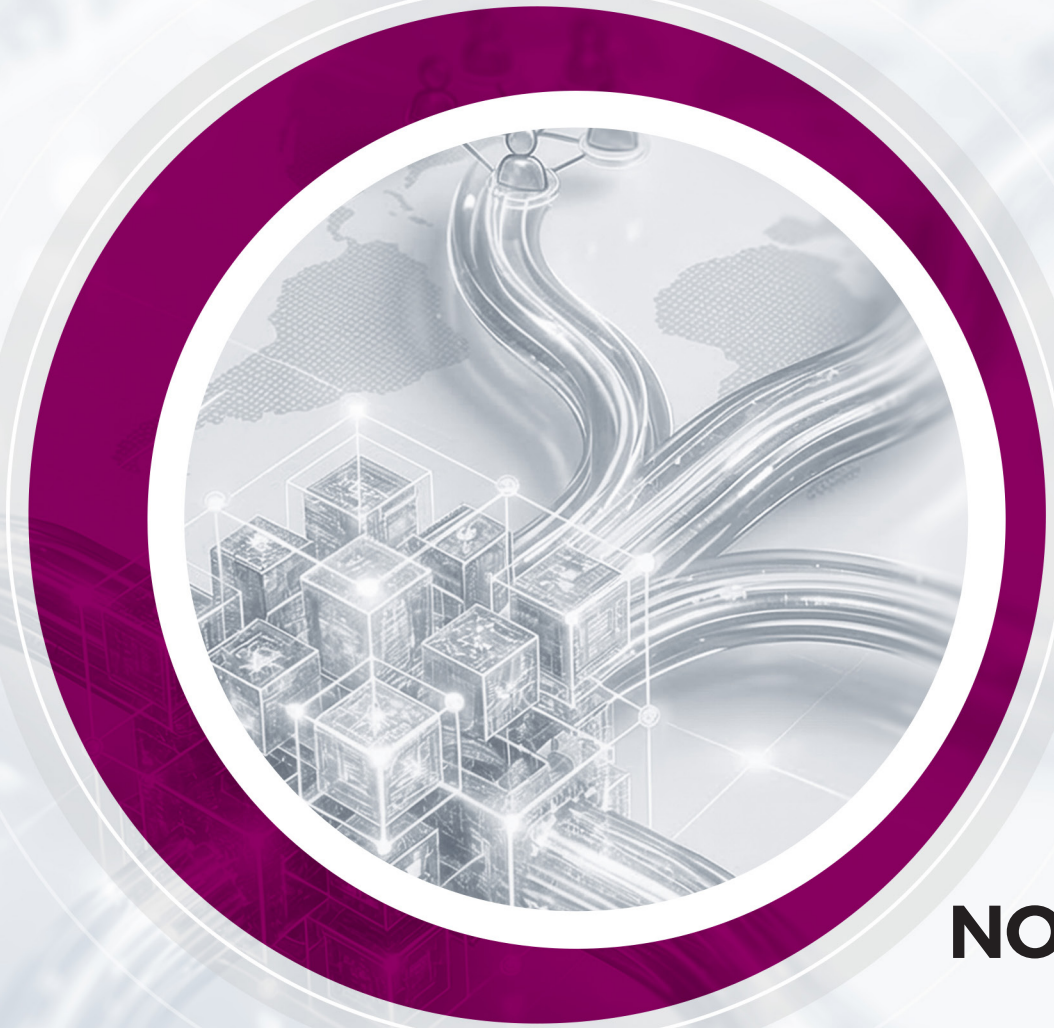
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ANNUAL REPORT SERIES

SHARING WEALTH USING FAMILY INVESTMENT COMPANIES

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About Sam Hart

Dr Sam Hart CTA TEP has over 30 years' experience advising on private client tax and with a particular specialism in trusts. She is the managing partner of Rosegate Tax, and deals with HNW and entrepreneurial clients, generally in the mid-market deal space. She has been advising on family investment companies for a number of years, has a great deal of experience in implementing them as solutions for clients and has written about them for Taxation magazine, as well as being a regular contributor to Tax Insider. She is also an author for Bloomsbury Professional and holds a PhD in tax.

