

# SUCCESSION PLANNING

***IN THE CIRCLE OF LIFE AND DEATH,  
SUCCESSION IS CERTAIN, INESCAPABLE,  
AND UNIVERSAL***

PRESENTED BY: CA  
CHANDRAHASA KANNADKA

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BRANCH OF SIRC OF ICAI

**BVC & Co.**

**Chartered Accountants**

No. 371, First Floor, 8th Main,  
Sadashiva nagar, Bangalore – 560080

E-mail Id: [info@bvcglobal.com](mailto:info@bvcglobal.com)

Web: [www.bvcglobal.com](http://www.bvcglobal.com)

Mobile : 98440 35793



# Introduction

- **Smooth continuation of ownership, management, control of**
  - Personal assets**
  - Business Entity**
- **Separation of ownership and management, control over properties, flexibility and certainty about wealth**
- **Endeavour by Parents to facilitate for successors**

# SUCCESSION PLANNING

THE NEED FOR IT



# WHAT IS SUCCESSION PLANNING?

- Succession planning is a method of transferring leadership duties, such as firm ownership, to an individual or group of employees.
- Succession planning guarantees that a company's operations continue to run efficiently after most key members retire or leave.
- Employees are cross-trained to build skills, company knowledge, and an integrated view of the organization as part of succession planning.



# BENEFITS OF SUCCESSION PLANNING

Chance of professional growth and ownership of a firm

Consistent training and mentorship from superiors

Leaders and employees are better equipped with a strong strategy

Also, provides an exit strategy





**“A leader's lasting value is measured by succession.”**

**-John C. Maxwell**



# **SUCCESSION PLANNING IN INDIA**

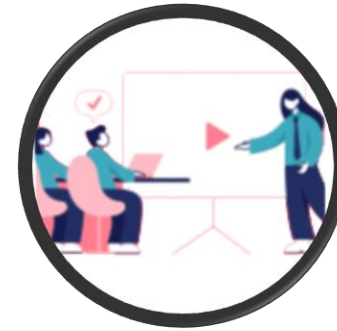


# HOW DOES SUCCESSION PLANNING WORK?



## Recruitment

Succession planning begins with efficient recruitment methods, with the purpose of selecting candidates who can rise up the ranks over time.



## Training

Skills development, company knowledge, and certifications are all part of training. Employees may be required to cross-train and shadow multiple positions or jobs in all of the primary departments as part of the training. This procedure can assist the individual in becoming well-rounded and knowing the corporation on a granular level.



# THE SUCCESSION PLANNING PROCESS

## Planning

The first and most fundamental stage is to create a strategic plan that lays out how the succession plan will be implemented. It is important to incorporate a succession plan with the interests and objectives of the leadership team being groomed for succession in order for it to be effective.

## Analysis

The many obstacles that the organization is expected to face in the future are examined, as well as the skills and competencies that the successor will need to meet them. The many obstacles that the organization is expected to face in the future are examined as well as the skills and competencies that the successor will need to meet them.

## Talent Pools Identification

Educational background, time spent with the company, as well as the employee's behavior and attitude, should all be considered. Employee skill sets should be matched to the abilities required for key leadership jobs, with any gaps between the two being recognized.

## Development Planning

Formal development methods, coaching and mentoring, specialized job assignments, learning projects, and so on are all part of the development plan.


## Documentation and Implementation

Compensation, recruitment, performance planning, workforce planning, and other HR procedures should all be linked to the succession plan.

## Evaluate Effectiveness

It is critical to routinely monitor personnel data, review initiatives, and make appropriate adjustments to ensure that succession planning efforts are successful.

# FEATURES OF SUCCESSION PLANNING



**Systematic  
Process**

**Supply of  
Labour**

**Internal  
Selection**

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**“Never put your business in the hands of one person or a select few. People leave. People die. People forget.”**

**-Liz Weber**



# THREE MAIN ELEMENTS OF SUCCESSION PLANNING

## Positions that require Successors

- The first step in succession planning is to identify the positions that require successors. Some organizations develop succession plans for key positions that play strategic roles in the organization.

## Selection of Successors

- The second aspect of succession planning is determining likely successors for various positions that are likely to become vacant in the future.

## Successor Training

- When successors are recognized by top roles, efforts are made to groom them so that they are fully prepared to fill the positions when they become vacant.

