

## How to Transfer the Shares in an US Corporation?

When an US corporation is formed, the shares are allotted to the initial shareholders. After some time, shareholders may want to transfer a part or all of the shares to another party for some reasons; this process is called the company shares transfer.

Generally, the shares in a corporation are freely transferable. Nonetheless, the Articles of Incorporation, the shareholder agreement, or the bylaws might place some reasonable restrictions on the transfer of shares. To complete the shares transfer process, the new shareholder would require the board of directors' approval in the company. And the related shares transfer forms are required to be filled.

### Procedure for Transferring Shares in the Company

**Step 1: Review the Shareholder Agreement or Bylaws.** Before you transfer shares, you must make sure that you follow any rules that are set out in the articles and in the corporate bylaws. There may be restrictions on who can buy or sell shares, or on how many shares can be transferred.

**Step 2: Hold a Board Meeting:** The share transfer has to be approved by the board before it can be done. After the approval, the written resolution should be attached.

**Step 3: Prepare the Share Transfer Agreement:** The share transfer agreement is required for the transfer of shares in a company. It is used when a shareholder intends to sell or transfer their company shares to another party. This agreement needs to outline the details of the seller of the shares (the transferor), the receiver (the transferee), the number of shares transferred, and the consideration paid. The transferor and the transferee should sign this document. If either of the parties is a company, the director(s) or officer(s) should sign the document.

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**Step 4: Issue New Share Certificates and Keep the Record:** With the confirmed share structure in place, the company's next step is to issue new share certificates detailing the shareholdings. These will also render any previous share certificates as effectively canceled. Such share transfers need to be recorded in the record book.

### **Documents Required for Transfer of Shares**

The following documents are required for company shares transfer:

- The original shareholder list and stock certificates.
- The Articles of Incorporation of the corporation.
- The Bylaws or shareholder agreement of the corporation.
- The ID and address proof of the transferor and transferee
- Written resolution taken by the company regarding the share transfer.
- The share transfer agreement, which includes the name and address of the transferor, the number of shares he/she holds, the money he/she paid for the shares, the name and address of the transferee, the number of shares transferred, the consideration paid, and the transfer date.

Generally, you will get the following documents after the company shares transfer:

- The new stock certificate and updated shareholder list.
- Signed resolution regarding the company share transfer.
- Signed shares transfer agreement.
- Modified bylaws, if applicable.

Maintaining the accurate and up-to-date records book is high on the priority list for the business management. The corporations need to retain certain corporate records. All information for annual reports, articles of incorporation, stock ownership and transfers, bylaws, capital stock certificates, dividend register, and business licenses and permits should be retained permanently.

## Tax Implication

If a transferor, who owned the shares for more than one year, sells shares for a price greater than the purchase price, the gain is considered a capital gain. The transferor may be subject to favorable capital gains tax rates (0%, 15% or 20%), which are dependent on the taxable income and filing status.

### Reference:

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