About this guide

Family investment companies (FICs) are not new inventions and are, at a basic level, merely simple corporate structures. As will become clear, however, these should not be treated as off-the-shelf solutions and instead should be considered bespoke and tailored planning. Nevertheless, interest in FICs is waxing rather than waning, possibly more so in recent months owing to the recent changes to agricultural property relief (APR) and business property relief (BPR), making trusts seem even more complicated, and therefore something to be steered clear of. In reality, of course, trusts and FICs can be used in tandem, where appropriate. The APR and BPR changes have themselves moved on since the first edition. The new allowance for 100% relief, originally announced at £1m, was increased to £2.5m on 23 December 2025, is transferable between spouses and civil partners, and applies from 6 April 2026, with 50% relief on value above the allowance.

This document provides a comprehensive overview of FICs in the context of UK law. This is a general guide and does not constitute advice. Specific decisions should be made with professional input in light of individual facts, objectives and risk appetite.

What has changed since the first edition

This edition has been updated for developments to 31 October 2027. The principal changes affecting FIC planning are as follows:

Dividend tax: The dividend ordinary and upper rates rose by two percentage points to 10.75% and 35.75% from 6 April 2026 (the additional rate is unchanged at 39.35%). The section 455 charge on loans to participators is aligned with the upper rate and so rises to 35.75% for loans made on or after 6 April 2026. See sections 6.2 and 9.2.

Savings and property income: From 6 April 2027, the savings and property income rates rise by two percentage points to 22%, 42% and 47%. See section 6.2.

APR and BPR: The £2.5m allowance for 100% relief takes effect on 6 April 2026, with 50% relief above it, transferability between spouses and civil partners, a separate allowance for trusts and anti-forestalling rules for lifetime gifts made on or after 30 October 2024 and before 6 April 2026. See sections 7.3 and 9.7.

Pensions: For deaths on or after 6 April 2027, most unused pension funds and pension death benefits fall within the estate for inheritance tax (IHT) under Finance Act 2026. See section 6.2.

Share exchanges: The anti-avoidance rule in TCGA 1992 s 137 was amended with effect from 26 November 2025 to change the 'bona fide commercial reasons' requirement, to remove the exemption for holdings of 5% or less, to test each shareholder's purposes separately, and to confirm HMRC may make just and reasonable adjustments rather than denying relief outright. This will affect FICs funded by share-for-share exchange. See sections 4.4 and 7.3.

Company law: Identity verification at Companies House became mandatory on 18 November 2025, and from the same date companies no longer keep their own registers of directors, directors' residential addresses, secretaries or persons with significant control (PSCs). Accounts filing reform (software-only filing and a profit and loss account for small and micro-entities) has been deferred to April 2028. See section 8.

1 Introduction to family investment companies

Family investment companies (FICs) have become an increasingly popular structure for wealthy individuals and families in the UK seeking to preserve wealth, exert control and plan succession across generations. Traditionally, trusts were the go-to vehicle for wealth preservation, but changes to the UK tax landscape, particularly around the taxation of trusts, have led many advisers and clients to consider FICs as a viable, flexible alternative.

An FIC is, at its simplest, an ordinary private company limited by shares that is used as a vehicle for holding and managing family wealth. The term is descriptive rather than a statutory one. FICs are typically closely held, often by members of a family and by family trusts, and are designed to centralise the ownership and governance of cash, securities and sometimes real estate property or interests in private businesses as fits with the family's aims and preferences.

FIC planning usually involves three main areas of consideration. First, a clear shareholder architecture that supports succession planning. Second, bespoke articles of association and a shareholders' agreement that allocate control and economic rights between the family. Third, a tax-aware funding and extraction plan that aligns with long-term family goals.

In contrast with trusts, which have their own laws and tax statutes, an FIC uses company law mechanics and the corporation tax regime. This does not mean that trusts and FICs are mutually exclusive as an FIC can, and frequently does, sit alongside trusts. For example, a discretionary trust might hold a class of non-voting growth shares for minors, while parents retain voting or veto rights through a separate class.

FICs are often discussed in the same breath as anti-avoidance rules. That is because the typical profile of a close company, with multiple family participators, and involving various intergenerational transfers, can engage a range of anti-avoidance provisions. However, when used appropriately, FICs are a mainstream planning tool. The goal is good governance, sensible risk management and tax efficiency that follows from ordinary corporate structuring rather than artificial steps.

