

CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/130

September 19, 2025

To,

The Registrars to an Issue and Share Transfer Agents (RTAs)

The Listed Issuers

The Depositories

The Depository Participants through Depositories

Madam / Sir,

Sub: Ease of Doing Investment - Smooth transmission of securities from Nominee to Legal Heir

1. SEBI has streamlined the process of appointing nominee. The nominee acts as a Trustee of the securities of the original security holder and transfers the securities to the legal heir as per succession plan.
2. As per existing procedure for effecting such transfers, the nominee, while transferring the securities to legal heir, may get assessed for capital gains tax. Payment of tax by the nominee in such a situation may not be appropriate considering that in terms of clause (iii) of Section 47 of the Income Tax Act, 1961, such transmission is exempted and not considered as "transfer". While the nominee may claim refund of such tax, this process causes inconvenience to the nominee.
3. In order to alleviate this inconvenience, a Working Group ("WG") was formed. The WG, based on engagement with the Central Board of Direct Taxes ("CBDT"), recommended that to address the issue, reporting entities should use the reason code "TLH" (i.e. Transmission to Legal Heirs), while reporting such transactions to the CBDT.

4. Accordingly, in order to streamline the process of transmission of securities from nominee to legal heir and resolve the abovementioned issues related to taxation, it has been decided that a standard reason code viz. "TLH" shall be used by the reporting entities while reporting the transmission of securities from nominee to legal heir, to the CBDT so as to enable proper application of the provisions of the Income Tax Act, 1961.
5. The procedural requirements for transmission of securities to legal heir shall continue to be as provided under the provisions of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 and Master Circular for Registrars to an Issue and Share Transfer Agents dated June 23, 2025 (as updated from time to time).
6. RTAs, Listed Issuers, Depositories and Depository Participants are directed to take note of above and make necessary system changes and implement above proposal with effect from January 01, 2026.
7. This circular is issued in exercise of powers conferred under Section 11(1) of Chapter IV of the Securities and Exchange Board of India Act, 1992, Section 19 of Chapter IV of the Depositories Act, 1996, Regulation 40(1) read with Regulation 101 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.
8. This circular is available on SEBI website at www.sebi.gov.in under the category: 'Legal → Circulars'.

Yours faithfully,

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