

Family Investment Companies

The Essential Guide for Landlords

How to retain control, protect future growth
and plan for succession.



Succession
planning



Control and
governance



Asset
protection



Long-term
wealth planning

The question is not simply whether a Family Investment Company

can reduce future inheritance tax exposure.

It is whether the business should be retained, simplified, sold or passed on - and how much control, income and capital the founders may still need. A structure that produces an attractive tax projection but prevents the family from meeting those commercial objectives is not good planning.



RETAIN

Keep the strongest assets and make the business easier to manage.



REFINANCE

Change the debt profile, release or preserve liquidity and reduce risk.



SELL

Release capital, remove workload and accept a different income profile.



PASS ON

Prepare control, governance and ownership for the next generation.



A Family Investment Company is an implementation structure. The strategy must come first.

Contents

01	Strategy before structure	<u>5</u>
	What the founders want the business to do	
02	Understanding the value at risk	<u>12</u>
	Share valuation, liabilities, liquidity and the director's loan account	
03	How a Family Investment Company works	<u>19</u>
	Control, income, capital, growth shares and trusts	
04	The legal, tax and governance framework	<u>27</u>
	Company law, IHT, CGT, trust tax, lenders and compliance	
05	From analysis to action	<u>38</u>
	Different outcomes, implementation and the professional team	
06	Reference section	<u>41</u>
	Frequently asked questions, glossary and source links	

A PERSONAL MESSAGE

Why family wealth needs strategy before structure

For more than a decade, Property118 has worked with landlords whose property businesses have become more valuable, more complex and more important to the family than they ever expected. The question eventually changes. It is no longer only how to finance or tax the next acquisition, but how the business should provide income, survive incapacity and pass between generations without forcing the wrong property sale at the wrong time.

The best planning begins with honest commercial decisions. How much capital might the founders still need? Who is capable of managing the company? Should the portfolio be retained, simplified or sold? How should children who are involved in the business be treated alongside those who are not?



Planning should protect the family's choices, not replace them with a predetermined structure.

A Family Investment Company can provide a strong framework where those questions point towards long-term family ownership. It is not the automatic second step after incorporation. For some families the better answer is to sell weaker properties, repay debt, preserve a director's loan account, arrange insurance or wait until the objectives are clearer.

Our role is to help clients understand the choices and coordinate professional input. The client remains the decision-maker. Accountants, solicitors, tax counsel, valuers, brokers and regulated advisers then validate and implement the selected route.

Mark Alexander

FOUNDER, PROPERTY118

PART ONE

Strategy before structure

What the founders want the business to do, and what the family can realistically manage.



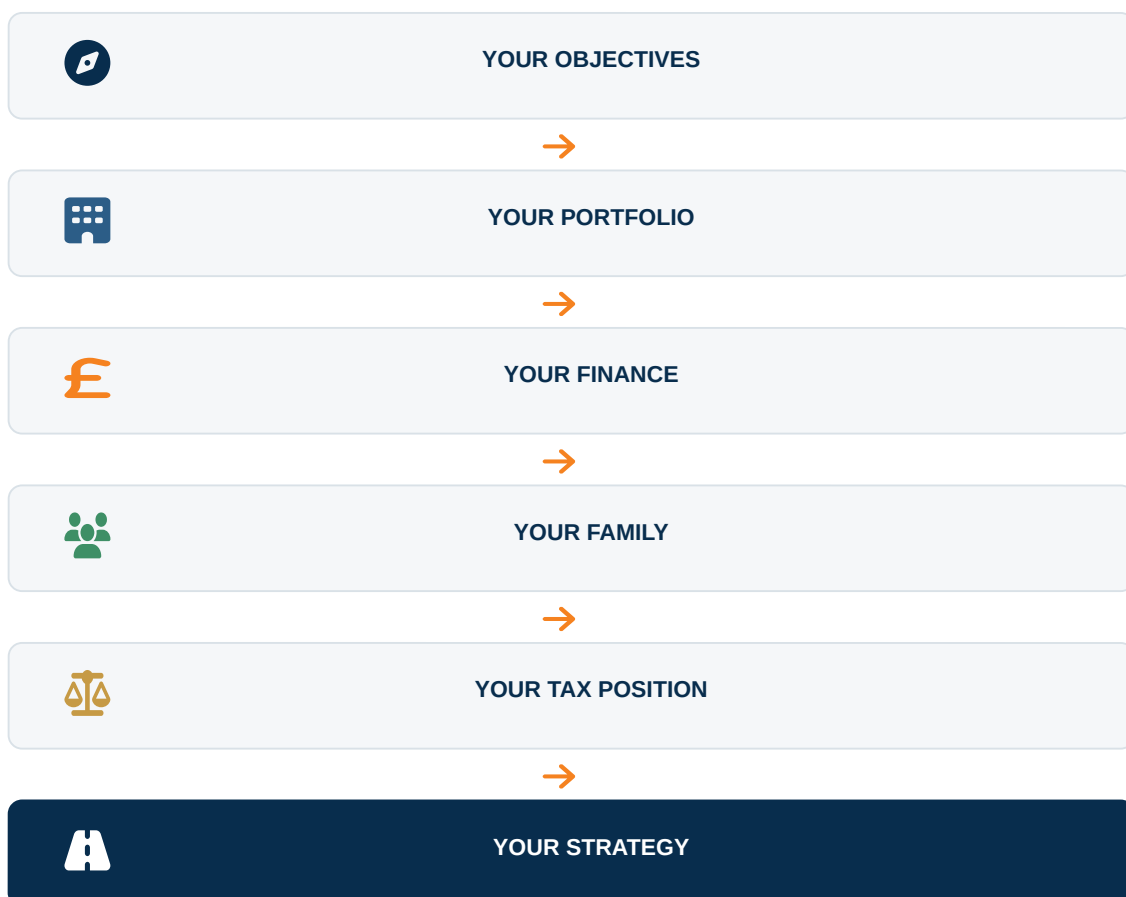
Begin with objectives, not share classes.



It starts with the family business

A useful answer cannot begin with a share reorganisation.

Before discussing frozen value, growth shares or trusts, the adviser needs to understand what the properties are producing, how the mortgages will change, what the owners need from the business and whether the next generation wants any role in it. The same structure can be sensible for one family and entirely wrong for another.



