

Family Investment Company Guide

For the Tax Year 2025/26



A Family Investment Company (FIC) is a bespoke private company structure, purpose-built to help families manage, grow, and protect their wealth across generations. FICs are increasingly popular as flexible, tax-efficient alternatives to trusts, offering families enhanced control over assets, succession planning, and potential tax advantages.

What is a Family Investment Company?

A Family Investment Company is established by one or more family members (the "founders") who transfer assets, such as cash, shares, or property, into the company, often via a combination of gifts and loans.

The FIC then acts as a central hub for managing and investing family wealth, with the founders and other family members typically acting as directors and shareholders.

FICs are highly customisable. Through the use of different share classes (e.g., voting and non-voting shares), families can tailor control, income rights, and capital entitlements to suit their objectives, allowing founders to retain decision-making authority while facilitating the gradual transfer of wealth to younger generations.

What types of FICs are available?

FICs are usually set up as private limited companies, though unlimited company structures are also possible.

A limited company limits shareholder liability, while an unlimited company may offer greater privacy and simpler administration, as it is not required to file accounts at Companies House.

FICs can be tailored to the family's needs, including:

- **Alphabet shares** - Multiple share classes (A, B, C, etc.) with different voting, dividend, and capital rights.
- **Director appointments** - Founders and/or family members act as directors, controlling investments and dividend policy.
- **Shareholder agreements** - Rules governing share transfers, succession, and family decision-making.

Who is eligible?

Any individual or group of individuals can establish a Family Investment Company.

Typically, parents or grandparents act as founders and directors, with children or other family members as shareholders. FICs can also be used by trusts or corporate entities as part of broader wealth planning.

Setting up a Family Investment Company

Establishing an FIC involves several key steps:

- **Define objectives** - Clarify the family's wealth, succession, and control goals.
- **Incorporate the company** - Register the FIC with Companies House, select a company name, and draft bespoke Articles of Association and shareholder agreements.
- **Structure share classes** - Allocate voting shares to founders and non-voting shares to family members as required.
- **Appoint directors** - Typically, the founders act as directors to retain control.
- **Transfer assets** - Fund the FIC with cash (preferably) or other assets. Loans from founders are common, as transferring property or shares may trigger Capital Gains Tax or Stamp Duty.
- **Professional advice** - Legal and tax advice is essential to ensure compliance and optimise tax efficiency.

Who manages the Family Investment Company?

Directors, who are usually the founders or trusted family members, manage the company and its investments, in accordance with the company's Articles and shareholder agreements.

Paying money into a Family Investment Company

FICs are usually funded by the founders through:

- **Cash gifts or loans** - Cash is the preferred method to avoid immediate tax charges. Loans can be repaid tax-free from company profits.
- **Asset transfers** - Property, shares, or other investments can be transferred, but may trigger Capital Gains Tax or Stamp Duty.
- **Share transfers** - Shares in the FIC can be gifted to family members, which may have inheritance tax implications if the founder does not survive seven years.

What are the tax benefits of a Family Investment Company?

FICs offer several potential tax advantages:

- **Corporation Tax** - Investment profits are taxed at corporation tax rates (currently 19%–25%), often lower than higher personal income tax rates.
- **Dividend income** - Most dividends received by the FIC from UK and qualifying overseas companies are exempt from corporation tax.
- **Deferral of personal tax** - Income and gains can accumulate within the FIC, with personal tax only due when profits are distributed as dividends to shareholders.
- **Inheritance Tax (IHT) planning** - Gifting shares to family members can reduce the founder's taxable estate, and if the donor survives seven years, the value falls outside their estate for IHT purposes.
- **No trust charges** - Unlike trusts, FICs do not attract periodic or exit IHT charges.

Why choose a Family Investment Company?

A Family Investment Company may be suitable if you:

- Wish to retain control over family wealth while enabling succession and wealth transfer.
- Seek tax efficiency on investment growth and income.
- Require flexibility in distributing income and capital among family members.
- Want to protect family assets and manage intergenerational wealth in a structured, centralised way.
- Are considering alternatives to trusts for estate planning, especially for larger sums (typically £1m+).

Why might a Family Investment Company not be suitable?

FICs are not suitable for every family. Key considerations include:

- **Complexity and cost** - FICs involve higher setup and ongoing administration costs, making them less attractive for smaller sums.
- **Tax on asset transfers** - Transferring non-cash assets can trigger immediate Capital Gains Tax or Stamp Duty.
- **Regulatory compliance** - Directors must meet company law and reporting obligations.
- **No Business Property Relief** - FIC shares do not qualify for Business Property Relief, so the full value is subject to IHT (though minority discounts may apply).
- **Potential for family disputes** - Complex share structures and control arrangements **require careful governance to avoid conflict**.

Professional advice is essential to assess suitability and ensure the structure meets your family's needs.

Can you make withdrawals from a Family Investment Company?

Withdrawals from an FIC are typically made as:

- **Dividends** - Paid to shareholders at the directors' discretion, subject to available profits and personal tax on receipt.
- **Loan repayments** - If the founder provided a loan, repayments can be made tax-free.
- **Winding up** - On liquidation, capital is distributed according to share rights, subject to tax on any gains.

What are the tax implications of an FIC?

A Family Investment Company (FIC) offers tax-efficient wealth management, but its structure involves specific tax considerations.

