

Key changes in the proposed Insolvency and Bankruptcy Code (Amendment) Bill, 2025 and their impact on Insolvency Professionals and ecosystem

Executive Summary

The IBC Amendment Bill, 2025, proposes sweeping reforms to India’s insolvency and bankruptcy regime. The changes seek to address delays, maximize stakeholder value, incorporate global best practices (like group insolvency and cross-border insolvency), and introduce a new “creditor-initiated” out-of-court insolvency resolution process, among other substantial modifications. Below is a structured comparison and analysis.

Table: Side-by-Side Comparison of Key Sections and Changes

Aspect / Section	IBC 2016 (up to 04-04-2021)[^2]	IBC Amendment Bill, 2025 ¹	Key Impact/Analysis
Short Title & Commencement	Code came into force via notifications by Central Govt.	Amendment Act may bring different sections into force on different dates	Flexible implementation of provisions
Section 3 - Definitions	No explicit definition of “service provider”; “security interest” included those created by law	Adds definition for “service provider”; clarifies “security interest” only those created by agreement and not by action of law	Broadens applicability and clarifies claims regarding property. Also takes care of confusion created by various case laws declaring authorities like VAT, GST as secured creditors by the action of law.
Section 5 - Definitions	“Avoidance transactions” and “fraudulent or wrongful trading” not specifically defined	Explicit definitions included for “avoidance transaction” and “fraudulent or wrongful trading”	Adds clarity for key actions and remedies
Section 7 - CIRP by Financial Creditor	Judicial discretion allowed for rejection on broader grounds	Mandates admission on fulfillment of explicit criteria; narrows scope and grounds of rejection of CIRP petition by AA	Curtails judicial delays; promote expeditious admission and reduce discretion of AA in adjudicating admission.

Section 9 & 10 - CIRP by Operational Creditor & Corporate Applicant	Similar information requirements for both; right to propose Interim RP	Flexibility to Insolvency Board for information requirements; Corporate debtors lose right to propose IRP	Operational improvements and neutrality in IRP appointment. Recues the scope of manipulation of the process by Promoters during interim period by getting a favorable IP appointed as IRP.
Section 12A - Withdrawal	Requires both applicant's request and 90% CoC approval	Only RP's application with 90% CoC approval needed; withdrawal window narrowed	Removes the scope of withdrawal of CIRP by a settlement between applicant and CD before constitution of CoC. Also limits the scope of application by Promoters for withdrawal once they have an idea about the valuation of CD under Resolution Plans. Limits opportunistic withdrawals, increases process discipline
Moratorium (Section 14)	Surety's actions not covered	Surety barred from actions against corporate debtor under guarantee contract	Expanded moratorium effect
Committee of Creditors (Section 21 & 22)	Focus on resolution; not involved in liquidation except as information reference	CoC will now also actively supervise liquidation instead of SCC, can replace liquidator. Hence life of CoC extended to liquidation with increased powers	Enhanced checks-and-balances, efficiency in liquidation and also removes confusion over who supervises the CD and RP while Plan is under consideration by AA.
Distribution Waterfall (Section 53)	Priority for Govt. dues if security interest created	Clarified—Govt. dues only get higher priority if within 2 years before commencement; value of surrendered security prioritization clarified	Protects rights of financial and workmen creditors versus govt dues. Also reduces the scope of strategic dissent by certain CoC members to exploit the loophole of assured min liquidation value under existing Act.
Group Insolvency	Not recognized	New Chapter VA—enables group proceedings, coordination, common benches etc.	Significant for large group defaults—value maximization and coordination

Cross-Border Insolvency	No direct framework; some recognition in practice	New regulatory provisions for cross-border insolvency (Section 240C)	Aligns Indian law with UNCITRAL Model Law; This has been a long pending demand of industry and will boost foreign investor confidence in Indian Insolvency ecosystem. However, this will demand better efficiency in decision making by our insolvency courts as well as CoC to avoid a Foreign proceeding taking advantage over Indian proceedings due to early resolution and enforcement of plans by a foreign IP.
Creditor-Initiated Insolvency (New Chapter IV-A)	Not present	Introduces out-of-court, non-judicial public announcement methodology for select debtors	Govt has introduced the concept of out of court workouts in the insolvency ecosystem, which is a widely held practice in Foreign regime. This Reduces NCLT burden; faster resolution for “genuine business failures” and better control of creditors over process and implementation timelines
Fast-Track CIRP	Sections existed but rarely used; limited to small companies	Fast track process repealed; replaced by more robust out-of-court and creditor-initiated processes	Process modernization
Avoidance Proceedings/Powers	Only RP/Liquidator could initiate; delay in reporting penalized	Creditors, members or partners may also apply to AA in case of RP/LQ non-reporting	Increases vigilance; penalizes lax professionals. It also removes the confusion created by certain case laws that no locus standi of RP once CIRP is concluded.