The client remains the decision-maker. Property118 organises the evidence, explains the commercial choices and coordinates the specialists who confirm the legal, tax, valuation, lending and regulated advice.

Seven decisions shape the answer

These choices matter more than the label on the company.



1. The future of the portfolio

Retain, grow, selectively sell, deleverage or exit completely.



2. Founders' capital needs

How much income and capital may be required for retirement, care or family support?



3. Control

Who should appoint directors, approve borrowing, declare dividends and authorise a sale?



4. Management succession

Who can actually run the company, deal with tenants and negotiate refinancing?



5. Estate liquidity

Could tax, debt or family equalisation create a forced sale after death?



6. Fairness between children

Should children who are involved and those who are not receive the same rights, value or income?



7. Timing, residence and review triggers

Are refinancing, health, age, residence or family changes likely to alter the plan, and when should it be reviewed?



A structure should be tested against all seven decisions. Solving only the inheritance tax question can create a worse commercial problem.

Control, income and capital are different rights

Share classes can separate them, but the legal documents and family behaviour must be consistent.



CONTROL

Voting rights, director appointments, reserved matters, borrowing limits and decisions on sale or liquidation.

Control can remain with founders even where some future economic growth is allocated elsewhere.



INCOME

Salary for real work, dividends under the class rights, interest and repayment of a genuine director's loan.

Income depends on profits, cash, tax rules and the rights attached to each class.



CAPITAL

Value on a share sale, redemption, return of capital or liquidation, including future appreciation above a hurdle.

Giving away future capital rights means accepting that the value is no longer the founders' property.



Retaining voting control is not the same as retaining unrestricted economic benefit. A valid transfer of value must have real consequences.

When a FIC may be commercially useful

The strongest cases usually share several characteristics.



Established value

The company already has meaningful net assets and the family expects further long-term growth.



Founders have enough

Personal assets, income and a genuine DLA can meet foreseeable needs without reclaiming all future capital.



A family purpose

There is a clear reason to keep wealth together: continuity, staged succession, management or family protection.



Governance is accepted

The family is willing to document rights, keep records and allow trustees or other shareholders to exercise real duties.



Finance can support it

Lenders, guarantees, refinancing and liquidity have been checked before share rights are changed.



COMMERCIAL OUTCOMES

- ✓ Continuity if a founder dies or loses capacity
- ✓ Clear rules for management and family participation
- ✓ A staged transition rather than an abrupt handover
- ✓ Separation of present needs from future family growth
- ✓ A framework that can be reviewed as circumstances change



The tax outcome is part of the comparison, not the starting instruction.

When a FIC may be wrong or premature

Complexity has a cost. The structure must earn its place.

WARNING SIGN	WHY IT MATTERS	POSSIBLE NEXT STEP
The founders expect to sell and spend most of the proceeds	Giving away future capital may conflict with retirement or care needs.	Model a sale, debt repayment and personal investment first.
No family member wants the business	A succession structure cannot create a willing successor.	Plan an orderly exit, management change or external sale.
High leverage and near-term refinancing	Lender terms and personal guarantees may dominate the next decision.	Secure finance and liquidity before altering control or economics.
Value and growth are still modest	Professional costs and administration may outweigh the present benefit.	Improve records, wills, LPAs and review at a defined trigger.
Family relationships are uncertain	New rights can entrench conflict and make future changes harder.	Resolve governance and fairness before allocating value.



“Do nothing yet” can be a positive recommendation when it is supported by evidence, review triggers and better immediate actions.

COMPOSITE CASE STUDY

Retain the best assets and prepare for succession

The headline value did not answer Brian and Linda's question.

£4.0m

PROPERTY VALUE

£1.85m

MORTGAGES

£500k

DLA CREDIT

£150k

ANNUAL NET RENT

Brian, 63, and Linda, 61, owned a property company with twelve houses. One adult child worked in the business; the other had a different career. Their home and retirement did not depend on continued leverage, but several fixed-rate mortgages were due to expire in 2027. The couple wanted around £90,000 a year of dependable income and a plan that did not force all twelve properties into the next generation.



The DLA was valuable liquidity

Staged repayments could support dividends, keep the balance genuine and preserve company cash.



Not every property deserved to remain

Two low-return properties were candidates for sale to reduce debt and secure the couple's home.



The children should not receive identical roles

Management control and economic benefit needed to reflect involvement, capability and fairness.



A FIC was one possible next step

Only surplus future growth, after retirement and lender needs, was considered for allocation elsewhere.

COMMERCIAL OUTCOME

Retain the best properties, sell two weak assets, reduce refinancing risk and formalise who can run the company.

TAX AND ESTATE-PLANNING OUTCOME

Consider reallocating only the future growth the founders can genuinely afford to give up, supported by valuation and lender review.



The recommendation followed the family strategy; the structure did not dictate it.

