

Small Business Restructuring

Unlocking Financial Solutions for Small Companies

Introduction

Small Business Restructuring (SBR) revolutionises the path to financial recovery for small companies facing economic challenges. SBR provides a streamlined and cost-efficient alternative to traditional insolvency procedures, empowering directors to navigate financial difficulties.

Eligibility Requirements

To qualify for SBR, companies must meet specific criteria:

- Total liabilities must not exceed \$1 million at the time of appointment.
- No prior SBR or simplified liquidation process (SLP) within the past 7 years.
- Directors or former directors must not have been involved in previous any SBR or SLP instances within the last 7 years, unless restructuring a group of companies.

Additional requirements for proposing a Plan to creditors include:

- Settlement of all outstanding employee entitlements, including superannuation.
- Submission of all required documents to the Australian Taxation Office (ATO), but amounts, other than SGC, need not be paid.

Key Features of the SBR Process

- Director appoints a Practitioner with assistance provided in developing a Plan within the following 20 business days, and if required extendable by up to 10 business days.
- Plans typically may involve the payment of pre- appointment debts, which may consist of an initial payment and the instalments over a period of time in full satisfaction of creditor claims.

- Directors retain control over day-to-day operations, with the Practitioner's oversight.
- Legal actions and contract terminations against the company are restricted during SBR.
- *Noting: secured creditors and may still enforce their security interests (e.g. appoint a receiver).*

Recent example of approved SBR plan

A Company operating as a restaurant & bar with a handful of outstanding creditor claims totalling \$447,934.33. The ATO being the largest creditor of \$431,273.77. The plan proposed and approved by creditors involved an upfront payment from the Director of \$49,602.78 with an additional payment totalling \$49,602.77 over a 12-month period. This resulted in a return to unsecured creditors of 20 cents in the dollar.

Timeframe and Cost

- SBR duration is capped at 45 business days but can conclude sooner.
- Plans can span up to three years, although shorter durations are preferable.
- Fees are agreed upon between the director and Practitioner at the outset, with the Practitioner's implementation fee based on a percentage of creditor repayments.

Our View

SBR presents a swift and cost-effective restructuring avenue, preserving directorial control throughout the process. The ATO's favorable disposition towards reasonable Plan proposals underscores its efficacy. Even if SBR isn't viable, our experts are equipped to explore alternative solutions tailored to your needs.

Our Experts

Our seasoned professionals possess comprehensive knowledge of SBR regulations and practical implementation strategies. Trust us to guide you through the SBR journey, from formulation to execution, ensuring optimal outcomes for your company.

Contact us today to embark on your journey to financial rejuvenation with Small Business Restructuring.

Vincent Pirina

Principal | Registered Liquidator

M 0402 205 925

vpirina@astoncg.com.au

Steve Naidenov

Principal | Registered Liquidator

M 0413 566 440

snaidenovl@astoncg.com.au

Rajiv Goyal

Principal | Registered Liquidator

M 0438 355 712

rgoyal@astoncg.com.au