SMALL BUSINESS
REBOOT

INSIDER SECRET:

THE BANKRUPTCY ANNULMENT STRATEGY

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If bankruptcy looks like your only option, don't walk into it without a plan to walk back out.

You've already been through the numbers. You've checked "How to Reduce Business Debt." Every other path *(a payment arrangement, an interest remission, a formal deal with creditors)* has been ruled out, and bankruptcy is what's left.

Most people stop reading right there. But there's a legal pathway that lets a business owner enter bankruptcy on their terms, with a plan already in motion to bring it to an early, legal close. It's called a **Bankruptcy Annulment**, and the smart move is to understand it ***before*** **you file**, not after.

This strategy explains, in plain English, how it works, who it suits, and the honest trade-offs to weigh before you go anywhere near it.

If you've already reached this point

You've done the work most people skip. You've looked at the numbers honestly, weighed the alternatives, and concluded that bankruptcy is the path left in front of you. That's not a small thing to arrive at, and it puts you ahead of most business owners who end up bankrupt without ever having made a deliberate decision about it.

What most people don't know at this stage Australian law contains a specific, legitimate mechanism, the legal term is Section 73 of the Bankruptcy Act 1966, that lets a bankrupt bring the bankruptcy to an early, legal close. Almost nobody hears about it before they file. You're hearing about it now.

Why that timing matters A Bankruptcy Annulment proposal takes preparation: funding, a formal offer, and creditor buy-in. Building that before you file, rather than after, is what turns bankruptcy from an open-ended process into one with a planned exit already in motion.

The good news, in one sentence:

If bankruptcy is genuinely your only option, it can still be a short chapter rather than a long sentence, but only when it's planned before you file, with the right advice, at the right time.

What this strategy is, and isn't

This is a plain-English explainer of how a Bankruptcy Annulment works, so you can walk into a conversation with a professional already understanding your options, and already understanding that this is something you plan for *before* filing, not something you scramble for afterwards.

It is **general information only**. It is not personal legal, financial, tax or insolvency advice, and it can't tell you whether this path is right for *your* numbers. Only a qualified professional who reviews your full circumstances can do that.

Who this strategy is for

This strategy is written for business owners who have already worked through their debt management options and confirmed that bankruptcy is the remaining path, not for people newly worried about debt who haven't yet explored their earlier options.

You're in the right place if:

Bankruptcy has been checked against your other options, and it's genuinely what's left. You want to go in with a plan already built, rather than deciding what to do only after you've filed.

A quick, important truth:

A **Bankruptcy Annulment (*Section 73*)** is a strategy for *how* you go through bankruptcy, not a way to avoid it. It qualifies once you're bankrupt. The difference is between backing in with no plan, and going in with a funded, creditor-ready proposal already being prepared — so the exit is underway before the entry is finalised.

What a Bankruptcy Annulment actually is

Once a person is bankrupt, the law still gives them a way to make things right with their creditors and bring the bankruptcy to a close. Under **Section 73 of the Bankruptcy Act 1966**, a bankrupt can put a formal proposal to their creditors offering to settle the debts, in full, or more often for an agreed amount, in exchange for ending the bankruptcy. If creditors accept, the bankruptcy is **annulled**: legally closed, rather than left to run its full three-year-and-a-day course.

The proposal usually takes one of two shapes:

A composition

An agreement to pay the trustee a set amount (as a lump sum or over an agreed period), which is then distributed to creditors in place of continuing the bankruptcy.

A scheme of arrangement

A broader, more tailored deal that can involve the sale of certain assets or a contribution from a third party (often family), structured to suit a more complex situation.

In many cases the funds come from a **third party**: a family member or friend willing to put up a lump sum, because that money can often deliver creditors a better, faster return than letting the bankruptcy run its course. That's precisely why creditors say yes: a good proposal is one where *everyone* is better off than they would be otherwise.

Why creditors agree to it

Commercial logic

If a proposal leaves creditors better off, more money, sooner, with less cost and uncertainty than a drawn-out bankruptcy, they have a genuine reason to accept.

The trustee's role

The trustee investigates the proposal and reports to creditors, comparing what the deal offers against what they'd likely recover if the bankruptcy simply continued.

The key that protects what matters most

Because an accepted proposal **ends the bankruptcy**, it can remove the risk that comes with it, including a trustee's power to sell a bankrupt's share of assets such as the family home, *if* creditors accept the deal. This is why, for the right person, planning it before filing can be one of the most powerful moves on the table.

It is never automatic, and it always **always depends on your circumstances** and your creditors' decision.

