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## How To Transfer shares in a private company

### In brief

1. A share is a transferable property;
2. You'll be required to pay stamp duty and capital gains tax before transferring the shares;

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All transfer documents must be duly stamped with stamp duty. Stamp duty currently stands at 1% of the market value of shares.

### How shares are transferred in a private company

Share transfer is the means by which ownership of shares move from one person to another. This can be either by way of sale or a gift.

A share is an intangible property. Just like other kind of properties, it can be given or sold to someone for value.

The manner of transferring shares might differ in different companies (depending on what the

articles provides), but it must adhere to the spirit of the Companies Act, 2002.

Here, we're going to look at how shares are transferred in a private company.

### THE PROCESS

Begin with conducting an Official search at BRELA (Business Registration and Licensing Agency). As the name suggests, BRELA takes is the custodian of companies in the country. See to it also that the

audited financial statements are in place.

Then, hold a meeting of board of directors. To set up the company's general meeting. Among the agendas, include the proposal to transfer shares, either to a fellow shareholder or a new person.



**PRO TIP:**

Shares can only be offered to a new person if the offer has been first given and rejected by your fellow shareholders. To get away with this, corroboration is the key.

And then, have a company general meeting to pass the resolution to carry out the transfer.

Thereafter, execute the transfer documents. This is usually the sale agreement or a deed of gift and the company's transfer form. In the Company's transfer form, at least a director or secretary must sign (this shows that the company has consented).

If there is only a handshake agreement, no written contract, you can fill in a prescribed form no. 55b.

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Thereafter, obtain a tax clearance certificate (TCC) from the revenue authority. A clearance certificate is issued after paying capital gains tax. Capital gains tax, is a tax on the growth in

value of investment incurred when a person sells those investments. When the assets are sold the capital gains are referred to as having been realized. Capital gains tax currently stands at 10%. The audited financial statements will be used to evaluate the market value of shares.

Thereafter, notify the registrar of companies about the transfer. This is where you file all the transfer documents, the resolution including the TCC.

Then finally, the seller should surrender the share certificate, and the buyer should be issued with the new share certificate, provided the shares have been paid for in full.

## Get in touch with us

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