# SUCCESSION PLANNING ISSUES

Challenges frequently become barriers and control the entire planning and management of succession.



Organization size Some organizations have such few positions that they may not be able to offer career growth.

Lacking Financial Resources Employees can leave in additional workplaces for better wages and benefits.

Ineffective training and development This promotes an employee, but is not ready for a greater job.

# SUCCESSION PLANNING ISSUES

**When trying to implement succession planning, firms or companies face numerous obstacles.**

Succession planning permits leaders to focus on potential new managers, but does not allow applicants to be employed outside the company.

Failed to look at a broader array of employees and their capabilities, top management focuses on one person only.

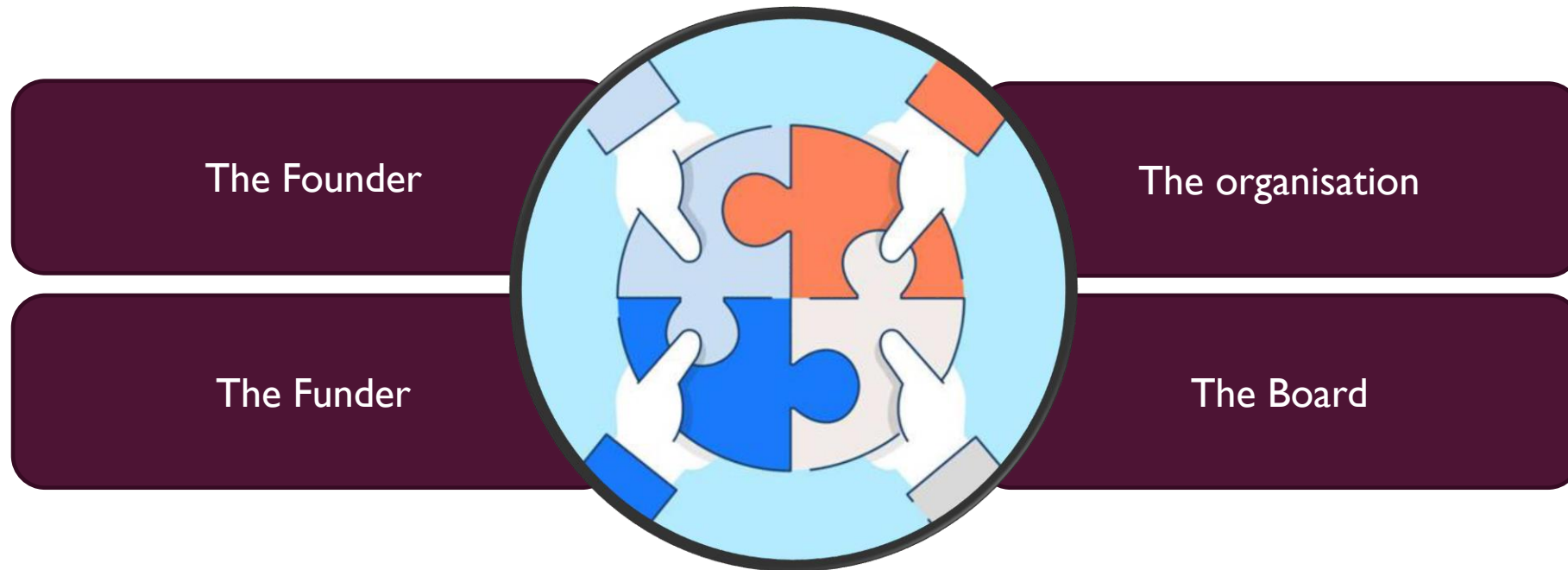
Damaging outcomes on employees: the lowering of talent and motivation are also part of the succession planning problems.



