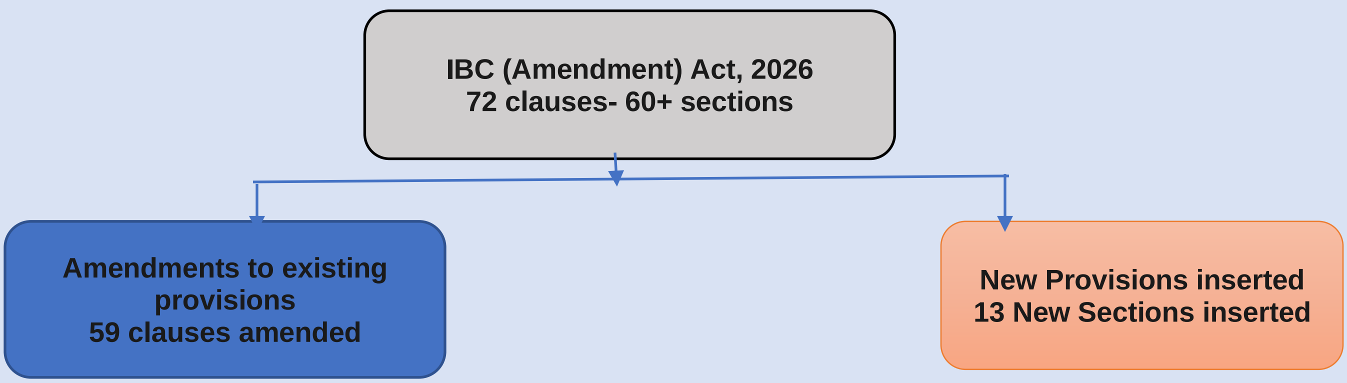
INSTITUTE OF INSOLVENCY PROFESSIONALS
(Subsidiary of ICSI and Insolvency Professional Agency of IBBI)

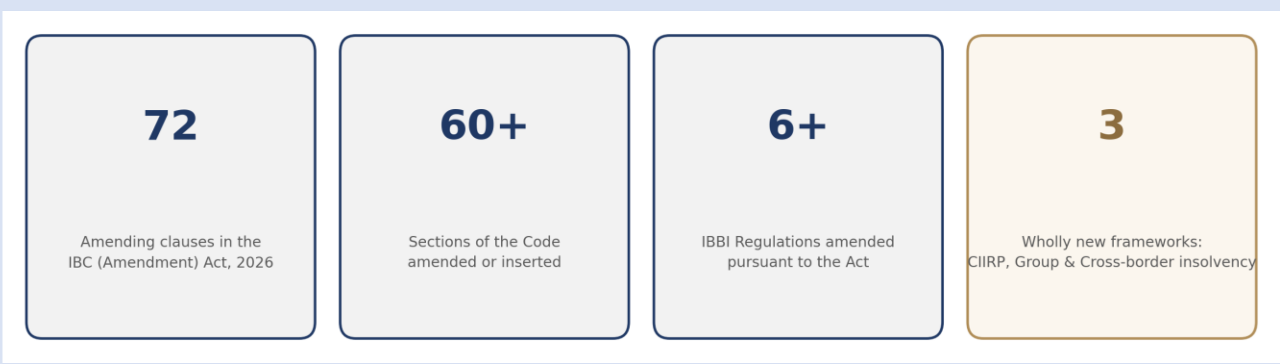
IBC KNOWLEDGE CAPSULE-1/2026 (25/08/2026)

"Snapshot of the IBC Amendment Act, 2026"

The IBC (Amendment) Bill, 2025 received the assent of the President of India on 6 April 2026 and was enacted as the Insolvency and Bankruptcy Code (Amendment) Act, 2026 (Act No. 6 of 2026), comprising over 60 amending clauses to the principal Code.



The Amendment Act and its regulatory footprint, at a glance.



What's new in these amendments

Not everything in the Amendment Act is new law — a large share of it corrects, clarifies or recalibrates provisions the Code already had (for instance, tightening the language of Sections 7, 9 and 10, or codifying a principle the courts had already developed). It is worth separating that corrective work from the mechanisms that are genuinely new to the Code — concepts and tools that did not exist in any form before 6 April 2026:

