

Structuring Wealth with Family Investment Companies

This factsheet offers an overview of Family Investment Companies (FICs), designed to be a strategic tool for your family's long-term financial and tax planning. Compiled by Trident Tax's experts, it provides key facts into the advantages, structure, and applications of FICs, enabling you to make informed choices about wealth management and preservation.

We strongly recommend seeking tailored UK tax advice specific to your circumstances to ensure the best outcomes.

Family Investment Company (FIC) Overview

Definition: A Family Investment Company (FIC) is a tax-resident company in the UK, engaging in investment activities instead of trading. All shares are owned by members of the same family.

Purpose: Typically used as a long-term investment vehicle where post-tax returns are reinvested.

Tax Implications: Investment returns are subject to a corporate tax rate of 25%, generally much lower than individual income tax rates but 1% higher than the new higher capital gains tax rate for individuals.

In addition, dividends received into a FIC typically qualify from a valuable exemption from UK tax.

Funding & Financial Management

Funding Options

A FIC can be funded through loan, share subscriptions, or a combination of both.

Loan Repayments

Money loaned to an FIC can be returned to the lender at any time as a tax-free repayment, allowing flexible extraction of invested funds.

Asset and Liability Management

When funded by a loan, FICs initially have low share values due to their status as both asset holders and debtors, allowing for potential tax-efficient gift strategies.

Tax Efficiency & Estate Planning

Inheritance Tax Strategy: Gifts of shares can be made without triggering immediate inheritance tax liabilities, particularly useful when the FIC is initially funded by a loan.

Share Structuring: FICs can have different share classes to cap the inheritance tax liability on the original funder's shares.

Valuation for IHT: Shares held by family members may be valued at a discount for inheritance tax purposes, reflecting the shareholder rights granted to other family members and reducing the original shareholder's tax exposure.



Dividends & Family Involvement

Dividend Distributions	Family members holding various classes of shares can receive dividends, which are taxed at potentially lower rates than those of the original funder.
Minor Shareholders	If a minor child holds shares, dividends may be taxed as the parent's income.
Family Participation	Younger family members can be involved in decision-making processes, gaining experience and preparing to possibly take over management in the future.

Use Cases & Viability

Common Usage: Often established by individuals with significant capital from the sale of a trading company, seeking a long-term investment solution.

Investment Versatility: No restrictions on the type of assets held, ideal for directing investments personally.

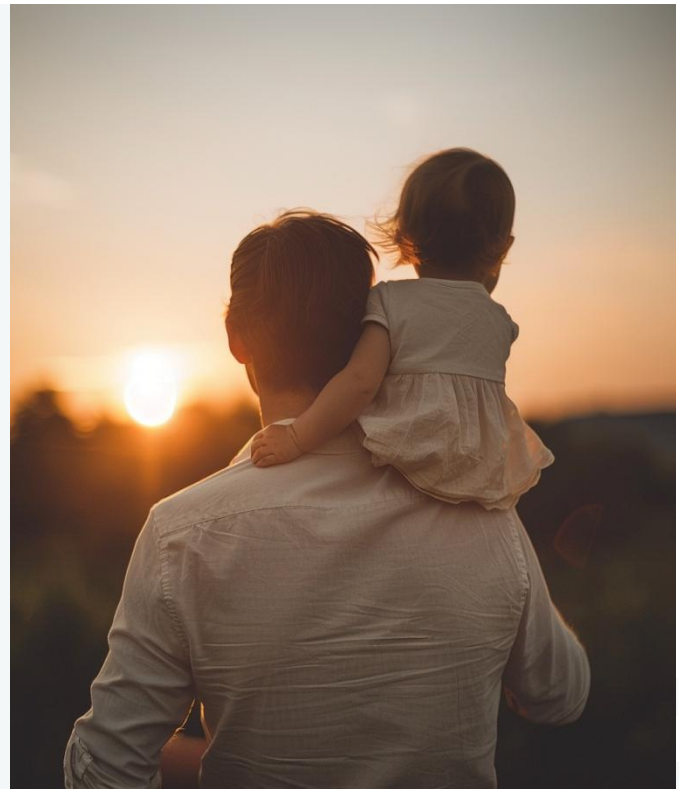
Financial Threshold: Most beneficial for managing funds exceeding £2m due to the costs associated with maintaining company accounts and tax returns.

Treasury: Can also be used to make loans to family members and investments in new family ventures.

Secure and Grow your Family's Wealth with Trident Tax

At Trident Tax, we specialise in structuring FICs to support financial growth and tax efficiency tailored to your needs and investment goals. Our expert team collaborates closely with professional advisers, financial institutions, and accountants to ensure your FIC is efficiently structured.

Whether you're transitioning from a business sale, aiming to protect assets for future generations, or involving young family members in wealth management, Trident Tax offers tailored advice to navigate the complexities of family investment structures.



TRIDENT TAX

Unlock the potential of your family's wealth with expert guidance and strategic insight from Trident Tax.

+44 (0)207 952 2921
admin@tridenttax.com
www.tridenttax.com

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