**“A dynasty is nothing but the  
successful orchestration of  
treachery.”**

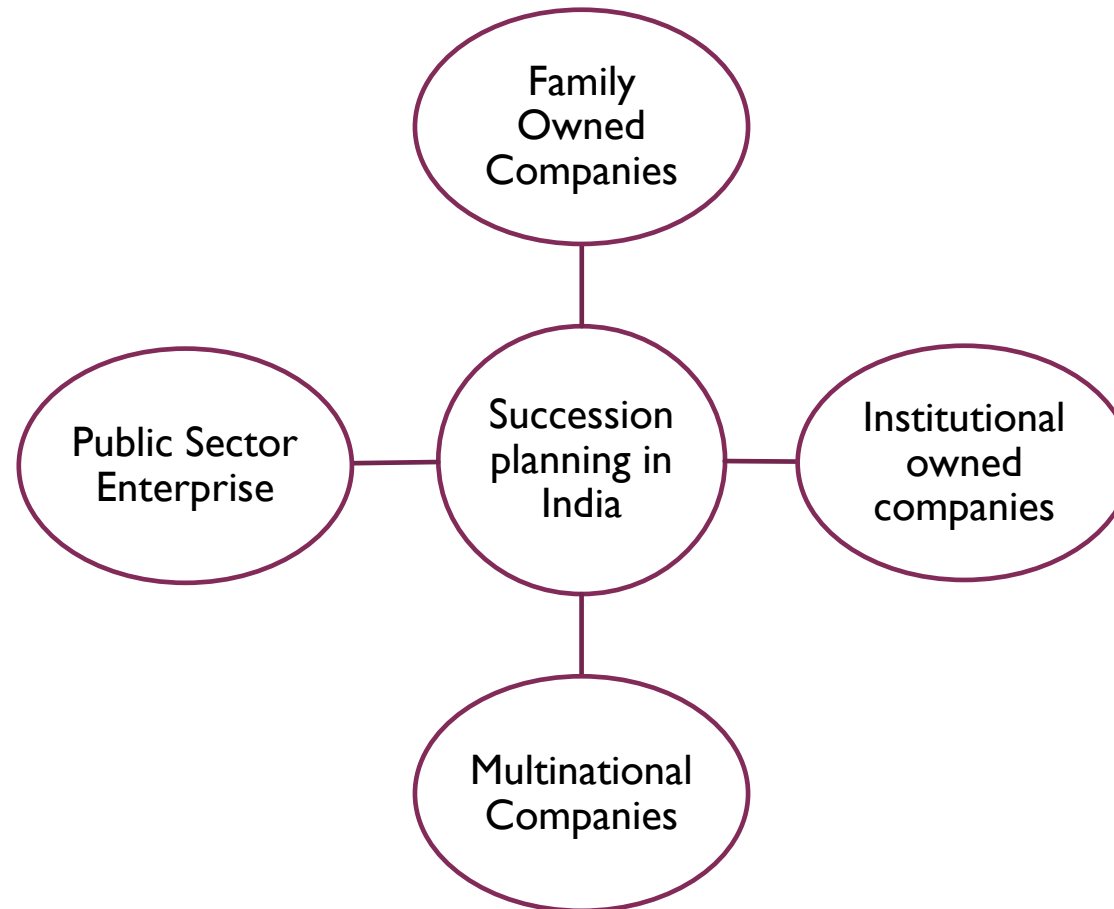
**-Stewart Stafford**

# INFLUENTIAL ROLE IN SUCCESSION PLANNING





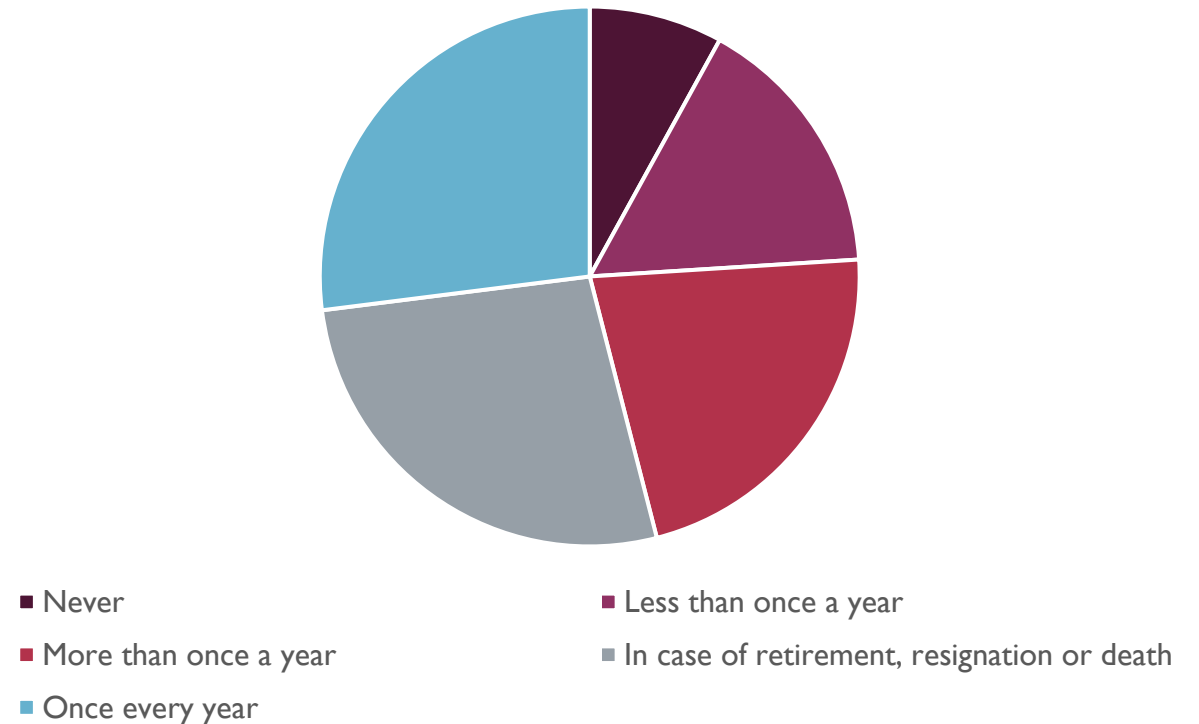
# FOUR TYPES OF COMPANIES



# CEO SUCCESSION PLANNING

The change from CEO to other is a crucial moment in the history of a company. Smooth transitions are essential if the investors, business partners, customers and employees are to maintain their trust and give a strong platform for forwarding the business to the incoming CEO. At the heart of any successful transition is a properly designed and implemented succession plan.

Frequency of CEO Succession Planning Discussion





**“If succession planning at the board level is done with truly valuable inputs to the board, it will ultimately be very good for the board and for the company. This makes it a very important issue.”**

**–Adi Godrej, Godrej Industries**

# SUMMARY

- Regardless of the size, if the current occupants leave, you cannot run a business without talented people willing to move into key positions.
- Succession planning involves developing a leadership replacement for an organization that is permanently successive without disturbance if changes occur in top management.