- **Creditor-Initiated Insolvency Resolution Process (Ch. IV-A (Sec 58A–58K)),** the first out-of-court, debtor-in-possession resolution track the Code has ever had, initiated by creditors without an NCLT application.
- **Group Insolvency framework (Ch. V-A (Sec 59A)),** the Code's first statutory hook for coordinated proceedings across corporate debtors within the same group. Previously handled, if at all, through ad hoc judicial coordination.
- **Cross-border insolvency framework (Sec 240C) —** India's first enabling framework for recognition, relief and judicial cooperation in cross-border insolvency, broadly aligned with the UNCITRAL Model Law — the Code had no cross-border mechanism at all until now.
- **Electronic filing portal (Sec 240B) —** the first statutory basis for a dedicated electronic portal for insolvency and bankruptcy procedures under the Code.
- **Termination of voluntary liquidation before dissolution (Sec 59(5A)–(5C)) —** the first exit ramp allowing a corporate person to reverse course out of voluntary liquidation — previously an irreversible process once commenced.
- **Restoration of CIRP before liquidation (Sec 33(1A)) —** a one-time “second chance” mechanism that did not exist before. Previously, failure to receive/approve a plan in time led straight to liquidation with no statutory route back.
- **Transfer of a guarantor's assets as part of CIRP (Sec 28A) —** A new mechanism allowing a creditor in possession of a guarantor's asset to route its transfer through the corporate debtor's CIRP with CoC approval. No equivalent existed previously.
- **Penalty for frivolous or vexatious proceedings (Sec 64A, 183A) —** The Code's first dedicated monetary deterrent (reportedly ₹1 lakh–₹2 crore) aimed specifically at abusive filings before the AA/DRT.
- **Transactions defrauding creditors (Sec 164A) —** a new, standalone remedy (in the individual insolvency provisions) enabling orders to restore the pre-transaction position, distinct from the existing preferential/undervalued/fraudulent-trading toolkit.
- **Statutory definitions of “registered valuer” and “service provider” (Sec 3(27A), 3(31A)) —** the Code itself has never before defined these terms — valuers and other service providers were previously referenced without a consolidated statutory definition.

By contrast, a number of the Amendment Act's other headline changes — mandatory admission on proof of default, the codified clean-slate principle, the Rainbow Papers fix on government dues, the recalibrated dissenting-creditor payout, the extended avoidance look-back period, the removal of the related-party safe harbour, the CoC's extended oversight into liquidation, and the restricted Section 12A withdrawal window — are best understood as corrections or recalibrations of mechanisms the Code already contained, even where their practical effect is substantial. Both categories matter, but the distinction is useful in gauging how much of the 2026 reform is genuinely uncharted territory (requiring new regulations, new precedent and new market practice) versus how much simply tightens the operation of a decade-old framework.

Key changes at a glance

The table below summarises the Amendment Act's principal changes by theme, cross-referring to Chapters 7 and 8 of this Note where a fuller treatment is provided:

Theme	Provision	What Changed
Initiation	Sec 7, 9, 10	“May” replaced with “shall” — the AA must admit an application within 14 days once default, completeness and a clean disciplinary record for the proposed RP are shown; no other ground may justify rejection. Reasons must be recorded in writing for any delay.
Withdrawal	Sec 12A	Withdrawal of an admitted application continues to require approval of ≥90% of CoC voting share, but is now barred once the first invitation for resolution plans has been issued, closing the late-stage withdrawal window.
Creditor-Initiated Resolution	Ch. IV-A (Sec 58A–58K)	A new out-of-court, debtor-in-possession resolution track for notified classes of corporate debtors, initiated by classified financial creditors holding ≥51% of debt by value.
Guarantor Assets	Sec 28A	A creditor holding a security interest over a guarantor's asset (and who has taken possession) may transfer that asset as part of the corporate debtor's CIRP, with CoC approval (and the guarantor's own CoC approval at ≥66%, where relevant).
Dissenting Financial Creditors	Sec30(2)(ba)	A dissenting financial creditor must be paid the lower of the liquidation value under Section 53 or the value it would have received under the Section 53 waterfall applied to plan proceeds.
Clean Slate Principle	Sec 31(5)&(6), 32A	Codifies the judicially developed clean-slate doctrine— an approved resolution plan extinguishes prior claims and liabilities not part of the plan, subject to the existing safeguards for promoters/guarantors.

Theme	Provision	What Changed
Government Dues	Sec 3(31), 53, 178	Clarifies that a "security interest" arises only from a contract or arrangement, not merely by operation of law — addressing the anomaly in State Tax Officer v. Rainbow Papers Ltd. by keeping government dues out of secured-creditor priority.
Restoration of CIRP	Sec 33(1A)	A one-time, temporary restoration of CIRP (up to 120 days) before a liquidation order, on an RP application backed by ≥66% CoC voting share — a second chance before the process tips into liquidation.
Liquidator Appointment & Removal	Sec 34, 34A	NCLT must refer liquidator appointment to the IBBI for recommendation; the RP who ran the CIRP cannot become liquidator for the same debtor; the CoC may replace the liquidator by a 66% vote.
CoC Oversight of Liquidation	Sec 21, 35, 36	The CoC now supervises the liquidator's conduct of liquidation; the liquidator's duties on avoidance transactions and fraudulent/wrongful trading are clarified, and additional classes of creditors may attend (without voting).
Avoidance Transactions	Sec 43, 46, 47, 49, 50	The look-back period for preferential, undervalued and extortionate transactions is extended from 1 to 2 years; creditors/members/partners may themselves apply under Section 47 where the RP/liquidator fails to act; the related-party safe harbour is removed.
Realisation of Security Interest	Sec 52	A secured creditor must realise its security interest within 14 days of the liquidation commencement date, failing which the security is deemed relinquished to the liquidation estate; joint realisation needs ≥66% value agreement among secured creditors.
Liquidation Timeline	Sec 54(1)	Liquidation must be completed within 180 days, extendable by up to 90 days on sufficient reasons shown to the AA — a firm outer limit where none previously existed in practice.
Voluntary Liquidation	Sec 59(2), (5A)–(5C), (6)	1-year outer timeline; a new mechanism to terminate voluntary liquidation before dissolution; claims

