

De Jure

August 14, 2025

**HIGHLIGHTS OF IBC AMENDMENT BILL 2025:
STRENGTHENING INDIA'S INSOLVENCY &
BANKRUPTCY ECOSYSTEM**



Rajani Associates
simple solutions

Introduction: IBC Amendment Bill, 2025 - A Leap Toward Faster, and Fairer Resolutions

The existing Insolvency and Bankruptcy Code, 2016 ("IBC Code 2016") transformed India's insolvency landscape. Having said that, it can be argued that the IBC Code, 2016 has been beset with its own set of challenges viz. delays in resolution of cases, protracted litigation and procedural disputes. On the other hand, the Insolvency and Bankruptcy Code (Amendment) Bill, 2025 ("IBC Bill 2025"), introduced in the Lok Sabha on August 12, 2025, by the Hon'ble Finance Minister, aims to address these gaps while introducing some new reforms in the form of an out-of-court resolution route, frameworks for group insolvency and cross-border insolvency.

The IBC Bill 2025 is expected to have significant impact on the various stakeholders involved in the Insolvency ecosystem, including Resolution Professionals, creditors and other professionals. We find this an opportune time to highlight some of the key distinctions between the IBC Code 2016 and the IBC Bill 2025. The IBC Bill 2025 has in store major reforms which has the potential to reshape the future of insolvency and bankruptcy regime in India, including formally introducing the regulatory regime for cross-border insolvency proceedings.

Clarification of 'Security Interest'

IBC Code 2016: The term 'Security interest' is defined as a '*right, title, or interest, or a claim to property created in favour of a secured creditor by a transaction that secures payment or performance of an obligation*', and includes instruments like mortgages, charges, hypothecation, assignments, encumbrances, or any agreement or arrangement that secures payment or performance.

IBC Code 2025: A clarification is proposed whereby a 'Security interest' shall exist only '*if it creates a right, title, or interest, or a claim to property pursuant to an agreement or arrangement, by the act of two or more parties, and shall not include a security interest created merely by operation of any law for the time being in force*'.

Analysis: This clarification seems to have stemmed from the questions raised in the matter of *Rainbow Papers* dealt by the Hon'ble Supreme Court. The revised definition of Security Interest appears to have done away with the ambiguity surrounding the claims of certain government

dues who were empowered to have charge on certain assets by virtue of specific statutes governing the relevant government dues. This revision was also part of one of the discussion papers issued by the Insolvency and Bankruptcy Board of India ("***Insolvency Board***").

Clarity over Priority of Government Dues

IBC Code 2016: Generally, Government dues are treated as operational debts, but if a security interest exists in such Government dues, then such claims may get priority over other operational creditors.

In the past, the Courts have sometimes recognized Government dues as secured creditors if a statutory charge exists, which could elevate their priority in the waterfall treatment provided in the IBC Code 2016.

IBC Bill 2025: In the proposed Bill, the higher priority for Government dues is limited to those claims which arise within two years before the commencement of insolvency proceedings. Thus, older dues are treated like other operational debts.

Analysis: The IBC 2025 Bill codifies and limits priority of government dues, thus, balancing the interests between government dues and other key creditors. By clarifying the treatment of surrendered security, it reduces ambiguity and provides more transparent liquidation process.

Eliminating Discretion: CIRP Admission Reforms in IBC 2025

IBC Code 2016: Under the IBC Code 2016, Adjudicating Authority could admit or reject CIRP applications based on discretion, even if clear default was established. The evidence of 'Default' had to be proven through documentation submitted by the applicant. The discretionary power in adjudicating CIRP, in spite of established 'Default', arises from the Vidarbha Industries judgement, which was also part of one of the discussion papers issued by the Insolvency Board.

IBC Bill 2025: The IBC Bill 2025 clearly provides that CIRP must be admitted if it is provided that Default has occurred, the Application is complete in form, and no disciplinary proceedings are pending against the Insolvency Professional. The reforms remove discretionary powers of Adjudicating Authority in admitting CIRP applications.

Analysis: The amendment strengthens predictability, creditor confidence, and efficiency by mandating CIRP admission based solely on verified default, completeness of application, and IP eligibility. Discretionary delays by the Adjudicating Authority are removed, ensuring a more streamlined and uniform insolvency initiation process. The reform further effectively nullifies the precedent set by Vidarbha Industries, thus standardizing admission criteria across cases.