PART TWO

Understanding the value at risk

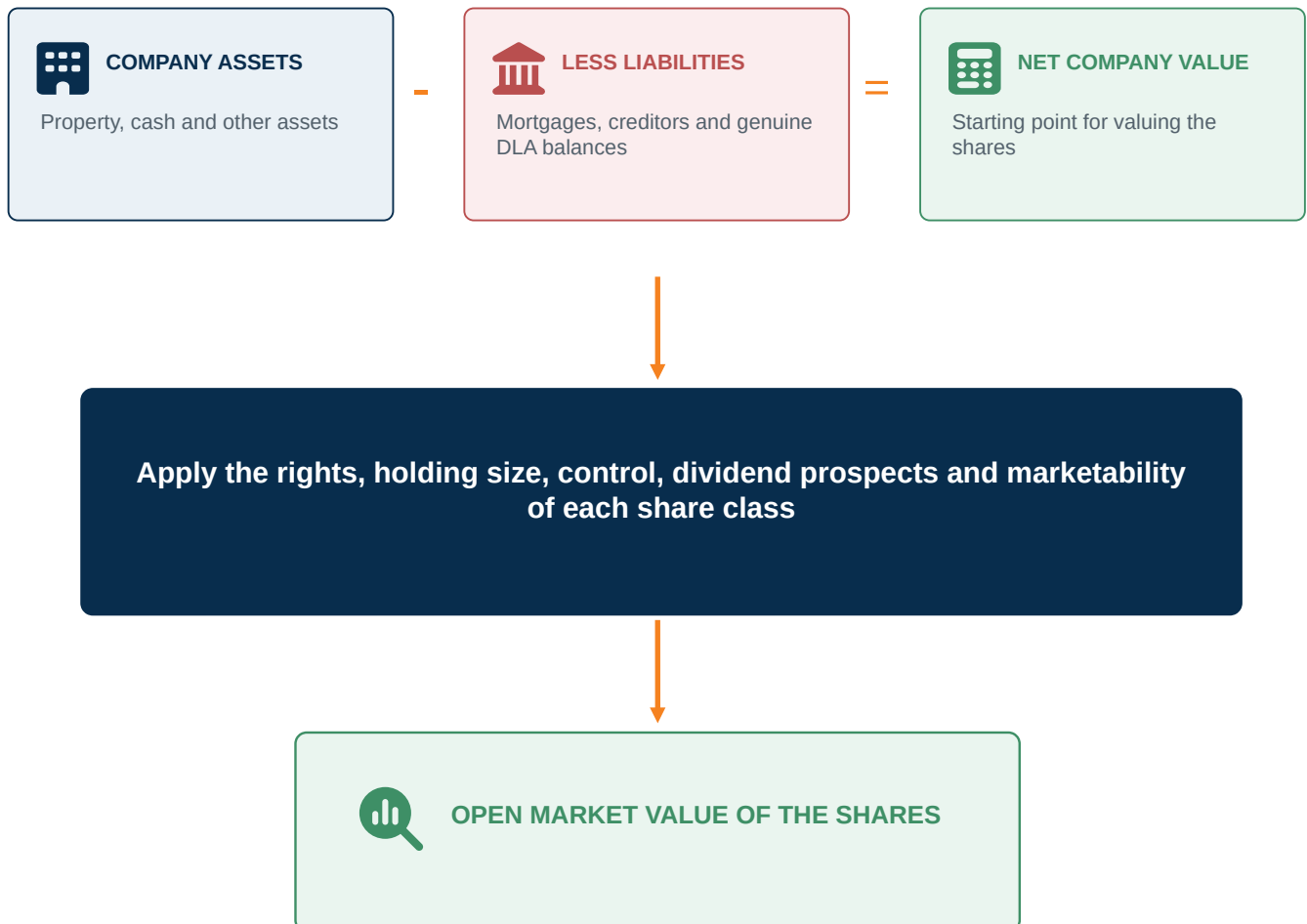
The company is not taxed on death. The shareholder's interest, debts and other estate assets are valued.



Start with the balance sheet and the rights attached to the shares.

What is actually taxed on death

The estate owns shares and debts due from the company - not the underlying properties directly.



The standard IHT rate is 40% on the chargeable estate above available thresholds, after exemptions, reliefs and deductible liabilities. It is not an automatic claim on 40% of the company's equity.



A spouse exemption, transferable nil-rate bands, lifetime gifts, debts and other estate assets can materially change the final liability. Each estate needs its own calculation.

How private company shares are valued

Nominal value is rarely market value. The legal rights and economic facts both matter.



Net assets

Property values, cash, mortgages, tax provisions and other liabilities usually provide a strong starting point for an investment company.



Share rights

Voting, dividends, redemption, liquidation priority, hurdles, restrictions and dilution protections affect value.



Holding size and control

A controlling holding can be worth more proportionately than a small minority interest. Joint holdings must be analysed carefully.



Prospects and marketability

Future growth, distributions, management, financing and the difficulty of selling unquoted shares influence open market value.



A “low value” is a valuation conclusion, not a drafting instruction. Changing the wording of a share class does not make genuine economic rights disappear.

A contemporaneous valuation is particularly important where shares are issued, gifted to family members or settled into trust. The valuation should explain the company, the balance sheet, the class rights, the hurdle and the assumptions used. It should also record the information available at the transaction date, not rely on hindsight.

[Source: GOV.UK - Valuing stocks and shares for Inheritance Tax](#)

Worked example: the £500,000 DLA changes the picture

It lowers the share value, but the debt due to the director is itself a separate estate asset.

COMPANY BALANCE SHEET

Property	£4,000,000
Cash and other assets	£150,000
Mortgages	- £1,850,000
Other liabilities	- £100,000
Director's loan account	- £500,000

NET ASSETS ATTRIBUTABLE TO SHARES £1,700,000

FOUNDERS' COMPANY-RELATED ESTATE VALUE

SHARES **£1.70m**

before class-right and marketability adjustments

+

DLA RECEIVABLE **£0.50m**

a separate debt owed personally to the director

COMBINED STARTING POINT **£2.20m**



The DLA improves access to cash and reduces the value of the shares. It does not automatically reduce the combined value in the director's estate because the debt receivable is also an asset.

The example is deliberately simplified. A real valuation may include latent tax, discounts or premiums, differing share rights, joint ownership, guarantees and other estate assets or liabilities.

The director's loan account is liquidity and a liability

It should be analysed on both sides of the balance sheet.



THE COMPANY'S POSITION

- ✓ The credit balance is a creditor liability and reduces net assets available to shareholders.
- ✓ Repayment needs cash. A valuable DLA does not mean the company can repay it immediately.
- ✓ Interest may be charged, but it is personal income and the company has withholding and CT61 obligations.
- ✓ The balance must be genuine, supported by accounts and completion documents.



THE DIRECTOR'S POSITION

- ✓ The amount owed is a personal asset and can form part of the director's estate.
- ✓ Repayment of principal is normally not salary or dividend where it is a genuine debt.
- ✓ The DLA can provide retirement or estate liquidity without selling shares, subject to company cash and lender terms.
- ✓ Assignment, gifting or waiver of the debt can have legal, tax and valuation consequences.



An overdrawn DLA is different: the director owes the company and separate benefit-in-kind and close-company loan rules may apply.

Source: [GOV.UK - Director's loans](#)

Do not assume Business Relief applies

A property letting company will commonly fall within the investment-business exclusion.



Business Relief is not available where the business consists wholly or mainly of dealing in land or buildings, or making or holding investments. Most conventional residential property letting companies therefore fall outside the relief.



“We manage the properties ourselves”

Activity and effort do not automatically turn an investment business into a qualifying trade.