# Assets planning

## Assets protection-

Insurance

## Charitable gifting-

Charitable trust

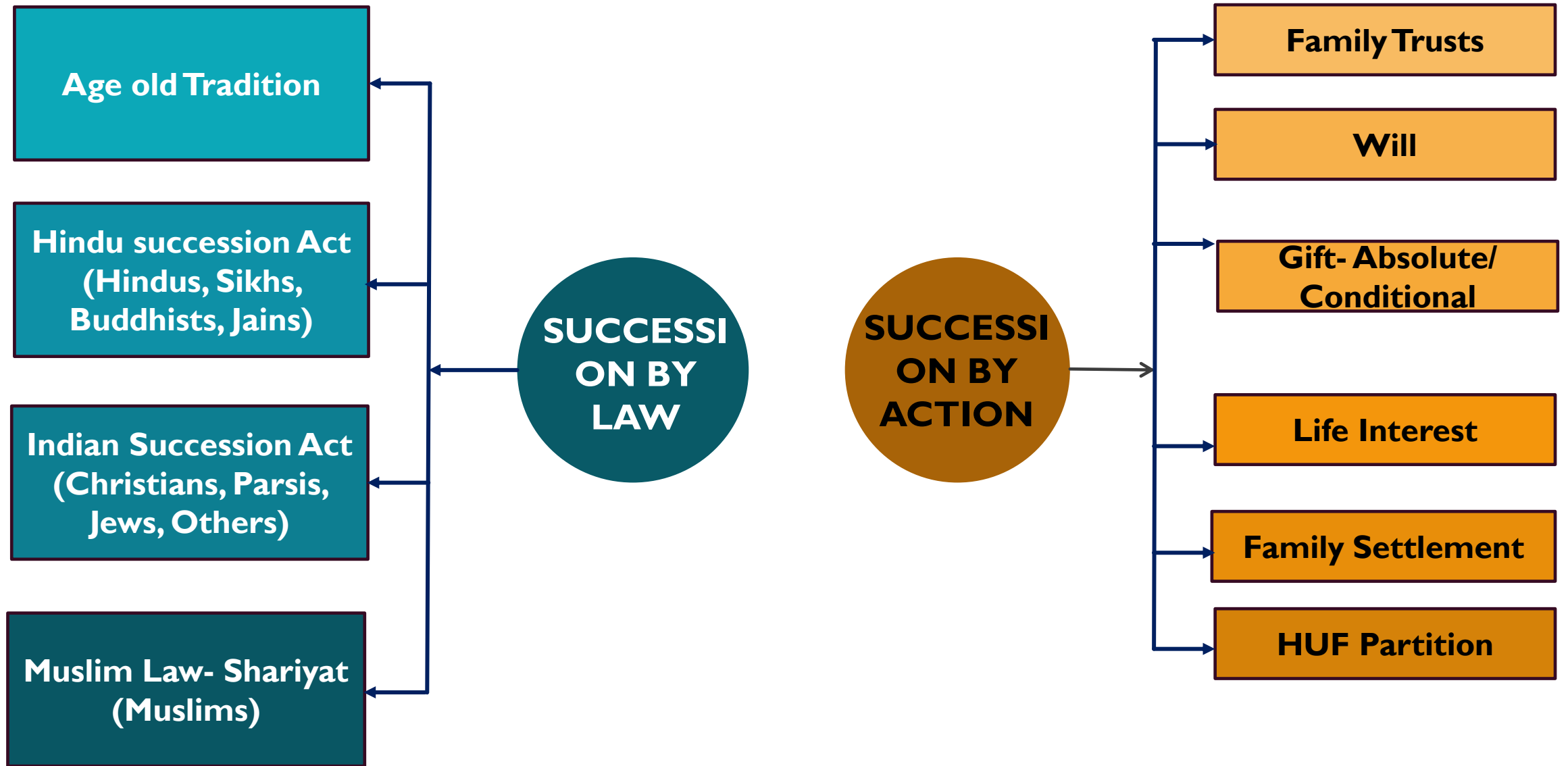
## Transferring wealth-

Private trust, Gifts,  
Succession,  
Inheritance

## Taxation-

Income tax, Estate  
Duty, Stamp Act,  
GST

# Succession



# Business Succession

**Proprietary  
Business**

**Partnership  
Business**

**LLP**

**Private  
Limited  
Company**

**Public  
Limited  
Company**

# WILL



**INDIAN SUCCESSION ACT,  
1925**



# Why should a person make a will



**Every adult individual who owns a reasonable amount of wealth, immovable property or asset, must make a will.**



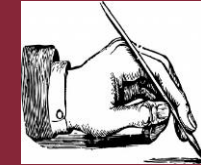
**Complete discretion to deal with property**



**Avoid Succession disputes, Ligitations**



**Reward a Friend  
Servant or  
Employee**



- **Make a will at early stage**
- **not to postpone it**
- **it can be amended / revoked.**