How the process works

Every situation is different, but a Bankruptcy Annulment proposal generally moves through the same clear stages:

1

Prepare and lodge the proposal

Working with a professional, ideally before filing, so the plan is ready to move the moment it's needed, the bankrupt puts together a written proposal covering what's being offered, how it's funded, and why it beats continuing the bankruptcy, and asks the trustee to call a meeting of creditors.

2

The trustee investigates and reports

The trustee reviews the offer and prepares a report for creditors, comparing the likely return under the proposal against the likely return if the bankruptcy continued. This independent check is what gives creditors confidence to vote.

3

Creditors vote at a meeting

For the proposal to pass, creditors must approve it by a
special resolution:
a majority in number *and* at least 75% by dollar value of the creditors who vote. Once passed, all creditors are bound by it, whether or not they attended.

4

The bankruptcy is annulled

If the proposal is accepted, the bankruptcy is annulled and the person becomes an "ex-bankrupt," bound by the terms of the deal. The agreement then runs until its terms are fully met.

The costs to know about up front

Trustee costs

The bankrupt generally funds the trustee's investigation and administration costs as part of running the proposal.

Realisation charge

A government realisation charge (currently **7% of monies received by the trustee**) applies before creditors are paid.

A good adviser maps it clearly

A good adviser will map these costs out clearly so the proposal you put forward is realistic, and so creditors take it seriously.

Realistic beats optimistic, every time

The proposals that succeed are the ones built on honest numbers: a genuine, funded offer that gives creditors a real reason to say yes. A rushed or wishful proposal usually fails, costs money, and burns time you may not have.

"So how fast can it be over?"

A matter of months	In some cases
A well-prepared, properly funded proposal that creditors accept can bring a bankruptcy to a close in a matter of months, rather than the standard three years and a day.	In some cases, a Bankruptcy Annulment proposal can be resolved in around six months, especially when the plan was already built before the bankruptcy started.

Read this before you hold onto a number

A timeframe like six months is a realistic possibility in some cases, ***not a promise, and never a guarantee***.

How long it takes depends entirely on your circumstances, how quickly a fundable proposal can be prepared, the trustee's process, and, crucially, whether your creditors accept the offer. Some proposals move faster; some take longer; and some are not accepted at all. Anyone who *guarantees* you a specific outcome or timeframe is someone to be wary of.

The honest trade-offs

It would be easy to make this sound like a simple reset. It isn't, and you deserve the full picture. Bankruptcy carries serious, lasting consequences that a Bankruptcy Annulment does not erase entirely. Before this path is ever worth considering, these need to be weighed honestly with a professional:

It's on the public record

Bankruptcy is recorded permanently on the National Personal Insolvency Index, and an **annulment updates the record to show it's resolved**, but the history itself doesn't vanish.

It also stays on your credit file for five years from the date you became bankrupt, or two years from when the bankruptcy ends, whichever is longer.

There are real restrictions while bankrupt

These can affect credit, certain licences and roles, acting as a company director, and overseas travel without the trustee's permission.

It needs funding

A proposal creditors will accept usually requires access to a lump sum or an asset, most often from a third party, plus the costs and charges described earlier.

It isn't the right fit for everyone

For many people, options *before* bankruptcy, such as a payment arrangement, an interest remission, or a formal agreement that avoids bankruptcy altogether, are a better first port of call.

If you haven't already ruled those out, that's the place to start.

The point isn't that bankruptcy is good or bad. It's that, **handled properly and with the right advice, planned before you file,** it doesn't have to be the open-ended catastrophe people fear, and a Bankruptcy Annulment is often the reason why.

Who the Bankruptcy Annulment strategy tends to suit

It may be worth exploring if...

You've worked through your debt management options and bankruptcy is genuinely the remaining option; you *(or a broker, family member, or friend willing to help)* can access a lump sum or asset to fund a fair offer; and you want to go in with a plan already built, so the exit is underway from day one rather than an afterthought.

It's probably not the first move if...

You haven't yet worked through your debt management options, or haven't explored a payment arrangement, an ATO interest remission, or a formal agreement that could resolve things *without* bankruptcy. Those are often the smarter starting point.

How this fits with protecting your home

Take control of the timeline

A Bankruptcy Annulment sits alongside the earlier moves covered in our companion guide, "**How to Protect Your Home**," the goal either way is to act before events force your hand.