“The shares are unquoted”

Unquoted status is only one condition. The nature of the business still matters.



“It is called a family business”

The label does not change the statutory exclusion for investment activity.



“The company also has some trading income”

Mixed businesses require a detailed “wholly or mainly” analysis and may have excepted assets.



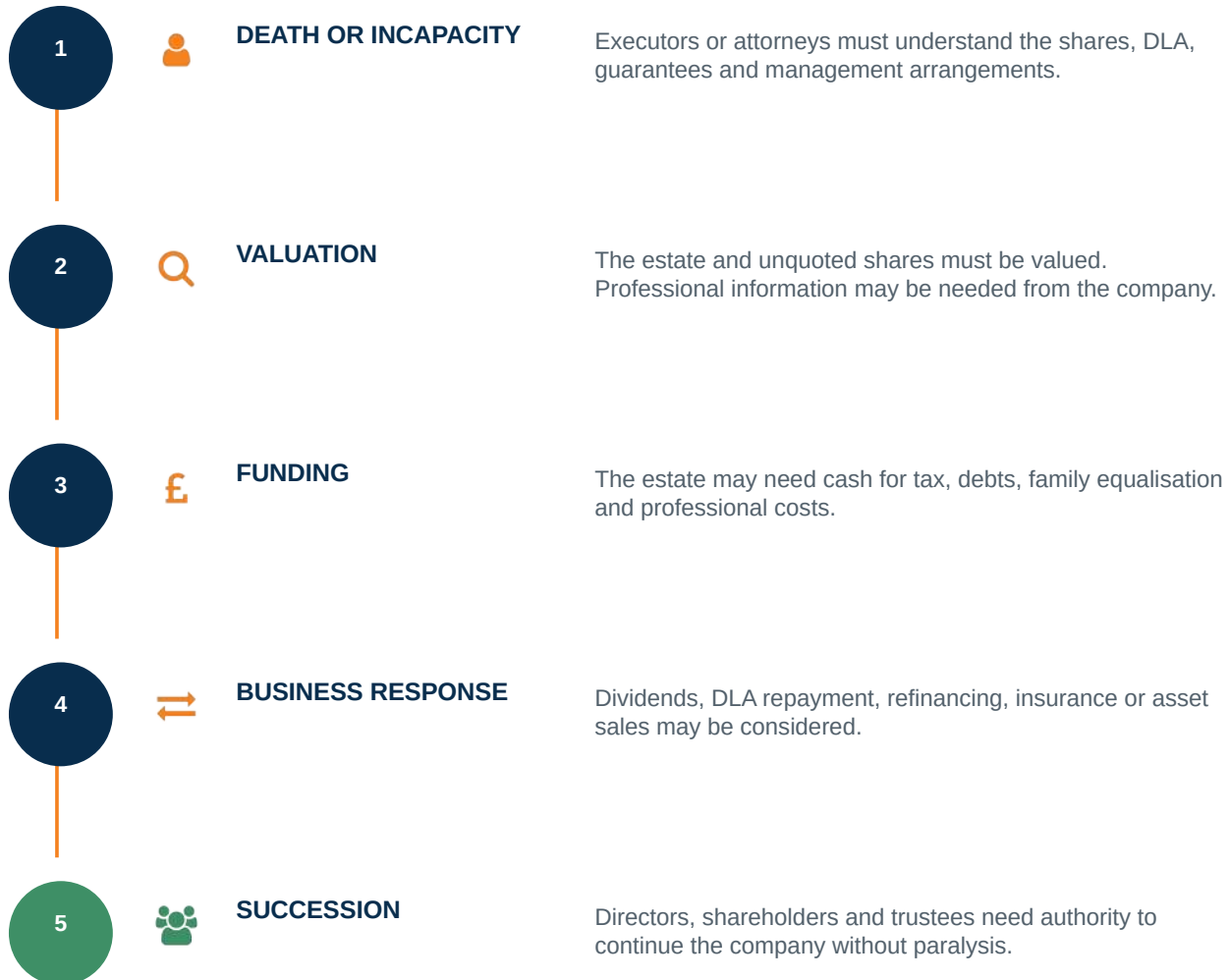
A Family Investment Company is not a substitute for Business Relief. The commercial plan should still work if no Business Relief is available.

Relief rates and allowances only matter after the shares have passed the qualifying-business tests. Suitability should therefore be modelled without assuming Business Relief, with any available relief treated as an additional outcome rather than the foundation of the plan.

Source: [GOV.UK - What qualifies for Business Relief](https://www.gov.uk/guidance/what-qualifies-for-business-relief)

Estate liquidity can matter as much as the tax calculation

The family may need cash before the business is ready to produce it.



The IHT liability belongs to the estate, not the company. Extracting company cash can itself create income tax or corporation tax consequences.

Commercial liquidity planning can include debt reduction, a cash reserve, a genuine DLA repayment schedule, life assurance written under an appropriate trust, updated wills and LPAs, and clear company authority after death or incapacity.

PART THREE

How a Family Investment Company works

An ordinary private company with deliberately designed ownership, control and governance.



The name has no tax effect. The rights and transactions do.

What a Family Investment Company actually is

There is no single statutory FIC model.

A Family Investment Company is normally a private limited company used to hold and manage family wealth. Its articles, share classes, shareholder arrangements and governance are designed around the family's objectives. The company remains subject to ordinary company law and tax rules.



It may be a new company or an existing company

A property company can sometimes be restructured without transferring the underlying properties, but the lender, tax and legal consequences must be checked.



It may have several share classes

Voting, dividends, capital, redemption and future growth can be allocated differently.



A trust is optional, not automatic

Growth shares may be owned directly by adult family members, by trustees or through another suitable route.



Governance is as important as tax

Director appointments, reserved matters, incapacity, deadlock, distributions and exit should be addressed.



Calling a company a “FIC” does not change the tax treatment. The legal rights, value transferred, business purpose and subsequent conduct determine the consequences.

The same people may wear different legal hats

Directors, shareholders and trustees have separate powers and duties.



