

# 8 essential steps if your business is in distress

**We know that the impact of the last bushfire season and now Covid-19 is causing significant distress to business. Indeed, for many businesses, cash flow has slowed to a trickle or even stopped completely.**

**Here are eight essential steps to take to deal with this type of crisis in your business:**

## 1. Be honest with yourself

Lots of people in financial distress stop opening bills and stop answering phone calls. The first step to getting through a squeeze is admitting to yourself you're in a tight spot.

## 2. Do your accounts

It's absolutely essential that you find out your financial position. You need to know what you owe, to who, when the major bills are going to fall due and how much they are going to be. Look especially at rent, loans, tax, etc.

You also need to check who owes you money and if they're going to be able to pay. Making sure your books and records are up to date is also critical in protecting you later if things get worse.

## 3. Are you already broke?

This is a tough question to face – but you need to. The law says you are insolvent if you can't pay your debts as and when they fall due. If you can secure more funds from a lender or an investor that will pay those bills, then you are ok.

But, if not and that's the spot you're in, you must stop trading and appoint a Registered Liquidator, or else you will face even greater personal liabilities. You might think you can't get more broke than broke, but there can be serious consequences.

## 4. Talk to your bank & lenders

Here is where it helps if you've got your accounts done. Being able to sit down with your bank and show them you know the situation you're in, and being able to discuss the outlook is the best way to gain their support.

Most banks have made public announcements about their willingness to support their customers in these tough times. Remember, it is absolutely in your bank's best interest to have you trade through tough times and remain a customer in the long term. They are likely to be firmly on your side.

## 5. Talk to the Tax Office

Tax bills are one of biggest costs that a business pays. It's important to remember that GST revenue and income tax withheld for employees isn't your money. But we also know that it's quite possible you don't have what's required to pay the bills when they fall due.

It's important that you keep all of your tax declarations up to date and accurate. If so, you will find the ATO is also supportive of trying to get you through a tough period.

The ATO has now issued special advice about help that's available which you can find [here](#)<sup>1</sup>

## 6. Talk to your suppliers

They are probably facing a tough time as well. And they will certainly know others amongst their customers doing it

hard. Have an open discussion with them and work out what you can agree together. Just like banks, it's in your suppliers' interests to keep you going and remaining a customer over the long term. But do understand that they too might be squeezed for cash right now.

## 7. Get qualified help

Yes, it's likely to cost you some money that you don't feel like you have at the moment. But getting qualified help is likely to save you money in the long run.

Most local accountants and lawyers don't know their way around the complexities of insolvency law. So you need to talk to a specialist.

ARITA Professional Members are fully qualified in this area, are covered by insurance for the advice they provide and are regulated by the Government. Which means you can trust their guidance.

They usually offer a free and confidential initial consultation to help you understand your financial position and what options you have available.

ARITA Professional Members include specialised accountants who might be Registered Liquidators (who look after businesses in distress) or Registered Trustees (who look after individuals facing personal bankruptcy), or are specialised lawyers who can give advice about legal options.

If you see an ARITA Professional Member who is known as a Fellow or a Life Member, they are even more highly regarded by their peers.

If you think your business can trade through with a little help, then ARITA Professional Members are the very best people to talk to. Indeed, engaging them may give you a '[safe harbour' protection](#)<sup>2</sup> to stop further personal claims against you if your business does end up going broke.

[Find out if an adviser is an ARITA Professional Member](#)<sup>3</sup>

## 8. Look after your mental health

Having your business in financial distress is a crushing experience. It's likely to be personally hard on you. It's important to ensure you are aware of, and look after, your mental health, because the most important thing is that you get through these challenges yourself.

Don't be afraid to ask for help if you need it. Chat to your doctor, check out [Beyond Blue](#)<sup>4</sup> or call [Lifeline](#)<sup>5</sup> if you are in urgent need of help.

### Don't wait!

**It's really important to realise that a lot of people are in the same boat at the moment, and generally through no fault of their own. So, don't see this as a personal failure. But do get proper, qualified advice as quickly as you can.**

### Links

- <https://www.ato.gov.au/Individuals/Dealing-with-disasters/In-detail/Specific-disasters/COVID-19/>
- [https://www.arita.com.au/ARITA/Insolvency\\_help/Safest\\_harbour\\_factsheet\\_public.aspx](https://www.arita.com.au/ARITA/Insolvency_help/Safest_harbour_factsheet_public.aspx)
- [https://www.arita.com.au/ARITA/Find\\_a\\_Practitioner/Member\\_look\\_up.aspx](https://www.arita.com.au/ARITA/Find_a_Practitioner/Member_look_up.aspx)
- <https://www.beyondblue.org.au/>
- <https://www.lifeline.org.au/>