THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

THE SENATE

(As read a first €me)

BANKRUPTCY AMENDMENT BILL 1985

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Clause

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

THE SENATE

(Presented pursuant to leave granted and read 1°, 20 March 1985)

(THE MINISTER FOR RESOURCES AND ENERGY, SENATOR GARETH EVANS)

A BILL

FOR

An Act to amend the Bankruptcy Act 1966

BE IT ENACTED by the Queen, and the Senate and the House of Representatives of the Commonwealth of Australia, as follows:

Short title, &c.

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- 1. (1) This Act may be cited as the Bankruptcy Amendment Act 1985.
- (2) The Bankruptcy Act 1966¹ is in this Act referred to as the Principal Act.

Commencement

2. This Act shall come into operation on a day to be fixed by Proclamation.

Interpretation

3. Section 5 of the Principal Act is amended by inserting in the definition of "maintenance order" in sub-section (1) ", including an order with respect to the payment of arrears of maintenance, being an order" after "person".

Functions of Inspector-General

- 4. Section 12 of the Principal Act is amended—
- (a) by omitting paragraph (1) (b) and substituting the following paragraphs:
 - "(b) may make such inquiries and investigations as the Inspector-General thinks fit with respect to the administration of, or the conduct of a trustee in relation to—
 - (i) a bankruptcy;
 - (ii) a composition or scheme of arrangement under Division 6 of Part IV:

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- (iii) a deed of assignment, deed of arrangement or composition under Part X;
- (iv) an administration under Part XI; or
- (v) property in relation to which a direction has been given under sub-section 50 (1);
- (ba) may make such inquiries and investigations as the Inspector-General thinks fit with respect to the conduct, trade dealings, property and affairs of—
 - (i) a bankrupt;
 - (ii) a bankrupt or debtor under a composition or scheme of arrangement under Division 6 of Part IV; or
 - (iii) a debtor under a deed of assignment, deed of arrangement or composition under Part X; and";
- (b) by inserting in paragraph (1) (c) "and from registered trustees" after "officers":
- (c) by inserting after sub-section (1) the following sub-sections:
 - "(1A) Where the Inspector-General requests a registered trustee, for the purposes of sub-section (1), to provide a report as to the operation of this Act, the registered trustee shall forthwith provide the report requested.
 - "(1B) Where the Inspector-General makes an inquiry or investigation referred to in paragraph (1) (b) or (ba), the Inspector-General shall file with the Registrar a report setting out the results of the inquiry or investigation and may file such supplementary reports as the Inspector-General thinks fit.";
- (d) by omitting from paragraph (2) (b) "and"; and
- (e) by adding at the end of sub-section (2) the following word and paragraph:
 - "; and (d) appoint an Official Receiver, in writing, to conduct an inquiry or investigation on behalf of the Inspector-General.".

Registrars and Deputy Registrars

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5. Section 14 of the Principal Act is amended by omitting from paragraph (1) (b) "the Governor-General by Proclamation" and substituting "the Minister, by notice published in the Gazette".

Appointment of Inspector-General, Registrars, &c.

- 6. (1) Section 16 of the Principal Act is amended by omitting "Governor-General" and substituting "Secretary to the Department".
- (2) A person appointed by the Governor-General holding office under section 16 of the Principal Act immediately before the commencement of this section continues to hold office after the commencement of this section as if that person had been appointed by the Secretary to the Department.

Acting Inspector-General and Acting Official Receivers

- 7. (1) Section 17 of the Principal Act is amended by omitting "Minister" (wherever occurring) and substituting "Secretary to the Department".
- (2) An appointment made by the Minister under section 17 of the Principal Act and in force immediately before the commencement of this section continues to have effect after the commencement of this section as if the appointment had been made by the Secretary to the Department.

Acting Registrars and Deputy Registrars

- 8. (1) Section 17A of the Principal Act is amended by omitting "Minister" (wherever occurring) and substituting "Secretary to the Department".
- (2) An appointment made by the Minister under section 17A of the Principal Act and in force immediately before the commencement of this section continues to have effect after the commencement of this section as if the appointment had been made by the Secretary to the Department.

