business reset Success story

a customer's bad debt, then debts cut by about 70%

Wholesale dessert manufacturer · Metropolitan Melbourne



At a glance

Industry
Dessert manufacturing

Location
Metropolitan Melbourne

Pathway
Small Business Restructure (SBR)

How they found us
Their accountant

Key figures

$948,967
Debts in the SBR, 90.5% to the ATO

$338,000
Plan contribution over three years

70%
Approx. debt reduction

The challenge

This metropolitan Melbourne business makes wholesale desserts for restaurants, function venues and retailers. It had traded profitably for years, with close to 20 staff and a good compliance record.

Then one of its biggest customers grew fast, fell behind and stopped paying, with about $1 million of exposure. About $570,000 was written off as bad debt, and ATO debt grew to about $860,000.

The directors stopped paying themselves, worked 80-hour weeks and kept paying the ATO: about $150,000 in the six months before the restructure began.

What we did

We compared a payment arrangement, liquidation, voluntary administration and a Small Business Restructure (SBR). Excluding the one-off bad debt, the business was profitable. In liquidation, the bank's security meant an estimated nil return to unsecured creditors.

The directors moved customers to 14-day terms, capped balances at one month of trade, reviewed pricing and retrained staff to reduce wastage. They also forgave their own loans.

General information only, shared with permission. Some details may be changed to protect privacy. Outcomes depend on each company's circumstances.

How it unfolded

FY2024 to FY2026

1. **A customer defaults.** A major customer grew fast, fell into arrears and stopped paying. A bad debt of about $570,000 drove cumulative losses of $217,222.

Mid-2024

2. **A premises loan.** About $220,000 went to a related entity to buy the premises the business trades from, when the ATO debt was about $40,000.

Before the SBR

3. **Paying the ATO.** The company paid the ATO about $150,000 in the six months before appointment, and kept lodgements current and trade creditors paid.

The assessment

4. **Weighing the options.** Excluding the bad debt, the business was profitable. The related loan would be scrutinised, so it needed to be explained and addressed.

The plan

5. **Plan put forward.** $338,000 over three years: $50,000 upfront from the related entity, then $8,000 a month for 36 months from trading.

26 October 2026

6. **The ATO votes yes.** The ATO, about 90% of the debt by value, voted in favour, and the plan was accepted.

The outcome

The plan returns an estimated 30.18 cents in the dollar, against an estimated nil in liquidation. The ATO is estimated to receive about $260,000 and keeps what it was paid before the restructure. Debts were reduced by about $660,000 after costs, about 70%.

What made the plan credible: the directors kept paying the ATO, fixed credit control, and explained the related loan, then backed it with $50,000.

Is ATO debt putting pressure on your business?
Talk to us about your options, or refer a client.
1300 073 738
businessreset.com.au

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