



A Practical Guide to Family Investment Companies

A tax-efficient vehicle to manage, grow and pass on family wealth.

Family Investment Companies have grown in popularity as an alternative to trusts, offering high net worth families a flexible way to structure their wealth. They combine the control of a company with the ability to transfer value to future generations, while creating opportunities **for tax efficiency**.

What is a Family Investment Company?

A Family Investment Company (FIC) is a private company, usually limited by shares, established to hold and manage family assets. Parents or wealth creators often act as directors, retaining day-to-day control, while shares are passed on to children or held in trust. Unlike a traditional trust, a FIC provides a clearer corporate governance framework and can accommodate a wide range of investments without impacting on the founders.

Why consider a FIC?

A FIC can play an important role in long-term family wealth planning. Key benefits include:

- ◆ **Control:** founders can remain as directors, deciding how assets are managed, when profits are distributed and potentially to whom.
- ◆ **Flexibility:** there are no restrictions on the types of investments a FIC can hold.
- ◆ **Succession planning:** value can be transferred to the next generation during a lifetime, helping mitigate Inheritance Tax exposure.
- ◆ **Tax efficiency:** profits are generally subject to Corporation Tax, which can be lower than personal Income Tax rates. Dividends received by the company will often be free from tax, allowing gross reinvestment.
- ◆ **Asset protection:** the company structure helps ring-fence family wealth and formalise governance. Increases in value can be given away, whilst retaining a base of assets to meet future needs.

How does it work?

Typically, the parents drive the establishment of the FIC and provide the principal investment capital of the company. They act as directors, setting strategy and overseeing investments. They and other family members hold shares with varying rights. It's normally recommended that each shareholder subscribes for their own shares rather than the parents passing shares over where there may be some benefit retained.

Income is taxed in the company, and distributions to shareholders are subject to personal tax. A carefully designed shareholder agreement underpins the governance, ensuring clarity across generations.

As future generations mature, they can become involved in the running of the company with the parents, providing valuable experience in a controlled setting.

Key tax considerations

Before deciding whether a FIC is right for you, it's important to understand the key tax implications. From how profits are taxed, to the way a FIC interacts with wider estate and trust planning, these considerations will shape how effective the structure is for your long-term goals.

- ◆ **Corporation Tax:** profits are taxed in the company at Corporation Tax rates
- ◆ **Dividend taxation:** when profits are paid out, shareholders may have additional tax liabilities.
- ◆ **Inheritance Tax:** allowing growth in value accrue to shares held by other family members can help reduce the taxable estate on death, subject to conditions and timelines.
- ◆ **Capital Gains Tax:** can arise on transferring assets into the FIC and there can be double taxation on gains that are distributed to shareholders.
- ◆ **Trust interaction:** in some cases, FICs are used alongside trusts as part of a wider wealth strategy but care needs to be taken to avoid income of the structure being attributed back to the creators of the settlement.

Risks and limitations

While FICs offer advantages, they are not suitable for everyone. Points to be aware of include:

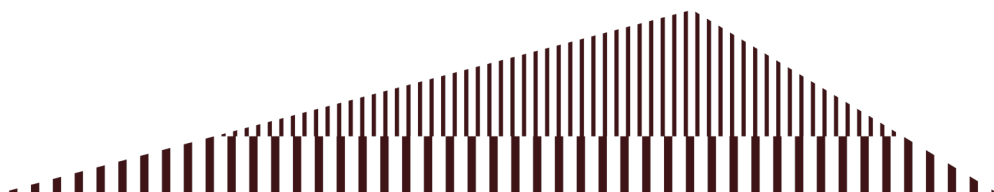
- ◆ **HMRC scrutiny:** FICs are increasingly on HMRC's radar, meaning robust structuring is vital.
- ◆ **Complexity:** establishing and managing a FIC requires careful planning and ongoing compliance. Balancing competing interests and timing differences can be challenging.
- ◆ **Governance:** clear Articles of Association and shareholder agreements are essential to avoid or better manage future disputes.
- ◆ **Limited flexibility:** FICs are not as flexible as trusts as the rights and entitlements are determined by the shareholdings. Later changes in structure can incur tax charges and loans to shareholders are more expensive than those from trusts.
- ◆ **Publicity:** UK companies are obliged to publish information at Companies House, putting financial details into the public domain. From 2027 this will include the income of the company.
- ◆ **Suitability:** for some families, simpler options such as trusts may be more appropriate. Some investments can be less tax-efficient in companies because of annual revaluations that create or accelerate tax liabilities.

Who are they right for?

FICs are best suited to individuals and families who hold significant liquid wealth and want to take a more structured approach to protecting and growing it. They work particularly well when there is a pool of capital available that can be invested collectively, rather than dispersed across different personal arrangements. By bringing assets together within a single company, families gain greater oversight, flexibility and control, while also establishing a clear governance framework around how wealth is managed.

For many, a FIC can also be a practical alternative, or a complement, to traditional trust structures. Where trusts may feel restrictive, or where there are concerns about how they are viewed from a tax or regulatory perspective, a FIC can provide another route to achieve many of the same objectives. It allows wealth creators to retain a degree of control while still starting to pass value down the generations, in a way that can be more transparent and easier to tailor to a family's specific needs.

FICs tend to be most effective where there is a long-term vision for wealth preservation and succession. Families who want to build in protections for future generations, manage tax exposure efficiently, and avoid fragmentation of assets over time often find a FIC gives them the right balance of structure and flexibility. However, this requires a willingness to embrace a more corporate approach to family wealth, treating the family's capital much like a business, with shareholder agreements, decision-making processes, and clarity around who holds what rights and responsibilities. For families prepared to take that step, a FIC can be an extremely powerful tool in safeguarding and passing on wealth.



How HaysMac can help

At HaysMac, our private wealth specialists can help you decide whether a FIC is the right fit for your circumstances and long-term goals. We take the time to understand your family's needs and objectives, offering bespoke advice that ensures any structure we recommend is tailored to you.

If a FIC is the right route, we guide you through every stage of the process, from setting up the company and drafting shareholder agreements, to designing the right tax strategy and addressing the practical matters that arise over time.

Our support doesn't stop once the structure is in place: we also provide ongoing accounting, tax compliance and reporting services to make sure your FIC runs smoothly and remains fit for purpose. Importantly, we align your FIC with your broader wealth planning, including succession plans, trusts, estate planning and Inheritance Tax, so that everything works seamlessly together.

Alongside our FIC expertise, we offer a full range of related services, including Inheritance Tax planning, trusts and estate planning, personal tax advice for high-net-worth individuals, and investment structuring. This holistic approach means you benefit from joined-up advice across every aspect of your wealth.

Our team

If you are considering whether a FIC could be the right vehicle for your family, we would be delighted to talk through your options.

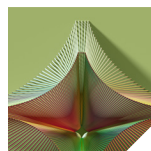


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