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INSOLVENCY

March 'cliff' tipped in wake of JobKeeper

Jennifer Duke, Nick Bonyhady

Businesses are bracing for an insolvency cliff when JobKeeper ends in three months after changes in bankruptcy laws also kicked in at the start of the year, while border restrictions and outbreaks of COVID-19 continue to affect many employers.

The federal government temporarily changed bankruptcy legislation at the peak of the pandemic to help employers hibernate through lockdowns. But the insolvency safe harbour rules have now ended and creditors are able to apply for a bankruptcy notice against a business when outstanding debts reach \$10,000, half of what it was during the peak of the crisis.

While these changes started from January 1, CreditorWatch chief executive Patrick Coghlan says the end of support measures in

March such as the wage subsidy scheme JobKeeper and mortgage deferrals will be the trigger point for many companies.

"We are definitely going to see an increase in insolvencies," Mr Coghlan said. "I don't think they'll happen in January ... I think there could be a March cliff."

The federal government has consistently said the plan for the wage subsidy scheme was for it to be "temporary" and has not com-

mitted to any extensions beyond March, but Labor has criticised any reduction in support when the latest outbreaks and border restrictions are unresolved.

Mr Coghlan listed the end of JobKeeper, mortgage deferrals and rental protections as among the reasons businesses will find it difficult to make ends meet.

He said the worst of the bankruptcies had likely been avoided by getting outbreaks under control and record-level government spending to keep companies afloat, but protections needed to be reduced.

"I think it's quite good they haven't extended [bankruptcy safe harbour] again. We need to get back to somewhat normal trading conditions because we've been in such a synthetic environment for so long, and rightfully so," he said.

However, he said the government needed to remain "malleable" with its approach to supporting businesses, particularly with new interstate border restrictions and limitations on businesses to stop the spread in NSW.

"If conditions get really bad again, they can reintroduce [safe harbour provisions]," he said. "This puts pressure on companies who were on the edge of looking good and then all of a sud-

den are back into it."

Opposition Leader Anthony Albanese was critical of any near-term cut to JobKeeper, which yesterday was reduced from \$1200-a-fortnight to \$1000 for full-time workers and from \$750 to \$650 for part-time workers.

Mr Albanese said it would "hurt businesses by reducing economic activity at a time when we know there's still a major handbrake on the economy", but he acknowledged there would need to be a withdrawal of the wage subsidy in the future.

Australian Restructuring Insolvency and Turnaround Association chief executive John Winter expected to see a progressive increase in insolvencies through 2021, with many creditors waiting for the rule changes to ensure they get paid.

'We are definitely going to see an increase in insolvencies.'

Patrick Coghlan,
CreditorWatch