

NOTES FOR GUIDANCE - 15 TRANSFERRING SHARES

General

A company must not register a transfer of shares or debentures unless:

- (i) a proper instrument of transfer, stamped with the appropriate duty or certified exempt from duty, has been delivered to the company; or
- (ii) the right to the shares has been transmitted by operation of law (for example where they are inherited on the death of the holder).

A private company's Articles may restrict the right of a member to transfer his shares, often by prohibiting him from transferring to an outsider at a certain price unless existing members have refused an offer of the shares at the same price. Where a company's Articles contain such a provision either the procedure laid down must be followed or a Special Resolution must be passed by the members relaxing the pre-emption provisions in respect of a specific transfer.

Stamp duty on transfers of shares is usually payable by the purchaser and is at the rate of 0.5% per hundred or part thereof unless reliefs or exemptions apply. Stamp duty is subject to a minimum of £5 per transfer.

Form of Transfer

The Articles usually state that:

- (i) transfers must be in writing in any usual form or any other form which the directors may approve; and
- (ii) the directors may refuse to recognise an instrument of transfer unless it is in respect of only one class of share and it is not in favour of more than four transferees.

The transferor is deemed to remain the holder of the shares until the name of the transferee is entered in the Register of Members. A transfer is not complete until the latest of:

- (i) the date that the stock transfer form is signed;
- (ii) the date of the Board Meeting registering the transfer; or
- (iii) the date the stock transfer form is stamped.

Transfer by companies and other bodies corporate should be executed under their common seal if they have one, otherwise signed as a deed by two directors or a director and company secretary.

After a transfer has been registered the company should retain the old share certificate and the transfer form, unless there is authority in the Articles to destroy them after a specified period.

The new share certificates should be ready for delivery within two months from when the transfer is lodged with the company unless:

- (i) the terms on which the shares were issued otherwise provide; or
- (ii) the transfer is to a stock exchange nominee (when no share certificate need be issued).

Non Market and Private Transactions

Non-market transactions are ones where the stock exchange is not involved and which do not relate to a sale or disposition for value.

The transferor executes the transfer form.

The transfer form and the relevant share or debenture certificate(s) are delivered to the transferee who usually arranges for the transfer form to be stamped (if necessary). If the shares are partly paid, the transferee will also sign it.

The transfer form and the relevant share or debenture certificate(s) are then lodged with the company for registration. If the transferor has lost the original share certificate he or she will need to supply a letter explaining this. A sample [lost share certificate letter](#) is available from AR Corporate Services.

If the transfer appears to be in order it is then presented to the board of directors to approve registration of the transfer, the cancellation of the old share certificate and the issue of a new share or debenture certificate in the name of the transferee(s) and, if necessary, a balance certificate to the transferor.

The appropriate entries are made in the register of transfers, the register of members and, if necessary, the register directors' interest.

Note that a director must specifically give notification to the company of a change in his interest in shares stating the number and class of shares or debentures involved and the price.

The transfer procedure in summary is:

- 1) Complete or print the stock transfer form;
- 2) Transferor signs the form;
- 3) The transfer form and the relevant certificate(s) are delivered to the transferee;
- 4) The transfer form is, if necessary, stamped;
- 5) The transferee lodges the transfer form and the relevant certificate(s) with the company;
- 6) The board of directors approve the transfer
- 7) The registers are updated, the old certificates are cancelled and any new certificates issued

Note that some private companies Articles permit the directors to refuse to register a share transfer without giving any reason. However case law suggests that before doing so directors should take appropriate legal advice as this is different from any right they have to do so under pre-emption rights or under any shareholders agreement which may have been entered into.

[Download a Stock Transfer Form](#)

<p>These notes are based on our understanding of the law at this date and are general rather than specific. We cannot accept any responsibility for errors or omissions, and we must emphasise that the final responsibility for compliance with the requirements of the Companies Act rests with the Directors and Secretary who should seek appropriate legal advice if in doubt about over any particular aspect of company administration.</p>
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