



## FAMILY INVESTMENT COMPANIES

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Family Investment Companies ('FICs') have gained popularity as a means for individuals to hold assets in a tax-efficient manner. They can also provide opportunities to pass wealth to future generations whilst retaining a degree of control over the investments. If the complexities of establishing and running a FIC can be effectively managed, they can be a valuable part of overall Inheritance Tax and estate planning.

### What is a Family Investment Company?

A FIC is a bespoke private company whose shareholders and directors are usually all family members or associated entities (such as trusts). Its purpose is to hold, grow and distribute value to the shareholders in accordance with the wishes of the directors, commonly parents.

### What are the Key benefits of a FIC?

FICs are commonly set up by parents wishing to pass wealth to their children, whilst also holding assets in a tax-efficient manner. Flow of assets and value to children can be controlled by issuance of different share classes that carry different rights. For example, parents may hold 'A' shares that give rights to dividends, capital and votes. Children may be issued 'B' shares that entitle them only to dividends (at the directors' discretion), allowing the parents to retain control.

The current rate of UK corporation tax applicable to income and capital gains is 19% (reducing to 17% from 1 April 2020). This compares to a personal tax rate of up to 45%. In addition, most dividends received by companies are tax-free (compared to up to 38.1% on dividends received by individuals).

The funding of FICs can be structured in a flexible way so as to allow for tax-efficient extraction of profits. This may be through a combination of ordinary shares (on which dividends may be paid to shareholders), redeemable preference shares and loans.

Value can be gradually passed to children over time in an Inheritance Tax-efficient manner, such as by way of gifts or through the use of discretionary trusts. Parents are generally able to maintain a high degree of control and flexibility if share rights are structured appropriately.

### What are some of the key things to consider?

- Should the FIC be limited, unlimited, or even incorporated outside the UK?
- How would a FIC fit into your overall wealth and estate planning, and is it the right vehicle for your own specific objectives?
- What assets would you wish to hold within a FIC, and is it appropriate to do so from a tax perspective?

### How can we help?

Our partner has a wealth of experience in advising individuals and families on structuring their assets. Having determined whether a FIC is right for you and your family, they are also able to provide a complete corporate and personal tax compliance service – so you know your affairs are being looked after from start to finish.

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