



# Directors' Duties

A practical overview of your key responsibilities as an  
Australian company director

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# About this guide

Dear Director,

This is a clear, practical overview of your key duties as a company director under Australian law. It's designed to help you understand the risks, make better decisions early, and avoid the kind of problems that turn personal and expensive once a company is in trouble.

It's a general guide -- not legal advice. If you're unsure about your obligations or your company's position, check the ASIC website or speak with your accountant, lawyer, or insolvency advisor.

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## 1. Act with care and diligence

You must:

- Stay informed about the company's financial position.
- Understand what the business is doing and where the money is going.
- Make decisions a reasonable person in your position would make.

In plain English: you can't stick your head in the sand.

## 2. Act in good faith and in the best interests of the company

This means:

- Putting the company's interests ahead of your own.
- Avoiding conflicts of interest.
- Not using your position for personal gain.

If it benefits you but harms the company, you're on thin ice.

### **3. Avoid insolvent trading**

This is the big one.

You must not allow the company to incur debts if you know, or ought to know, that the company is insolvent or likely to become insolvent.

Warning signs include:

- Inability to pay debts when due.
- Persistent cash flow problems.
- Overdraft at limit with no clear path to fix it.
- Tax and superannuation falling behind.
- Creditors calling regularly.

If you keep trading while insolvent, you can be personally liable for those debts.

### **4. Keep proper financial records**

You must ensure the company keeps accurate records that:

- Explain its transactions.
- Show its true financial position.
- Allow proper financial statements to be prepared.

No books = big trouble if things go wrong.

### **5. Prevent misuse of company funds**

You must not:

- Use company money for personal expenses.
- Pay yourself ahead of other creditors when the company is struggling.
- Shift assets to avoid creditors.

If it looks dodgy, it usually is.

## 6. Comply with tax and super obligations

Directors are responsible for ensuring the company:

- Lodges BAS and tax returns on time.
- Pays GST, PAYG, and Superannuation when due.

Unpaid PAYG and superannuation can become a personal director liability through a Director Penalty Notice (DPN).

## 7. Understand personal liability risks

As a director, you can be personally exposed for:

- Insolvent trading debts.
- Unpaid PAYG and superannuation (Director Penalty Notices).
- Breaches of directors' duties.
- Fraudulent or reckless conduct.

Ignoring letters from the ATO or ASIC does not make the problem go away. It usually makes it worse.

## 8. What to do if your company is in trouble

If you are worried about solvency, act early:

1. Get accurate financial information.
2. Speak with your accountant or an insolvency advisor.
3. Consider options such as:

- Informal restructure.
- Payment arrangements with creditors and the ATO.
- Small Business Restructuring (SBR).
- Voluntary administration.
- Creditors' Voluntary Liquidation (if the company cannot be saved).

Doing nothing is usually the worst option.

## The Nature of Our Role

Resolve provides administrative support, coordination, and acts as your point of contact. We are not licensed to provide financial, legal, or investment advice -- where that's needed for your matter, we coordinate the right specialist practitioners (accountants, solicitors, registered liquidators, trustees) around you.

That way you get the experience and firepower of a full team -- with us holding the whole picture together so nothing falls through the cracks.

*The directors who get the best outcomes are the ones who pick up the phone early. The earlier you understand where you stand, the more options you have -- and the less likely those options become personal liability.*

— Resolve Business Solutions -- Over 35 Years Helping Australians Through Financial Distress

## Next Steps

Director, if any of the warning signs in this guide are showing up in your business, the right move is to have the conversation early -- before letters become notices and notices become claims.

Whenever you're ready, you can:

- Reply to this email
- Call us directly on 0499 499 899
- Email us at [advisor@resolve.net.au](mailto:advisor@resolve.net.au)

We'd rather walk you through your options now than have you wonder.