business reset Success story

a seasonal trade business tackled its ATO debt

Electrical and air-conditioning · Regional QLD · Est. 2023



At a glance

Industry
Electrical and air-con

Location
Regional Queensland

Pathway
Small Business Restructure (SBR)

How they found us
Google search

Key figures

$138,681
Approx. ATO debt, the only creditor

$72,120
Proposed lump sum from company cash

60%
Est. debt reduction under the plan

The challenge

This electrical and air-conditioning business started trading in December 2023 and quickly built a strong local reputation. To keep up with demand, it took on more staff and invested in equipment.

Then a much steeper winter slowdown than expected hit, with higher costs already locked in. Mining companies competed hard for tradespeople, and the business lost its lead tradesperson to mining. ATO debt grew to about $138,681.

The director kept lodgement compliance strong throughout, and the business had already paid about $31,410 to the ATO in the 12 months before seeking advice.

What we did

We compared managing the debt informally, liquidation and a Small Business Restructure (SBR). With estimated liquidator's fees of $65,989 to $110,796 plus GST, liquidation was estimated to return nil. The SBR was estimated to leave the ATO $65,919 to $72,883 better off than liquidation.

The director raised prices, matched staffing to realistic demand, engaged a marketing provider and put margin ahead of volume. A $10,000 related-party loan was forgiven so it wouldn't compete with the ATO.

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

How it unfolded

December 2023	1	**Strong start.** The business began trading and quickly built a strong local reputation, taking on more staff and equipment to meet demand.
The squeeze	2	**Winter hits hard.** Higher costs were locked in when an unexpectedly steep winter slowdown hit. A local housing shortage and remote freight costs added to the pressure.
FY2024 and FY2025	3	**Losses mount.** The business recorded trading losses of about $19,427 across both years, while lodgement compliance stayed strong.
The turnaround	4	**Fixing the basics.** Prices went up, staffing was right-sized and a $10,000 related-party loan was forgiven. The business was trading profitably again.
The assessment	5	**Weighing the options.** We compared an SBR with liquidation. Some recent ATO payments could be clawed back as unfair preferences in a liquidation.
The plan	6	**Plan put forward.** It proposed one lump sum from the company's own cash, payable within 14 days of acceptance, with no ongoing instalments.

The outcome

The plan proposed a total contribution of $72,120. That gave an estimated return of 40 cents in the dollar, against an estimated nil in liquidation. The Restructuring Practitioner recommended creditors accept the plan.

What made the difference: acting early, fixing pricing and staffing before going to creditors, and putting forward a plan the business could genuinely deliver.

Is ATO debt putting pressure on your business?

Talk to us about your options, or refer a client.

1300 073 738
businessreset.com.au

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