



COMPANIES (AMENDMENT) ACT, NO. 12 OF 2025



September 2025

BACKGROUND

The enactment of the Companies (Amendment) Act, No. 12 of 2025 (the “Amendment Act”), marks a significant shift in Sri Lanka's corporate regulatory landscape, introducing substantial reforms to the Companies Act, No.07 of 2007 (the “Companies Act”). The Amendment Act represents a major step forward in strengthening corporate transparency while seeking to align Sri Lanka's regulatory framework with international anti-money laundering standards.

The Amendment Act addresses several core areas of company law in Sri Lanka. Among its key reforms is the beneficial-ownership disclosure regime under which companies incorporated or registered under the Companies Act, which would cover: a) companies incorporated in Sri Lanka; (b) registered overseas companies; (c) off shore companies, through their officers, must identify and file specified particulars of their ultimate beneficial owners with the Registrar General of Companies (“Registrar”), who will maintain registers with defined public access. This framework is intended to curb financial crimes such as money laundering and strengthen transparency and is backed by strong enforcement provisions for non-compliance.

Additional reforms include the prohibition of bearer shares and share warrants to bearer, adjusting statutory time periods for selected filings, expanding powers of the Registrar, refining director removal procedures, improving penalty provisions, and creating restoration mechanisms for companies struck off the register to re-register and reclaim vested assets.

Save for the citation and commencement provision, the Amendment Act has not yet been brought fully into force and shall come into operation on such date or dates as the Minister may appoint by order published in the gazette, which provides a transitional period for companies to prepare systems, documentation, and controls ahead of the operative dates.

This e-alert provides a brief overview of the Companies (Amendment) Act, No. 12 of 2025, outlining its scope and summarising key changes to help stakeholders understand the practical implications and prepare for compliance.

DISCLOSURE OF BENEFICIAL OWNERSHIP

Sections 130A to 130J

The Amendment Act's key reform entails the introduction of clear, comprehensive definitions of beneficial ownership and effective control, establishing a comprehensive quantitative and qualitative framework for identifying and disclosing a company's beneficial owners.

"Beneficial owner" means a **natural person** who ultimately owns or controls **ten percent** or more of a company, in whole or in part, through, **direct or indirect ownership or control of shares or voting rights or other ownership interest in that company**, and also includes a natural person who exercises effective control through other means, and beneficial ownership is to be construed accordingly.

"Effective control" includes a situation where **control is exercised indirectly** either through a chain of ownership or by appointment or removal of a director or by any other means of indirect control, such as the ability to take strategic decision that affects the operation of the company, its business practices or general direction of the company.

Mandatory Notification to Registrar (Section 130A (1) & (6))

All companies are required to give notice to the Registrar of the following information of its beneficial owners in the prescribed form, at the **time of incorporation** or within **20 working days** of the issuance or transfer of any shares. The Registrar shall maintain a register to record these details.

Information Required for Disclosure (Section 130A (1))

Information to be disclosed includes each beneficial owner's full name (and any previous full names), date and place of birth, nationality, country of residence, last known address, residential address, business address, email address, postal address, NIC number, TIN number or passport number and country of issuance, contact details and a statement describing the nature and extent of beneficial ownership.

Shareholder and Officer Disclosure Obligations (Section 130A (2) & (3))

Every shareholder is required to provide the company with the above information within **10 working days** of subscribing to or transferring any shares. Additionally, when a director or company secretary becomes aware of such beneficial ownership details, they are required to disclose this information to the Registrar.

Maintenance of Beneficial Ownership Register (Section 130A (4))

Companies are required to maintain a register of beneficial owners, recording the aforementioned details as soon as they become aware of such details. This register must be kept at the company's registered office, in accordance with the relevant provisions applicable to the company's share register.

Retention of Beneficial Ownership Records (Section 130A (5))

Companies are required to keep and maintain records of their beneficial owners and the nature and extent of ownership for at least **10 years** from the date the records are created.

In the event of dissolution of a company, the administrator, liquidator, or any person involved in the dissolution is required to maintain these records and the nature and extent of beneficial ownership of the company for a minimum of **5 years** after the date on which the company is dissolved or otherwise ceases to exist.

