



Companies Act 2006

2006 CHAPTER 46

PART 17

A COMPANY'S SHARE CAPITAL

CHAPTER 2

ALLOTMENT OF SHARES: GENERAL PROVISIONS

Power of directors to allot shares

549 Exercise by directors of power to allot shares etc

- (1) The directors of a company must not exercise any power of the company—
- (a) to allot shares in the company, or
 - (b) to grant rights to subscribe for, or to convert any security into, shares in the company,
- except in accordance with section 550 (private company with single class of shares) or section 551 (authorisation by company).
- (2) Subsection (1) does not apply—
- (a) to the allotment of shares in pursuance of an employees' share scheme, or
 - (b) to the grant of a right to subscribe for, or to convert any security into, shares so allotted.

[^{F1}(3) Subsection (1) does not apply to the allotment of shares pursuant to a right to subscribe for, or to convert any security into, shares in the company.]

[^{F2}(3A) Subsection (1) does not apply to anything done for the purposes of a compromise or arrangement sanctioned in accordance with Part 26A (arrangements and reconstructions: companies in financial difficulty).]

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- (4) A director who knowingly contravenes, or permits or authorises a contravention of, this section commits an offence.
- (5) A person guilty of an offence under this section is liable—
 - (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.
- (6) Nothing in this section affects the validity of an allotment or other transaction.

Textual Amendments

- F1** S. 549(3) substituted (1.10.2009) by [The Companies Act 2006 \(Allotment of Shares and Right of Pre-emption\) \(Amendment\) Regulations 2009 \(S.I. 2009/2561\)](#), [reg. 2\(1\)](#)
- F2** [S. 549\(3A\)](#) inserted (26.6.2020) by [Corporate Insolvency and Governance Act 2020 \(c. 12\)](#), s. 49(1), [Sch. 9 para. 33\(2\)](#) (with ss. 2(2), 5(2))

550 Power of directors to allot shares etc: private company with only one class of shares

Where a private company has only one class of shares, the directors may exercise any power of the company—

- (a) to allot shares of that class, or
- (b) to grant rights to subscribe for or to convert any security into such shares, except to the extent that they are prohibited from doing so by the company's articles.

551 Power of directors to allot shares etc: authorisation by company

- (1) The directors of a company may exercise a power of the company—
 - (a) to allot shares in the company, or
 - (b) to grant rights to subscribe for or to convert any security into shares in the company,
 if they are authorised to do so by the company's articles or by resolution of the company.
- (2) Authorisation may be given for a particular exercise of the power or for its exercise generally, and may be unconditional or subject to conditions.
- (3) Authorisation must—
 - (a) state the maximum amount of shares that may be allotted under it, and
 - (b) specify the date on which it will expire, which must be not more than five years from—
 - (i) in the case of authorisation contained in the company's articles at the time of its original incorporation, the date of that incorporation;
 - (ii) in any other case, the date on which the resolution is passed by virtue of which the authorisation is given.
- (4) Authorisation may—
 - (a) be renewed or further renewed by resolution of the company for a further period not exceeding five years, and
 - (b) be revoked or varied at any time by resolution of the company.

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- (5) A resolution renewing authorisation must—
 - (a) state (or restate) the maximum amount of shares that may be allotted under the authorisation or, as the case may be, the amount remaining to be allotted under it, and
 - (b) specify the date on which the renewed authorisation will expire.
- (6) In relation to rights to subscribe for or to convert any security into shares in the company, references in this section to the maximum amount of shares that may be allotted under the authorisation are to the maximum amount of shares that may be allotted pursuant to the rights.
- (7) The directors may allot shares, or grant rights to subscribe for or to convert any security into shares, after authorisation has expired if—
 - (a) the shares are allotted, or the rights are granted, in pursuance of an offer or agreement made by the company before the authorisation expired, and
 - (b) the authorisation allowed the company to make an offer or agreement which would or might require shares to be allotted, or rights to be granted, after the authorisation had expired.
- (8) A resolution of a company to give, vary, revoke or renew authorisation under this section may be an ordinary resolution, even though it amends the company's articles.
- (9) Chapter 3 of Part 3 (resolutions affecting a company's constitution) applies to a resolution under this section.

Prohibition of commissions, discounts and allowances

552 General prohibition of commissions, discounts and allowances

- (1) Except as permitted by section 553 (permitted commission), a company must not apply any of its shares or capital money, either directly or indirectly, in payment of any commission, discount or allowance to any person in consideration of his—
 - (a) subscribing or agreeing to subscribe (whether absolutely or conditionally) for shares in the company, or
 - (b) procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares in the company.
- (2) It is immaterial how the shares or money are so applied, whether by being added to the purchase money of property acquired by the company or to the contract price of work to be executed for the company, or being paid out of the nominal purchase money or contract price, or otherwise.
- (3) Nothing in this section affects the payment of such brokerage as has previously been lawful.

