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Q&A on Support for Businesses

The Treasurer announced important insolvency reforms today.

1. Who do the insolvency reforms aim to assist?

Small businesses that may struggle to survive as we move towards the other side of COVID-19.

2. What are the key elements of the reforms?

- A new debt restructuring process for incorporated businesses with liabilities of less than \$1 million.
- Allows eligible small businesses to restructure existing debts while remaining in control of their business.
- A rapid 20 business day period for the development of a restructuring plan by a small business restructuring practitioner, followed by 15 business days for creditors to vote on the plan.
- A new, simplified liquidation pathway for small businesses to allow faster and lower cost liquidation.

3. Why are these reforms needed?

Current voluntary administration requirements are more suited to large, complex company insolvencies and the high costs involved can consume a small business's assets and make it harder to restructure.

Voluntary administration also involves placing the business under the control of an administrator which deters many small and family businesses from accessing the process.

4. Why are these reforms being introduced now?

Because many small businesses will struggle to survive under the existing insolvency regime once the temporary relaxation measures are lifted next year.

5. When will the reforms come into effect?

1 January 2021, subject to the passing of legislation.

6. Where can I get further information?

A factsheet is available [here](#).

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