

Bill Summary

The Insolvency and Bankruptcy Code (Amendment) Bill, 2025

- The Insolvency and Bankruptcy Code (Amendment) Bill, 2025 was introduced in Lok Sabha on August 12, 2025. It amends the Insolvency and Bankruptcy Code, 2016. Insolvency is a situation where an entity is unable to repay its outstanding debt. The Code provides a time-bound process for resolving insolvency among companies and individuals.
- **Creditor-initiated insolvency resolution process:** The Code provides for a corporate insolvency resolution process (CIRP). CIRP may be initiated by a corporate debtor or its creditors. A committee of creditors (CoC) is constituted to decide on the resolution. During this process, management of the company shifts to the hands of the CoC. The CoC appoints a Resolution Professional (RP) to manage the affairs of the company as a going concern and conduct CIRP.
- The Code also specifies alternative processes: (i) a fast-track insolvency resolution process with quicker timelines for small companies and startups, and (ii) a pre-packaged insolvency resolution process for MSMEs which may only be initiated by the debtor, and the management of the company remains with the debtor. The Bill removes the fast-track insolvency resolution process. It introduces a creditor-initiated insolvency resolution process (CIIRP) for certain categories of corporate debtors notified by the government. CIIRP may be initiated only by specified financial creditors. To initiate the process, at least 51% of such creditors must agree (by value of debt). The creditor initiating CIIRP must inform the debtor, and allow him at least 30 days to make representation. The debtor may also file objections before the National Company Law Tribunal (NCLT) against the commencement of the process. During CIIRP, management of the company will remain with the debtor, subject to oversight by the RP.
- NCLT may convert CIIRP to CIRP if it: (i) does not receive a resolution plan within the prescribed timeline (150 days from initiation, extendable by up to 45 days), (ii) rejects the plan, or (iii) determines that the debtor did not cooperate with the RP.
- **Group insolvency:** The Bill 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 resolution professional, and forming a joint CoC.
- **Cross-border insolvency:** The Code does not address cross-border insolvency. Cross-border insolvency refers to a debtor having assets or creditors in multiple countries. The Bill empowers the central government to prescribe the manner and conditions for administering and conducting cross-border insolvency resolution proceedings.
- **Admission of CIRP:** The Code states that NCLT may admit CIRP if the default is proven, the application is complete, and no disciplinary proceedings are pending against proposed RP. NCLT shall pass the order within 14 days of receiving the application. The Bill makes it mandatory to admit the application when the above conditions are met. It specifies that: (i) no other grounds can be considered to reject an application, (ii) NCLT must record reasons in writing if no order is passed within 14 days, and (ii) records from financial institutions will be sufficient proof of default.
- **Powers of CoC in cases of liquidation:** A debtor undergoes liquidation if: (i) a resolution plan is not approved within the prescribed timeline, or (ii) the CoC votes for liquidation. The Bill empowers the CoC to: (i) supervise the liquidation process, and (ii) replace the liquidator.
- **Timelines for liquidation:** The Bill adds that 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 Bill specifies that voluntary liquidation proceedings must be completed within one year.
- **Penalty for frivolous proceedings:** The Bill introduces penalty for filing frivolous or vexatious proceedings before the adjudicating authority (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.

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