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Business Succession Planning

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**A Guide to Family Investment
Companies (FICs)**

Disclaimer

This publication is provided for general informational purposes only. It does not constitute tax planning advice, legal advice, or an inducement to enter into any tax-motivated arrangement.

Any restructuring involving the transfer of assets or income may give rise to taxation under multiple statutory regimes and anti-avoidance provisions. Specific advice must be obtained before implementation.

Tax outcomes, if any, depend entirely upon the facts and upon compliance with the relevant statutory framework, including the Inheritance Tax Act 1984, ITTOIA 2005, TCGA 1992, the Corporation Tax Acts, settlements legislation, Transactions in Securities rules, and the General Anti-Abuse Rule (GAAR). No particular tax result can be assumed.

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Introduction

A Family Investment Company (“FIC”) is a private limited company used by some families as a corporate vehicle for holding long-term investments, typically property portfolios but not exclusively so. An FIC is not a tax product. It is a company incorporated under the Companies Acts and taxed in accordance with mainstream corporation tax, income tax and capital gains tax legislation.

Such structures are typically considered in the context of: -

- Long-term family asset governance
- Centralised investment management
- Inter-generational succession planning
- Asset protection within the boundaries of company and family law.

Any tax consequences arise from the ordinary application of statute and must be considered in light of prevailing anti-avoidance legislation and HMRC practice.

What is a Family Investment Company?

A Family Investment Company (FIC) is a bespoke company structure that can be used for investment, wealth protection and succession planning, particularly with wealthy and aspirational individuals wishing to pass their wealth on to their family as intact as possible.

In essence, it is a bespoke, private, company whose shareholders are family members enabling you to retain control over assets whilst accumulating wealth in a tax efficient manner and facilitating future succession planning.

Generally, the primary objective in setting up an FIC is to transfer wealth efficiently to the next or subsequent generations (bloodline protection), whilst retaining control over that wealth.

FICs are set up for the long term, the idea being that the founders (usually parents), set up the company with an initial injection of funds or assets with their children, and potentially grandchildren, also being shareholders and benefitting from the growth created by investments held within.

An FIC is a bespoke private company with the ability to have different classes of shares to reflect differing economic and voting rights, which is most often used where a family wishes to:

- Consolidate investment assets within a corporate vehicle
- Establish clear governance arrangements
- Separate control from economic participation
- Provide a framework for orderly succession.

Why consider a Family Investment Company?

A Family Investment Company (FIC) is primarily a governance and succession vehicle. It provides a corporate framework for holding and managing family wealth in a controlled, transparent and long-term manner. Unlike a trust, which is constrained by statutory contribution limits and periodic charges, an FIC allows families to organise ownership, decision making and future participation in a way that aligns with their long-term objectives.

Structural advantages compared with a trust

Trusts remain valuable in many contexts, but they are subject to statutory limits and ongoing charges. Transfers into most trusts above the available nil rate band (currently £325,000 in 2025/26) can trigger an immediate lifetime charge, and the trust may also face 10-year and exit charges. These features can make trusts less suitable for families wishing to centralise or consolidate larger pools of assets within a single long-term structure.

An FIC, by contrast, does not have a statutory cap on the value of assets that can be contributed. This makes it a more flexible vehicle for families who wish to organise significant assets within a single governance framework. A transfer of value to a company is still treated as a lifetime transfer for inheritance tax purposes, but the company structure itself is not subject to the trust charging regime.

Suitability for property owning families

For families with property portfolios, a company can provide a more coherent way of managing the business activity, financing arrangements and long-term stewardship of the assets.

Mortgage interest is deductible for companies, whereas individuals holding residential property personally are subject to restrictions on interest relief (ITTOIA 2005, s.272A). Where a property portfolio is run as a genuine business, incorporation may also allow the business to be reorganised under a single corporate structure, provided the statutory conditions for incorporation relief (s.162 TCGA 1992) are met.

These features do not make the FIC a tax motivated arrangement; they simply reflect the fact that different legal structures operate under different statutory rules. The choice of structure should be driven by governance, control, succession and risk management considerations, but not to gain a tax advantage.

