KATALYST ADVISORS

FROM FOUNDER TO FRAMEWORK · PART 6

Every Succession Plan Has Four Layers. The Family Comes First.

The Four Layers: SCRT

Social, Commercial, Regulatory and Tax

Layers | Sequence | Acceptance

The Layers
Four Questions on Every Transfer

The Binding Layer
The Family Is Diagnosed First

The Answer
Regulation and Tax Test the Route

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01

THE FOUR LAYERS

Every Succession Question Has Four Layers

Social

The family's philosophy, its size and dynamics, and its approach to passing wealth to the next generation.

Commercial

The operating businesses and other assets, clarity on ownership and management, valuation, and the mode of succession.

Regulatory

Company law, SEBI regulations, FEMA, Ind AS and the sector rules that apply to the businesses being passed on.

Tax

Income tax and stamp duty on each transfer, with estate duty kept in view for a plan meant to last for decades.

Four Layers, One Structure

Each layer constrains the others, so a structure has to satisfy all four at the same time.

02

THE SOCIAL LAYER

The Family Is Diagnosed Before Anything Is Drafted

What the Family Believes

PHILOSOPHY

Whether wealth is held jointly or by branch, whether ownership follows lineage or contribution, and what the enterprise is for.

Size and Relationships

DYNAMICS

The number of branches and generations, the relationships between them, and who among them carries authority today.

How, When and to Whom

WEALTH TRANSFER

Whether wealth passes in the founder's lifetime or on death, equally or by contribution, and with control or without it.

Who Is in the Room

PARTICIPATION

Which members work in the business and which only own, and the place of daughters, spouses and the next generation.

The Brief for the Other Three Layers

These answers decide what the commercial, regulatory and tax work is asked to achieve.

03

THE COMMERCIAL LAYER

Clarity on What Is Owned and Who Runs It

Ownership and Management

THE BUSINESSES

Which branch owns which business, who manages it, and whether the businesses stay together or separate.

Beyond the Business

OTHER ASSETS

Financial assets, immovable property, and personal and inherited assets, each of which passes by its own route.

How Value Moves

VALUE AND MODE

A valuation the branches accept, and the mode: will, gift, trust, holding company or family arrangement.

Chosen Within the Social Brief

The commercial structure is selected from the routes the family can accept.

04

REGULATION AND TAX

The Constraints That Test Every Route

Corporate Approvals — COMPANY LAW

Board and shareholder approvals, transfer restrictions in the Articles, and NCLT sanction for any scheme of arrangement.

The Listed Company — SEBI

Takeover Code exemptions for inter se transfers, promoter group disclosure, and disclosure of agreements among promoters.

Cross-Border and Accounting — FEMA AND IND AS

Non-resident members and offshore holdings, and the treatment of each step in the companies' financial statements.

The Cost of Each Step — TAX

Income tax and stamp duty on each transfer, which often decide between two routes that are otherwise equal.

Tested After the Route Is Chosen

The route is chosen on the social and commercial layers, then tested against regulation and tax.

05

WHY THE SOCIAL LAYER BINDS

Legally Binding Is Not the Same as Stable

WHAT SIGNED DOCUMENTS SECURE	WHAT THE FAMILY MUST ACCEPT
Enforceability before a court or an arbitral tribunal.	That the terms rest on a principle each branch considers fair.
Registration, stamp duty and a defensible tax position.	That each branch was heard before the terms were settled.
A record of the terms that each branch signed.	That the next generation, which did not negotiate, can live with them.

Acceptance Holds the Structure

Enforceability in law is a backstop, not a substitute for acceptance.

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The Takeaway

Every succession plan is solved across four layers, and the social layer is diagnosed first because it binds the other three.

The Layers	Social, commercial, regulatory and tax, examined for every asset and every transfer.
The Brief	Family philosophy, dynamics and the approach to wealth transfer set what the plan must achieve.
The Structure	Ownership and management clarity, valuation and the mode of succession.
The Test	Company law, SEBI, FEMA, Ind AS, income tax and stamp duty test the chosen route.

Even a sound structure has to be tested against events.
The next question is what can break the structure.

NEXT → The 4Ds Stress Test