553 Permitted commission

- (1) A company may, if the following conditions are satisfied, pay a commission to a person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for shares in the company, or procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares in the company.
- (2) The conditions are that—

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- (a) the payment of the commission is authorised by the company's articles; and
- (b) the commission paid or agreed to be paid does not exceed—
 - (i) 10% of the price at which the shares are issued, or
 - (ii) the amount or rate authorised by the articles,
 whichever is the less.
- (3) A vendor to, or promoter of, or other person who receives payment in money or shares from, a company may apply any part of the money or shares so received in payment of any commission the payment of which directly by the company would be permitted by this section.

Registration of allotment

554 Registration of allotment

- (1) A company must register an allotment of shares as soon as practicable and in any event within two months after the date of the allotment.
- (2) This does not apply if the company has issued a share warrant in respect of the shares (see section 779).
- [^{F3}[^{F4}(2A) If an election is in force under Chapter 2A of Part 8, the obligation under subsection (1) to register the allotment of shares is replaced by an obligation to deliver particulars of the allotment of shares to the registrar in accordance with that Chapter.]]
- (3) If a company fails to comply with this section, an offence is committed by—
 - (a) the company, and
 - (b) every officer of the company who is in default.
- (4) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.
- (5) For the company's duties as to the issue of share certificates etc, see Part 21 (certification and transfer of securities).

Textual Amendments

- F3** [S. 554\(2A\)](#) omitted (26.10.2023 but only so far as it confers a power to make regulations or relates to the exercise of the power, otherwise prosp.) by virtue of [Economic Crime and Corporate Transparency Act 2023 \(c. 56\)](#), s. 219(1)(2)(b), [Sch. 1 para. 8](#)
- F4** [S. 554\(2A\)](#) inserted (30.6.2016) by [Small Business, Enterprise and Employment Act 2015 \(c. 26\)](#), s. 164(1), [Sch. 5 para. 19](#); S.I. 2016/321, reg. 6(c)

Return of allotment

555 Return of allotment by limited company

- (1) This section applies to a company limited by shares and to a company limited by guarantee and having a share capital.

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- (2) The company must, within one month of making an allotment of shares, deliver to the registrar for registration a return of the allotment.
- (3) The return must—
 - (a) contain the prescribed information, and
 - (b) be accompanied by a statement of capital.
- (4) The statement of capital must state with respect to the company's share capital at the date to which the return is made up—
 - (a) the total number of shares of the company,
 - (b) the aggregate nominal value of those shares,
 - [^{F5}(ba) the aggregate amount (if any) unpaid on those shares (whether on account of their nominal value or by way of premium), and]
 - (c) for each class of shares—
 - (i) prescribed particulars of the rights attached to the shares,
 - (ii) the total number of shares of that class, and
 - (iii) the aggregate nominal value of shares of that class, ^{F6}...
 - ^{F6}(d)

Textual Amendments

- F5** S. 555(4)(ba) inserted (30.6.2016) by [Small Business, Enterprise and Employment Act 2015 \(c. 26\)](#), s. 164(1), [Sch. 6 para. 5\(a\)](#); S.I. 2016/321, reg. 6(e)
- F6** S. 555(4)(d) and word omitted (30.6.2016) by virtue of [Small Business, Enterprise and Employment Act 2015 \(c. 26\)](#), s. 164(1), [Sch. 6 para. 5\(b\)](#); S.I. 2016/321, reg. 6(e)

Commencement Information

- I1** S. 555 wholly in force at 1.10.2009; s. 555 not in force at Royal Assent, see s. 1300; s. 555 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), [art. 3\(3\)](#) (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6, 8](#), [Sch. 5](#)); s. 555 otherwise in force at 1.10.2009 by [S.I. 2008/2860](#), [art. 3\(k\)](#) (with [arts. 5, 7, 8](#), [Sch. 2](#)) (as amended by [S.I. 2009/1802](#), [art. 18](#))

556 Return of allotment by unlimited company allotting new class of shares

- (1) This section applies to an unlimited company that allots shares of a class with rights that are not in all respects uniform with shares previously allotted.
- (2) The company must, within one month of making such an allotment, deliver to the registrar for registration a return of the allotment.
- (3) The return must contain the prescribed particulars of the rights attached to the shares.
- (4) For the purposes of this section shares are not to be treated as different from shares previously allotted by reason only that the former do not carry the same rights to dividends as the latter during the twelve months immediately following the former's allotment.

Commencement Information

- I2** S. 556 wholly in force at 1.10.2009; s. 556 not in force at Royal Assent, see s. 1300; s. 556 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), [art. 3\(3\)](#) (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6,](#)

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8, Sch. 5); s. 556 otherwise in force at 1.10.2009 by S.I. 2008/2860, **art. 3(k)** (with arts. 5, 7, 8, Sch. 2) (as amended by S.I. 2009/1802, art. 18)

557 Offence of failure to make return

- (1) If a company makes default in complying with—
 - section 555 (return of allotment of shares by limited company), or
 - section 556 (return of allotment of new class of shares by unlimited company),
 an offence is committed by every officer of the company who is in default.
- (2) A person guilty of an offence under this section is liable—
 - (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum and, for continued contravention, a daily default fine not exceeding [^{F7}one-tenth of the statutory maximum][^{F7}one-tenth of the greater of £5,000 or the amount corresponding to level 4 on the standard scale for summary offences].
- (3) In the case of default in delivering to the registrar within one month after the allotment the return required by section 555 or 556—
 - (a) any person liable for the default may apply to the court for relief, and
 - (b) the court, if satisfied—
 - (i) that the omission to deliver the document was accidental or due to inadvertence, or
 - (ii) that it is just and equitable to grant relief,
 may make an order extending the time for delivery of the document for such period as the court thinks proper.

