FAQs: Small business restructuring

If your company is struggling to pay its debts, small business restructuring (SBR) may provide a way to address those debts while continuing to run the business.

SBR is designed to help eligible small businesses experiencing financial difficulty restructure their debts and, where creditors agree to a restructuring plan, continue operating. **Acting early is important. Seeking advice when financial difficulties first emerge may give you more options and more time to consider whether SBR could be suitable for your business.**

SBR will not be suitable for every company. Before deciding whether to use the SBR process, it is important to understand:

- what the process involves
- what it may cost
- the possible outcomes and risks, and
- what other external administration options may be available.

Understanding small business restructuring

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What is small business restructuring (SBR)?

Small business restructuring is a formal debt restructuring process for eligible small companies experiencing financial difficulty.

It allows you to stay in control of your company while working with a registered liquidator, called a restructuring practitioner, to develop a plan for dealing with the company's debts.

If creditors accept the plan, the company makes the payments agreed under the plan. In return, debts covered by the plan will be discharged.

SBR is different from liquidation. The aim is to give a viable business an opportunity to restructure its debts and continue operating.

Is my company eligible?

There are rules about which companies can use SBR.

One important requirement is that your company's total liabilities (debts) must not be more than $1 million.

Before a restructuring plan can be proposed, your company will also need to have:

- paid employee entitlements that are due and payable, and
- lodged required tax returns, notices and statements, or substantially complied with its tax lodgement obligations.

You cannot use the SBR process if you have been the director of a company which has used the SBR process or undertaken a simplified liquidation within the last seven years.

A registered liquidator can help you understand whether your company is eligible.

How much can an SBR reduce my company's debts?

The SBR process does not guarantee a standard level of debt reduction. How much debt is reduced or written off through SBR will vary from case to case.

Your company will propose an amount to pay creditors, who then decide whether or not to accept the restructuring plan.

During the 2025-26 financial year, the typical debt reduction agreed as part of an SBR was around 65% (meaning creditors were to be repaid 35 cents in the dollar).

To maximise the chance of a plan being accepted, you should offer the highest amount that you and your company can reasonably afford to pay.

If the plan is not accepted by creditors, the company cannot propose another plan. You and/or companies associated with you will not be able to propose a further plan for seven years.

The amount your company may need to offer will depend on its circumstances, including:

- how much it owes
- who it owes money to
- how much the business can afford to contribute

- its expected cash flow
- whether directors or others will contribute funds
- what creditors are prepared to accept.

Be cautious of anyone who promises that SBR will reduce your company's debts by a particular amount or guarantees that creditors will accept a plan.

What does an SBR cost?

The cost will depend on your company's circumstances and the fees charged by the restructuring practitioner.

In the 2025-26 financial year, the typical amount paid to a restructuring practitioner for an SBR was between $11,000 and $16,970. In addition, the typical amount paid to a restructuring practitioner during the plan phase was between $5,500 and $14,500.

The typical total cost for a finalised SBR is between $17,750 and $28,750.

Before appointing a restructuring practitioner, ask for the expected costs in writing and make sure you understand:

- the fixed fee you will pay for the initial restructuring phase, whether or not a restructuring plan is proposed or approved.
- If a plan is approved, the percentage of payments that will be made to creditors that will be paid to the restructuring practitioner as fees.
- what happens to plan fees if a plan isn't fulfilled.
- the total amount your company will need to fund across the SBR process.

How long does an SBR take?

SBR is designed to be a quick and efficient process.

Once a restructuring practitioner is appointed, there is generally a 20 business-day period to develop and propose a restructuring plan to creditors. The creditors then typically have up to 15 business days to decide whether to approve the proposed plan (this period can be extended in certain circumstances).

The plan itself may take up to 3 years to complete.

How likely are creditors to approve a plan?

Starting an SBR doesn't guarantee that your company will enter into a restructuring plan.

In the 2025-26 financial year, around 67% of SBRs resulted in a plan. Where SBRs did not transition to a plan, this was usually because creditors rejected a proposed restructuring plan.

Your company's circumstances, the plan it proposes and the views of its creditors will matter. To maximise the chance of a plan being accepted, you should offer the highest amount that you and your company can reasonably afford to pay.

Some practitioners are more experienced with small business restructuring and have higher approval rates than others. You should ask a prospective restructuring practitioner what their experience is with SBRs, and what proportion of their SBR appointments have resulted in a plan being accepted within the last twelve months.

Risks and other considerations

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The restructuring is publicly visible

SBR is a formal insolvency external administration process. Information about the appointment of the restructuring practitioner is recorded on ASIC's registers and on the ASIC published notices website which will appear in internet searches.

You should consider what this may mean for your relationships with lenders, suppliers, customers, insurers, landlords and other stakeholders.