Demarcation between Avoidance Transaction and Wrongful / Fraudulent trading

IBC Code 2016: IBC Code 2016 recognises Avoidance Transactions through Sections 43 to 51, covering preferential, undervalued, extortionate credit transactions, whereas Fraudulent and Wrongful Trading are separately provided under Section 66 of the IBC Code 2016. The current framework has often witnessed overlaps in investigations, with delays arising from conflating avoidance proceedings with proving fraudulent intent.

IBC Bill 2025: The IBC Bill 2025 retains the substantive grounds for Avoidance Transactions but clarifies that ‘Fraudulent Transaction’ or ‘Wrongful Trading’ claims under Section 66 are distinct from Avoidance Transactions under Sections 43 to 51 (as mentioned above). It introduces procedural separation, thereby allowing Avoidance Transaction applications to proceed independently of Section 66 proceedings.

Analysis: This revision appears to have stemmed from the verdict of the Hon’ble Supreme Court in *63 Moons Technologies Ltd* wherein the Hon’ble SC specifically emphasised the distinct treatment to be provided for Avoidance Transaction and Fraudulent transactions. The distinction streamlines the process, as Avoidance Transactions (asset recovery) can be resolved quickly, without being slowed down by the heavier evidentiary burden of Fraudulent or Wrongful Trading claims. This provides Resolution Professionals, Committee of Creditors ("COC") and the Resolution Applicants with clarity in filing and pursuing remedies, enables creditors to benefit from quicker value realisation, and ensures that erstwhile directors/promoters face sharper accountability under Section 66 without procedural overlaps.

It further strengthens the disclosure obligations by requiring all identified Avoidance Transactions and wrongful/fraudulent trading claims to be explicitly listed in the Information Memorandum and communicated to prospective resolution applicants before submission of resolution plans.

Initiation of avoidance proceedings by creditors

IBC Code 2016: Avoidance proceedings (including fraudulent/wrongful trading proceedings) are generally initiated by the Resolution Professional or the Liquidator, as the case may be, under the relevant provisions of the IBC Code 2016, within the prescribed timelines provided under the applicable regulations. The essence of filing such applications is to ensure that impugned transfers are clawed back to the corporate debtor in a timely manner.

IBC Bill 2025: The IBC Bill 2025 goes a step ahead by introducing explicit statutory empowerment to begin Avoidance proceedings (including fraudulent/wrongful trading proceedings), even if the Resolution Professional or Liquidator fails to file such applications. The amendment empowers creditors themselves to file applications for Avoidance Transactions (or fraudulent/wrongful trading), if the Resolution Professional/Liquidator does not initiate them, thus ensuring no tainted transfer goes unchallenged.

Further, the proposed IBC Bill 2025 extends the look-back period from the date of initiation (i.e., date of filing) of the application, rather than the date of admission, enabling assessment of suspect transactions earlier.

Analysis: This change strengthens procedural rigor and accountability. While the Resolution Professional or Liquidator remains the primary initiator, the IBC Bill 2025 introduces a secondary check by allowing creditors to step in where necessary.

Strengthening Impartiality in Appointments of Interim Resolution Professionals

IBC Code 2016: Under Section 9 and Section 10 of the IBC Code 2016, corporate insolvency resolution process ("CIRP") can be initiated by either an operational creditor or the corporate debtor itself. Both the applicants are subject to similar information requirements. When a corporate debtor initiates CIRP under Section 10, it has the right to propose the Interim Resolution Professional, thereby giving the corporate debtor certain advantage or influence over the appointment process. This occasionally allowed promoters to influence proceedings by getting a favourable IRP appointed.

IBC Bill 2025: The IBC Bill 2025 retains the initiation of CIRP by operational creditors and corporate debtor but introduces a few refinements:

- (a) **Information Requirements:** The Insolvency Board has flexibility to prescribe what information is required from applicants, thus, standardizing and simplifying the process.
- (b) **IRP Appointment:** Corporate debtors no longer have the right to propose the Interim Resolution Professional. The appointment is neutral and monitored by the NCLT or Insolvency Board to ensure impartiality.

Analysis: The 2025 amendments strengthen neutrality, transparency, and operational efficiency in CIRP. By removing the corporate debtor's influence over IRP selection and standardizing information requirements, the IBC Bill 2025 ensures a more impartial process, reduces potential conflicts of interest, and protects the integrity of insolvency resolution.

Controlled Withdrawal of CIRP Applications

IBC Code 2016: Section 12 allows the corporate debtor or applicant to withdraw a CIRP application with the approval of the Adjudicating Authority(ies) with prior approval of 90% CoC.

