

Deadline Alert: Physical Share Transfers & Allotments for Private Companies – Compliance by June 30, 2025

Regulatory Update

The Ministry of Corporate Affairs, through its notification dated February 12, 2025, has extended the deadline for the mandatory dematerialization of shares for private companies (excluding small companies) until June 30, 2025. This provides temporary relief to private companies and their shareholders, allowing them to continue with physical share transfers and allotments until the new deadline.

Implications for Private Companies and their Shareholders

The extension benefits private companies that do not foresee immediate share transfers or allotments and require additional time to comply with dematerialization requirements. Until June 30, 2025, shareholders can continue transferring shares in physical form, and companies, including newly incorporated entities, can allot shares physically. However, from July 1, 2025, all corporate transactions involving share transfers or allotments must be executed in dematerialized form only. Any failure to comply with this requirement may result in regulatory penalties and compliance issues.

For shareholders planning to transfer shares after July 1, 2025, and companies intending to make fresh allotments post this date, it is essential to initiate the dematerialization process well in advance to avoid disruptions in corporate transactions. Companies must ensure that their shareholders are informed of the upcoming requirement and assist them in transitioning to the dematerialized system smoothly.

Key Compliance Requirements

While the temporary extension allows continued physical transactions, shareholders and companies must still ensure compliance with applicable legal provisions. Physical share transfers must adhere to Section 56 of the Companies Act, 2013, which governs the transfer and transmission of securities. This includes the proper execution of Form SH-4, payment of applicable stamp duty under the Indian Stamp Act, 1899, and obtaining necessary Board approvals.

For share allotments, private companies must comply with Sections 42 and 62 of the Companies Act, 2013, which regulate private placements and preferential allotments, ensuring proper issuance procedures are followed. Private companies should also maintain accurate shareholder records, update statutory registers, and ensure timely filings with the Registrar of Companies where applicable.

Conclusion

With the deadline fast approaching, shareholders anticipating share transfers and companies planning fresh allotments after July 1, 2025, must take necessary steps to comply with dematerialization requirements. The extended window provides a final opportunity to complete transactions involving share transfer and allotment in physical form before the transition becomes mandatory. To avoid last-minute procedural challenges for share transfer and allotment post-July 1, 2025, shareholders should proactively initiate the dematerialization process, engage with depositories, and update records well in advance.

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