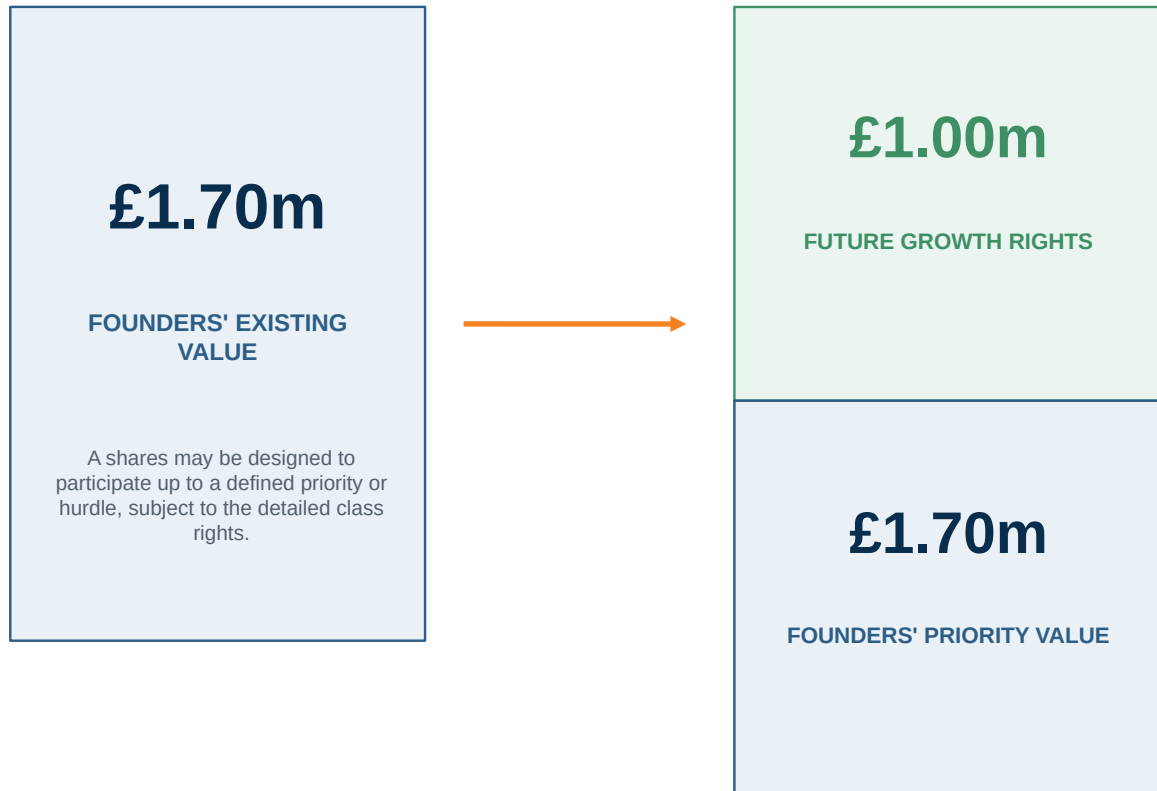
A founder who is also a director and trustee must still distinguish those roles. Company money is not personal money, and trust assets are not the settlor's assets.

Frozen value and future growth

“Freeze” is useful shorthand, but it is not a guarantee.

AT THE RESTRUCTURE DATE

IF THE COMPANY LATER GROWS TO £2.70m



The £1.00m illustration describes economic participation, not an automatic tax value. The market value of the growth shares depends on the hurdle, rights, time, risk, control, distributions and prospects at the relevant date.

The articles must also deal with what happens if value falls, further shares are issued, the company refinances, assets are sold, dividends are paid or the company is wound up. A valuation and legal drafting should be developed together.

Direct family ownership or a discretionary trust?

Both routes can be appropriate. They solve different problems and create different obligations.



DIRECT OWNERSHIP BY ADULT FAMILY MEMBERS

- ✓ The recipient owns the shares and can exercise the rights personally.
- ✓ Income is taxed on the individual who beneficially owns it.
- ✓ There are no relevant-property trust anniversary charges.
- ⚠ The shares enter the recipient's estate and may be exposed to divorce, creditors or poor decisions.
- ⚠ The founders cannot assume the shares will remain within the family.



DISCRETIONARY TRUST OWNERSHIP

- ✓ Trustees own the shares and decide how the class rights are exercised.
- ✓ The beneficiary group can remain flexible across generations.
- ✓ The trust can avoid giving one beneficiary immediate personal control.
- ⚠ Entry, periodic and exit IHT charges, income tax, CGT, TRS and trustee duties must be managed.
- ⚠ The settlor cannot treat the trust assets as still personally available.



The ownership route should follow the family objective. “Trust equals protection” and “direct ownership equals simplicity” are both incomplete without the facts.

What a discretionary trust can and cannot do

A trust is a legal relationship, not a guarantee.



A TRUST CAN

- ✓ Hold shares and exercise their rights through the trustees.
- ✓ Keep the beneficiary group flexible within the trust deed.
- ✓ Delay or control distributions rather than give assets outright.
- ✓ Provide continuity if beneficiaries are young, vulnerable or financially inexperienced.
- ✓ Support family governance across generations.



A TRUST CANNOT

- ⚠ Guarantee that family courts, creditors or tax authorities will ignore the assets.
- ⚠ Allow the settlor to use the assets as though nothing was given away.
- ⚠ Make valuable shares worthless merely by description.
- ⚠ Remove entry, periodic, exit, income tax or CGT rules.
- ⚠ Replace wills, LPAs, company governance or independent advice.



Trustees must exercise genuine discretion for the beneficiaries. A pre-agreed understanding that the founders can always recover the value is inconsistent with that purpose.

A growth share can have value before a sale

Low initial value may be supportable. Nil value is not automatic.



THE HURDLE

How far the company value must rise before the shares participate.



THE RIGHTS

Dividends, voting, redemption, liquidation and anti-dilution provisions.



TIME

The expected period before value may be realised or distributed.



PROSPECTS

Property values, retained profits, leverage, acquisitions and business risks.



CONTROL

Whether the holder can influence distributions, sale or winding-up.



RESTRICTIONS

Transfer restrictions, compulsory transfer provisions and marketability.



The proper question is: what would a hypothetical buyer pay for these rights at the valuation date, with the information then available? The answer can be low, but it should be reasoned and evidenced.



For a discretionary trust, the 10-year charge is based on the net market value of relevant property at the anniversary. A sale or liquidation is not required before value can exist.

