

Why Use a Family Investment Company?

A Family Investment Company is a way for wealthy families to protect their fortunes. Family Investment Companies are used as an alternative to trusts.

By **Paul Webb**, 15th September 2025

What is a Family Investment Company and Why Have One?

As anti-avoidance legislation aimed at trusts, is increasing, people are looking for alternatives to protect a family's fortune. Whilst many people are happy to pass ownership to others they often wish to retain control.

Family investment companies ("FICs") are being used increasingly by wealthy families to protect their family fortunes.

- The key to their success is that it is possible to split ownership from control. Ownership rests with the shareholders whereas control rests with the Directors of the company. The family will then own shares in the company. The Articles will include provisions designed to ensure that control of the company is retained by the Founders, and that assets are protected, as far as possible.

Typically the Board will have the right to appoint successors and the shareholders will have entered into a Shareholders' Agreement, not to exercise their voting rights to appoint or dismiss directors, without the Board's prior approval. In this way the Founders can retain control, until such time, that they identify suitable successors for this role.

The Articles can also be drafted to give the Directors' the sole responsibility to declare dividends. By use of different classes of shares, it is also possible to pay dividends to different classes of shareholders, at different times.

Inheritance Tax Benefit from a UK Perspective

It is possible for the Founders of an FIC to gift shares to family members and/or to gift cash to family members to use to subscribe for shares in the FIC. These gifts are potentially exempt transfers and, if the donor survives 7 years, there will be no charge to UK inheritance tax.

Typically the Founders will retain some shares and the rest will be owned by other family members or even a trust. When a company is valued, a minority shareholding interest attracts a discount. Whilst the discounts for investment companies are not as large as for trading companies, a minority interest means that the value in an individual's estate is less than it would have been, had the assets of the FIC been owned directly by the individual. This therefore generates an additional inheritance tax saving.

Asset Protection

One of the main reasons for using an FIC is to try to protect the wealth of the family for future generations. There are many risks, other than taxation, to a family fortune and these include; spendthrifts, investment incompetence, bankruptcy and divorce.

The Articles of the FIC can include provisions that entitle the FIC to buy back shares in the event of the bankruptcy or divorce of any of the shareholders, at market value. As detailed above, this will be less than the value of the underlying investments, in the case of a minority shareholding.

Control of the dividend policy and built in controls to prevent the pledging of shares can protect spendthrifts from themselves.

Income Tax Benefits from a UK Perspective

If the FIC was a UK tax resident company and the intention was to pay out all of the profit as dividends, an FIC might not then be the best structure to use. In this scenario, there would be corporation tax on the profit, at the company level, and the shareholders would also be liable to tax on the dividends paid to them.

- These effects could be mitigated by providing some of the capital of the company as shareholder loans. Capital can then be extracted by way of loan repayments.

It should be noted that dividends paid out of post-tax profit, by UK companies and most offshore companies to FICs, will not be subject to additional tax at the level of the FIC.

- Alternatively, if the aim is to invest capital and accumulate profit during the years of accumulation, income and gains would only be subject to UK corporation tax. The UK rate of 19% is currently far less than UK personal income tax and capital gains tax rates.

A company with an investment business may also deduct management expenses whereas individual investors may not.

Training Family Members

Many families set up investment committees for the FIC, consisting of family members. This not only gives family members a voice but can act as a valuable training ground for younger family members.

Conclusion

FICs can be effectively used for estate planning and, in some circumstances, also for income tax planning. Careful planning should be undertaken when establishing such structures to take into account the personal tax position of the Founders and any relevant anti-avoidance legislation.

Additional Information

If you would like additional information regarding when and how the use of a Family Investment Company can be most beneficial, please contact us advice@dixcart.com. Alternatively please speak to your usual Dixcart contact.

Please also see our [Private Client](#) page.