The Official Trustee in Bankruptcy

9. Section 18 of the Principal Act is amended by omitting from sub-section (8) "All" and substituting "An Official Receiver may, in the name of, and on behalf of, the Official Trustee, exercise or perform any of the powers or functions of the Official Trustee, and all".

Duties, &c., of trustees and Official Receiver

- 10. Section 19 of the Principal Act is amended—
- (a) by omitting paragraph (1) (e) and substituting the following paragraph:
 - "(e) if the trustee has made an application under section 69 for the examination of the bankrupt—to advertise, as prescribed, the date, time and place on and at which that examination is to be held;";
- (b) by omitting from paragraph (1) (f) "the public examination of the bankrupt" and substituting "any public examination of the bankrupt

(including an examination pursuant to an application under section 69 by the Official Receiver)";

- (c) by omitting from paragraph (1) (f) "and";
- (d) by adding at the end of sub-section (1) the following word and paragraph:

"; and (h) to take reasonable steps to ensure that the bankrupt complies with section 54."; and

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- (e) by inserting after sub-section (1) the following sub-sections:
 - "(1A) Where an Official Receiver makes an application under section 69 for the examination of a bankrupt, the Official Receiver shall advertise, as prescribed, the date, time and place on and at which that examination is to be held.
 - "(1B) The Official Receiver shall take such part as the Official Receiver thinks fit in any public examination of a bankrupt (including an examination pursuant to an application under section 69 by the trustee of the estate of the bankrupt).
 - "(1C) Where a registered trustee indicates to the Official Receiver that the registered trustee does not intend to conduct an investigation of a kind referred to in paragraph (1) (c) with respect to a bankrupt, the Official Receiver may, if the Official Receiver thinks fit, conduct such an investigation, and, if the Official Receiver does so, the Official Receiver shall file with the Registrar a report setting out the results of the investigation and may file such supplementary reports as the Official Receiver thinks fit.".

The Common Investment Fund

11. Section 20B of the Principal Act is amended by adding at the end of sub-section (5) "or, if the Inspector-General thinks fit, for any 2 or more Districts having the same Official Receiver".

Payment of moneys into and out of Equalization Account

- 12. Section 20H of the Principal Act is amended by omitting sub-section 30 (4) and substituting the following sub-section:
- "(4) The Investment Board shall, at such times as it considers appropriate and, in any event, at least once every 6 months, determine whether any amounts standing to the credit of the Equalization Account are not required for the purposes of sub-section (3), and, if the Board determines that any amounts are not so required, it may direct that the amounts not so required, or any part of those amounts, shall be paid out of that Account into the Consolidated Revenue Fund."

Acts of bankruptcy

- 13. Section 40 of the Principal Act is amended—
- (a) by omitting from paragraph (3) (d) "and"; and

- (b) by adding at the end of sub-section (3) the following word and paragraph:
 - "; and (f) an order made after the commencement of this paragraph under the Family Law Act 1975 for the payment by a person of arrears of maintenance for another person, being maintenance that was—
 - (i) payable periodically where any periodic payment was payable at a time during the 12 months immediately preceding the making of the order; or
 - (ii) payable (whether in one amount or by instalments) as a lump sum,

shall be deemed to be a final order against the first-mentioned person obtained by the other person.".

Conditions on which creditor may petition

- 15 **14.** (1) Section 44 of the Principal Act is amended by omitting from paragraph (1) (a) "\$1,000" (wherever occurring) and substituting "\$1,500".
 - (2) The amendment of section 44 of the Principal Act made by sub-section (1) of this section does not apply in relation to a creditor's petition presented before the commencement of this section.

20 Proceedings and order on creditor's petition

- 15. Section 52 of the Principal Act is amended—
- (a) by omitting from sub-section (1) ", subject to sub-section (1A),"; and
- (b) by omitting sub-section (1A).

Bankrupt's statement of affairs

- 25 **16.** Section 54 of the Principal Act is amended by inserting after sub-section (3) the following sub-section:
 - "(3A) Where a trustee to whom a copy of a statement has been furnished under sub-section (1) or (2) is not the Official Trustee, the trustee shall, as soon as practicable after that copy has been furnished, furnish a further copy to the Official Receiver."

