

COMPANY LAW / LLP ACT UPDATE | NOV. 2, 2023

01 Private Companies: Dematerialisation of Shares

02 Introduction of Register of Partners & Beneficial Interest: LLP Act

01. PRIVATE COMPANIES: DEMATERIALISATION OF SHARES

- All private companies (Except a **Small Company**) shall issue securities only in dematerialized form.
- A period of **18 months** has been offered for such Companies who exceeds the thresholds [for paid-up share capital and turnover] as on 31-03-2023 or later from the date of closure of such financial year.
- Once the time period is over
 - **before any issue of shares/buy back:** all the Shares of its promoters, directors and key managerial personnel should be in dematerialized mode.
 - **Before any private placement / bonus / rights issue or transfer of shares:** the transferor/potential subscriber must ensure that the shares are dematerialized



Analysis:

- This amendment would make all such Private Companies (who have *exceeded the thresholds* prescribed for being classified as "Small Company" *as on 31.03.2023* to facilitate dematerialization on or before 30.09.2024.
- Post 30.09.2024, any issue or transfer of shares can happen only in dematerialised mode.

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02. INTRODUCTION OF REGISTER OF PARTNERS & BENEFICIAL INTEREST IN LLPS.



- LLP's to maintain Register of Partners in Form 4A which would also include details of 'Quantum' and 'Nature' of Contributions in the Partnership. .
- Any changes therein to be recorded within 7 days of such change.
- Person having beneficial interest in partnership to declare their interest within 30 days.
- Any changes in beneficial interest to be updated within 30 days.
- LLP's to designate a Partner who would specifically responsible for co-operating with the government in relation to such compliance

Analysis:

- This amendment brings the concept of "Beneficial Ownership" applicable to LLP's also which were earlier applicable only for Companies.
- The purpose appears to get a more clear and transparent view of the ownership of LLPs.

G.S.R. 802(E) dated Oct. 27, 2023

G.S.R. 803(E) dated Oct. 27, 2023