This guide is designed to provide a detailed, practical and technically accurate roadmap for those who are familiar with company structures and tax concepts, but who may not be specialists in private client or corporate tax planning. We will consider the rationale, legal framework, structuring options, tax implications, governance and long-term considerations relevant to FICs.

2 Why use an FIC?

Clearly, there is going to be some kind of tax behavioural influence involved in using an FIC; otherwise, we would not be discussing it here. But the tax

is not the only story at play. Families tend to choose an FIC for governance and control as well as tax efficiencies, both during lifetime and as part of succession planning. It is also inaccurate to view FICs as purely instruments for the protection of generational wealth, although this can be a feature, as they can also be extremely tax-efficient for tax other than inheritance tax (see section 6). FICs are also corporate structures which provide some taxpayers, particularly entrepreneurs, with the comfort of familiarity.

FICs may therefore be appropriate and can be particularly attractive for families aiming to:

- accumulate and reinvest wealth during lifetime in a tax-efficient manner;
- maintain control while planning for intergenerational succession; *and*
- combine commercial discipline with long-term wealth stewardship.

In terms of FIC governance, the board manages the assets, sets investment policy and can be staffed by experienced family members or independent professionals. Voting and veto rights can be ring-fenced in founders' shares, so parents retain control while passing economic growth to the next generation.

Cost efficiency is another driver. While mainstream UK corporation tax rates apply to company profits, which would include income streams from renting property, for example, the dividend exemption regime in Part 9A Corporation Tax Act 2009 often protects portfolio dividends from tax within the company. This means gross investment returns can be compounded within the corporate wrapper, subject to corporation tax on interest, rental profits and chargeable gains.

While trusts can protect value in different ways and leave assets subject to a specific tax regime applicable to trusts, a company can sometimes provide a simpler path to transfer value gradually without triggering those specific trust charges. That said, transfers into an FIC and the rights attaching to shares must be considered carefully for inheritance tax purposes, as discussed in sections 7 and 9.

There are also non-tax behavioural benefits. Particularly when looking at wealthy family groups who may not hold sufficient assets for a full family office type structure, an FIC can nevertheless create an institutional mindset. There is a board, accounts, investment policy and reporting. Younger family members can learn to be responsible owners by serving as junior directors or by managing a defined portfolio within limits set by the board.

Succession is also a tax and a non-tax consideration. The company has perpetual succession, so assets need not be fragmented on death; instead, shares can be transmitted or held by personal representatives pending estate administration.

3 Key structural elements of an FIC

In simple terms, the underlying structure of an FIC is simply a private company, normally limited by shares. To benefit from limited liability, the company must be registered at Companies House, although it is possible for an FIC to be structured as a private unlimited company. While there is no limited liability protection in these companies, there is also no requirement to publish accounts or other information at Companies House now required from limited companies and therefore some families consider this to be of greater benefit.

Typical features include multiple share classes, bespoke articles and a shareholders' agreement. Founders may hold voting or management shares with limited or no economic rights. Children and trusts might hold non-voting growth shares with entitlement to dividends and eventual capital. A separate class can be used for 'freezer' shares that lock in founders to a fixed value while future growth accrues to the growth shares.

The company is almost always a close company for the purposes of Corporation Tax Act 2010 s 439 and related provisions, given the small number of participators. Close company status brings into play rules on loans to participators (CTA 2010 s 455), the rate of which rises from 33.75% to 35.75% for loans made on or after 6 April 2026, following the increase in the dividend upper rate, benefits provided to participators (Income Tax (Earnings and Pensions) Act 2003 and CTA 2010 interactions) and certain distribution rules.

So, given that an FIC is a relatively normal close company structure that will be familiar to many, its distinguishing features lie in its purpose, governance and funding. It is an investment-holding vehicle established primarily to manage and grow family wealth by tailored structuring.

Key characteristics include:

- family control via directors or voting shares;
- investment activity rather than trading;
- funding by loans or equity from family members; *and*
- a design with inheritance tax mitigation, succession and governance in mind.

Practical point

A well-drafted FIC will have tailored articles of association and, in many cases, a shareholders' agreement that reflect the family dynamics, any governance rules and tax planning aims.

3.1 The importance of governance in a family investment company

While a family investment company is primarily an investment vehicle, it remains a company subject to UK company law and the oversight of its directors and shareholders. Sound governance is fundamental to ensuring the