Family Investment Companies - Investing in the future

A family investment company (FIC) is a tax-efficient vehicle used for estate planning. Developed following changes to the taxation of trusts

in 2006, FICs offer an alternative to trusts as they enable significant wealth to be passed on to future generations – while both protecting

and retaining control over the assets.

Key features of a FIC include:

1. Dividend income received by a FIC is not subject to tax.

2. Other income and gains are taxed at 20 per cent (reducing to 19 per cent in April 2017 and to 18 per cent in April 2020).

3. An indexation allowance can be claimed for capital gains.

4. On incorporation, shares can be gifted free of any immediate tax.

5. The board of directors controls the FIC – including investment decisions and distribution of profits – so it is not necessary to keep a majority shareholding to maintain control.

6. A FIC is an onshore structure that is not subject to Financial Conduct Authority regulations – so no third parties need be involved.

7. Shareholders can receive different levels of income at different times.

As with any company, day-to-day control of a FIC rests with the board of directors. The board determines what investments the company makes and what dividends it pays to shareholders. However, a FIC also goes much further than a trading company to ensure that the board has an overall say in the structure and management of the company. For example, shareholders have to seek board approval before appointing or dismissing a director, or transferring shares.

For further information on Family Interest Companies contact Philip Chapman on p.chapman@wjclaw.co.uk.
