



Australian Government

Insolvency and Trustee Service Australia

**INSPECTOR-GENERAL
PRACTICE DIRECTION No 3**

**What constitutes an expense
recoverable in a debt agreement
by an administrator**

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What constitutes an expense recoverable in a debt agreement by a DAA

1. Along with the introduction of the [Bankruptcy Legislation Amendment \(Debt Agreements\) Act 2007](#) on 11 April 2007 the Inspector-General approved [Guidelines](#) relating to the registration and cancellation of debt agreement administrators. These came into effect as law following registration as a Legislative Instrument on 12 April 2007. As well as being law for administrators these also contain some guidance for trustees on what should constitute expenses capable of being recovered from an administration or an estate. The [Guidelines](#) state:

“As a general guide, any right to reimbursement for out of pocket expenses in a particular administration is limited to actual expenses incurred in respect of that debt agreement and the administrator must be able to show:

- (a) how it is directly attributable to the debt agreement; and*
- (b) how the actual expense for a particular matter was calculated.*

Costs not able to be identified to a particular administration and which can only be recovered as a general fixed amount charged across all administrations periodically is considered as remuneration. Such costs are unable to be recovered as an out of pocket expense.”

2. Furthermore expenses are recoverable only where the terms of the debt agreement provide for this.