



Income Contributions in Bankruptcy

How they work, how they're calculated, and why staying
current matters



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Prepared for: Company Directors & Business Owners
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What income contributions are -- and why they matter

Dear Director,

This is a plain-English overview of how income contributions work during bankruptcy.

It's designed to help you understand what information is required, how the contribution is calculated, and why keeping your details current matters. It is not legal advice -- it's a practical guide to help you stay on track.

What is an income contribution

Being bankrupt does not stop you from working or earning income. There is no limit on how much you can earn.

However, if your income goes above a set government threshold, you may be required to pay part of the excess to your bankruptcy estate. That payment is called an income contribution.

The contribution threshold and the calculation method are set by law. Neither your trustee nor your advisor can change them.

How contributions are worked out

Each year of bankruptcy is assessed separately. These are called Contribution Assessment Periods (CAPs).

The contribution is generally calculated using this formula:

(Your assessed income minus your income threshold) divided by 2

Your income threshold depends on whether you have dependants. Thresholds are set by the government and indexed twice a year.

What counts as income

For contribution purposes, income is broader than just taxable income. It can include:

- Wages and salary.
- Business drawings.
- Bonuses and allowances.
- Some Centrelink payments.
- Fringe benefits.
- Income earned through companies or trusts connected to you.

Some payments are excluded, including:

- Compulsory superannuation.
- Child support received under a formal arrangement.
- Certain disability or family assistance payments.

Dependants

A dependant is usually someone who lives with you and relies on you for financial support, and who earns less than the government-prescribed income limit.

You may be asked to provide evidence of dependency.

Why timely information matters

You are required to keep your income details up to date. If your income or family situation changes, let us know as soon as possible.

Early updates usually make contributions easier to manage.

If income information isn't provided, an assessment can still be issued based on the information available -- which can result in higher contributions and payment pressure later.

Payment arrangements

If a contribution is payable, a payment schedule will be set out in writing. Payments are usually aligned with how you are paid -- weekly, fortnightly, or monthly.

If your circumstances change unexpectedly, payment arrangements can usually be reviewed.

Hardship considerations

In limited situations, contributions may be reduced where genuine hardship exists. This typically applies to specific situations such as:

- Essential medical costs.
- Necessary childcare expenses.
- Unusually high work-related travel costs.

Supporting evidence is required.

Important: this guide is a general summary only. Income contribution obligations are governed by the Bankruptcy Act 1966 and related regulations. If you're unsure how the rules apply to your situation, ask before making assumptions.

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.

Income contributions are calculated by formula, not by argument. The clients who have the smoothest run through bankruptcy are the ones who keep their income details current and flag changes early -- before the assessment lands.

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

Next Steps

Director, if your income or family circumstances have changed -- or you've got a contribution assessment landing and you're not sure how to read it -- talk to us early.

Whenever you're ready, you can:

- Reply to this email
- Call us directly on 0499 499 899
- Email us at advisor@resolve.net.au

We'd rather walk you through it now than have you face an unexpected payment schedule later.