How an FIC is taxed

An FIC pays corporation tax on its income and gains. Corporation tax rates are often lower than the top personal or trust rates, but this is not the purpose of the structure. Once profits are within the company, any extraction by shareholders will give rise to further tax charges, and this must be factored into long term planning.

The key point is that an FIC is not designed to eliminate tax; it is designed to provide a stable, long term corporate environment in which family wealth can be managed, protected and passed on in an orderly way. Any tax outcomes are a consequence of the statutory framework, not the motivation for establishing the company.

How does an FIC work?

Introduction of assets to the company

The founder may introduce assets into the company through a loan or capital contribution. These assets can take various forms, including cash, property, shares, or other investments. The method chosen reflects the founder's commercial objectives, the nature of the assets, and the intended long-term governance and ownership structure of the company.

Shareholders' Agreement and constitutional documents

A Shareholders' Agreement is typically prepared as the principal contractual document between the shareholders, who are often family members and may include a family trust or employee benefit trust. The agreement sets out how the company is to be governed, how decisions are made, and how responsibilities are allocated. The company operates as a private limited company with bespoke Articles of Association tailored to the family's governance and succession arrangements.

Founder's role and allocation of rights

The founder is usually appointed as a director and may hold a class of shares that provides decision-making authority over strategic and operational matters. Other family members may hold different classes of shares to reflect their economic participation, responsibilities, or long-term involvement

The allocation of rights is designed to balance effective oversight with the gradual involvement of the next generation, without altering the founder's personal access to or enjoyment of assets outside the company.

Share classes and governance structure

The company may issue different classes of shares, each carrying specific rights relating to voting, dividends, or capital participation. These distinctions allow the family to reflect differing responsibilities, levels of involvement, and stewardship roles. Share classes may also distinguish between existing value and future value creation, supporting orderly succession planning and clarity over how economic benefits are shared across generations.

Role of constitutional documents

All rights and responsibilities are set out in the Articles of Association and the Shareholders' Agreement. The Shareholders' Agreement governs how directors exercise their powers on a day-to-day basis, while the Articles define the rights, protections, and interests of each shareholder according to their share class. This framework enables family members to participate in governance, decision-making, and economic outcomes in a manner consistent with their roles and responsibilities.

Family participation and protection mechanisms

Family members can hold different levels of responsibility and influence over company decisions, as well as differing rights to dividends and capital. The structure can be designed to meet the founder's and wider family's long-term objectives, including stewardship, succession, and the orderly distribution of value over time.

Protective provisions may be included to maintain stability and continuity, such as restrictions on transfers of shares outside the family or provisions addressing circumstances like divorce, ensuring that governance and control remain aligned with the family's intentions.

Legal and tax considerations

Any transfer of assets into the company or between family members requires a full review of the legal and tax implications, including capital gains tax, stamp taxes, inheritance tax, the settlements legislation, and market value rules. The analysis must consider whether the founder retains any rights or interests in transferred assets and how those rights interact with statutory rules governing transfers of value and ongoing control.

Valuation considerations

Where different family members hold different levels of influence or voting power, the valuation of their respective shareholdings depends on the specific rights attached to each class. The assessment of control, minority positions, and any associated adjustments is a matter for professional valuation, taking into account the company's constitution and the practical operation of its governance arrangements.

Tax Position of an FIC

An FIC is subject to corporation tax on its taxable profits and chargeable gains. The corporation tax regime differs from personal taxation; however, corporation tax is not inherently lower once extraction is considered.

- Dividends received by UK companies may fall within the dividend exemption regime, subject to conditions.
- Investment income and gains remain fully taxable within the company
- Close company provisions may apply
- Loans to participators may trigger s455 CTA 2010 charges
- Distributions to shareholders give rise to personal tax liabilities

- Transactions in Securities provisions may apply where capital extraction is structured

There is no automatic tax saving in using a company. Any perceived advantage must be analysed holistically, including entry, holding and extraction stages.

Property Portfolios

Incorporation of personally held property portfolios may trigger capital gains tax, SDLT (including higher rates), and potential anti-avoidance review.

Reliefs such as s162 TCGA incorporation relief are highly fact-specific and dependent on the existence of a genuine property business.

Care must be taken to ensure that any restructuring is commercially driven and properly evidenced.

