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Guide to Transfer of Shares in a Singapore Company

Unless otherwise indicated, the Singapore company mentioned anywhere in this article refers to a private company limited by shares incorporated in accordance with the Singapore Companies Act.

Summary

Share transfer refers to the act where a person sells or gives his shares in a company to another person. If a person sells all his shareholding, he will not be the shareholder any longer and the buyer will become the shareholder of that company after the transfer.

Shareholders of a Singapore company are free to transfer shares with other shareholders subject to any restrictions by the company constitution. Furthermore, company directors will have the right to refuse the transfer of shares from one shareholder to another. The reason for refusal must be for the wellbeing of the company.

The share transfer generally involves directors' resolution, the transferor (seller) and transferee (buyer), execution of the ACRA transfer of shares form. It also involves paying of accurate stamp duty, notice of transfer of shares, the filing of the list of shareholders with ACRA, and updating of the electronic register of members in the case of private companies.

If the consideration for transfer of shares is set as NIL, it will amount to gift of share and a gift deed will be required instead of share transfer form

After the completion of share transfer, the company must notify the transfer to the Accounting and Corporate Regulatory Authority (ACRA). Any transfer of shares by a private company does not take effect until the electronic register of members of the company is lodged with and updated by the Registrar.

If the share transfer is a transfer between members within a group of companies, stamp duty on the transfer can be exempted upon application. Kaizen can handle the application for exemption upon request.

1. Documentation for Transfer of Shares

In general, when the shareholder of a Singapore company wishes to transfer part or all of his shares to another shareholder or any other person who is not a member of the company, the following documents should be prepared to effect the transfer:

(1) Share transfer form (or Instrument of Transfer, an official document signifying the transferor's agreement to transfer and the transferee's agreement to accept the shares);
(2) Board resolution approving the transfer;
(3) Letter of waiver of pre-emptive right (when the shares are to be transferred to a person who is not an existing member of the company);
(4) Old share certificate (from which shares are being transferred);
(5) Share Transfer Agreement (if any).

In respect of the Instrument of Transfer (share transfer form), signatures of both transferor and transferee shall be witnesses by anyone who is more than 18 years of age except their spouse. In addition, share transfer form cannot be signed in counterparts. i.e. both transferee and their respective witnesses must sign on the same sheet of paper.

2. Procedures for Share Transfer in Singapore

(1) Execution of Instrument of Transfer

To formally commence the transfer process, the transferor will have to execute an Instrument of Transfer with the transferee. This document will indicate that the transferor agrees to transfer their shares to the transferee, and that the transferee agrees to take the shares. It will also state the number of shares to be transferred and the amount of consideration.

(2) Making a transfer request to the board

Next, the transferor should make a written share transfer request to the board. The board then has 30 days to decide whether to approve the transfer. As mentioned above, the board's decision (and the reasons for it) should be recorded in a minites of the board meeting or a written resolution.

If the board decides to deny the transfer during this period of time, it has to send a written Notice of Refusal to both the transferor and the transferee. However as mentioned earlier, the board should only deny the transfer for proper reasons relating to the wellbeing of the company.

(3) Payment of stamp duty

Stamp duty will have to be paid within 14 days of the Instrument of Transfer being executed (this is even if the shares are being transferred as a gift). If the Instrument of Transfer is executed outside Singapore, it must be stamped within 30 days after the arrival of the document in Singapore.

(4) Surrender of share certificate

If the board decides to approve the transfer, the transferor (or the person holding on to the original Share Certificate) will need to surrender their original Share Certificate to the company, for cancellation or rectification, within 7 to 28 days of the written share transfer request being made. The board has the discretion to determine the exact deadline.

(5) Issuing a new share certificate

The company will then be obliged to issue a new Share Certificate to the transferee within 30 days of registering the transfer with ACRA. This is typically the duty of the company secretary.

(6) Updating electronic register of members by ACRA

Finally, a notice of the transfer is delivered to ACRA for registration and ACRA will then update the electronic register of company members.

3. Board Approval for Transfer of Shares

Board resolution for transfer of shares must approve transfer of shares and apart from it, it must resolve to cancel old share certificate and issue new share certificate. It shall also resolve to authorize affixation of common seal on the new share certificate as well resolve to update register of directors and register of members accordingly.

A copy of the sale and purchase agreement must be added to the directors' resolutions if the transferor and transferee signs such an agreement.

It should be noted that the transfer of shares in a private company in most cases will need the approval from the board of directors. The transferor will need to make a written request to the board of directors for approval. The board has 30 days to approve or disapprove a transfer. If the board disapproves a transfer, then they must send a written Notice of Refusal to both the transferor and transferee.

4. Waiver of Pre-emptive Rights

Shareholders of a private limited company generally have pre-emptive rights which are given to them by the Memorandum and Articles of Association of the company. Pre-emptive rights mean that the company's existing shareholders will have the first rights to any share that is being transferred.

In case the share transfer is affecting this right, all non-participating shareholders must agree in writing through this document that they agree to the proposed transfer.

5. Stamp Duty on Transfer of Shares

(1) Rate of stamp duty

Stamp duty is chargeable at 0.2% of higher of the consideration for transfer of shares or the Net Asset Value (NAV) of the shares being transferred.

(2) Time limit for stamp duty payment

If the share transfer form has been executed in Singapore, the signed transfer documents must be stamped within 14 days from the date of the document. If the document has been executed outside Singapore, then the signed documents must be stamped within 30 days after the receipt of the documents in Singapore.

(3) Calculation of Net Asset Value (NAV) of Shares

IRAS requires the last available balance sheet of the company (not more than 24 months old) to be used for calculation of stamp duty payable. However, if the date of incorporation of the company is within last 18 months, IRAS accepts the issue price of shares as net asset value.

NAV of all shares of the company is actually excess of total assets over total liabilities of the company. Practically you can divide the equity and retained earnings/accumulated losses with total no of shares to arrive at NAV per share.

(4) Party Liable for Stamp Duty

The party who is liable to pay Stamp Duty is usually stated in the agreements. When the terms of the document do not state who is liable to pay Stamp Duty, the party to pay Stamp Duty will follow that as specified in the Third Schedule of the Stamp Duties Act, that is, the buyer or transferee.

(5) Group Relief

The Singapore Stamp Duty Act and the Stamp Duties (Relief from Stamp Duty upon Transfer of Assets between Associated Permitted Entities) Rules 2014 provides for relief of stamp duty in respect of a transfer of shares in a Singapore company made between associated entities. Two entities are associated:

(a) when one entity holds more than 75% voting share capital and more than 50% voting rights in the other entity or

(b) when more than 75% voting share capital and more than 50% voting rights in both of these entities are held by a common holding entity.

The Transferor and the Transferee have been associated for at least 12 months prior to the date of the instrument and remain associated for 2 years from the date of the instrument.

(6) Late Stamping Penalty

It is an offence and a penalty of up to 4 times may be levied on incomplete stamped, stamped late or unstamped documents. In addition, it is an offence to use a document for which stamp duty payment has not been made.

6. Nil Consideration for Transfer of Shares

If the consideration for transfer of shares is set as NIL, it will amount to gift of share and a gift deed will be required instead of share transfer form. Stamp duty shall nevertheless be payable on gift deed. To avoid requirement of gift deed, a token consideration of SGD1 can be set for any number of shares being transferred.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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