Sources: HMRC Shares and Assets Valuation Manual; GOV.UK Trusts and IHT

How founders may access money after restructuring

Each route depends on legal entitlement, cash and tax treatment.



DLA REPAYMENT

Repayment of a genuine amount owed by the company. It requires cash and does not create new entitlement.



SALARY OR BENEFITS

Payment for actual work or office, with PAYE, NIC and company-law considerations.



DIVIDENDS

Only from distributable profits and only according to the rights of the relevant share class.



INTEREST

Interest on money lent to the company is personal income and normally involves withholding and CT61 reporting.



PROPERTY SALE

The company may sell an asset, but the proceeds belong to the company and extracting them is a separate decision.



CAPITAL EVENT

A share sale, redemption or liquidation follows the capital rights and can create CGT, income tax or anti-avoidance issues.



The company cannot promise that the founders will receive value which has genuinely been allocated to another shareholder or trust. Retained control does not restore transferred economic ownership.

A cash-flow forecast should accompany the legal structure. It should model mortgage payments, corporation tax, dividends, DLA repayments, personal spending, property sales and the effect of a founder living longer than expected.

PART FOUR

The legal, tax and governance framework

The documents, valuations and behaviour must tell the same story.



Commercial substance is evidenced through real rights, real decisions and proper records.



The company documents create the legal structure

A generic template cannot safely define bespoke economic rights.



Articles of association

Public constitutional rules defining class rights, director powers and procedures.



Resolutions and allotments

Special resolutions, share issues, redesignations, transfers and Companies House filings.



Shareholder agreement

Private governance, reserved matters, deadlock, transfers, valuation and exit arrangements.



Registers and certificates

Members, PSCs, allotments, transfers, certificates and board minutes must agree.



Valuation evidence

A contemporaneous report supporting subscription prices, gifts and hurdles.



Trust and personal documents

Trust deed, letter of wishes, wills, LPAs and family governance should align.



The articles are public. A shareholder agreement is private, but it cannot override company law or create class rights which the articles do not contain.

Directors must act within their powers, promote the success of the company, exercise independent judgement and avoid conflicts. Trustees and shareholders have different duties. Board minutes should record genuine decisions, not merely reproduce a tax narrative.

Sources: [Companies Act 2006](#); [Companies House guidance on share structure](#)

Inheritance Tax can arise at several stages

The transaction used to create or transfer rights must be analysed, not just the position on death.



ISSUING OR REDESIGNATING SHARES

A low subscription price must reflect market value. If value is shifted away from an existing shareholder, a transfer of value may occur even without a cash gift.



GIFT TO AN INDIVIDUAL

A genuine outright gift is generally a potentially exempt transfer. Survival, reservation of benefit and the recipient's ownership must be considered.



TRANSFER TO A DISCRETIONARY TRUST

A chargeable lifetime transfer can create an immediate IHT charge above the available nil-rate band, followed by relevant-property charges.



DEATH

The remaining shares, DLA and other assets are valued. Spouse exemption, nil-rate bands, lifetime transfers, debts and reliefs affect the calculation.



The same restructuring can create IHT at one stage, CGT at another and valuation evidence requirements throughout.

A gift can trigger Capital Gains Tax even when no money changes hands

Market value, relief eligibility and the recipient's base cost all need attention.



Market value rule

A gift or transfer to a connected person is normally treated as a disposal at market value for CGT.



Section 165 hold-over

Relief for gifts of shares generally requires a trading company. Shares in a property investment company will commonly fail that test.



Section 260 hold-over

A chargeable transfer into a relevant-property trust may qualify, subject to the statutory conditions, restrictions and a proper claim.



Share reorganisations

Certain exchanges and redesignations may fall within reorganisation provisions, but value shifting and anti-avoidance rules still require review.



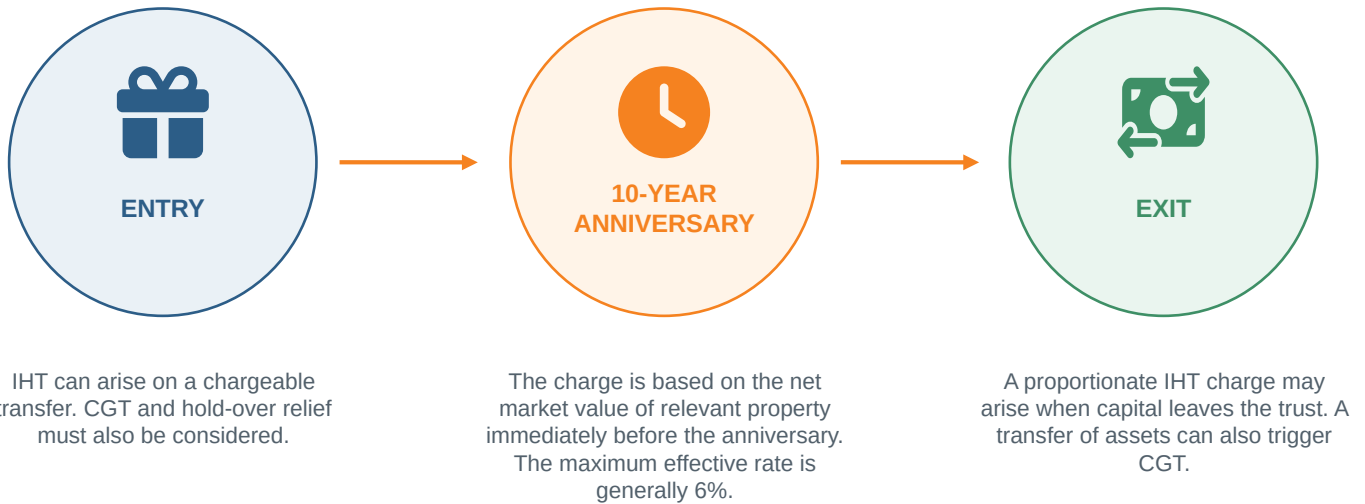
“No cash changed hands” is not a CGT exemption. A defensible market valuation and a written relief analysis are essential.

Hold-over relief defers rather than eliminates the gain. The recipient generally takes a reduced base cost and may pay CGT on a later disposal. Non-residence, settlor interests, corporate groups and restrictions on the shares can change the result.