# Life Interest Beneficiary

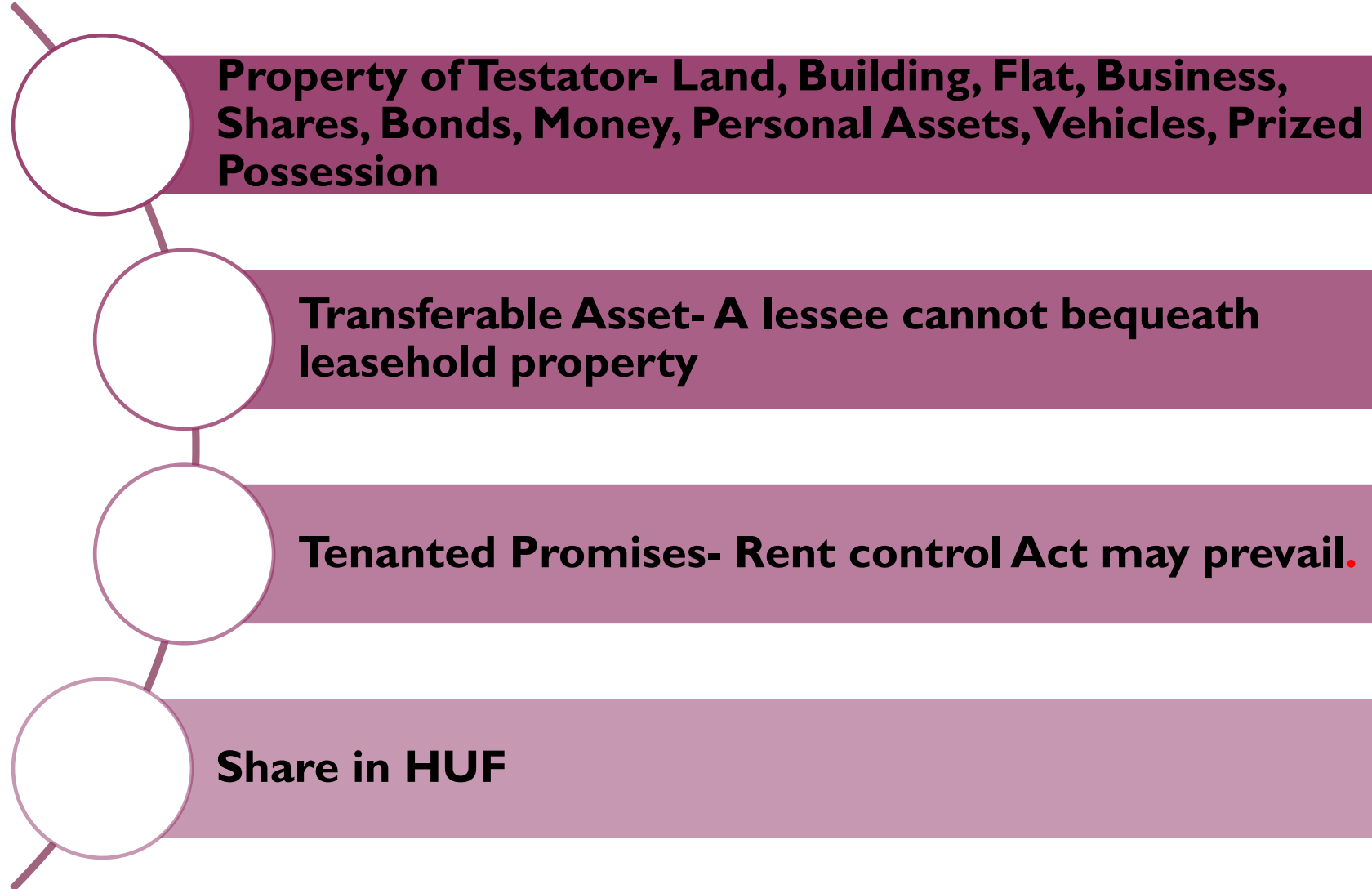


**Residential  
House**



**Rental  
Income**

# What can be bequeathed?



# Options in as WILL

Transfer of property may be immediate post death of testator or can be delayed with reference to some time- **Creating Life Interest**

**Bequest may be absolute or contingent**

**Bequest may be of Specific property, interest in pool of properties or residuary properties of testator**

**Bequest may be to a single legatee or two or more legatees**

**Bequest may be directly to one person or two or more persons in alternative or succession**

**Bequest of income from property and of property can be to different legatees**

**Bequest can be made directly to a person or to another person for the benefit or in a trust for the first person**

# How to prepare a WILL?



- **Witten, Typed, Printed**
- **Signature of Testator on all pages**
- **Dated**
- **At least TWO witnesses**
- **Registration with sub registrar- Optional**
- **Medical Certificate- Need**
- **Witness as beneficiary**
- **Non relatives as beneficiary**
- **Inequal Distribution of Property**
- **Executors**
- **Detailed description of Beneficiaries**
- **No specific format**
- **Full Details of Assets, Property**

# WILL V/s Nomination

<b>WILL</b>	<b>Nomination</b>
<b>Right to own Assets/ Funds</b>	<b>Right to Receive &amp; Hold the Assets/ Funds</b>
<b>Will Super-cedes Nomination</b>	<b>Nomination does not Super-cede will</b>
<b>Will has to be executed</b>	<b>Nomination need not be executed</b>
<b>It is simple and can be in any format</b>	<b>Nomination has to be as per relevant provisions of the law</b>
<b>Property passes through a will</b>	<b>Nominee is a trustee of the property till the time it is passed on through a will</b>

# GIFT

**Transfer of existing movable or immovable property**

**Made voluntarily and without consideration**

**From donor to donee**

**Gift deed a must for immovable property**

**Deed is optional for movable property- Can be delivery/  
Possession and Reuse**

# Revocation of Gifts

- Gift made as Complete and Accepted
- Conditional Gifts S.126 of TOP Act
- Gifts reserving Life Interest for Donor- Valid- (Renekuntla Rajanna Case (SC))
- Gifts and Income Tax Act, 1961-Section 56