IBC Bill 2025: Whilst retaining the framework for withdrawal under Section 12, IBC Bill 2025 introduces procedural clarifications and safeguards:

- (a) Only the Resolution Professional may apply for withdrawal of applications admitted under Sections 7, 9, or 10 of IBC Code 2016.
- (b) Prior approval of 90% of the voting share of the CoC is required; the consent of the original applicant is not needed at the filing stage.
- (c) Withdrawal cannot be allowed before the constitution of the CoC under Section 21 or after the first invitation for submission of a resolution plan.
- (d) The Adjudicating Authority must decide the withdrawal application within 30 days, and if delayed, must record reasons in writing.

Analysis: The amendment shall provide stability and integrity of the CIRP. By providing a time limit for withdrawal (in addition to the existing requirement of approval of COC), the IBC Bill 2025 prevents premature or opportunistic withdrawal by promoters, protects creditor interests and ensures that there is certain visibility as to the stage when the CIRP can be withdrawn and that such withdrawal is not done randomly.

Creditor initiated insolvency – Introduction of a new chapter

IBC Code 2016: The existing framework does not provide for an out-of-court or creditor-led resolution route. The CIRP is exclusively triggered through formal applications by a financial creditor, an operational creditor, or the corporate debtor, followed by prescribed judicial procedures and timelines.

IBC Bill 2025: Introduces a new Chapter IV as the Creditor-Initiated Insolvency Resolution Process ("**CIIRP**"), enabling notified financial institutions to initiate insolvency proceedings out of court. This process allows the existing management to continue day-to-day operations under the monitoring of a Resolution Professional.

The CIIRP requires consent from financial creditors representing at least 55% of the outstanding financial debt and is designed to be completed within 150 days, with a possible 45-day extension granted by the Adjudicating Authority.

The Central Government shall notify the types of corporate debtors in respect of whom the creditor-initiated insolvency resolution process may be initiated. The moratorium under CIIRP shall commence from the date of application and shall remain in operation during the CIIRP period.

Analysis: The IBC Bill 2025 marks a shift to a more market-driven, creditor-led model that accelerates resolution, improves operational continuity, and reduces reliance on judicial infrastructure. CIIRP represents a profound procedural change, granting flexibility and control to creditors while minimizing judicial intervention.

Extended Powers of the Committee of Creditors

IBC Code 2016: Sections 21 and 22 empowers the CoC primarily during the CIRP stage, by allowing CoC to supervise the resolution process, approve resolution plans, and exercises oversight over the Resolution Professional etc. When a corporate debtor enters liquidation, CoC is replaced by the Supervisory Committee of Creditors ("SCC") which oversees the liquidation process, with limited powers to replace the Liquidator or influence liquidation decisions.

IBC Bill 2025: The Bill introduces significant reforms to extend the powers of CoC even beyond the CIRP stage right till the liquidation stage with following key reforms:

- (a) The CoC to now directly supervise the liquidation process, replacing the role previously played by the SCC.
- (b) The CoC can now replace the liquidator, if required.
- (c) The CoC continues to operate throughout liquidation, ensuring continuity of creditor oversight.

Analysis: This reform ensures continuity by enabling the CoC to supervise even the liquidation process. It appears to be a prudent step since the CoC is already abreast with the corporate debtor as part of the CIRP and allowing them to continue in the liquidation stage is a logical step apart from being logistically comforting. By enabling active supervision, replacement of the liquidator and continuous engagement, the IBC Bill 2025 enhances accountability, efficiency, and value maximization in both resolution and liquidation phases.

Framework for Cross Border CIRP

IBC Code 2016: The existing framework does not directly provide for a cross-border insolvency regime. It only allows for recognition through Sections 234 and 235, enabling India to enter into bilateral agreements and permitting a Resolution Professional to seek assistance from foreign courts under such agreement

IBC Bill 2025: The IBC Bill 2025 introduces Section 240C, empowering the Central Government to prescribe rules for managing cross-border insolvency cases and to designate dedicated National Company Law Tribunal benches for such proceedings. This marks a clear shift from a bilateral, treaty-dependent system to a formalized, systematic domestic framework.

Analysis: The 2025 Bill transforms cross-border insolvency from its fragmented, treaty-dependent form into a structured, rule-based domestic framework. While it stops short of formally adopting the UNCITRAL Model Law, it adds clarity and predictability, enabling smoother recognition and enforcement of foreign insolvency proceedings and improving coordination with overseas jurisdictions. The new framework also helps prevent scenarios where foreign proceedings gain an unfair advantage over Indian insolvency processes.