Inheritance Tax Considerations

Transfers of value to an FIC must be analysed under IHTA 1984.

Relevant issues include: -

- Potentially exempt transfers
- Reservation of benefit
- Associated operations
- Transfer of value rules
- Close company valuation
- Settlements legislation where minors are involved

An FIC is not a statutory exemption from inheritance tax. Shares in the company may form part of an estate unless effectively transferred.

Governance and Family Control

The use of different share classes may assist in separating voting control, income rights, and capital growth. However, structuring must not contravene settlements legislation or income shifting principles.

Arrangements designed primarily to divert income to individuals subject to lower tax rates are likely to be scrutinised.

It is absolutely cardinal that the FIC is managed and operated on a proper commercial basis with all decision making and operational matters overseen by all shareholders and reported accordingly.

Compliance and Anti-Avoidance Considerations

HMRC undertook a focused review of Family Investment Companies in 2019 and did not introduce specific anti-avoidance legislation targeting properly implemented structures.

However, existing statutory regimes remain fully applicable, and any structure must be commercially justifiable.

Artificial or contrived arrangements designed to secure a tax advantage may fall within GAAR, targeted anti-avoidance rules, Transactions in Securities provisions, or settlements legislation.

All UK companies are subject to statutory filing requirements, including Companies House filings, Persons with Significant Control registers, and relevant international reporting obligations.

Professional Advice

Implementation of an FIC requires coordinated legal and tax advice, and yet more so when personally held property portfolios are involved. This will typically involve tax counsel, chartered tax advisers, corporate solicitors, and valuation specialists to ensure the evidence-based rules are adhered to at both at outset and on an ongoing (compliance) basis thereafter.

Ongoing compliance is critical.

FAQs

I already have a Limited Company — why consider an FIC?

An FIC is simply a more deliberate and durable way of organising long-term family wealth. While it shares the same legal form as an ordinary company, an FIC is structured from the outset to manage ownership, control, and succession across generations.

It allows parents to retain strategic control while gradually introducing children and grandchildren into the economic value of the company in a controlled, risk managed way.

This is often far more difficult to achieve with a standard trading company whose share structure was never designed for multi-generational planning.

Key advantages include: -

- Flexible governance — the ability to separate voting control from economic participation, ensuring stability while younger family members mature.
- Succession planning — future growth can be directed to the next generation without giving up day to day control or exposing assets to unnecessary risk.
- Asset protection — wealth can be ring fenced within a corporate structure, offering clearer rules around ownership, decision making, and long-term stewardship.

Tax outcomes may arise from these structural choices, but they are not the purpose of the arrangement.

Will setting up an FIC be seen as tax motivated?

The purpose of an FIC is not to secure a tax advantage. It is to create a stable, transparent, and well governed vehicle for holding and managing family wealth over the long term. Any tax efficiencies that arise do so because different business structures naturally produce different outcomes under the tax code. Those outcomes should be treated as incidental benefits, not the driving motivation.

The primary motivation should always be: -

- long term governance,
- succession planning,
- asset protection, and
- ensuring family wealth is managed responsibly and coherently.

Can my children be Directors of an FIC?

Children are more commonly introduced as shareholders rather than directors. Distinct share classes allow the economic value of future growth to sit with them, helping to prevent the family's wealth from concentrating solely in the parents' estates.

Directorship is a separate question. Adult children can become directors when they are ready to take on genuine management responsibilities. Parents can retain voting control and income rights through the appropriate share classes, even if capital shares are passed to the next generation.

This structure allows: -

- parents to maintain control and receive income,
- children to participate in long term growth, and
- a gradual, well managed transition of responsibility.

Can minors be shareholders?

Minors can legally hold shares, but it is rarely advisable for parents to gift shares directly to minor children because of the tax rules that attribute income back to the parent. Once children or grandchildren reach adulthood (18+), they can be added as shareholders in a way that supports long term planning and may reduce the tax exposure on income and gains.

Even before they become shareholders, younger family members can still be paid appropriately for genuine work undertaken for the FIC.

What do I do now?

Thankfully that's the easiest question to answer.

Simply telephone Tony Gimple on 07974 099221 or email him at tony@ctil.co.uk.

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