



Family Investment Companies

The UK's recent tax reforms have introduced significant changes affecting offshore trusts and non-domiciled individuals.

These reforms have led many to question the future viability of offshore trust structures and consider alternatives such as Family Investment Companies (FICs).

Whilst the traditional trust still very much has its place in terms of wealth protection, we have seen increased interest in FICs as a potential alternative for wealth structuring, and the flexibility that they offer is particularly appealing to the more entrepreneurial clients who are more familiar and comfortable with a corporate entity.

What is a FIC?

A FIC is a private company used to manage and control family wealth. It is a vehicle that allows a family to pool their financial assets and make strategic investments, whilst also providing a structure for transferring wealth to future generations.

Assets

It can be formed with specific share classes to separate the income and capital value of the company and family members are the shareholders. For example, parents can own the share class that entitles them to the income and voting rights, whilst the younger generation owns the non-voting share class that entitles them to the capital value and future growth of the company.

Funding

Initial funding can come from share subscriptions, subsequent share issues or loans, each with different implications for control, tax and future wealth extraction.

Governance

Establishing a FIC often involves defining a formal governance structure for decision-making. This can include establishing a board of directors, creating family councils, and implementing mechanisms for resolving conflicts. Such governance structures promote transparency, accountability and effective decision-making for the entire family. Directors' powers can be enhanced through bespoke articles of association and shareholders' agreements.

Jurisdiction

FICs are often incorporated in one jurisdiction (i.e. Jersey) and managed and controlled from another (e.g. the UK) for reasons which are outlined below.



Key benefits of FICs?

1. Control

Founders can retain control over assets while gradually involving the next generation in management decisions.

2. Wealth protection

The FIC acts as a separate legal entity, which means personal assets are shielded from business risks.

3. Succession planning

Shares can be structured to facilitate the transfer of wealth to future generations in a controlled manner, potentially also reducing IHT exposure. The value of the FIC shares can often be discounted for IHT purposes because family members usually hold a minority interest in the company. If the FIC is incorporated offshore i.e. in Jersey, its shares will be non-UK and so not subject to IHT in the hands of non-UK domiciled shareholders, unless the FIC holds UK property (or related loans). Some countries also have bilateral agreements that prevent double taxation on estates, gifts and inheritances. Where such treaties exist, they may provide relief on the value of the FIC shares for IHT purposes.

4. Flexibility

The FIC provides a platform for long-term investment decisions and allows the family to invest in various assets. The share structure allows for tailored distribution of income and capital.

5. Tax optimisation

A well-structured FIC that is incorporated offshore in Jersey but managed and controlled in the UK can offer many tax advantages.

- FICS are subject to UK corporation tax on profits, which is generally lower than personal income tax rates, and investment management fees and rental losses can be offset against profits.
- Dividends received by the FIC are generally exempt from corporation tax. Dividends paid to shareholders will be subject to income tax in their hands, but non-UK resident shareholders will have no liability to UK income tax.
- Loans to a FIC can be made interest free and can be repaid from profits tax free.
- Gains arising in the FIC are also charged to corporation tax. On liquidation, shareholders will be subject to capital gains tax, but non-resident shareholders will not be subject to UK capital tax on any gains unless the FIC holds UK property.

How VG can help

While FICs offer several advantages, they also come with complexities including regulatory and tax compliance and administrative and filing responsibilities. It is, therefore, essential to assess individual circumstances and objectives when considering the use of FICs or other structures.

At VG, we have extensive experience in managing FICs for clients and pride ourselves on being able to navigate those complexities to ensure that any chosen structure aligns with long-term family and financial goals.

We can offer an all in service, to include company formation and structuring, and company secretarial services along with administrative and accounting support. We also work closely with tax and legal advisers to ensure ongoing compliance.

Why Jersey

A Jersey incorporated FIC has several advantages thanks to being a leading international finance centre and its favourable regulatory, legal and tax environment.

- Stable political environment.
- Well-regulated financial system.
- Family wealth professionals experienced in structures like FICs.
- Greater privacy.

Jersey also offers greater privacy compared to the UK - it does not require public disclosure of company shareholders and accounting information in the same way UK Companies House does.

It's as simple as... speaking to people you trust



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Debbie joined VG in 2020 as a Director on the board of VG Holdings Limited. With over 20 years' experience, Debbie has an impressive track record of analysing and developing new business opportunities combined with deep experience of managing client relationships, dealing with complex structures and transactions in a variety of jurisdictions for high-net-worth individuals and families. Debbie holds the STEP International Diploma in Trust Management, the ICA Diploma in AML and a first-class honours Bachelor of Laws (LLB) degree. Debbie's continued hard work and commitment has also been earned her several Citywealth Powerwomen Awards.



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Stacey joined VG in 2024 as an Associate Director where she directs a portfolio of complex structures for UHNW international clients and works closely with different generations of families. She has 17 years' experience of Trusts, expertise in a wide range of asset types and managing structures with a UK connection, and has worked in Switzerland and Jersey.