

Fact File Collection:

# Setting up the UK's most powerful Property Company





# Ways to Purchase Property

There are many ways a property company can be set up, but the most tax efficient and protected for a lifetime and beyond solution is via a Family Investment Company (FIC).

By buying investment property in your personal name, you would be liable for up to 45% in income tax. Buying property through your trading company is more tax efficient, however there are strict HMRC rules surrounding investing company profits, which, if breached, could put you at risk of losing Business Property Relief and incurring a 40% tax penalty (see the next point for more details).

For those looking to hold property or build a property portfolio within a tax-efficient environment, the Family Investment Company is an ideal option. By creating this structure, you are able to take advantage of property market growth alongside the tax benefits offered by the FIC. It also means you retain control of assets, but they are in trust and outside of your estate should the worst happen, saving on inheritance tax for your family.

Using a Family Investment Company facilitates other substantial tax savings as any profits made from assets within the FIC are only liable for Corporation Tax, as opposed to Capital Gains or Income Tax, as would otherwise be the case.



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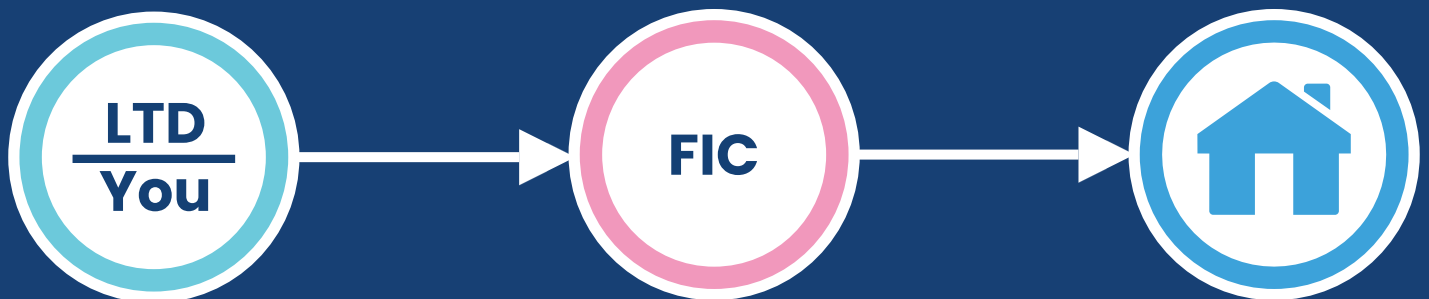
# 2

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## Moving Excess Retained Profit

If you have a trading company, directors can move excess profits from it into the Family Investment Company. This protects your trading company from inadvertently becoming an investment company which can happen if you are seen to be investing cash above the HMRC threshold, or by holding too much surplus company cash beyond what is needed to run your business. In addition, by lowering your trading company's year-end balance sheet, you can also reduce the Inheritance Tax due on it. The FIC allows you to keep your business separate from your investments, and ensures you retain Business Property Relief.

After moving your company's retained profits, you can use these (plus the freed-up funds you would have otherwise paid in tax) to invest in further property, allowing you to continue accumulating your wealth in the most tax-efficient manner.



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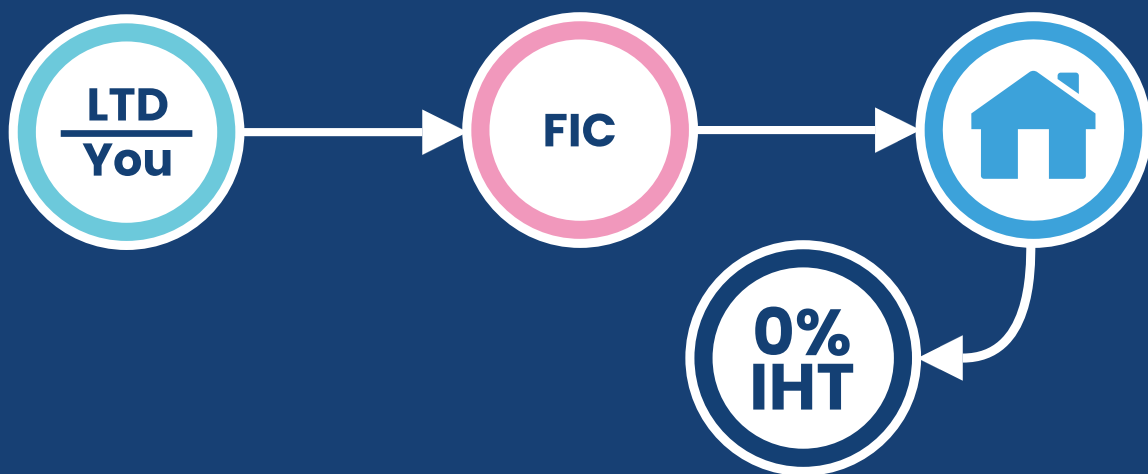
# Inheritance Advantages

3

The inheritance advantages of creating a company for your property investments are key for many of our clients. A FIC protects company shares, outside of the estate and outside of the trading company, meaning that if the worst happens, your children are not liable for inheritance tax on the company shares and this, its assets.

The FIC is ideal if you want to avoid a large inheritance tax liability for your family but want to retain control over the assets and management of your portfolio. This is especially advantageous for those who are just starting their property investment journey, who are unlikely to pass away anytime soon, but have the foresight to protect their young families should the worst happen unexpectedly. It is a very straightforward and cost-effective layer of security.

Compared to more traditional trust arrangements, the Family Investment Company provides more flexibility whilst safeguarding assets and ensuring your family is looked after both during your lifetime and beyond.



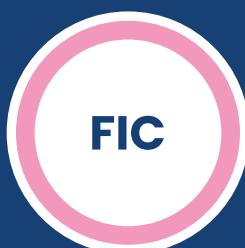
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# 4

## Fact File Collection: Maintaining Full Control

As the founder of the Family Investment Company, you retain full control of the company and the assets/funds within it. Rules are in place to allow family members or other beneficiaries to be part of the Family Investment Company, but without any decision-making ability unless dictated. Directors can pay dividends from the Family Investment Company profits, as form of income. Benefits can also be paid to other members, should you decide.

The flexibility of the FIC means that it can be tailored to suit individual circumstances and altered over time as desired – for example, any changes to the family structure (i.e. divorce or new members) can be replicated within the FIC. A big advantage is that you can protect your family wealth, should the worst happen, but can also move your funds around and invest them as you see fit.



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# How to set up a Property Company

# 5

To ensure the best and most efficient setup of a property company is advisable to have expert support. This ensures that the correct strategy is created, prior to setup and the Family Investment Company is created with the desired strategy at the forefront. The Family Investment Company then needs to be registered with HMRC and for its own bank account to be created, from which you control how money is invested and funds managed. Various share and trust documents need to be put in place, finalising the beneficiaries of the FIC and ensuring a full understanding of the mechanics of the strategy.

A FIC is an extremely tax efficient property company structure. It can also be combined with additional tax planning products, such as a Small Self-Administered Scheme to provide even more advantages, such as pension planning, ring-fencing of assets and additional wrap-around manoeuvrability for your property investment strategy.. Again, understanding how this could work for your individual situation is paramount, so it is advisable to research and employ expert support for the setup of the structure. Once in place, these types of property company can provide extensive options for you, your business and your family.

At TLPI our consultants are experienced in property, investment strategy and pensions. We are registered with HMRC to set up Family Investment Companies and SSAS pensions. Book a call today to find out how TLPI can help you achieve your property investment goals.



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