

COVID19: INSOLVENCY CHANGES

A revolution of Australia's insolvency regime in 2020



Threshold: Statutory Demands

An increase in the minimum debt required for a creditor to issue a statutory demand **from \$2,000 to \$20,000**.

Applies to all statutory demands issued from 25 March 2020 for 6 months.



Threshold: Bankruptcy Notices

An increase in the minimum debt required for a creditor to initiate bankruptcy proceedings **from \$5,000 to \$20,000**.

Applies to all bankruptcy notices, petitions and declarations issued from 25 March 2020 for 6 months.



Time: Statutory Demands

The time a company has to respond to a statutory demand is increased **from 21 days to 6 months**. Applies to all statutory demands issued from 25 March 2020 for 6 months.



Time: Bankruptcy Notices

The time a person has to respond to a bankruptcy notice is increased **from 21 days to 6 months**. Applies to all bankruptcy notices, petitions and declarations issued from 25 March 2020 for 6 months.



Safe Harbour on Insolvent Trading

A director's duty to prevent insolvent trading of a company is **temporarily relieved** for 6 months from 25 March 2020. Debts incurred by a company from 25 March 2020 are still payable, but this will relieve directors from the personal liability associated with possible insolvent trading during the economic impact of COVID19.