Sources: [GOV.UK - Gift Hold-Over Relief](#); [HMRC Capital Gains Manual](#)

Relevant-property trusts have their own tax life cycle

The absence of a sale does not prevent entry, anniversary or exit charges.



During the trust's life, trustees may also face high rates of income tax, tax-pool accounting, trust returns, CGT on disposals, valuation costs and Trust Registration Service obligations. A trust holding only growth shares may have little income, but it still requires governance and review.



Growth shares can increase in value before cash is realised. The 10-year charge therefore cannot safely be described as postponed until sale or liquidation.

Source: [GOV.UK - Trusts and Inheritance Tax](#)

Family income needs its own analysis

The person or trust receiving income, the share rights and the source of the gift all matter.



Distributable profits

A company may only pay dividends out of profits available for distribution and in accordance with the class rights.



Adult family members

An adult beneficial owner is normally taxed on dividends received, but settlements rules can apply to artificial or bounteous arrangements.



Minor children

Where a parent gives shares to an unmarried minor child, income above the statutory £100 limit may be treated as the parent's income.



Discretionary trusts

Trustees can pay high rates on income. Distributions require tax-pool accounting and beneficiary reporting.



Salaries and benefits

Payment should reflect real work or office and be operated through PAYE and NIC where required.



Employment-related securities

Where shares are acquired by reason of employment or directorship, ERS tax and reporting should be checked.

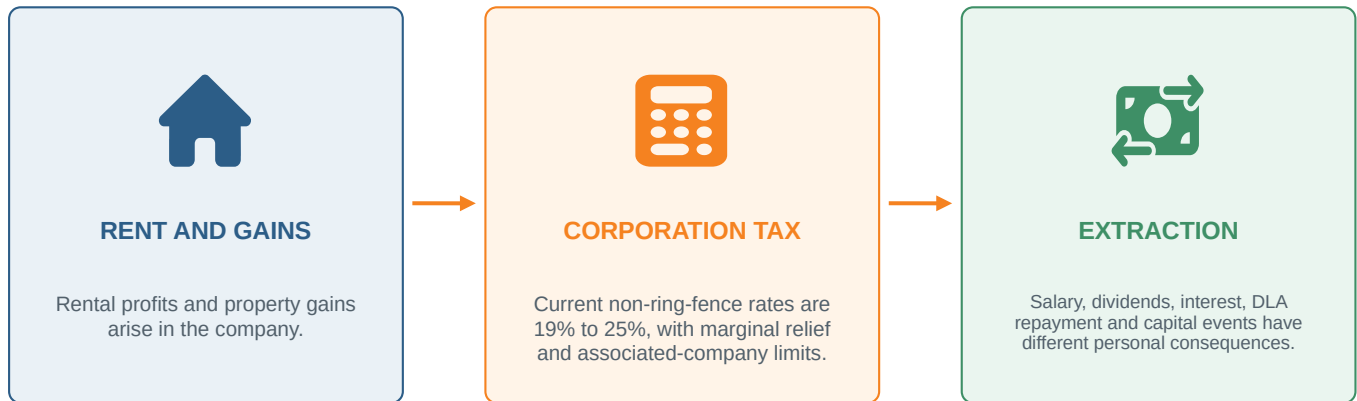


A dividend policy should follow the legal rights and commercial cash needs. It should not be improvised each year simply to move income to the lowest-taxed person.

Sources: Companies Act 2006, s830; HMRC settlements guidance for minor children

A FIC does not remove tax within the company or on extraction

The company and the family are separate taxpayers.



Retained profits can compound inside the company, but they are not tax-free.



Interest, finance costs, losses and associated companies can change the effective corporation tax rate.



A property sale creates a company gain; distributing the cash is a second tax and cash-flow decision.



A share sale is taxed on the shareholder, but buyers may discount latent tax and prefer asset purchases.



The commercial comparison should model both layers: tax within the company and tax when money reaches the family.

Source: [GOV.UK - Corporation Tax rates and marginal relief](#)

Check lender requirements before changing share rights

No property transfer does not mean no lender issue.



Does the facility prohibit a change in control?

Voting rights, economic ownership, directors or PSCs may be relevant.



Must the lender consent to amended articles?

Class rights, redemption and distribution provisions can affect security and control.



Who gives personal guarantees?

A founder may retain lender exposure after giving away future value.



Will a trust need to be disclosed?

Beneficial ownership, KYC and trust documents may be requested.



What happens at the next refinance?

A lender may assess the company differently after ownership or governance changes.



Can the company fund DLA repayments?

Cash extraction must not weaken interest cover, covenants or working capital.



The prudent sequence is: review facility documents, obtain broker and legal input, approach the lender where required, then finalise the share structure.

The lender may be comfortable once the founders retain voting control and guarantees remain unchanged. That cannot be assumed across every bank, product or refinancing cycle. The company should also consider whether future beneficiaries are willing or able to give guarantees.

The ongoing administration is part of the structure

A FIC should be run as carefully as it is designed.



Companies House

File resolutions, amended articles, share allotments and other share changes within the applicable deadlines.



PSC and identity verification

Identity verification became a legal requirement from 18 November 2025, with existing directors and PSCs phased in over a 12-month transition.



Statutory records

Keep registers, certificates, transfer forms, minutes and confirmation statements consistent.



Trust Registration Service

Most express trusts must be registered. Changes to trust details or beneficial ownership are generally due within 90 days.



ATED

UK residential property worth more than £500,000 may require an ATED return or relief declaration each year.



Accounts and tax returns

Company accounts, CT600, payroll, dividends, trust returns, valuations and DLA records must be maintained.



A structure that is not administered in accordance with its documents can create company-law disputes, tax uncertainty and weaker evidence of commercial substance.

Sources: Companies House event-driven filings; GOV.UK Trust Registration Service; ATED guidance

Commercial substance and anti-avoidance rules

An ordinary family company is not inherently an avoidance scheme, but there is no blanket exemption.



GAAR

The General Anti-Abuse Rule can counteract tax advantages arising from abusive tax arrangements. The analysis is fact-specific and informed by the statutory purpose, the legal effect and the way the arrangements are carried out.



DOTAS

DOTAS applies only where the statutory conditions are met, including the relevant tax-advantage test and at least one prescribed hallmark. Some hallmarks also depend on a main-benefit test.

