



Planning for business succession in the retail sector

As we know from the statistics, about 75% of Irish businesses are family controlled or owner managed. However, less than 30% of these businesses will pass on to the next generation.

Handing over a family business to the next generation involves difficult decisions to be made regarding ownership and control. Passing the business on to the next generation can motivate and incentivise the next generation to drive the success of the family business. Many issues should be considered in order to achieve a successful succession.

Start planning early

The importance of early planning cannot be over emphasised, to allow for both financial consideration and to ensure proper experience and working practices are put in place. This process includes making some hard decisions about which members of the next generation of family should manage the business and what roles, if any, they may play in the future. When the time is right to pass on the business to the children, then positive actions should spring from this planning process.

Involve children at a young age

Encouraging children to get involved in the business from a young age not only gives the children a work ethic and an understanding of the business, but also gives them a feeling of identification with the business together with a sense of ownership. **Do not assume that your business is not interesting to your children** as in most cases they will be proud of the business and are pleased to be included from an early age.

Outside experience

It may be preferable to ensure that the successor gets experience outside the environment of the family business. This will not alone ensure that wider work practices and new ideas are introduced into the business, but will also assist with establishing respect for a young manager/owner.

Create wealth outside

It is normal that a business will not be in a position to support and sustain all the members of the same family. The business may often have to finance the founder's retirement as well as provide for the successor. It is important that profits or drawings generated from a business should be used to create wealth elsewhere, either in the form of pension funds, property investments or other types of investment. This will ultimately provide the opportunity for one generation to step away without being dependent on the business for their own financial support, thus allowing the next generation to run the business on a profitable basis, providing them with a good living and the necessary profits for expansion.

All the family may not be involved

This is usually one of the hardest decisions to make. If the business is not capable of supporting all of the dependent children an early recognition of the most suitable heir is desirable. This is achieved by giving a chance to a number of children who are interested in getting involved with the business, and recognising where the greatest aptitude exists. This facilitates other members of the family pursuing separate careers or qualifications and allows the business to be managed effectively and efficiently. Where a business is sufficiently large it may be possible to split it into constituent parts to be managed by various members, or it may be possible for a number of siblings to operate as directors and contribute usefully to its continued success. However, a cold and early assessment of what the business is capable of supporting and what people are capable of doing is desirable and choices should be made which are clearly understood and communicated effectively. It may be that you need to hire in people who can supply qualities that are perceived to be missing in the family members.

Go at the right time

Although it may be a hard fact to accept, the truth is that **when the next generation are ready to run the business, it is time for the founders to step back**. In many businesses, it is quite clear to others, but maybe not to the person themselves, that once a certain age is reached, then there is a tendency to be playing “an end game” rather than an “opening game”. This can have a very unwelcome effect on a business as strategic horizons tend to be shortened, planning becomes more important than speculation and investment for the future. For the long term good of the business, someone younger with fresh ideas should be introduced and should be allowed to take control. While it is hard to let go a business runs better with a single mind to guide it, and so the decision to hand over control may be the most important of all for the founder.

There are many factors which affect individual businesses and individual families. There are solutions perhaps different to those set out above which may work successfully for individual cases. Essentially, it is important for all involved to talk openly and to express what they are thinking.

Taxation

The cornerstone of any business succession plan is ensure wealth preservation and structuring of your affairs in a tax efficient manner. There are various tax reliefs available to successfully pass on the business as part of a lifetime transfer or part of an estate. Any plan needs to be mindful that the qualifying conditions required are satisfied and continuously monitored for changes in tax law.


Any succession plan also needs to be flexible to take account of possible future changes in business and family circumstances. There are numerous structuring alternatives that can be tailored to meet the specific needs of every business and family to ensure the smooth transition between the current and future owners of a business.

Contact

Sasha Kerins
Partner, Tax
E sasha.kerins@ie.gt.com

Úna Ryan
Director, Tax
E una.ryan@ie.gt.com

Offices in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.

 www.grantthornton.ie

 [@GrantThorntonIE](https://twitter.com/GrantThorntonIE)

 [Grant Thornton Ireland](https://www.linkedin.com/company/grant-thornton-ireland)