Debtor's petition

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- 17. Section 55 of the Principal Act is amended—
- (a) by omitting from sub-section (3) "Subject to sub-section (4A), where" and substituting "Where";
- (b) by omitting from sub-section (4) "but subject to sub-section (4A),"; and
- (c) by omitting sub-sections (4A) and (5) and substituting the following sub-section:

"(5) Where a debtor becomes a bankrupt by force of this section, the Registrar shall forthwith— (a) in a case where the trustee is the Official Trustee—give notice of the bankruptcy to the Official Receiver and forward to the 5 Official Receiver a copy of the statement of affairs that accompanied the petition presented by the bankrupt; and (b) in a case where the trustee is not the Official Trustee—give notice of the bankruptcy to the Official Receiver and to the trustee and forward to the Official Receiver and to the trustee a 10 copy of the statement of affairs that accompanied the petition presented by the bankrupt.". Debtor's petition against partnership 18. Section 56 of the Principal Act is amended— (a) by omitting from sub-section (4) "sub-sections (6) and (7A)" and 15 substituting "sub-section (6)"; (b) by omitting sub-section (7A); and (c) by omitting sub-section (9) and substituting the following sub-section: "(9) Where members of a partnership become bankrupts by force of this section, the Registrar shall forthwith— 20 (a) in a case where the trustee is the Official Trustee—give notice of the bankruptcies to the Official Receiver and furnish to the Official Receiver a copy of each statement of affairs that accompanied the petition presented by members of the partnership; and (b) in a case where the trustee is not the Official Trustee—give 25 notice of the bankruptcies to the Official Receiver and the trustee and furnish to the Official Receiver and to the trustee a copy of each statement of affairs that accompanied the petition presented by the members of the partnership.". 30 Debtor's petition by joint debtors who are not partners 19. Section 57 of the Principal Act is amended— (a) by omitting from sub-section (4) "Subject to sub-section (5A), where" and substituting "Where"; and (b) by omitting sub-sections (5A) and (6) and substituting the following 35 sub-section: "(6) Where joint debtors become bankrupts by force of this section, the Registrar shall forthwith— (a) in a case where the trustee is the Official Trustee—give notice of the bankruptcies to the Official Receiver and furnish to the Official Receiver a copy of each statement of affairs that 40 accompanied the petition presented by the debtors; or (b) in a case where the trustee is not the Official Trustee—give notice of the bankruptcies to the Official Receiver and the

trustee and furnish to the Official Receiver and to the trustee a copy of each statement of affairs that accompanied the petition presented by the debtors.".

First meeting of creditors

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- 20. Section 64 of the Principal Act is amended by omitting paragraph (2) (a) and substituting the following paragraph:
 - "(a) subject to paragraph (b), the period of 28 days immediately succeeding—
 - (i) in a case where the bankrupt becomes bankrupt on a creditor's petition or by virtue of a sequestration order under Division 6 of Part IV or under Part X—
 - (A) the day on which the statement of the bankrupt's affairs is filed under section 54; or
 - (B) if no statement of the bankrupt's affairs is filed under section 54, the last day on which such a statement could have been filed in compliance with that section; or
 - (ii) in a case where the bankrupt becomes bankrupt by virtue of the presentation of a debtor's petition—the date of bankruptcy; or".

20 Public examination of bankrupt

- 21. Section 69 of the Principal Act is amended—
- (a) by omitting from sub-section (1) "The trustee" and substituting "The Official Receiver or the trustee";
- (b) by omitting from sub-section (9) "The trustee" and substituting "The Official Receiver, the trustee";
- (c) by omitting from paragraph (20) (a) "against the bankrupt" and substituting "in which the bankrupt is a party"; and
- (d) by inserting in paragraph (20) (b) ", the Official Receiver" after "trustee".

30 Discovery of bankrupt's property

- 22. Section 81 of the Principal Act is amended—
- (a) by inserting in sub-section (1) "the Official Receiver or" before "the trustee"; and
- (b) by omitting from paragraph (17) (a) "against the person" and substituting "in which the person is a party".

