

Family Investment Company

A Family Investment Company offers an alternative to trusts for any UK domiciled individuals looking to manage their family's exposure to inheritance tax.

We provide a summary of when a family investment company could be considered as part of your succession planning.

What is a Family Investment Company?

A limited company that is formed or incorporated in Jersey.
How are shares treated?

Different classes of shares can be created; with non-voting shares gifted to children in order to hand wealth down the generations until such time as they are given added responsibility.

For example, parents will typically own the share class that entitles them to the income and voting rights, so they are able to benefit from the income and run the company during their lifetime; whilst the younger generation owns the non-voting share class that entitles them to the capital value of the company.

Gifting

The gifting of shares is a 'Potentially Exempt Transfer' (PET) which enables a UK domiciled individual to make gifts of unlimited value that become IHT exempt; provided that the donor survives for seven years from the date of making the gift.

Important points of note

An FIC would typically fall into the definition of 'close company'. A close company has 5 or fewer unconnected shareholders. If the shareholders of the FIC are UK resident, the gains of the company are taxed on them as they arise in proportion to their shareholding.

It is difficult to change interests after inception without tax consequences and therefore, the interests associated with each shareholder may be considered less flexible.

The transfer of assets abroad code attributes the income of an offshore company to its UK resident shareholder if he has the power to enjoy the income and falls within the definition of 'transferor'.

We recommend obtaining UK tax advice to confirm the personal tax position of the UK resident shareholders.

Please contact us to discuss whether a Family Investment Company could be an appropriate arrangement for your particular circumstances.



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