Annual Return and Information Requests (Section 130A (8) & (9))

Every company is required to submit details of its beneficial owners in the prescribed form along with its annual return (Form 15). Additionally, the powers of the Registrar under Section 181 to request information about persons interested in shares or debentures apply equally to beneficial owners, enabling authorities to obtain necessary ownership information as and when deemed necessary.

Application to Offshore and Overseas Companies (Section 130A (10))

Sections 130A to 130J of the Amendment Act apply to offshore companies incorporated outside Sri Lanka and to overseas companies registered under the Companies Act.

Disclosure of Beneficial Ownership Information to Authorities (Section 130B)

Upon request, the company or Registrar is required to provide beneficial ownership details to the Attorney-General, Financial Intelligence Unit, Director-General of Customs, Commissioner-General of Inland Revenue, public authorities responsible for investigating or prosecuting money laundering, terrorist financing, or other criminal offences, public procurement authorities, or regulatory authorities.

Appointment of Authorised Person (Section 130C)

Every company is required to appoint a **natural person residing in Sri Lanka** as the authorised person responsible for safekeeping the register of beneficial owners and for providing the information recorded hereunder to specified persons or authorities indicated in Section 130B, as required. A company must disclose the authorised person's details at incorporation and report any changes in the prescribed form.

Public Access to Beneficial Ownership Details (Section 130D)

The Registrar is required to make certain beneficial ownership details of a company publicly accessible (electronically or physically), limited to full names (current and former), nationalities (including dual citizenship), countries of residence, business addresses, and the nature and extent of beneficial ownership. For additional information, the public may make an application under the Right to Information Act. Any member of the public seeking an authenticated copy of these details of beneficial ownership may apply to the Registrar and pay the prescribed fee.

Registrar's Directive for Non-Compliance (Section 130E)

If the Registrar reasonably believes a company has failed to maintain a beneficial ownership register or comply with required timelines, the Registrar will issue a written directive to the company requiring compliance within **7 working days** from the date of receiving the directive.

Recognition of Beneficial Ownership Subject to Registration (Section 130F)

No claim to beneficial ownership of a company will be recognised or claimed for any lawful purpose unless it has been disclosed and registered in accordance with the prescribed requirements under the Amendment Act.

Offences and Penalties for Non-Compliance (Section 130G)

A company shall be guilty of an offence and liable on conviction to a fine not exceeding Sri Lankan Rupees One Million (LKR 1,000,000), or imprisonment for a period not exceeding 10 years, or both, if it:

- contravenes or fails to comply with key disclosure and registration requirements under subsections (1), (3), (4), (7), or (8) of section 130A;
- knowingly provides false or misleading information about a beneficial owner or the nature and extent of ownership;
- knowingly withholds beneficial ownership details that are required to be recorded in the register; or
- knowingly makes a false entry in the beneficial ownership register.

Additionally, every director or officer holding such position at the time of the commission of the offence is deemed to have committed that offence, unless they prove that the offence was committed without their knowledge or that they exercised all due diligence to prevent it.

Shareholders, secretaries, or authorised persons who contravene or fail to comply with the obligations under sections 130A(2) or 130A(3) or 130C shall be liable on conviction to a fine not exceeding Sri Lankan Rupees One Million (LKR 1,000,000) or to imprisonment for a period not exceeding 10 years, or both.

Transitional Provisions (Section 130H)

Every company (incorporated or registered under the Companies Act or any former written law relating to companies) that has beneficial owners on the date of operation of the Amendment Act is required to submit details of those beneficial owners in the prescribed form and manner, adhering to the timelines specified below.

Every depository of a licensed stock exchange is required to verify, report, record and notify the Registrar, in the prescribed form and manner, the details of shareholders holding ten percent or more of the issued shares of a company on the date of operation of the Amendment Act in accordance with the timelines specified below.

Every company is required to verify, report, record and notify the Registrar, in the prescribed form and manner, the details of the beneficial owners of the company on the date of operation of the Amendment Act in accordance with the timelines specified below.