Priority payments

- 23. Section 109 of the Principal Act is amended—
- (a) by adding at the end of paragraph (1) (a) "and the costs of any audit carried out under section 175, not being an audit carried out by the Auditor-General":

- (b) by omitting sub-paragraph (1) (b) (i) and substituting the following sub-paragraph:
 - "(i) if the authority was given to a registered trustee—the remuneration of the trustee and the costs, charges and expenses properly and reasonably incurred by the trustee during the period in which the authority is in force, including any debts incurred by the trustee that are provable in the bankruptcy;";

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- (c) by omitting paragraph (1) (c) and substituting the following paragraph:
 - "(c) third, in the case of a bankruptcy that occurs within 2 months after a deed of assignment or a deed of arrangement executed by the bankrupt, or a composition or scheme of arrangement accepted by the bankrupt's creditors, has (including at a time before the commencement of this paragraph) been declared to be void or been annulled, set aside or terminated, in payment of liabilities, commitments, expenses or remuneration referred to in section 114;":
- (d) by inserting in paragraph (1) (e) "extended leave," after "long service leave,":
- (e) by omitting paragraph (1) (f) and substituting the following paragraph:
 - "(f) sixth, in payment of all amounts due in respect of compensation payable under any law of the Commonwealth or of a State or Territory relating to workers compensation, being compensation the liability for which accrued before the date of the bankruptcy;";
- (f) by inserting in paragraph (1) (g) "extended leave," after "long service leave,";
- (g) by omitting from sub-section (6) "of the Commonwealth that provides for compensation for personal injury arising out of, or in the course of, employment" and substituting "that provides for workers compensation";
- (h) by inserting after sub-section (6) the following sub-section:
 - "(6A) Where compensation payable under a law relating to workers compensation is payable by way of periodical payments, the amount of that compensation shall, for the purposes of paragraph (1) (f), be taken to be the lump sum for which those periodical payments could, if redeemable, be redeemed under the law under which those periodical payments are made."; and
- (j) by omitting sub-section (10) and substituting the following sub-section:
 - "(10) Where in any bankruptcy—
 - (a) property has been recovered, realized or preserved under an indemnity for costs of litigation given by a creditor or creditors; or

(b) expenses in relation to which a creditor has, or creditors have, indemnified a trustee have been recovered.

the Court may, upon the application of the trustee or a creditor, make such orders as it thinks just and equitable with respect to the distribution of that property and the amount of those expenses so recovered with a view to giving the indemnifying creditor or creditors, as the case may be, an advantage over others in consideration of the risk assumed by creditor or creditors.".

24. After section 109 of the Principal Act the following section is inserted:

Debts due to employees

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- "109A. (1) Where a contract of employment with a bankrupt was subsisting immediately before the date of the bankruptcy, the employee under the contract is, whether or not the employee is a person referred to in sub-section (2), entitled to payment under section 109 as if the employee's employment had been terminated by the bankrupt on that date.
- "(2) Where, for the purposes of a bankruptcy, a trustee employs a person whose employment by the bankrupt had been terminated by reason of the bankruptcy, that person shall, for the purpose of calculating any entitlement to payment for long service leave, extended leave, annual leave, recreation leave or sick leave, be deemed, while the trustee employs that person for those purposes, to be employed by the bankrupt.
- "(3) Subject to sub-section (4), where, after the date of a bankruptcy, an amount in respect of long service leave or extended leave becomes due to a person referred to in sub-section (2) in respect of the employment so referred to, the amount is a cost of the bankruptcy.
- "(4) Where, at the date of a bankruptcy, the length of qualifying service of a person employed by the bankrupt is insufficient to entitle that person to any amount in respect of long service leave or extended leave, but, by the operation of sub-section (2), that person becomes entitled to such an amount after that date, that amount—
 - (a) is a cost of the bankruptcy to the extent of an amount that bears to that amount the same proportion as the length of that person's qualifying service after that date bears to the total length of that person's qualifying service; and
 - (b) shall, to the extent of the balance of that amount, be deemed to be an amount referred to in paragraph 109 (1) (g).".

