



# Small business restructuring

**A quick and cost-effective way to unlock value and free up cashflow through debt restructuring**

In 2021, a restructuring regime designed specifically for small business was introduced to enable eligible, financially distressed companies to quickly get to the other side of their crisis. The aim was to keep businesses in business and Australians in jobs. To date, the regime has proved to be very effective and creditors, including the Australian Tax Office have been very supportive.



- If >50% of creditors in value who vote, vote in favour of your proposal, it will be binding on ALL creditors
- The proposal may consist consist of a one-off lump sum payment of xC/\$ or a series of payments over time (but not to exceed 3yrs)



## Benefits



ASIC's review of all small business restructures that commenced in the first 18 months of this regime's existence showed:

- 92% of proposals put to creditors were successfully made
- Of the plans that were successfully made:
  - The ATO was a major creditor in 79% of the cases, meaning the ATO's vote alone would determine the outcome (and the ATO voted in favour)
  - The ATO was the only creditor in 25% of those plans
- The average dividend offered to creditors across all proposals was 18.7¢/\$
- The median plan fund was \$60,000 (contributions ranged from \$5,000 to \$500,000)



## Are you eligible?

To appoint a Small Business Restructuring Practitioner (SBRP) a company must be able to declare that:

- The company is insolvent or about to become insolvent
- The company's total liabilities (excluding employee entitlements), do not exceed \$1 million on the day it enters the restructuring process
- The company or its directors must not have used the SBR or simplified liquidation process within the previous 7 years

The company must also be:\*

- Up to date with all tax lodgements; and
- Up to date with employee entitlements that are due.

\*If any of these are outstanding when you appoint, they must be brought up to date before the proposal is sent to creditors.



## How we can help

Deloitte has Registered Liquidators available nation-wide who are qualified to act as a restructuring practitioner (RP). Before you consider appointing us as RP for your company, we offer a complimentary initial meeting to:

- Discuss important pre-appointment considerations that you should be aware of\*
- Review and assess whether your company is eligible for the SBR regime
- Explain in more detail how the process works and answer all your questions
- Provide you with our estimated fixed fee for a restructure

\*Experience has shown that success may be dependent upon early stakeholder engagement and we can support you to ensure your bankers, key suppliers and others understand this process and support your efforts to resolve your financial distress.



## Contact details



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