A company which contravenes or fails to comply with this section shall be guilty of an offence and, upon conviction, be liable to a fine not exceeding Sri Lankan Rupees Fifty Thousand (LKR 50,000) or to imprisonment not exceeding 6 months, or both.

Minister's Powers (Section 130I)

The Minister is empowered to make regulations that may affect a company's obligations pertaining to the maintenance of the beneficial ownership register, reporting of an acquisition of beneficial ownership, and obtaining details relating to beneficial ownership of the company.

Company Notification of Beneficial Ownership Changes

14 Working Days

Section 130A (7)

A company shall notify the Registrar of any changes to beneficial ownership within 14 working days of receipt of details that a person holds, acquires or effects a subsequent change of beneficial ownership of such company.

Disclosure of Authorised Person Details

3 months

Section 130C (3)

Every company incorporated or registered under the Companies Act or any former law shall disclose details of its authorised person within 3 months from the Amendment Act's date of operation.

Beneficial Ownership Notification on Share Transfers

10 Working Days

Section 130A(2)

Every shareholder shall provide the company with beneficial ownership information within 10 working days of subscribing to or transferring any shares.

BENEFICIAL OWNERSHIP COMPLIANCE TIMELINE

Reporting Requirements for Existing Beneficial Owners

6 Months

Section 130H (1)

Every company incorporated or registered under Companies Act or any former law and having beneficial owners on the date of operation of the Amendment Act shall submit beneficial ownership details as requested in Section 130A, to the Registrar in prescribed form within 6 months from the Amendment Act's date of operation.

Immediate Beneficial Ownership Reporting Requirement:

30 Days

Section 130H (3)

Every Company shall verify, report, record and notify the Registrar details of beneficial owners of the company on the date of operation of the Amendment Act, within 30 days from the Amendment Act's date of operation

Reporting Requirements for a Depository of a Licensed Stock Exchange

30 Days

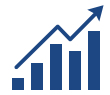
Section 130H (2)

Every depository of a licensed stock exchange shall verify, report, record and notify the Registrar details of shareholders holding 10% or more of issued shares on the date of operation of the Amendment Act, within 30 days from the Amendment Act's date of operation.

OTHER REFORMS

Single Shareholder Rules

Section 4



While the Companies Act has always permitted single shareholder companies, the Amendment Act provides **express clarity** by specifically stating that companies (except those limited by guarantee) may have one shareholder, who may be a natural person, a body corporate, or the Secretary to the Treasury holding shares on behalf of the Government of Sri Lanka.



Prohibition of Bearer Shares and Warrants

Section 51

The Amendment Act expressly prohibits the issuance of bearer shares or share warrants to bearer, which are instruments that confer ownership based solely on possession, irrespective of whether the same is facilitated through the articles of association. A retrospective compliance requirement is imposed where holders of existing bearer shares or share warrant to bearer are required to disclose their identities (name, address & other contact details) to the issuing company within **60 days** of the Amendment Act coming into force, and the company must maintain a register recording details of such holders. Failure to meet the prescribed timelines results in the automatic nullification of rights associated with the bearer shares or share warrants to bearer. Holders are also required to convert these instruments into registerable form within **60 days** from the operation of the Amendment Act, to be entered in the share register of the Company.

Extended Timelines

Section 11(5) & 52 (3)



- The timeframe for companies to provide public notice of name changes and notify the Registrar has been extended from 10 working days to **20 working days**.
- The requirement to allot shares within 20 working days of receiving consideration now carves out instances where shares are fully paid up from the company's reserves and issued proportionally to shareholders of the same class.



Director Removal Process

Section 206

The amendment introduces a requirement for a **special notice** to be sent to all shareholders and the director concerned when removing a director, with the concerned director also being entitled to be heard at the meeting (regardless of whether or not he is a shareholder). The timeframe to make representation has been changed from 14 days to **14 working days**. The obligation to read the director's representation at the meeting (on request) now arises not only where circulation of the representation to all shareholders failed due to the company's negligence, but also where the representation was received after the expiry of the prescribed period. The company may apply to court to prevent the circulation of the representation, if the director is abusing this process to secure defamatory publicity, and recover costs.