Framework for Group Insolvency

IBC Code 2016: There is no explicit statutory framework for consolidated insolvency proceedings for group entities; however, the Adjudicating Authorities have, from time to time, allowed the commencement of consolidated group insolvency (e.g., *CIRP of Darshan Developers Pvt. Ltd., Videocon, Amrapali, Jaypee*). Each corporate debtor's process is handled separately under the Code, with no legal provision for a common bench, common insolvency professional, or coordinated creditor committees, often resulting in duplicated efforts, inconsistent outcomes, increased costs, and diminished value recovery for stakeholders across interconnected group companies.

IBC Bill 2025: Introduces Section 59A, under Chapter VA, empowering the Central Government to prescribe rules for Group Insolvency where proceedings are initiated against two or more corporate debtors forming part of a group. The IBC Bill 2025 provides key features including:

- (a) Common Bench: Designation of a single NCLT Bench for all group entities and transfer of pending proceedings to such Bench.
- (b) Coordination Between Proceedings: Structured interaction between CoC, Interim Resolution Professional, Resolution Professionals, and Liquidators of group entities.
- (c) Common Insolvency Professional: Appointment/replacement of a single professional to manage all group proceedings.
- (d) Joint Committee of Creditors: Creation of a composite committee from all group CoCs for unified decision-making.
- (e) Binding Coordination Agreements: Provision for formal agreements to synchronise and coordinate different aspects of group proceedings, binding on all approving corporate debtors and their CoCs, with NCLT empowered to issue orders for implementation.
- (f) Allocation of Coordination Costs: Rules to determine how expenses for coordinating group proceedings will be treated and shared.

Analysis: The IBC Bill 2025 converts group insolvency from a fragmented, judge-driven approach into a codified, rules-based system. By institutionalising mechanisms for common benches, unified professionals, binding coordination agreements, and cost-sharing, the Bill ensures greater efficiency, reduced procedural duplication, and maximised recovery for interconnected companies. It also reduces the risk of conflicting resolutions and value erosion caused by isolated proceedings. The concept of group insolvency especially augurs well for the corporate debtors engaged in the business of real estate construction and development.

Stricter penalty for filing frivolous and vexatious proceedings

IBC Code 2016: Section 65 of IBC Code 2016 penalises the fraudulent or malicious initiation of insolvency or liquidation proceedings, with fines ranging from Rs.1,00,000 (Rupees one lakh) to Rs.1,00,00,000 (Rupees one crore), applicable only when intent or malice is established.

IBC Bill 2025: Retaining the provisions of the above-mentioned Section 65, the IBC Bill 2025 increases the quantum of penalty for filing vexatious or frivolous proceedings up to Rs.2,00,00,000 (Rupees two crores), signalling a stronger deterrent against meritless filings.

Analysis: The 2025 Bill, through this amendment, aims to widens accountability and at the same time deter/ discourage filing of frivolous litigation proceedings, especially the ones filed with the intent to cause mischief and/or clog the judicial process and in some cases divert the judicial resources from the main subject.

Miscellaneous reforms in IBC Bill 2025

Gist of other key miscellaneous reforms introduced under IBC Bill 2025 are summarised as below:

1. Section 34(4) of the IBC Bill 2025 ensures that a Resolution Professional whose resolution plan is rejected under Section 30(2) shall not be eligible to be appointed as a Liquidator.
2. Section IBC Bill 2025 empowers the Central Government to mandate an e-portal for all insolvency and bankruptcy processes. This centralization ensures digital filings, real-time access, uniform procedures. Chapter IV, which previously outlined the fast-track CIRP mechanism, is proposed to be deleted.
3. Insertion of a new proviso in sub-section (1) of Section 31 of the Code, allowing the Adjudicating Authority to first approve the implementation of the resolution plan and subsequently, by a separate order, approve the manner of distribution within thirty days.
4. IBC Bill 2025 provides that a secured creditor's claim is recognized as secured only up to the value of the underlying security, with any excess treated as unsecured.
5. Section 53 of the IBC Bill 2025 stipulates that a senior charge holder will have priority over a second charge holder, thus, reinforcing the principle that creditors with superior security interests are entitled to recover their dues before those with subordinate interests.