Textual Amendments

- F7** Words in s. 557(2)(b) substituted (E.W.) (12.3.2015) by [The Legal Aid, Sentencing and Punishment of Offenders Act 2012 \(Fines on Summary Conviction\) Regulations 2015](#) (S.I. 2015/664), reg. 1(1), **Sch. 3 para. 9(15)** (with reg. 5(1))

Supplementary provisions

558 When shares are allotted

For the purposes of the Companies Acts shares in a company are taken to be allotted when a person acquires the unconditional right to be included in the company's register of members [^{F8}[^{F9}(or, as the case may be, to have the person's name and other particulars delivered to the registrar under Chapter 2A of Part 8 and registered by the registrar)]] in respect of the shares.

Textual Amendments

- F8** Words in s. 558 omitted (26.10.2023 but only so far as it confers a power to make regulations or relates to the exercise of the power, otherwise prosp.) by virtue of [Economic Crime and Corporate Transparency Act 2023](#) (c. 56), s. 219(1)(2)(b), **Sch. 1 para. 9**

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F9 Words in s. 558 inserted (30.6.2016) by [Small Business, Enterprise and Employment Act 2015 \(c. 26\)](#), s. 164(1), [Sch. 5 para. 20](#); S.I. 2016/321, reg. 6(c)

Modifications etc. (not altering text)

C1 S. 558 applied (6.4.2007) by [The Companies Acts \(Unregistered Companies\) Regulations 2007 \(S.I. 2007/318\)](#), reg. 3, [Sch.](#) (with reg. 6)

Commencement Information

I3 S. 558 wholly in force at 1.10.2009; s. 558 not in force at Royal Assent see s. 1300; s. 558 in force for specified purposes at 6.4.2007 by [S.I. 2007/1093](#), [art. 2\(2\)\(b\)](#) (with [art. 11\(1\)](#)); s. 558 in force otherwise at 1.10.2009 by [S.I. 2008/2860](#), [art. 3\(k\)](#) (with [arts. 5, 7, 8](#), [Sch. 2](#)) (as amended by [S.I. 2009/1802](#), [art. 18](#))

559 Provisions about allotment not applicable to shares taken on formation

The provisions of this Chapter have no application in relation to the taking of shares by the subscribers to the memorandum on the formation of the company.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Act amendment to earlier affecting provision S.I. 1989/638, Sch. 4 by [S.I. 2024/410 Sch. 2 para. 1](#)
- Act amendment to earlier affecting provision S.I. 2008/373 reg. 11(1) by [S.I. 2013/1971 reg. 9\(a\)](#) (This amendment not applied to legislation.gov.uk. Amending Regulations revoked (1.10.2013) without ever being in force by S.I. 2013/2224, reg. 2)
- Act amendment to earlier affecting provision S.I. 2008/373 reg. 3(4) by [S.I. 2013/1971 reg. 4](#) (This amendment not applied to legislation.gov.uk. Amending Regulations revoked (1.10.2013) without ever being in force by S.I. 2013/2224, reg. 2)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 479A(2)(c)(zi) inserted by [S.I. 2019/177 reg. 4\(b\)\(i\)](#) (This amendment not applied to legislation.gov.uk. Reg. 4 substituted by regs. 4, 4A immediately before IP completion day by S.I. 2019/1392, regs. 1(2), 4)
- s. 479B(a)(iii) amendment to earlier affecting provision S.I.2008/1991 reg.34 by [S.R. 2024/78 reg. 31\(4\)](#)
- s. 479B(a)(iii) amendment to earlier affecting provision S.I.2008/1991 reg.34A by [S.R. 2024/78 reg. 31\(5\)](#)
- s. 1087A-1807C applied by S.I. 2009/2436, Sch. 1 para. 20(1)(ca) (as substituted) by [S.I. 2024/410 Sch. 2 para. 5\(d\)\(ii\)](#)
- Sch. 10 para. 6(2D) inserted by [S.I. 2019/177 reg. 28\(e\)](#) (This amendment not applied to legislation.gov.uk. Reg. 28(e) omitted immediately before IP completion day by virtue of S.I. 2020/523, regs. 1(2), 14(e)(iv))
- Sch. 10 para. 7(2A) inserted by [S.I. 2019/177 reg. 29\(b\)](#) (This amendment not applied to legislation.gov.uk. Reg. 29 substituted immediately before IP completion day by S.I. 2020/523, regs. 1(2), 14(f))