Certain accounts of undischarged bankrupt

- 25. Section 125 of the Principal Act is amended—
- (a) by omitting from sub-section (1) "banker" (wherever occurring) and substituting "prescribed organization";
- (b) by omitting from sub-section (1) "him" (wherever occurring) and substituting "it";
- (c) by omitting from sub-section (1) "he" and substituting "it";

Bankruptcy Amendment No., 1985 (d) by omitting from sub-section (2) "banker" (wherever occurring) and substituting "prescribed organization"; (e) by omitting from sub-section (2) "he" and substituting "it"; and (f) by adding at the end the following sub-section: 5 "(3) In this section— 'building society' means a society registered or incorporated as a building society or as a co-operative housing society under the law in force in a State or Territory relating to building societies or co-operative housing societies, and includes a society 10 registered under Part I of the Building and Co-operative Societies Act, 1901, of New South Wales; 'co-operative society' means a society whose principal business consists of borrowing moneys from its members and lending those moneys to its members and that is registered or 15 incorporated under the law in force in a State or Territory relating to co-operative societies: 'credit union' means a society or other body of persons that is registered or incorporated as a credit union or credit society under the law in force in a State or Territory relating to credit 20 unions or credit societies: 'prescribed organization' means a bank, a building society, a co-operative society or a credit union and any other financial organization of a kind prescribed for the purposes of this definition.". 25 Vesting and transfer of property 26. Section 132 of the Principal Act is amended by inserting in sub-section (2) "or, if the Official Trustee becomes the trustee, in the Official Trustee" after "office". Protection of trustee from personal liability in certain cases 30 27. Section 139 of the Principal Act is amended by inserting in sub-section (3) "or extended leave" after "long service leave" (wherever occurring). Discharge by the Court 28. Section 150 of the Principal Act is amended by inserting before

sub-paragraph (4) (a) (ii) the following sub-paragraph:

"(i) an Official Receiver;".

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Registration of natural persons as trustees

- 29. (1) Section 155 of the Principal Act is amended—
- (a) by omitting from sub-section (1) "in the prescribed amount and manner" and substituting "as provided by sub-section (3A)";

- (b) by omitting sub-sections (2) and (3) and substituting the following sub-sections:
 - "(2) A natural person may make an application to the Court for registration as a trustee.
 - "(3) An application under sub-section (2) shall be made in writing as prescribed and shall contain such information as is prescribed.
 - "(3A) Subject to this section, where an application is made to the Court under sub-section (2) and—
 - (a) the applicant—

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- (i) is a member of a prescribed body;
- (ii) holds a degree, diploma or certificate from a prescribed university or another prescribed institution in Australia and has passed examinations in such subjects, under whatever name, as the appropriate authority of the university or other institution certifies to the Court to represent a course of study in accountancy of not less than 3 years' duration and in commercial law (including company law) of not less than 2 years' duration; or
- (iii) has other qualifications that, in the opinion of the Court, are equivalent to the qualifications mentioned in sub-paragraph (i) or (ii);
- (b) the applicant is not an insolvent under administration;
- (c) the applicant resides in Australia; and
- (d) the Court is satisfied that the applicant is capable of performing the duties of a trustee and is otherwise a fit and proper person to be registered as a trustee,

the Court may, by order, direct that the applicant be registered as a trustee upon the applicant's entering into a bond in the amount prescribed for the purposes of this sub-section and in the prescribed manner with such surety or sureties as is or are approved by the Registrar.

- "(3B) Where a person—
- (a) has been convicted of an offence involving fraud or dishonesty; and
- (b) within a period of 5 years after the conviction or, if the person was sentenced to imprisonment, after the person's release from prison, makes an application under sub-section (2),

the Court shall refuse the application.";

- (c) by omitting sub-section (5) and substituting the following sub-sections:
 - "(5) A person who is registered under this section is entitled, upon request and upon payment of the prescribed fee, to be issued with a certificate of registration.
 - "(5A) Where an amount prescribed for the purposes of sub-section (3A) (in this sub-section referred to as the 'relevant amount') exceeds the amount of the bond that was previously entered into (whether

