



## COMPANIES ACT 2006 (TREASURY SHARE) REGULATIONS 2014

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Statutory Document No. XX/20XX

*Companies Act 2006*

## COMPANIES ACT 2006 (TREASURY SHARE) REGULATIONS 2014

*Approved by Tynwald:**Coming into Operation:**1 November 2013*

The Department of Economic Development makes the following Regulations under section 58A of the Companies Act 2006.

### 1 Title

These Regulations are the Companies Act 2006 (Treasury Share) Regulations 2014.

### 2 Commencement

If approved by Tynwald, these Regulations come into operation on 1 July 2014.

### 3 Interpretation

(1) In these Regulations –

“**the Act**” means the Companies Act 2006;

“**cash consideration**” means –

- (a) cash received by the company;
- (b) a cheque received by the company in good faith that the directors have no reason for suspecting will not be paid;
- (c) a release of a liability of the company for a liquidated sum;
- (d) an undertaking to pay cash to the company on or before a date not more than 90 days after the date on which the company agrees to sell the shares; or
- (e) payment by any other means giving rise to a present or future entitlement (of the company or a person acting on the company’s behalf) to a payment, or credit equivalent to payment, in cash.

For this purpose “cash” includes foreign currency.

“**the Registrar**” means the Registrar of Companies;

“**solvency test**” has the meaning given in section 49 of the Act;

“**treasury shares**” is to be construed in accordance with section 58(A)(2) of the Act; and

#### **4 Treasury shares**

- (1) This regulation applies where —
  - (a) a company purchases its own shares in accordance with sections 52 to 56 of the Act; and
  - (b) the company satisfies the solvency test and will continue to do so immediately following the purchase of its own shares.
- (2) Where this regulation applies the company may —
  - (a) hold the shares (or any of them); and
  - (b) deal with any of them, at any time, in accordance with regulations 7 and 9.
- (3) Where shares are held by the company, the company must be entered in its register of members as the member holding the shares.

#### **5 Notice of purchase**

- (1) Where shares are purchased (or treated as having been purchased) by a company as treasury shares, the company must deliver a return to the Registrar not later than one month after the shares are purchased.
- (2) The return must state with respect to shares of each class purchased —
  - (a) the particulars of the class of shares purchased;
  - (b) number of the shares purchased;
  - (c) the par value of each share purchased;
  - (d) the date on which the shares were purchased;
  - (e) the total number of shares held in treasury following the purchase; and
  - (f) the total number of shares in issue following the purchase.
- (3) Particulars of shares purchased on different dates may be included in a single return.

#### **6 Exercise of rights**

- (1) A company must not exercise any right in respect of treasury shares, and purported exercise of such a right is void.

This applies, in particular, to any right to attend or vote at meetings.
- (2) No dividend may be paid, and no other distribution (whether in cash or otherwise) of the company’s assets (including any distribution of assets

to members on a liquidation) may be made to the company, in respect of the treasury shares.

- (3) Nothing in this section prevents —
  - (a) an allotment of shares as fully paid bonus shares in respect of the treasury shares; or
  - (b) the payment of any amount payable on the redemption of the treasury shares (if they are redeemable shares).
- (4) Shares allotted as fully paid bonus shares in respect of the treasury shares and are treated as if purchased by the company, at the time they were allotted.

## 7 Disposal

A company may at any time —

- (a) sell treasury shares (or any of them) for a cash consideration; or
- (b) transfer treasury shares (or any of them) for the purposes of or pursuant to an employees' share scheme.

## 8 Notice of disposal

- (1) Where the shares held by a company as treasury shares —
  - (a) are sold; or
  - (b) are transferred for the purposes of an employees' share scheme, the company must deliver a return to the Registrar not later than one month after the disposal of the shares.
- (2) The return must state with respect to shares of each class disposed of —
  - (a) the particulars of the class of shares disposed of;
  - (b) the number of shares disposed of;
  - (c) the par value of the shares disposed of;
  - (d) total consideration for the shares including any loss on disposal or any amount in excess of the par value of the shares;
  - (e) the date of disposal of the shares;
  - (f) the total number of shares held in treasury following disposal; and
  - (g) the total number of shares in issue following the disposal.
- (3) Particulars of shares disposed of on different days may be included in a single return.

## 9 Cancellation

- (1) A company may at any time cancel the shares (or any of them).

- (2) If the company cancels treasury shares, the amount of the company's issued share capital is reduced accordingly by the par value of the shares cancelled.
- (3) The directors may take any steps required to enable the company to cancel its shares under this regulation.

## **10 Notice of cancellation**

- (1) Where treasury shares are cancelled, the company must deliver a return to the Registrar not later than one month after the shares are cancelled.  
This does not apply to shares that are cancelled forthwith on their acquisition by the company.
- (2) The return must state with respect to shares of each class cancelled —
  - (a) the particulars of the class of shares cancelled;
  - (b) the number of shares cancelled;
  - (c) the nominal value of the shares cancelled;
  - (d) the date on which they were cancelled;
  - (e) the total number of shares held in treasury following the cancellation; and
  - (f) the total number of shares in issue following the cancellation.
- (3) Particulars of shares cancelled on different dates may be included in a single return.

## **11 Treatment of proceeds of sale**

- (1) Where shares held as treasury shares are sold, the proceeds of the sale must be dealt with in accordance with this regulation.
- (2) If the proceeds of sale are equal to or less than the purchase price paid by the company for the shares, the proceeds are treated as a realised profit of the company.
- (3) If the proceeds of the sale exceed the purchase price paid by the company —
  - (a) an amount equal to the purchase price paid is treated as a realised profit of the company; and
  - (b) the excess must be transferred to the company's share premium account.
- (4) For the purposes of this regulation —
  - (a) the purchase price paid by the company must be determined by the application of a weighted average price method; and
  - (b) if the shares were allotted to the company as fully paid bonus shares, the purchase price paid for them is treated as nil.

**12 Modification of section 52 of the Act**

- (1) For the purposes of these Regulations, section 52 of the Act is modified as follows.
- (2) After subsection (2) insert —
  - (3) Subject only to subsection (4), but notwithstanding any other provision of this section, a company may purchase and hold its shares in treasury in accordance with regulations under section 58A (power to permit the holding of treasury shares).
  - (4) A company may not purchase any of its shares under this section if as a result of the purchase of the shares in question there would no longer be any member of the company holding shares other than treasury shares. ■

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**J P SHIMMIN**  
*Minister for Economic Development*

**EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations apply to companies incorporated under the Companies Act 2006 with shares that have a par value.

Companies that wish to repurchase shares already issued must ordinarily do this under section 52 of the Companies Act 2006. Any shares that are repurchased using this method must, on repurchase, be cancelled.

Under these Regulations a company may purchase its own shares without complying with the requirement to cancel these shares. The company must be entered on the register of members. While shares are held by the company as treasury shares, the normal rights that attach to shares, such as the right to vote and to receive a dividend, are suspended.

Consultation Draft