Transferring shares guide

the accountancy partnership

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What are shares?

Shares define how the ownership of a company is made up. Every limited company must have at least one share.

For example, if two people have one share each, then they both own 50% of the company.

Transferring shares

A limited company has a set number of shares which its shareholders own. The shareholders of the company can sell or even give away their shares.

Shareholders are generally entitled to a share of the profits and sale proceeds of the company, based on the percentage of shares they own.

When transferring ownership of shares, there are certain procedures which must be followed to ensure the transfer is valid.

Why transfer shares?

There are plenty of reasons why shares might need to be transferred:

- An additional shareholder
- The death of a shareholder
- To raise funds

Shares can also be sold, gifted, or inherited.

Share transfer procedures

The transferor is the existing shareholder who is supplying shares to the receiver, known as a transferee.

J10 A J10 transfer form is required if shares are unpaid or part paid, for example if they're inherited or gifted.

J30 A J30 form is required if the shares are paid in full, by an investor for example.

The transferor must complete and sign the stock transfer form. Where necessary the transferee should also sign the form(s). If more than one class of share is being transferred, then a separate form should be completed for each class.

If the shares are inherited, a copy of the Grant of Probate must be supplied before the shares can be re-registered or sold on.

The company must update its statutory registers to record who is a shareholder, and how many shares they own. The old share certificate(s) must be cancelled, and new certificates produced and signed.

When the next Confirmation Statement is submitted to Companies House it must reflect the changes that have taken place.

Gifting or selling shares

If you give away shares that have a value, you may need to apply for gift relief.

This ensures that the transferee is responsible for any Capital Gains Tax if they subsequently decide to sell the shares.

If you sell your shares using a share transfer form and the transaction is worth more than £1,000, then the buyer is required to pay stamp duty.

The duty (or tax) to be paid is calculated on the value of the transaction, rather than the actual market rate of the shares.

Issuing new shares

If a company decides to create new shares, the process of ownership is slightly different. The business issue new shares to:

- Sell to raise funds
- Gift them in exchange for a person's expertise

The creation of any new shares must be agreed by the company directors, and the agreement recorded as a board resolution in the form of meeting minutes.

A Return of Allotment of Shares form (known as an SH01 form) must be completed after the new shares have been 'allotted'.

The form must be submitted to Companies House, within one month of the new shares being created.

Pre-emptive rights

The articles of association (which defines what the company does, the director's responsibilities and the sort of control shareholders have over the board of directors) can sometimes stipulate something called pre-emptive rights.

If these are in place, existing shareholders have the right to buy newly allotted shares before they can be offered to anyone else.

Looking for more help with transferring shares?

If you have any further questions simply call us on 020 3355 4047 and one of our friendly accountancy advisors will be happy to help.

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