GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 1013
ANSWERED ON TUESDAY, DECEMBER 9, 2025/ 18 AGRAHAYANA, 1947 (SAKA)

INSOLVENCY RESOLUTIONS DUE TO REFORMS IN IBC

QUESTION

1013. SHRI SANJAY SETH:

Will the Minister of **CORPORATE AFFAIRS** be pleased to state:

(a) whether reforms under IBC 2.0 reduced insolvency resolution time, if so, the details thereof, if not, the reasons therefor;

(b) the manner in which MCA data-analytics is improving compliance risk detection, the details thereof;

(c) the progress of decriminalisation of minor company law offences; and

(d) the steps taken to enhance investor confidence and startup governance, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF ROAD TRANSPORT AND HIGHWAYS

[SHRI HARSH MALHOTRA]

(a) The Insolvency and Bankruptcy Code (Amendment) Bill, 2025 was introduced in the Lok Sabha on August 12, 2025. The Bill has been referred to a Select Committee of the Lok Sabha. The Bill proposes several amendments to improve the processes, including reducing the delays in timelines of the processes under the IBC.

(b): MCA21 has data analytics driven features incorporated in Compliance Management System (CMS). This modules used risk-bases classification to identify non-compliant companies, Limited Liability Partnerships; issues e-Notices and Generate internal alerts.

(c) & (d): Decriminalisation of offences under Companies Act, 2013 and the Limited Liability Partnership (LLP) Act have been undertaken. To enhance investor confidence and startup, the steps taken are placed at **Annexure-A**

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Annexure A

SIMPLIFIED PROCESS FOR INCORPORATION AND COMPLIANCE FILING FOR START-UPS

Sl. No.	Section /Rules	Subject	Provisions in the Company Act, 2013 to support Start-ups
1.	Section 2(40)	Financial Statement	Requirement of cash flow statement to be part of financial statement is optional for Start-ups.
2.	Section 73(2) clause (a) to (e)	Acceptance of deposits	Start-ups were exempted from procedural compliance at the time of accepting deposits from its members (such as issuance of a circular to its members showing the financial position of company, credit rating, depositing 20% of the maturing deposits, and certification regarding default in repayments).
3.	Section 92(1)	Annual Return	Directors of a start-up are allowed to sign annual returns of the private limited company if the Company does not have Company Secretary.
4.	Section 173(5)	Meetings of Board	Under Companies Act, 2013, Board of Directors of a company are required to meet at least once in 120 days, 4 board meetings in a year. However, Start-ups are exempted from holding quarterly board meetings and are allowed to hold two board meetings in a calendar year, i.e., once every six months.
5.	Rule 6 of Companies (Incorporation) Rules, 2014	Conversion of OPCs into Public and Private Companies	The requirement that an OPC must convert itself after its paid-up capital exceeds Rs 50 lakh and its average annual turnover exceeds Rs 2 crore was omitted. Since many start-ups are One Person Company, this allows them to retain the status as an OPC.
6.	Rule 8(4) of Companies (Share Capital and Debenture) Rules, 2014)	Sweat Equity	In general, the issuance of sweat equity shares in a company shall not exceed 25% of the paid-up capital of the company at any time. However, in case of start-ups, this limit is upto 50% of its paid-up share capital.
7.	Rule12(1)(c) of Companies (Share Capital and Debentures) Rules, 2014	Employee Stock Options (ESOPs)	In general, ESOPs are not given to employee who is a promoter or a person belonging to the promoter group and a director who either himself or through his relative or a body corporate, directly or indirectly holds more than 10% equity of the company. Start-ups are allowed to issue ESOPs to promoters and directors.
8.	Rule 2 (1)(c) (xvii) Companies (Acceptance of Deposits) Rules, 2014	Convertible Note	Start-ups can receive an amount of Rs 25 lakh or more by way of a convertible note (convertible into equity shares or repayable within a period not exceeding ten years from the date of issue) in a single tranche, from a person, and such transactions are not considered deposit.
9.	Rule 3(3) of Companies (Acceptance of Deposits) Rules, 2014	Acceptance of deposits	Companies may ordinarily accept or renew any deposits from its members not exceeding 35% of the paid-up share capital, free reserves and securities premium account of the company. But start-ups have been permitted to accept deposits from members without any restriction on the amount.