European Commission

Early restructuring and a second chance for entrepreneurs

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Austria Country fact sheet

Every year in the EU, 200 000 firms go bankrupt, resulting in over 1.7 million people losing their jobs.

A well-functioning insolvency framework is essential to support growth and business creation. That is why the European Commission is putting forward modern and streamlined insolvency rules that will facilitate restructuring, give businesses a second chance and improve the efficiency of restructuring, insolvency and debt discharge procedures.

The proposed approach is expected to:

- ✓ Cut down the number of jobs lost due to bankruptcy;
- ✓ Bring more legal certainty for cross-border investors;
- ✓ Turn bad debt into performing credit to facilitate lending;
- ✓ Allow entrepreneurs to restart business activities, to keep innovation going and create an additional three million jobs across the EU.

What is the situation currently in Austria? (1)

Effectiveness of insolvency proceedings

13 Austria ranks 13th among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)

AT	1.1
EU	2.0

Recovery rate for secured creditors following insolvency proceedings

AT	82.8 %
EU	65.0 %

▶ The most likely outcome for debtors in financial difficulty in Austria is **liquidation**.

(1) All figures are according to the World Bank report, *Doing Business 2017: Equal Opportunity for All*: http://www.doingbusiness.org/%7E/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf.

What will the new rules improve?

The situation today in Austria (2)	With the new rules
Individual creditors can hinder early restructuring by seizing the debtor's assets, leading to lower recovery for other creditors and lowering the prospects for successful restructuring.	✓ The debtor can benefit from **a time-limited "breathing space"** from enforcement actions in order to facilitate negotiations and successful restructuring.
Dissenting minorities of creditors can unfairly obstruct the restructuring process.	✓ **Dissenting classes of creditors and shareholders can be outvoted under strict conditions** in order not to jeopardise restructuring, while safeguarding their legitimate interests.
The discharge period for honest entrepreneurs can be from 3 to 7 years. Discharge after 3 years is available only under a repayment of a certain amount of debt (settlement of 50% of claims).	✓ Honest over-indebted entrepreneurs can have access to **a full discharge of their debt after a maximum period of 3 years** and any repayment obligation will have to be adapted to individual circumstances. There will be adequate safeguards to prevent abuse.

(2) Information on current framework according to the Member States' responses on the implementation of the 2014 Commission Recommendation, an INSOL Europe Study of January 2014 and a comparative legal study carried out by the University of Leeds of January 2016.