There may be impacts on business registrations, licences and/or insurances

As outlined above, SBR is a formal insolvency external administration process.

You may be required to disclose an external administration to a government regulator, insurers or other stakeholders. This includes State/Territory regulatory bodies such as those responsible for building and construction, liquor licensing and/or labour hire.

In some cases, entering into an SBR can affect your ability to maintain registrations, licences, or insurances.

Make sure to ask the restructuring practitioner about the impact on any registrations, licences or insurances before agreeing to an SBR.

Creditors may not accept your plan

Your company may incur the costs of starting the SBR process but not ultimately enter a restructuring plan.

In the 2025-26 financial year, around 67% of SBRs resulted in a restructuring plan. Where plans did not proceed to a plan, this was usually because creditors did not agree to the plan.

You will generally still incur the costs of the SBR even if creditors do not agree to it. There is also no second chance – you won't be eligible for any companies you are a director of to use an SBR process for the next 7 years.

Your company may not be able to complete the plan

Getting creditor approval is not the end of the process. Your company must be able to make the payments required under the plan while also meeting its new and ongoing obligations.

You should be satisfied that the proposed payments are realistic based on reasonably foreseeable cash flow, rather than simply agreeing to the contribution necessary to obtain creditor approval.

An SBR deals only with company liabilities, not personal liabilities

An SBR deals with the company's debts. It does not deal with debts or liabilities you may have personally.

For example, if you have given a personal guarantee for a company debt, the guarantee is not automatically released because the company enters SBR or a restructuring plan is accepted. There are restrictions on enforcing certain personal guarantees while the company is under restructuring, but a creditor may still be able to enforce a guarantee after that period ends.

Before starting appointing a restructuring practitioner, make sure you understand any personal liabilities (including personal guarantees) you

may have and how they could be affected by the restructuring. You may wish to seek independent legal advice.

SBR may restructure debt without solving the underlying problem

Reducing historic debt does not necessarily make a business viable.

If the business is consistently loss-making, has insufficient working capital, cannot meet future tax and employee obligations, or has another problem that has not been addressed, restructuring existing debt may only postpone further financial difficulty.

When considering an SBR, make sure to consider not just "*Can our debt be reduced?*" But also "*If the debt is restructured, does the business have a reasonable prospect of meeting its future obligations?*"

Deciding whether SBR is right for your company

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When might SBR be an option?

SBR may be worth considering if:

- your company meets the eligibility requirements (including not exceeding $1 million in liabilities)
- the underlying business is viable but the company has debts it can't currently pay
- restructuring existing debts would help the company return to a sustainable financial position
- the company can meet its ongoing obligations
- there is a realistic way to fund a restructuring plan
- the company can make a proposal that creditors may be prepared to accept.

Who should I talk to?

If you're worried that your company can't pay its debts, seek professional advice early.

Only a registered liquidator can be appointed as your company's restructuring practitioner. You can also talk to your accountant or lawyer,

who may be able to help you consider your options or put you in contact with a restructuring practitioner.

You don't have to appoint the first restructuring practitioner you speak to. It can be helpful to ask about their experience, approach and fees and, if appropriate, speak to more than one practitioner before deciding.

When choosing an adviser or restructuring practitioner, make sure you understand who you are dealing with and what services they will provide. Be wary of anyone who guarantees a particular outcome, pressures you to make a quick decision, or is not clear about their role, fees or advice.

What questions should I ask before starting an SBR?

Before deciding to proceed, consider asking your restructuring practitioner:

1. Is SBR suitable for my company, and why?
2. Is my business likely to be viable after its existing debts are restructured?
3. How much will I need to pay creditors under a restructuring plan?
4. How likely is it that creditors will accept the plan? If the ATO is one of your creditors, also ask – how have you considered the ATO's guidance in making this assessment?
5. Can my company afford the plan and still pay its ongoing bills and debts?
6. How much will the whole process cost, including any fees if a restructuring plan is approved?
7. What happens if creditors don't accept the plan or my company can't complete it?
8. What other options are available to my company?
9. What experience do you have with small business restructurings and businesses like mine?
10. What proportion of the SBRs you've handled in the last 12 months have resulted in creditors accepting a restructuring plan?

What do I need to know before deciding?

An SBR could give an eligible company an opportunity to restructure its debts and continue operating. But it has costs and risks, and there is no guarantee that creditors will approve a plan.

Before deciding to proceed, make sure you understand:

- whether the underlying business is viable

- what the process is likely to cost
- what the company can realistically afford to offer creditors
- whether it can afford the plan and its ongoing debts
- what happens if the plan isn't approved or completed
- what other options are available.

Get help early

If your company is having difficulty paying its debts, don't wait until the situation becomes critical.

Getting advice early can help you understand your company's financial position, your responsibilities as a director and the options available.