The New Companies Act Explained

26 May 2011

South Africa's new Companies Act includes making directors liable for losses and measures to give distressed companies more time to recover.

Here are some of the important implications of certain clauses in the act:

- Directors may become liable for losses suffered by the company as a result of that director having taken, or failed to act against, certain unauthorised or unlawful actions and situations.
- One of the innovations of the law is the business rescue scheme. Instead of a company in financial distress going under judicial management, a rescue process can be initiated by the workers and management of a company. This means creditors are held at bay while the company is put back on its feet.
- Registering a new company will become far easier because only a single registration document will be required. Companies will also be able to trade with a company number and no name while small and medium size companies will not be required to produce audited financial statements.
- The concept of a 'closed corporation' will be ditched, but existing CCs will continue to trade as before. No new CCs will be registered.
- Minority shareholders will be able to call a general meeting marshalling only 10% of total shares in issue - a feature of the law aimed at promoting shareholder activism.
- An audit committee can be appointed by shareholders of a company with the aim of entrenching the role of shareholders and the level of independence that should be maintained between audit committees and boards of companies.