

Article Information

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COVID-19 FAQs: Managing your business in a downturn

Practical guidance for managing your business in a downturn

1. How can we manage down or suspend our workforce?

Answer: The *Fair Work Act 2009* (Cth) (**Fair Work Act**) allows for employers to stand down employees without pay where there is an interruption of work which is not the cause of the employer but such a shut down must be implemented “fairly”. A stand down can be subject to challenge in the Fair Work Commission. You may care to talk to staff about giving them access to paid leave such as annual leave and long service leave during a shutdown period.

2. Is it possible to negotiate a temporary reduction in rent on the lease of our premises?

Answer: A lease does not generally allow a temporary reduction in rent. However, a tenant can ask the landlord for a temporary reduction in rent. It is up to the landlord whether it agrees to this request. In these difficult times, Landlords may wish to consider the benefits of keeping a tenant with a reduced rent rather than having the tenant default and vacate the premises due to being unable to pay rent. If a rent reduction is agreed, the arrangement should be properly documented, including detailing how long the discount will remain, and whether the discounted amount is to be repaid at a later date.

3. We need help to get our debts paid - what action can we take now?

Answer: You should engage with debtors early. You should undertake commercial assessments on your debtors to understand their circumstances and capacity to pay. Some debtors may require payment arrangements. You should formalise any payment arrangements with terms, including interest, that allow payments to be made to assist cash flow, and protect against non-payment by taking security.

4. Is our business eligible for any government relief or assistance?

Answer: The government is providing various schemes of relief and financial assistance for business and we can give you advice on what may be available to your business.

5. We are concerned that we may be about to become insolvent - what action can we take now?

Answer: There are various options but external advice should always be obtained. The ability to negotiate private moratorium or “standstill” arrangements with creditors is one option. The alternative of formal voluntary administration and the potential for “holding” deeds of company arrangement is also available.

These FAQs are provided as a guide to some of the issues you may need to consider. The answers are general in nature and are not intended as legal advice. Before acting on any information provided, please contact us for advice that takes into your organisation’s situation.