Below is a breakdown of key tax implications for investments held within an FIC:

- **FIC Corporation Tax** - Profits (including rental income, interest, and capital gains) are taxed at the corporation tax rate of 25% for 2025/26, regardless of profit size. Retained profits are taxed at 25%, but further tax is deferred until distributions are made to shareholders.
- **FIC Dividend exemption** - Dividends received by the FIC from UK or qualifying overseas companies are exempt from corporation tax, enhancing compound growth.

- **Dividend Distributions to Shareholders** - Dividends paid to shareholders are taxed at their marginal dividend tax rates, with shareholders benefiting from a £500 dividend allowance.
- **Capital Gains Tax (CGT)** - Within the FIC, capital gains from asset sales (e.g., property, shares) are taxed at the 25% corporation tax rate, not personal CGT rates.
- **Capital Gains Tax (CGT) to Shareholders** - Gains on selling FIC shares or liquidating the company are taxed at personal CGT rates.
- **Anti-avoidance rules** - Distributions during liquidation may be reclassified as dividends if the FIC retains distributable reserves.

What is HMRC's Perspective on FICs?

Following a dedicated investigation into FICs that concluded in 2021, HMRC now considers these structures as "business as usual" after finding no evidence of widespread avoidance or non-compliance.

However, care is still needed when structuring an FIC, as certain arrangements may still be caught by existing anti-avoidance rules.

As with all wealth planning vehicles, no succession structure is immune to future legislative changes.

This highlights the importance of obtaining specialist advice regarding the setup, structure, and ongoing management of your Family Investment Company.

Can an FIC be used for Estate Planning?

For estates exceeding £1 million, FICs often provide a cost-effective alternative to trusts, particularly where long-term growth and family control are priorities, offering families structured wealth transfer, tax efficiency, and control over intergenerational assets.

Below are some key considerations and benefits for Estate Planning and Inheritance Tax (IHT) Mitigation.

- **Retained Control** - Founders can retain voting shares while gifting non-voting shares to younger generations, ensuring decision-making authority remains with senior family members.
- **Shareholder Agreements** - Define rules for share transfers, dividend policies, and leadership succession, reducing family disputes.
- **Potentially Exempt Transfers (PETs)** - Shares gifted to family members are treated as PETs. If the donor survives seven years, the gifted shares fall outside their estate for IHT purposes. Full IHT exemption depends on the donor surviving seven years post-gift.

- **Valuation Discounts** - Minority shareholdings (e.g., <10%) may attract discounts of up to 75% for IHT, reducing the taxable value of the estate.
- **No Business Property Relief (BPR)** - FIC shares do not qualify for BPR, unlike shares in trading companies.

It's worth noting that estate planning is a complex area with significant implications, so professional advice tailored to your circumstances is essential when using an FIC as part of your wider succession planning.

What happens at death?

Withdrawals from an FIC are typically made as:

- **Dividends** - Paid to shareholders at the directors' discretion, subject to available profits and personal tax on receipt.
- **Loan repayments** - If the founder provided a loan, repayments can be made tax-free.
- **Winding up** - On liquidation, capital is distributed according to share rights, subject to tax on any gains.

Are there minimum amounts that can be invested?

Due to setup and ongoing costs, FICs are generally only cost-effective for families investing £1 million or more.

There is no statutory minimum, but professional advice is recommended to determine suitability.

Will I be charged a fee?

If you are an existing client, your FIC will be managed under your existing service agreement and fee structure, alongside your main investment portfolio.

Are there any other charges?

FICs incur professional fees for legal, tax, and accounting advice, as well as ongoing company administration and reporting costs. These should be weighed against the potential tax and control benefits.

Where are your FIC assets held?

We have strategically chosen to partner with AJ Bell Securities Ltd, a specialist Custodian, to administer the regulatory and operational aspects of our FIC offering.

This deliberate separation of responsibilities offers several distinct advantages:

- **Enhanced Security** - Your assets benefit from the robust safeguarding protocols of a dedicated custodian, with assets held separately from our firm's balance sheet.

- **Specialised Expertise** - Our custodian brings focused regulatory expertise in settlement and administration, ensuring continuous compliance with evolving tax legislation.
- **Investment Focus** - This partnership allows our investment professionals to concentrate exclusively on portfolio management.

AJ Bell Securities Limited are one of the largest providers of investment platforms and stockbroker services in the UK, is a member of the London Stock Exchange and regulated by the Financial Conduct Authority.

This guide is not personal advice. If you're at all unsure of the suitability of an investment for your circumstances please ask your usual Tacit contact for advice.

Important things to remember

All the solutions we offer involve some form of investment risk and you should be aware that the value of investments in your FIC can fall in value, so you could get back less than the original capital you invested.

Whilst the rules we refer to are those that currently apply, they can change over time and their value and how you are taxed will depend on your personal circumstances, and tax rules at the time.

You have sole responsibility for the management of your tax and legal affairs including all applicable tax filings and payments and for complying with the applicable laws and regulations. We may provide guidance on using tax-efficient structures such as making use of tax allowances. We are not specialist tax advisers and will not provide you with tax or legal advice and recommend that you obtain your own independent tax and legal advice, tailored to your individual circumstances.

This guide is not personal advice. If you're at all unsure of the suitability of an investment for you or your family's circumstances please ask your usual Tacit contact for advice.

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TIML/CG/FICG/2025-26

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