before or after the commencement of this sub-section) by a trustee under a provision of this section, being a bond that is in force on the day on which the provision prescribing the relevant amount comes into operation, the trustee shall, within 3 months after that day, enter into a 5 bond in the relevant amount and in the prescribed manner with such surety or sureties as is or are approved by the Registrar. "(5B) Except where sub-section (5C) applies, the Court may, at any time, upon the application of the Registrar or any other person, or of its own motion, suspend for a specified period or cancel the registration of a person as a trustee under this section. 10 "(5C) The Court may, if it is satisfied, upon the application of the Registrar, that a person registered under this section has failed to comply with sub-section (5A) of this section or section 161A, by order, suspend for a specified period or cancel the registration of that person as a trustee."; 15 (d) by inserting in sub-section (6) "natural" before "person" (second occurring); and (e) by adding at the end the following sub-section: "(8) In this section, 'insolvent under administration' means a 20 person-(a) who is, under this Act or the law of an external Territory, a bankrupt in respect of a bankruptcy from which the person has not been discharged; (b) who has, under the law of a country other than Australia or the 25 law of an external Territory, the status of an undischarged bankrupt; or (c) whose property is subject to control under Division 2 of Part X by reason of an authority given by the person under section 188, and includes-30 (d) a person who has executed a deed of arrangement under Part X or the corresponding provisions of the law of an external Territory or of the law of a country other than Australia where the terms of the deed have not been fully complied with; and (e) a person whose creditors have accepted a composition under 35 Part X or the corresponding provisions of the law of an external Territory or of the law of a country other than Australia where a final payment has not been made under that composition.".

(2) Notwithstanding the amendments of section 155 of the Principal Act made by paragraph (1) (b) of this section, the provisions of that section of the Principal Act continue to apply, after the commencement of this section, in relation to an application for registration as a trustee made before the commencement of this section and not determined by the Court before that commencement, until such time as that application is determined or withdrawn, as if those amendments had not been made.

(3) The registration of a person as a trustee under section 155 of the Principal Act that was in force immediately before the commencement of this section continues in force after that commencement as if the person had been registered as a trustee under section 155 of the Principal Act as amended by this Act.

Gazettal of registration, &c.

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- 30. Section 156 of the Principal Act is amended by inserting "or suspended" after "cancelled".
- 31. After section 161 of the Principal Act the following section is inserted in Division 1 of Part VIII:

Triennial statements by registered trustees

- "161A. A person who is a registered trustee shall, within one month after the expiration of the period of 3 years commencing—
 - (a) if the person is, on the day of commencement of this section, a registered trustee—on that day; or
 - (b) if the person becomes a registered trustee after that day—the day on which the person enters into the bond referred to in sub-section 155 (3A),
- and of each subsequent period of 3 years, lodge a statement in respect of that period of 3 years, setting out such information as is prescribed, with the Registrar for the District, or the Registrar for each District, as the case requires, in which the trustee has carried on business as trustee during that period.".

Control of trustees by the Court

- 32. Section 179 of the Principal Act is amended—
- (a) by inserting in sub-section (1) "the Inspector-General," after "Registrar,"; and
- (b) by inserting in sub-sections (2) and (3) ", the Inspector-General" after "The Registrar".

Effect of authority to registered trustee under section 188

33. Section 189 of the Principal Act is amended by omitting from paragraph (1) (a) "under section 204" and substituting "at a meeting called under this Part".

Controlling trustee's accounts

- 34. Section 211 of the Principal Act is amended by inserting after sub-section (5) the following sub-section:
- "(5A) The cost of an audit under this section, not being an audit carried out by the Auditor-General, shall be borne by the estate of the debtor.".

Administration of estates under this Part upon petition by creditor

35. (1) Section 244 of the Principal Act is amended by omitting from paragraphs (1) (a), (b) and (c) "\$1,000" and substituting "\$1,500".

(2) The amendment of section 244 of the Principal Act made by sub-section (1) of this section does not apply in relation to a petition presented under that section of the Principal Act before the commencement of this section.

Protection in respect of reports

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36. Section 306B of the Principal Act is amended by omitting from sub-section (1) all the words from and including "the trustee of the estate of a bankrupt" and substituting "the Inspector-General, an Official Receiver, the trustee of the estate of a bankrupt or any other person in respect of a statement made in good faith in a report prepared or filed under sub-section 12 (1A) or (1B), paragraph 19 (1) (c) or (g) or sub-section 19 (1C) or 150 (3)".

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NOTE

No. 33, 1966, as amended. For previous amendments, see No. 121, 1968; No. 40, 1969;
No. 122, 1970; No. 216, 1973 (as amended by No. 20, 1974); No. 56, 1975; Nos. 91 and 161, 1976; No. 111, 1977; No. 155, 1979; Nos. 12 and 70, 1980; Nos. 74 and 176, 1981;
No. 18, 1983; and No. 10, 1984.