Adjudicating Authority Timelines	Time-bound but rarely adhered to; delays common	Stronger, more enforceable outer time limits; reasons for delay to be recorded in writing	The Govt. is once again trying to bring some Accountability and efficiency to the working of our Adjudicating Authorities to boost efficient of process and avoid destruction of value due to delays. However, considering the attitude of AAs, it will be interesting to see how this pans out.
Frivolous/Vexatious Proceedings	General penalty structure	Stringent monetary penalty: ₹1 lakh–₹2 crore for frivolous filings under Part II/III	Many applicants are filing the CIRP petitions with the objective of recovery of their dues. The penalty will act as a deterrence for abuse of process and discourage such frivolous applicants. However, it will also impact MSMEs negatively as they may lose an efficient option of recovering their dues through out of court settlement by filing CIRP petition.
E-filings & Digitalization	Not mandated	Central Govt. empowered to mandate e-portal for insolvency filings and management	Virtual filings, virtual hearings and e-portal will lead to improved transparency, speed, and monitoring. It will also popularize various sofatwares available in the market for conducting the process online.

New Concepts/Frameworks Introduced in IBC Amendment Bill, 2025

1. Creditor-Initiated Insolvency Resolution Process (CIIRP)

- Allows specified financial creditors to commence insolvency by public announcement, outside NCLT, for qualifying debtors (e.g., MSMEs, low-assets, etc.), with safeguards (representation, minimum threshold).
- Out-of-court process triggers resolution; can be terminated, converted into CIRP or withdrawn under strict voting and timeline controls.

- Management stays with Board of Directors/partners (Debtor-in-possession with right of RP to veto board resolutions), but CoC retained as central supervisory body.
- Moratorium and process effects commence from public announcement.

2. Group Insolvency

- Permits coordinated insolvency for groups (e.g., holding, subsidiary, associate companies), allowing for common benches, shared CoC, group resolution plans, group coordinators, and pooled negotiations.
- Targeted at reducing value destruction in fragmented multi-entity bankruptcies—especially for large Indian business groups.^[1]

3. Cross-Border Insolvency

- Empowers Central Government to frame rules adapting the Code for cross-border insolvency along lines of the UNCITRAL Model Law.
- Increases the prospect of Indian proceedings being recognized internationally and vice versa.

Major Process Modifications

- **Time-bound Actions:** Stringent enforcement of timelines for AA/CoC/RP actions, with mandatory publication of recorded delays.
- **Withdrawal of Application:** Limited strictly—no withdrawal before CoC constitution or after first EoI invitation.
- **CoC Powers During Liquidation:** CoC may replace liquidator, supervise process, influence distribution of post-dissolution recoveries.
- **Penalties & Deterrent Mechanisms:** Enhanced penalty range for abuse/frivolous proceedings.
- **Updated Provisions for Avoidance, Fraudulent/Wrongful Trading, Management Liability, Claims Admittance:** Expanded so any creditor/member/partner may file before AA if RP/LQ does not, and AA empowered to direct Board to initiate professional disciplinary action.

Summary Table: Additions/Deletions/Deeper Clarifications

Category	Addition/Change (2025 Bill) ¹¹	Impact on AA, CoC, RP and other stakeholders
Digitalization	E-portal enabled law, procedural digital filings	It will reduce the workload of IRP/RP and Lawyers and bring more transparency and efficiency to the process
Unambiguity in Definitions	Added: “service provider,” explicit avoidance terms	Removes ambiguity by providing clear definitions of service providers and avoidance transactions. Removes scope of misinterpretation of law by Lawyers representing Promoters to delay adjudication of avoidance transactions.
Initiation of CIRP	Reduced grounds for technical rejection by AA	Judicial latitude narrowed for rejections. This may lead to early admissions, which has been the bane of CIRP as maximum value is lost during the pendency of CIRP petition.
CoC Power	CoC supervises liquidation; can appoint/replace LQ	CoC replaces SCC in liquidation and provides continuity to the life of CoC post approval of Resolution plan or recommendation for liquidation.
Avoidance Actions	Any creditor/member/partner can file if RP/LQ fails	Provides more scope for filing by other stakeholder along with ownership of continuing litigation post resolution of CD.
Frivolous Processes Penalty	Up to ₹2 crore, AA-levied	This amendment will discourage unscrupulous and frivolous applicants and reduce burden of NCLTs.
Fast-Track CIRP	Eliminated, replaced by CIIRP (special chapter)	Fast track process chapters omitted as it was not popular and new chapter on creditor led insolvency process will encourage out of court workouts.
Pre-packaged Insolvency	Enhanced digital, procedural clarity, data requirements	Pre-packaged insolvency process was once reform, which never inspired creditor imagination. Now with enhanced digital process and improved procedural clarity, let us hope creditors will find it a more efficient way of resolving distressed Corporate Debtors.
Group/Cross-border Provisions	New chapters added for group and cross-border; rule-making enabled	This is a major improvement in the Code which was a demand since the introduction of Code. Although many large conglomerates like Videocon, Amtek Group have been resolved, they might have resulted in better outcomes had this amendment came earlier.

Conclusion: Key Implications

The IBC Amendment Bill, 2025 represents an overhaul that strengthens the insolvency regime, embracing out-of-court solutions (CIIRP), incorporates global best practices (group, cross-border), fortifies

deterrents against abuse, increases digital transparency, and clarifies critical definitions and timelines. The reforms are expected to accelerate resolutions, boost market/investor confidence, and maximize value in distressed-asset scenarios.

Legal professionals, insolvency practitioners, lenders, and corporates (especially those in business groups or with multinational operations) must adapt internal processes to the new rules. Creditors and debtors alike will benefit (and face greater scrutiny), with an overall increase in predictability, efficiency, and outcome equity under India's insolvency framework.

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