-
6. Originally, the IBC allowed two years for completing liquidation, later reduced to one year by the 2019 amendment to the IBBI Regulations. Clause 33 of the IBC Bill 2025 further shortens this period to 180 days from the liquidation commencement date, with a possible extension of up to 90 days at the Adjudicating Authority's discretion upon the liquidator's application.
 7. Section 59(5A) of the IBC Bill 2025 allows a corporate debtor to pass a special resolution to terminate voluntary liquidation proceedings, provided there is creditors' approval, if applicable.
 8. The IBC Bill 2025 makes it mandatory for operational creditors to submit financial information to the Information Utility (IU) before filing an application under Section 9 of the Code, aligning with IU Regulations.
 9. The IBC Bill 2025 clarifies that sureties cannot invoke subrogation rights to take action against the corporate debtor during the moratorium period, thereby strengthening the protection of the debtor's assets and ensuring uninterrupted resolution proceedings.
 10. Clause 17 of the IBC Bill 2025 proposes insertion of Section 28A, allowing the transfer of a guarantor's asset (personal or corporate) into the CIRP of the corporate debtor. For such a transfer, the creditor must: (i) hold a security interest over the guarantor's asset, and (ii) have taken possession of the asset by enforcing that security interest under the applicable law, thereby enabling its inclusion in the CIRP.
 11. The IBC Bill 2025 mandates that dissenting creditors receive a minimum payout equal to the lower of the liquidation value or their share under the Section 53 distribution waterfall. This ensures that dissenting creditors cannot obstruct the approval of viable resolution plans while protecting their minimum entitlements.
 12. The IBC Bill 2025 allows the Adjudicating Authority to first approve the implementation of a resolution plan and subsequently approve the manner of distribution within thirty days. This power shall only be exercised by the Adjudicating Authority on an application made by the Resolution Professional with the approval of the CoC.
 13. IBC Bill 2025 to insert sub-section (4) to section 96 of the IBC Code 2016 stating that provisions of section 96 of the existing Code will not apply where an application to initiate an insolvency resolution process in respect of a personal guarantor to a corporate debtor is filed by a creditor or the debtor itself. This allows creditors to continue enforcement actions against personal guarantors independently, ensuring their recovery rights are not affected by the corporate debtor's insolvency proceedings.
-

Conclusion

The IBC Bill 2025 represents a significant evolution of India's insolvency framework, addressing gaps in the IBC Code 2016 and aligning the regime with modern corporate and financial realities. The IBC Bill 2025 aims to introduce reforms which were much awaited and at the same time has subtly introduced some new concepts in lines with the global practices on the subject matter.

By introducing creditor-led resolution processes, cross-border and group insolvency provisions, stricter controls on withdrawal and enhanced powers for CoC even during liquidation stage, the proposed IBC Bill 2025 strengthens the insolvency regime by infusing transparency, accountability and efficiency. The procedural clarifications, standardized information requirements and clearly defined timelines reduce opportunities for manipulation and delays, while protecting creditor interests and ensuring fairness to all stakeholders. The revisions introduced through IBC Bill 2025 demonstrates that the insolvency law has been evolving positively by staying agile and cognisant to the challenges that has been faced by the stakeholders from time to time since the enactment of the IBC Code, 2016.

CONTRIBUTED BY:

Ashish Parwani, Senior Partner: ashish@rajaniassociates.net

Rajeev Nair, Partner: rajeev@rajaniassociates.net

Ishita Raghav, Associate: iraghav@rajaniassociates.net

DISCLAIMER:

This Article is meant for information purposes only and does not constitute any legal advice by Rajani Associates or by the authors to the article. The contents of the Article cannot be intended to be comprehensive legal advice and would require re-evaluation based on the facts and circumstances. We cannot assume any legal liability for any errors or omissions. Should you have any queries on any aspect contained in this article, you may contact the author by way of an e-mail or write to us at editorial@rajaniassociates.net

AREAS OF PRACTICE

| Capital Markets | Private Equity | Mergers and Acquisitions | Corporate Litigation & Arbitration | Projects & Project Finance |
| Real Estate & Trust | Corporate & Commercial | Banking & Finance | Structuring | TMT | IPR | Employment

DISCLAIMER

This update only contains a summary/ limited description of the topic dealt with hereinabove for general information purposes and should not be construed as a legal opinion or be relied upon in absence of specific legal advice. For further information or legal advice please feel free to contact us.

CONTACT US



Address:	Krishna Chambers 59 New Marine Lines Churchgate Mumbai 400020 Maharashtra, India
Telephone:	(+91-22) 40961000
Facsimile:	(+91-22) 40961010
Email:	dejure@rajaniassociates.net
Website:	www.rajaniassociates.net
