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## Procedure for Transmission of Shares under Companies Act, 2013

Dear Professional Colleagues,

In my previous article I shared the procedure for Transfer of Shares under Companies Act, 2013. Now it is time to discuss Procedure for Transmission of Shares under Companies Act, 2013. Through this write up we shall discuss the meaning of Transmission of Shares and procedure to execute Transmission. The word 'transmission' means transfer of title by operation of law. It may be by succession or by testamentary transfer. For Procedure for Transmission of Shares under Companies Act, 2013, kindly refer the link below:

[Procedure for transfer of shares under Companies Act, 2013](#)

### **Transmission of shares**

A transmission of interest in shares of a company, of a deceased member of the company, made by the legal representative of a deceased member shall be considered as transmission of shares by operation of law. This transmission will be registered by a company in the Register of Members.

For statutory provisions related to Transmission of share one should refer the following sources:

1. Section 56 of Companies Act, 2013
2. Provisions given in model articles of association given in Table 'F' of Schedule-I

"Relevant" Text of Section 56 and Rule 11 are reproduced below for ready reference:

### **Transfer and transmission of securities**

**Section 56** (2) *Nothing in sub-section (1) shall prejudice the power of the company to register, on receipt of an **intimation of transmission** of any right to securities by operation of law from any person to whom such right has been transmitted.*

(3) *Where an application is made by the transferor alone and relates to partly paid shares, the transfer shall not be registered, unless the company gives the notice of the application, in such manner as may be prescribed, to the transferee and the transferee gives no objection to the transfer within two weeks from the receipt of notice.*

(4) *Every company shall, unless prohibited by any provision of law or any order of Court, Tribunal or other authority, deliver the certificates of all securities allotted, transferred or transmitted—*

- (a) *within a period of two months from the date of incorporation, in the case of subscribers to the memorandum;*
- (b) *within a period of two months from the date of allotment, in the case of any allotment of any of its shares;*

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- (c) within a period of one month from the date of receipt by the company of the instrument of transfer under sub-section (1) or, as the case may be, of the intimation of transmission under sub-section (2), in the case of a transfer or transmission of securities;*
- (d) within a period of six months from the date of allotment in the case of any allotment of debenture:*

***Provided*** that where the securities are dealt with in a depository, the company shall intimate the details of allotment of securities to depository immediately on allotment of such securities.

*(5) The transfer of any security or other interest of a deceased person in a company made by his legal representative shall, even if the legal representative is not a holder thereof, be valid as if he had been the holder at the time of the execution of the instrument of transfer.*

*(6) Where any default is made in complying with the provisions of sub-sections (1) to (5), the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than ten thousand rupees but which may extend to one lakh rupees.*

### **Main Provisions related to Transfer of Share**

- 1. Person eligible to apply for transmission:** The survivors in case of joint holding can get the shares transmitted in their names by production of the death certificate of the deceased holder of shares. In other words in case of joint holding, the survivor or survivors shall only be entitled for registration and the legal heir of the deceased member shall have no right or claims.
- 2. Share transfer deed not required for Transmission:** Execution of transfer deed not required in case of transmission of shares. Intimation/application of Transmission accompanied with relevant documents would be enough for valid transmission request.
- 3. Documents required for Transmission of Shares:** In case of transmission of shares by operation of law, it is not necessary to execute and submit transfer deed. A simple application to the company by a legal representative along with the following necessary evidences is sufficient:—
  - a. Certified copy of death certificate;
  - b. Succession certificate;
  - c. Probate;
  - d. Specimen signature of the successor.
- 4. Liability on shares shall continue:** In the case of a transmission of shares, shares continue to be subject to the original liabilities, and if there was any lien on the shares for any sums due, the lien would subsist, notwithstanding the devaluation of the shares.
- 5. Payment of consideration or stamp duty not required:** Since the transmission is by operation of law, payment of consideration or payment of stamp duty would not be required on instruments for transmission.

