

Family Office Management: Location, Organisation, and Liaison

To help address tax avoidance, the Organisation for Economic Co-operation and Development's (OECD)/G20 Base Erosion and

By **Paul Webb**, 11th July 2023

Changes in terms of global tax regulations and increasing international tax transparency are vital to consider when implementing strategies to preserve family wealth and family business ownership structures.

To help address tax avoidance, the Organisation for Economic Co-operation and Development's (OECD)/G20 Base Erosion and Profit Shifting (BEPS) project has built on the original measures applying to large multinational businesses, by implementing a two-pillar approach. Pillar Two relates to new global minimum tax rules and aims to ensure income is taxed and paid at an appropriate rate. These new rules are in addition to the familiar regulations such as the Common Reporting Standard ('CRS'), the US Foreign Accounting Tax Compliance Act ('FATCA'), Substance Requirements, and ultimate beneficial ownership registers.

Dixcart Expertise in Relation to Wealth Structures

Dixcart are familiar with the issues facing families in an ever-changing international world.

We provide advice in terms of the location of family offices, their members, and businesses, as well as offering management and coordination for family offices, and liaison across the family members. We also provide trustee services in a number of jurisdictions.

Location

It is very important to consider where each of the relevant family members are resident and also where they are tax resident.

Structuring options also need to be considered and/or reviewed. The use and location of holding companies and/or family wealth protection vehicles such as family investment companies, foundations, or trusts need to be planned carefully.

International investment structures need to be evaluated, including the holding of real estate, from a tax and asset protection perspective, in particular in relation to 'BEPS.'

Organisation

Key areas that need to be organised to ensure that a Family Office runs as efficiently as possible and achieves its objectives include:

Confidentiality Management

A procedure needs to be developed to deal with relevant confidential information requests from financial institutions and third parties.

Contingency Planning

Rules and procedures should be in place to protect the family business in the case of unexpected events:

- Policies and procedures to underwrite business continuity.
- Use of appropriate legal structures to provide as much asset and wealth protection as possible.
- Consideration of residence programmes in reputable jurisdictions, to provide options for the tax residence of family members to be diversified.

Family Governance

- Successors need to be identified and their role discussed with them.
- The development of open communication amongst family members regarding decision making strategies and processes.
- A 'Family Constitution' is a useful way to formalise family governance and to prevent potential future conflict.
- Creation or identification of education and training programmes, to groom the next generation.

Family Office Advisory Services

- The segregation of the family's wealth from the family business(es), should be considered.
- Development of a strategy regarding use of the profits arising from the family business and investments, that are not going to be re-invested.
- Creation of a team to manage the wealth.

Succession and Inheritance Planning

- Establishment and/or review of policies and procedures to ensure the adequate preservation and transfer of wealth to the next generation.
- A review of the ownership structure of each family business and other relevant assets.
- Understand how relevant local laws would apply, in relation to inheritance (for example; Civil Law, Sharia Rules etc.).
- Putting in place the most appropriate legal structures such as wills or other legal vehicles to pass wealth to the next generation.

Liaison

Time must be taken, by those managing the Family Office, to establish and develop close relationships with the relevant family and with other professionals advising them. Dixcart believe this relationship is critical.

As well as providing technical expertise in terms of structuring, professionals at Dixcart also understand family dynamics and frequently assist in offering advice as to how to improve communication and how to avoid potential conflict.

Additional Information

If you would like further information regarding a well-considered and comprehensive approach towards succession planning, please speak to your usual Dixcart contact or to a member of the professional team at the Dixcart office in the UK:

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