

Company liquidations soar 45% as many too slow to benefit from business rescue

According to StatsSA, business liquidations soared 44.8% in the year to August 2022 while fewer businesses entered business rescue in a clear sign that many are assessing their financial positions too late.



Source: [Fixabay](#)

Eric Levenstein, director and head of the business rescue, restructuring and Insolvency practice at Werksmans Attorneys, said: “Even though 2022 is far from over, there are significantly fewer new business-rescue proceedings so far this year compared to last year.

“According to the Companies and Intellectual Properties Commission (CIPC), only 63 companies have entered business rescue in the year to June 2022, 80% of which are private companies and 15% are close corporations.”

In the year to June 2021, 279 companies entered business rescue in South Africa, while in 2020 the number was 206.

“Despite fewer companies entering business rescue, there have been 15 notices of substantial implementation of the adopted business-rescue plan filed last year, indicating that business rescue remains a viable option for financially distressed companies,” Levenstein added.

The Statistics South Africa (StatsSA) *Liquidations* report for the year to August 2022 showed that liquidations soared by 44.8%.

“In August this year alone, more than triple the number of companies were liquidated, than were placed in business rescue,” Levenstein noted.

“This indicates that companies may be assessing their financial position too late, concluding that there is no reasonable prospect of a successful rescue. These companies had little alternative but to file for liquidation.”



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15 Sep 2022



Per the CIPC report, since the inception of business rescue in 2011, there are currently 1,649 active business-rescue proceedings. Approximately 4,370 companies have entered business rescue, with 19% reaching substantial implementation. From the inception of business rescue, only 546 business rescues have ended in liquidation.

Business rescue a thriving lifeline

“It is evident that business rescue remains alive and well in South Africa,” Levenstein said.

As the global economy continues to experience high global fuel prices and inflation, it remains to be seen whether the continued global economic fallout spreads to South Africa as it faces blackouts, water and infrastructure pressures and a weakening rand

“If it does, it is likely to increase the number of companies filing for business rescue, and with a further uptick in liquidations.

“Boards of South African companies would do well to get themselves up to speed with insolvency and rescue legislation. There is a greater need for company directors to take informed and correct decisions,” Levenstein concluded.