

Corporations Act amended to include temporary relief measures for companies under Federal Government's COVID-19 economic stimulus package

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Abstract:

On 23 March 2020, the Federal Government passed a COVID-19 economic stimulus package. The measures include the [Coronavirus Economic Response Package Omnibus Bill 2020 \(Cth\)](#), which implements temporary relief measures for businesses experiencing financial distress. Schedule 12, Pt 2 of the Bill amends the *Corporations Act 2001* (Cth) to increase temporarily the threshold for issuing a statutory demand, extends temporarily the time for responding to a statutory demand, temporarily relieves directors from personal liability for insolvent trading, and provides temporary flexibility in the Act to give targeted relief from provisions of the Act to deal with unforeseen events arising from the COVID-19 pandemic. The temporary measures will last for six months.

The key relief measures are:

1. a new \$20,000 minimum threshold for creditors to issue a statutory demand on a company (increased from \$2,000). The threshold for bankruptcy notices issued to individuals has also increased from \$5,000 to \$20,000;
2. companies have six months to respond to a statutory demand (increased from 21 days). The same extension applies to bankruptcy notices issued to individuals;
3. directors of all companies are relieved from their duty to prevent insolvent trading with respect to any debts incurred in the ordinary course of the company's business and before any administrator or liquidator is appointed to the company; and
4. the Treasurer has a temporary instrument-making power to amend provisions of the Corporations Act, to provide relief from, or modify, obligations under the Act. Any instrument made under this power will last for six months.

For further information, see the Treasury's [fact sheet](#) on the relief measures.

The Australian Taxation Office has also [indicated](#) that it is implementing relief options for businesses, including sole traders, including allowing PAYG payments to be deferred and remitting interest and penalties.