

# EMPLOYING FAMILY MEMBERS IN YOUR BUSINESS

Bringing family members into a business is often seen as a practical way to share income and build something together. While there can be clear advantages, there are also risks that need careful consideration.

## WHAT ARE THE POTENTIAL ADVANTAGES?

One of the main attractions is tax efficiency. Paying a salary to a spouse or adult child can help utilise unused personal allowances, which may reduce the overall tax burden across the family. This can be particularly effective where one partner has little or no other income.

There can also be commercial benefits. Family members are often more flexible, more invested in the success of the business, and may be willing to take a longer-term view. Trust levels are usually higher, which can make delegation easier.

In addition, employing family members can support succession planning. Bringing the next generation into the business early allows skills to be developed over time and can ease future transitions.

## WHAT ARE THE RISKS AND DRAWBACKS?

HMRC will expect any salary paid to family members to be commercially justifiable. This means the work carried out must be real, and the level of pay must be reasonable for the duties performed. Excessive or unjustified payments may be challenged and disallowed for tax purposes.

There are also practical employment considerations. Family members should still be treated as employees, with proper contracts, payroll records, and compliance with employment law. Failing to follow these rules can create problems later.

From a business perspective, mixing family and work can lead to complications. Personal relationships can influence business decisions, and disagreements may become more difficult to manage. It can also affect team dynamics if non-family staff perceive unfair treatment.

There is also the question of long-term expectations. Once a family member is involved in the business, it can be harder to make changes if circumstances or performance levels change.

## WHAT SHOULD YOU DO NEXT?

If you are considering employing family members, it is important to plan carefully. Ensure roles are clearly defined, pay is set at a commercial rate, and proper employment procedures are followed.



## WE CAN HELP

Taking advice at the outset can help you achieve the tax benefits while avoiding unexpected challenges.

If you would like to discuss whether this approach is suitable for your circumstances, please get in touch on **01753 888 211** or email [info@nhllp.com](mailto:info@nhllp.com), we are here to help.