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- 6. Time limit for issue of share certificate on transmission (Section-56(4)):** Every company, unless prohibited by any provision of law or of any order of any Court, Tribunal or other authority, shall, within One month deliver, the certificates of all shares transmitted after the application for the registration of the transmission of any such shares received.
- 7. Time Limit for Refusal of registration of Transmission:** Provisions related to Refusal of registration and appeal against refusal is given in Section 58 of the Companies Act, 2013. Power of refusal to register transmission of shares is to be exercised by the company within thirty (30) days from the date on which the intimation of transmission is delivered to the company.
- 8. Time Limit for appeal against refusal to register Transmission by Private Company:** As per section 58(3), the person who gave intimation of the transmission by operation of law, may appeal to the Tribunal against the refusal within a period of thirty (30) days from the date of receipt of the notice from the Company or in case no notice has been sent by the company, within a period of sixty (60) days from the date on which the intimation of transmission was delivered to the company.
- 9. Time Limit for appeal against refusal to register Transmission by Public Company:** As per section 58(4), the person who gave intimation of the transmission by operation of law may, within a period of sixty (60) days of such refusal or where no intimation has been received from the company, within ninety (90) days of the delivery of the intimation of transmission, appeal to the Tribunal against such refusal.
- 10. Penalty for Non-compliance:** Where any default is made in complying with the provisions related to transmission of shares, the company shall be punishable with fine which shall not be less than Rs. 25,000/- but which may extend to Rs. 5,00,000/- and every officer of the company who is in default shall be punishable with fine which shall not be less than Rs. 10,000/- but which may extend to Rs. 1,00,000/-.

**Extremely useful Information and knowledge about Transmission documents:**

- i. **Meaning of Probate:** If a member of a company dies and he leaves after him a will or letter of administration then the survivors shall get a copy of 'will' certified under the seal of a Court of competent jurisdiction. The certified copy of the will is called a 'probate'. Succession certificate is not required when probate or letter of administration is issued.
- ii. If a member of a company dies without leaving a will, then succession certificate issued by a Court of competent jurisdiction shall be submitted to the company. Once succession certificate is granted, it provides full indemnity to the company regarding transmission of shares by operation of law.
- iii. The survivors in case of joint holding can get the shares transmitted in their names by production of the death certificate of the deceased holder of shares.

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### **Basic Procedure for Transmission of Share**

Generally articles contain the detailed provisions as regards the procedure for transmission of shares. Usually following steps shall be followed in order to give effect to the transmission of shares:—

1. The survivor in case of joint holding or legal heir, as the case may be, who want transmission by operation of law in his/her favour, shall file a simple application with the Company with relevant documents such as death certificate, succession certificate, probate, etc., depending upon various circumstances may be considers necessary for transmission by the Company.
2. The company records the particulars of the death certificate and a reference number of recording entry is given to the shareholder so as to enable him to quote such number in all future correspondence with the company.
3. The company review and verify the documents submitted with transmission request. In case all the documents are in order, company shall approve the transmission request and register the shares in the name of the survivor or legal heir as the case may be.
4. However in case documents submitted with transmission request are not in order and it is the case of refusal, company shall within thirty (30) days, from the date on which the intimation of transmission is delivered to the company, communicate refusal to the concerned person.
5. Dividend declared before the death of the shareholder will be payable to legal representative but dividend declared after the death of a member can be paid to him only after registration of his name and till that period it has to be kept in abeyance.

### **Sample application for transmission of shares**

To,

Date: Sept. 04, 2014

The Board of Directors,  
Reliance Industries Limited  
Nariman Point, Old Palasia Road,  
Mumbai (Maharashtra)

**Sub: Transmission of 500 Equity shares held by Late Sh. Yogesh Gupta**

**Ref.: L.F. No.**\_\_\_\_\_

Dear Sir/Madam,

I have to inform that my father Late Sh. Yogesh Gupta expired on August 19, 2014. He was holding 500 Equity Shares of Rs. 10 each fully paid up in the company under L.F. No. 165. Please find below relevant details of the Equity Shares:

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| S. No. | Share Certificate No. | No. of Equity Shares | Ledger Folio No. Transferor | Distinctive Number From | Distinctive Number To |
|--------|-----------------------|----------------------|-----------------------------|-------------------------|-----------------------|
| 1.     | 165                   | 500                  | 165                         | 783201                  | 783700                |

I, hereby submit the following documents for transmission of 500 Equity Shares in my name:

1. Copy of the death certificate obtained from Nagar Nigam, Maharashtra.
2. Succession Certificate.
3. Original share certificate.
4. My Specimen signatures.

Kindly consider and arrange for transmission of the said shares in my favour and oblige.

Thanking you.

Yours faithfully

(Rahul Gupta)

(Son of Late Sh. Yogesh Gupta)

Address:

Phone No.:

**Disclaimer:**

This write up is intended to start academic discussion on few significant interpretations under Companies Act, 2013. It is not intended to be a professional advice and should not be relied upon for real time professional facts. Readers are advised to refer relevant provision of law before applying or accepting any of the point mentioned above. Author accepts no responsibility whatsoever and will not be liable for any losses, claims or damages which may arise because of the contents of this write up.

I am hopeful that this write up would be of some help w.r.t. your professional working and endeavors under Companies Act, 2013. Kindly share your opinion.

Thanks

CS Ankur Garg

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**Sept. 04, 2014**