Family investment companies

Highlights

- Family investment companies (FICs) have been developed to allow individuals to subscribe cash or assets for, and then make substantial gifts of, shares in the FIC to others whilst avoiding an immediate inheritance tax (IHT) charge and allowing the founder to retain significant control over the assets gifted by the retention of voting shares.

- There is no tax payable on UK, and most offshore, company dividends received in a FIC and other income and gains will be taxed at the corporation tax rate (20% from 1 April 2015); this compares very favourably with the additional income tax rate of 45% applicable to trusts and individuals.

- The FIC articles of association need to be drafted carefully and include technical clauses, to ensure that significant value is transferred with the gifts and that they do not constitute a gift with a reservation of benefit, in which case the value of the shares gifted could still be treated as part of the founder's estate.

- Some measure of asset protection over the value gifted is provided through the FIC in the event of bankruptcy or divorce of the shareholders.

- The privacy of the founder and shareholders can be maintained through a FIC by avoiding the need to publicly report details of the assets and value held.

- The set up costs for a FIC can be high and they are unlikely to be an option worth pursuing unless the transfer intended will be at least £1 million.

- For lesser intended gifts where an individual wishes to maintain some control, trusts are still the primary lifetime IHT mitigation tool. Where the total of assets gifted to most lifetime trusts do not exceed the individual's IHT threshold of £325,000 (2015/16), so £650,000 for a couple, they are likely to be provide the most flexible solution.

For further information or for a copy of our fuller explanatory note please get in touch with **Stephen Brignull** on 01789 206139 or your usual Lodders contact.

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