

# Why legacy planning in Indian businesses is moving beyond inheritance

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**Timing plays a critical role in legacy planning. Most restructuring exercises involve costs, whether income tax, stamp duty, or a combination of both, and delaying these decisions only increases the burden as asset values grow over time.**

## Legacy planning

- India's legacy planning now starts early, emphasizing business governance and control.
- Vague succession plans can lead to disputes, tax problems, and delayed decisions.
- Regularly review wills and plans to prevent costly mistakes and inefficiencies.

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Legacy planning in India is shifting from a late-stage, family-only exercise to an early, business-critical decision tied to governance, capital raising and control.

As companies scale, attract private equity or prepare for listings, unclear succession and ownership structures are emerging as commercial risks, leading to disputes, stalled decisions and tax inefficiencies. Advisors say legacy planning now involves formal governance, early restructuring, and tough conversations about roles, exits and succession, well before retirement or death.

Timing matters, as delays raise tax and stamp duty costs, making legacy planning an ongoing, strategic process rather than a one-time inheritance exercise.

“Legacy planning is often misinterpreted as being limited to the transfer of wealth within a family. In reality, when one builds something such as a business, a brand, or an institution, the true focus is on how it is passed on and continues to thrive beyond the individual who created it. In its truest sense, this requires careful planning that keeps the best interests of both the business and the family in mind,” said Shobhit Mathur, Co-Founder, Ionic Wealth.

### **Control without clarity**

In many promoter-led companies, ownership is clearly defined, but authority is not. Lawyers involved in succession disputes say this gap becomes more dangerous as businesses scale. Informal arrangements, where one family member “naturally” takes charge, often collapse when lenders, regulators, or minority investors demand formal accountability.

What once worked in closely held setups begins to fracture under scrutiny. Board decisions stall, banking mandates get challenged, and internal disagreements spill into litigation. In such cases, succession planning becomes less about inheritance and more about restoring operational certainty.

### **Professional firms face continuity risk**

For LLPs and partnership-driven professional firms, the challenge looks different. Here, legacy planning is tied to people, not assets. Client relationships, goodwill, and revenue streams are often concentrated with senior partners. When exit or succession terms are poorly drafted, the firm’s value can shrink overnight.

Advisers say disputes frequently arise not after death, but during retirement or partial exits. Without agreed valuation methods or transition timelines, firms end up losing both talent and clients, an outcome that legacy planning was meant to prevent.

### **Private equity forces early decisions**

The entry of private equity has sharply accelerated these conversations. Investment bankers say succession is now discussed at the term-sheet stage, not years later. Investors want to know who will run the company if the promoter steps back, how decisions will be taken, and whether the next generation has both authority and capability.

“Business stewardship is reinforced through constitutional documents, shareholders’ agreements, and family constitutions. These formalise governance, voting rights, board composition, and exit mechanisms, enabling professional management to operate within a legally robust framework aligned with the family’s vision and values, ultimately preserving long-term value and continuity,” said Tanmay Patnaik, Partner- Private Client, Trilegal.

### **Structure and tax leakage**

Tax advisers point to another weak link: fragmented structures. Many families hold assets across individuals, HUFs, operating companies, and informal arrangements built over decades. During succession, these layers create confusion, tax inefficiencies, and disputes.

“India’s tax rules, especially things like punitive rates on dividends and buy-backs, plus a lack of sophisticated instruments such as tax consolidation, create hurdles in value transfer, and appropriate restructuring and simplification help in mitigating those challenges. Timing becomes especially important because most restructuring and simplification have a cost attached, sometimes income tax or sometimes stamp duty or sometimes both, and the more the decision is postponed, the costs become higher, due to value accretion,” said Mehul Bheda, Partner, Dhruva Advisors.

### **When successors want different things**

Wealth managers highlight a growing mismatch in expectations. Not every successor wants to run the business. Some prefer investment oversight, others seek liquidity, and a few want control without operational responsibility. Ignoring these differences can paralyse decision-making or force hurried asset sales later.

Legacy planning now involves uncomfortable conversations about roles, compensation, exits, and even the option of stepping away entirely.

### **Keep reviewing your will**

Legacy planning needs regular attention; it is not something you finish once and forget. Major life events like marriage, divorce, the birth of a child, a death in the family, or receiving a large inheritance can all change what your plan should look like. That’s why advisors suggest revisiting it whenever life takes a big turn.

It is wise to review your will, trust arrangements, and nominee details every three to five years. Touch base with a lawyer or financial advisor from time to time to ensure everything remains legally sound, tax-efficient, and aligned with

how you want your assets handled today.

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