



The Government's temporary relief for financially distressed businesses & Individuals

The economic impacts of the COVID-19 and health measures to prevent its spread could see many otherwise profitable and viable businesses temporarily face financial distress. It is important that these businesses have a safety net to make sure that when the crisis has passed they can resume normal business operations.

The elements of the package are:

- A temporary increase in the threshold at which creditors can issue a statutory demand on a company and the time companies have to respond to statutory demands they receive;
- A temporary increase in the threshold for a creditor to initiate bankruptcy

proceedings, an increase in the time period for debtors to respond to a bankruptcy notice, and extending the period of protection a debtor receives after making a declaration of intention to present a debtor's petition;

- Temporary relief for directors from any personal liability for trading while insolvent; and
- Providing temporary flexibility in the Corporations Act 2001 to provide targeted relief for companies from provisions of the Corporations Act 2001 to deal with unforeseen events that arise as a result of the COVID-19 health crisis.



For owners or directors of a business that are currently in distress due to the COVID-19, the Australian Taxation Office will design solutions for their circumstances, including temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups.

Temporary Relief For Financially Distressed Businesses And Individuals	
For BUSINESSES:	For INDIVIDUALS:
To assist businesses, the Government is temporarily increasing the current minimum threshold for creditors issuing a statutory demand on a company under the Corporations Act 2001 from \$2,000 to \$20,000.	The threshold for the minimum amount of debt required for a creditor to initiate bankruptcy proceedings against a debtor will temporarily increase from its current level of \$5,000 to \$20,000.
Not responding to a demand within the specified time creates a presumption that the company is insolvent.	Failure to respond to a bankruptcy notice is the most common act of bankruptcy.
The statutory timeframe for a company to respond to a statutory demand will be extended temporarily from 21 days to six months.	The time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months.

These measures apply for 6 months, from 25 March 2020 until 24 September 2020. On 6 September 2020, the Government announced an extension of the temporary changes to the insolvency and bankruptcy laws until 31 December 2020. Creditors, many of whom are themselves small businesses, will still have the right to enforce debt against companies or individuals through the courts.



Temporary Relief From Directors' Personal Liability For Trading While Insolvent

Directors are personally liable if a company trades while insolvent.

To make sure that companies have confidence to continue to trade through the COVID-19 health crisis with the aim of returning to viability when the crisis has passed, directors will be temporarily relieved of their duty to prevent insolvent trading with respect to any debts incurred in the ordinary course of the company's business. This will relieve the director of personal liability that would otherwise be associated with the insolvent trading.

This temporary measure applies for 6 months, from 25 March 2020 until 24 September 2020 and has since been extended by the Government until 31 December 2020.

Temporary relief from personal liability for insolvent trading will apply with respect to debts

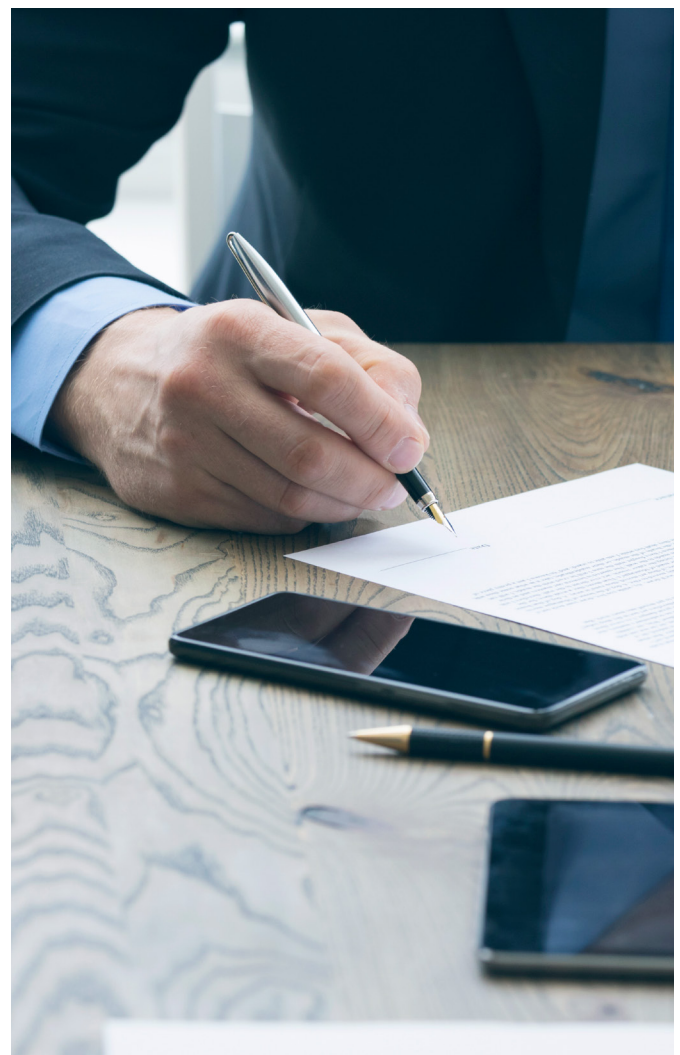
- incurred in the ordinary course of the company's business
- during the six month period starting on 25 March 2020 (or any longer period prescribed by regulations); and
- before any appointment during this period of an administrator or liquidator.

Egregious cases of dishonesty and fraud will still be subject to criminal penalties. Any debts incurred by the company will still be payable by the company.

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