HMRC - STSM072010 - Bonus Issues Of Shares

A company will sometimes issue bonus shares to its shareholders, usually with the aim of reducing the share price and improving liquidity. An issue of bonus shares is commonly referred to as a ‘scrip issue’.

A scrip issue is an issue of new shares to a company’s existing shareholders in proportion to their existing shareholding. For example, the company may issue new shares on a 1 for 4 basis. This means that if the shareholder owns 100 shares, he will receive an additional 25 shares. The shareholder does not have to subscribe any additional cash to receive these shares and they are regarded as issued fully paid up.

Because the bonus shares are brand new shares issued out of the company’s authorised share capital, there is no transfer that would require completion of a stock transfer form for stamp duty purposes. Nor is there any agreement to transfer chargeable securities that would attract a charge to SDRT under FA86/S87.

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