. By reinforcing timelines, expanding creditor powers, introducing innovative resolution mechanisms, and addressing structural inefficiencies, it aims to enhance both efficiency and certainty. The shift toward a more creditor-driven and procedurally disciplined framework reflects a broader policy objective of aligning India's insolvency system with global best practices. However, the effectiveness of these reforms will depend on institutional capacity, timely rule-making, and consistent judicial application.

While, certain aspects especially group and cross-border insolvency are yet to be tested operationally, but it is safe to say that the Amendment significantly strengthens the foundation of the IBC. It underscores the Code's continuing role not merely as a debt recovery mechanism, but as a critical instrument for preserving economic value, sustaining investor confidence, and supporting long-term financial stability.

¹⁰ *Sharper Timelines, Cleaner Rules in IBC, but Backlog a Concern*, Economic Times Legal World, Apr. 12, 2026, <https://legal.economictimes.indiatimes.com/news/law-policy/finance-minister-defends-ibc-amid-concerns-over-backlog/130209293>.

¹¹ Taxmann, *Lok Sabha Passes IBC Amendment Bill 2026 for Faster Resolutions*, Taxmann Blog (Apr. 2, 2026), <https://www.taxmann.com/post/blog/lok-sabha-passes-ibc-amendment-bill-for-faster-resolutions>.