EVIDENCE OF A GENUINE FAMILY STRATEGY



Objectives recorded before implementation



Independent valuation and advice



Real, enforceable share and trust rights



Founders retain only the benefits legally reserved



Lender and cash-flow implications addressed



Ongoing decisions follow the documents



The Ramsay principle and *Westmoreland Investments Ltd v MacNiven* underline that tax consequences follow the legislation applied to transactions viewed realistically. Labels and promotional descriptions do not determine the result.

Sources: [GOV.UK GAAR guidance](#); [GOV.UK DOTAS overview](#)

Living abroad does not remove the UK connection

Residence, asset situs, trust residence and company management can point in different directions.



Long-term UK residence

From 6 April 2025, overseas assets can fall within IHT once an individual is generally UK resident for 10 of the previous 20 tax years. A post-departure tail can continue for up to 10 tax years.



UK-situs shares and property

Shares in a UK company are generally UK-situs. Moving abroad does not automatically remove them, or UK property, from UK IHT.



Trust residence and settlor rules

Trustee, settlor and beneficiary residence can affect income tax, CGT, reporting and the IHT treatment of foreign assets.



Company residence

Central management and control, director location and treaty tie-break rules may affect the company's residence and obligations.



Foreign law and tax

Local succession, matrimonial, trust, reporting and wealth-tax rules may also apply to the family or trustees.



Cross-border implementation

Do not change trustees, directors or residence solely from a UK calculation. Coordinated advice is required in each relevant jurisdiction.



Moving to Portugal, Malta or elsewhere can change personal tax planning, but UK company shares and UK property remain connected to the UK system. Specialist local advice is essential.

Before implementation, confirm the individual's IHT residence history, the situs of the shares, the residence of any trust, where the company is centrally managed, and the local tax and succession consequences for every relevant family member.

Source: [GOV.UK - Inheritance Tax if you are a long-term UK resident](#)

PART FIVE

From analysis to action

Different families can make different, equally rational decisions.



The objective is clarity, not a predetermined structure.



Three families, three valid outcomes

The fact-find should be capable of producing “yes”, “not yet” or “no”.



RETAIN AND PASS ON

COMMERCIAL OUTCOME

Keep the strongest properties, sell two weak assets, reduce refinancing risk and formalise management succession.

TAX AND ESTATE-PLANNING OUTCOME

Consider only surplus future growth after retirement and liquidity needs, supported by valuation and lender review.



SIMPLIFY AND RELEASE CAPITAL

COMMERCIAL OUTCOME

Sell the portfolio, repay debt and move capital into hands-off investments because there is no willing successor.

TAX AND ESTATE-PLANNING OUTCOME

No FIC. The DLA assists extraction; wills, insurance and regulated investment advice address the remaining estate.



TOO EARLY

COMMERCIAL OUTCOME

Keep the company simple while school costs, high leverage and refinancing dominate the next decision.

TAX AND ESTATE-PLANNING OUTCOME

Improve records, wills and LPAs, then review when equity, liquidity and succession are clearer.



No two clients' circumstances are the same. A good report should make the best competing outcomes clear enough for the client to choose.

A disciplined implementation pathway

Each stage can change the recommendation.



The client chooses the outcome. Property118 coordinates the strategic analysis. The accountant, solicitor or tax counsel, valuer, broker and regulated adviser each confirm and implement the work within their professional remit.

Frequently asked questions

Concise answers to the questions landlords most often raise.

?

Do I lose control?

Not necessarily. Voting and director rights can be retained, but value genuinely given away cannot remain freely available to the founders.

?

Can the company still sell a property?

Yes, subject to director duties, lender terms and the company's governance. The sale proceeds belong to the company.

?

Do growth shares avoid 10-year trust charges?

No automatic exemption applies. Any charge depends on the market value of relevant property at the anniversary.

?

Does a DLA reduce IHT?

It reduces the share value, but the debt receivable is normally a separate estate asset. Its main advantage is often liquidity.

?

Will lenders object?

Some will not; others require consent or reassessment. Facility documents should be reviewed before implementation.

?

Is a FIC the automatic next step after incorporation?

No. The right answer may be sale, refinancing, debt reduction, insurance, direct gifts, a trust, a FIC or no change yet.



A FIC is an option to be tested against the family strategy, not an automatic consequence of incorporation.

Glossary and official source links

Definitions are simplified. The linked official material should be checked for the current position.

FIC

A private company used to hold and govern family wealth.

Frozen shares

Shares designed to retain specified existing economic rights or priority.

Growth shares

Shares which participate in value above a hurdle or under defined conditions.

Hurdle

The company value or event above which growth rights participate.

DLA

A record of money owed between a director and the company.

Relevant-property trust

A trust generally within the IHT entry, 10-year and exit regime.

PSC

A person with significant control for Companies House purposes.

Open market value

The statutory hypothetical sale value, not nominal value.

KEY OFFICIAL SOURCES

[IHT overview and thresholds](#)

[Long-term UK residence](#)

[Valuing private company shares](#)

[Business Relief exclusions](#)

[Trusts and IHT](#)

[Trust Registration Service](#)

[Gift Hold-Over Relief](#)

[Director's loans](#)

[Corporation Tax rates](#)

[Companies House share changes](#)

[ATED basics](#)

[GAAR guidance](#)

[DOTAS guidance](#)

[Identity verification](#)

[Trust details and deadlines](#)

Source links were checked on 13 August 2026. Legislation and guidance can change; obtain case-specific professional confirmation before acting.

THE STRUCTURE SHOULD FOLLOW THE STRATEGY.

A Property118 consultation starts with your objectives, portfolio, finance and family. You receive a written review that can be considered with your own accountant, solicitor, broker or regulated adviser before deciding what, if anything, to implement.



1

Complete the short fact-find



2

Private 60-minute Zoom
consultation



3

Written strategic review and
recommendations



4

Follow-up meeting and agreed
next steps

BOOK YOUR £400 CONSULTATION (INCLUDING VAT)



Satisfaction guarantee: ask for a full refund within seven days if you genuinely do not believe the consultation represented value for money.

General information only. This guide is not legal, tax, mortgage, insurance or investment advice. The law and guidance are stated as checked on 13 August 2026. Obtain case-specific confirmation from appropriately qualified and regulated advisers before acting.