Age limit for Directors of a Public Company or of a Private Company which is a subsidiary of a Public Company

Section 211



A director who has attained 70 years, or a director who has attained retirement age, may be appointed, if his appointment is approved by resolution declaring that the age limit of 70 years shall not apply to such director. Prior to the Amendment Act, such resolution was valid for one year from the date of appointment. Under the Amendment Act, such resolution will be valid until the next annual general meeting, which shall be held within 15 months of the previous annual general meeting.



Liquidator's Reporting Requirements

Section 341(3)

Within one week of the general meeting of the company and meeting of the creditors referred to in section 341(1) or, if held on different dates, within one week of the subsequent meeting, the liquidator is required to send the Registrar a copy of the accounts and make a return confirming that the meetings were held and their dates. The former proviso allowing a "no quorum" return to count as compliance is removed, and the failure to comply remains an offence punishable by a fine not exceeding Sri Lankan Rupees Fifty Thousand (LKR 50,000).

Extension for Administrator's Information Submission

Section 424 (2)



The Amendment Act covers instances where an administrator of a company is unable to provide the information requested by a creditors' committee within the time stated in the notice sent by such committee, by providing leeway for the administrator to make an application to the Registrar setting out reasons for such inability. The Registrar may, after considering those reasons, extend the period (subject to any conditions) and notify the administrator and the creditors' committee.



Additional Registrar General of Companies

Section 471

The Amendment Act introduces the office of Additional Registrars-General of Companies, appointable by name or office, alongside existing roles such as Deputy Registrar-General. It also includes the Assistant Registrar General of Companies as an officer authorised to exercise the powers, duties, and function of the Registrar under the Companies Act.

Extension Mechanism for Registrar Information Requests

Section 484A

The Amendment Act introduces a formal process allowing a company that is unable to provide information or produce documents by the date specified in a Registrar's notice under Section 484(1) to apply for an extension, explaining the reasons for the delay. The Registrar may grant such an extension subject to terms and conditions.

Failure to comply within the extended period would result in the company being liable upon conviction to a fine not exceeding Sri Lankan Rupees Five Hundred Thousand (LKR 500,000) and any defaulting officers liable to a fine not exceeding Sri Lankan Rupees Two Hundred Thousand (LKR 200,000).



Re-registration of Struck-off Companies

Section 487 (5)

The Amendment Act provides the opportunity for a company struck off the register for failing to obtain a company number under the Companies Act to apply to court for re-registration within ten years from the operation of the Amendment Act, naming the Attorney-General as a party. If satisfied with the reasons provided for non-compliance, the Court may then **permit re-registration and order the return of property** that had vested in the State.

The proviso preserves bona fide third-party rights where the State has dealt with or disposed of such property, and clarifies that the State bears no liability where the property was destroyed or damaged or where the State did not take physical possession.

Companies Disputes Board – Amendment to Dispute Referral Process

Section 508(1)



The Amendment Act streamlines the previous model of mediation access of parties to a dispute arising in giving effect to the provisions of the Companies Act or which relates to the affairs or management of any company, by replacing the requirement for parties to **jointly** refer disputes directly to mediation with approval of the president of the companies disputes board, to a request based approach, where **either party** may request to the companies disputes board to refer a dispute for mediation. The president of such board has discretion to decide whether a referral should be made and may assign the matter to a board member for mediation.



General Penalties

Section 513A

The Amendment Act establishes penalties for contraventions or failures to comply with any provision of the Companies Act or its regulations for which no specific punishment is provided. A person, a director, a secretary or an officer who violates such provisions shall be guilty of an offence and be liable upon conviction to a fine not exceeding Sri Lankan Rupees One Million (LKR 1,000,000), or to an imprisonment not exceeding 6 months or both.

For breaches by a body of persons whether a body corporate, firm, or unincorporated body other than a firm, responsible individuals (directors, managers, secretary of a body corporate, every partner of a firm or members of an unincorporated body) shall be deemed to have committed an offence and be liable upon conviction to a fine not exceeding Sri Lankan Rupees Five Hundred Thousand (LKR 500,000), or to an imprisonment not exceeding 1 year or both.

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