Theme	Provision	What Changed
		verification aligned with Section 18(b). See Chapter 7 of this Note for a detailed treatment.
Group Insolvency	Ch. V-A (Sec 59A)	An enabling framework empowering the Central Government to prescribe coordinated insolvency proceedings for corporate debtors within the same group — common AA bench, joint CoC, coordination agreements. Substantive rules are awaited.
Cross-Border Insolvency	Sec 240C	An enabling framework for recognition, relief, judicial cooperation and coordination in cross-border insolvency, broadly aligned with the UNCITRAL Model Law. Substantive rules are awaited.
Electronic Portal	Sec 240B	Empowers the Central Government to provide an electronic portal for insolvency and bankruptcy procedures under the Code.
Personal Guarantor/Individual Insolvency	Sec 96(4), 99, 106	Closes the interim-moratorium route for personal guarantors where an IRP application is filed; extends the repayment-plan response window from 10 to 21 days; mandates termination of the process and a route to bankruptcy where no repayment plan is submitted.
Penalties & Decriminalisation	Sec 64A, 183A; omission of Sec 74, 76	Introduces penalties (reportedly ₹1 lakh to ₹2 crore) for frivolous or vexatious proceedings before the AA/DRT; omits the erstwhile criminal offences at Sections 74 and 76 in favour of a civil-penalty regime.
Definitions	Sec 3(27A), 3(31A)	Introduces statutory definitions of “registered valuer” (aligned with the Companies Act, 2013) and “service provider” (covering IPs, IPAs, IUs, registered valuers and other notified persons).

Notified Amended Provisions

On 22nd May 2026, in exercise of the powers conferred by sub-section (2) of section 1 of the Insolvency and Bankruptcy Code (Amendment) Act, 2026 (6 of 2026), the Central Government has appointed the 26th day of May, 2026, as the date on which the majority of amended sections of the Act came into force.

The provisions not yet in force are the creditor-initiated process, group insolvency, the electronic portal and cross-border insolvency. Those four frameworks, and four provisions connected to them, were left out of the commencement notification, and none of them operates today. Following table shows the provisions which are yet to be notified:

S.No.	Inserts or amends	Subject
1.	Chapter IV-A, Sections 58A to 58K	Creditor-initiated insolvency resolution process
2.	Chapter V-A, Section 59A	Group insolvency
3.	Section 240B	Electronic portal
4.	Section 240C	Cross-border insolvency
5.	Section 11(ba)	Bar on debtors affected by a creditor-initiated process
6.	Section 65(3)	Penalty for fraudulent initiation of a creditor-initiated process
7.	Section 67A	Offence extended to a creditor-initiated process
8.	Section 208(1)(cb)	Insolvency professional's duty to act in a creditor-initiated process

INSOLVENCY AND BANKRUPTCY CODE (AMENDMENT) ACT, 2026- TWO HALVES OF ONE ACT

In force from 26 May 2026

- ✓Mandatory admission within 14 days, Sections 7, 9 and 10
- ✓Information utility record sufficient to prove default
- ✓Withdrawal barred pre-committee and post-plan-invitation, Section 12A
- ✓Avoidance window re-anchored to the initiation date
- ✓Creditor may apply directly where the professional does not, Section 47
- ✓Committee supervises liquidation, Section 21(11)
- ✓Committee may replace the liquidator at 66 percent, Section 34A
- ✓Security interest by operation of law excluded, Section 3(31)
- ✓Resolution professional barred as liquidator, Section 34(4)
- ✓Penalty ceiling doubled, appeal to the NCLAT, Section 220

Enacted, not notified

- —Creditor-initiated process, Chapter IV-A, Sections 58A to 58K
- —Group insolvency, Chapter V-A, Section 59A
- —Electronic portal, Section 240B
- —Cross-border insolvency, Section 240C
- —Bar on affected debtors filing, Section 11(ba)

- **—**Penalty for fraudulent creditor-initiated filing, Section 65(3)
- **—**Offence extended to the creditor-initiated process, Section 67A
- **—**Professional’s duty to act in that process, Section 208(1)(cb)

Members are encouraged to stay updated on these regulatory developments as they have a direct bearing on ongoing and future assignments under the Code.

We hope the above update is useful in your professional endeavours.

Warm regards,
Team ICSI Institute of Insolvency Professionals (ICSI IIP)

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