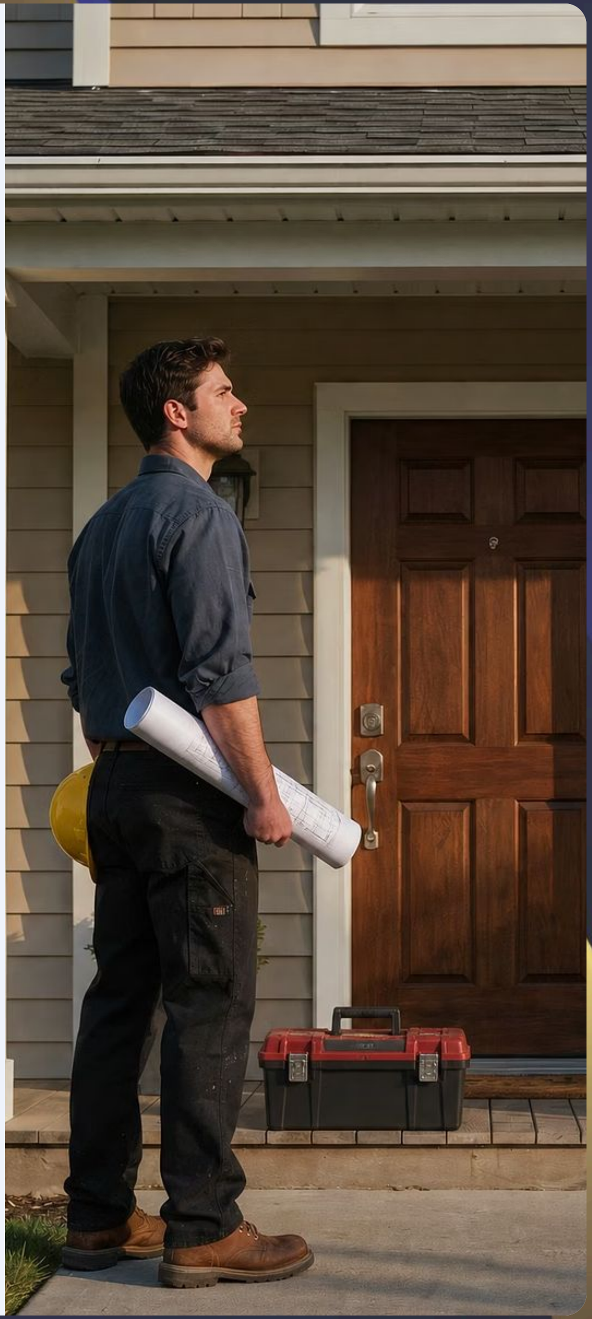
Get your structure right

Putting a formal, creditor-binding plan in place before you file is part of the bigger picture when the family home is at risk.

See the full road

Our "**How to Reduce Business Debt**" resource shows where each option fits, from first letter to final resolution, so you can see exactly where bankruptcy sits, and how a Bankruptcy Annulment works as the planned way through it.

When you reach out, ask us for the "**Protect Your Home**" and our full breakdown of **debt management options**. Together they give you the full road, from the first ATO letter all the way through to a clean start.



You don't have to work this out alone

If you've weighed up your debt management options and bankruptcy is what's left, you already understand more than most people in your position. The hardest part isn't the mechanics: it's knowing whether a Bankruptcy Annulment fits *your* numbers, and how to have it ready before you file. That's exactly what a proper look at your situation is for.

Reach out when you're ready. We'll tell you plainly if this isn't your path.

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Helping Australian small-business owners find a way through, with clarity, not judgement.

Important information about this strategy

This document is **general information only**. It is not personal legal, financial, tax or insolvency advice, and it does not take account of your specific circumstances, objectives or needs. Bankruptcy, annulment and Section 73 proposals have serious and lasting consequences that differ from person to person.

Nothing here creates an adviser-client relationship, and you should not act, or refrain from acting, on the basis of this strategy alone. Bankruptcy is a significant step with long-term effects, and a Bankruptcy Annulment proposal is not automatic, not guaranteed, and not suitable for everyone. **Before making any decision about bankruptcy, annulment, a Section 73 proposal, tax debts, restructuring or any formal insolvency option, obtain advice from a suitably qualified professional** such as a registered trustee, a registered tax agent, a qualified accountant, or a solicitor who can consider your full circumstances.

Any timeframes mentioned (including references to a matter of months, or around six months) are indicative possibilities only, based on cases that proceed smoothly and are accepted by creditors. They are **not a prediction, promise or guarantee** of how long any individual matter will take, or that any proposal will be accepted. Whether a Bankruptcy Annulment proposal succeeds is decided by creditors, not by us.

Figures mentioned (including the realisation charge and any rates or thresholds) are indicative, may change, and may not be current when you read this. Always check the current position and get advice on your situation. The case example is an **illustrative composite** and is not a specific person, testimonial, or promise of any particular outcome.

Small Business Reboot does not represent that it is the Australian Financial Security Authority (AFSA), the ATO, or any government body, and nothing in this strategy is government-endorsed, government-guaranteed, or AFSA-approved. Any Section 73 proposal is administered by a registered trustee.