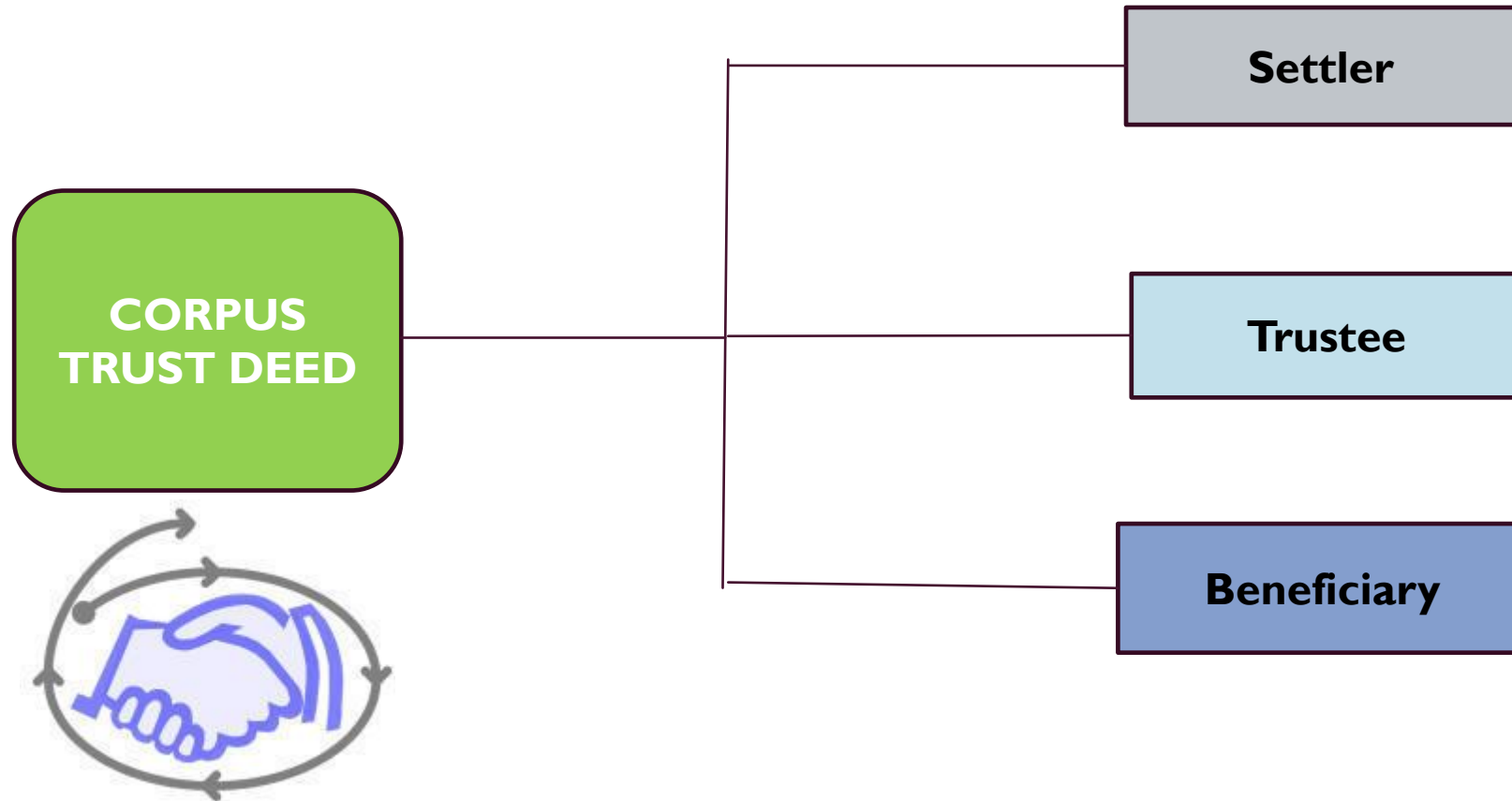


## **Karnataka Stamps Act., 1957**

### **Article 28-**

- Donor is a family member- Rs.1,000/-  
(Father, Mother, Husband, Wife, Son, Daughter,  
Daughter in law, Brother, Sister, Grand children)
- Where Donor is not a family of the donee, Stamp  
duty on Market Value or Carrying Value or sale (5%)

# PRIVATE / FAMILY TRUST



# Trust Assets

## Immovable Property



## Bank Account



## PAN/ TAN



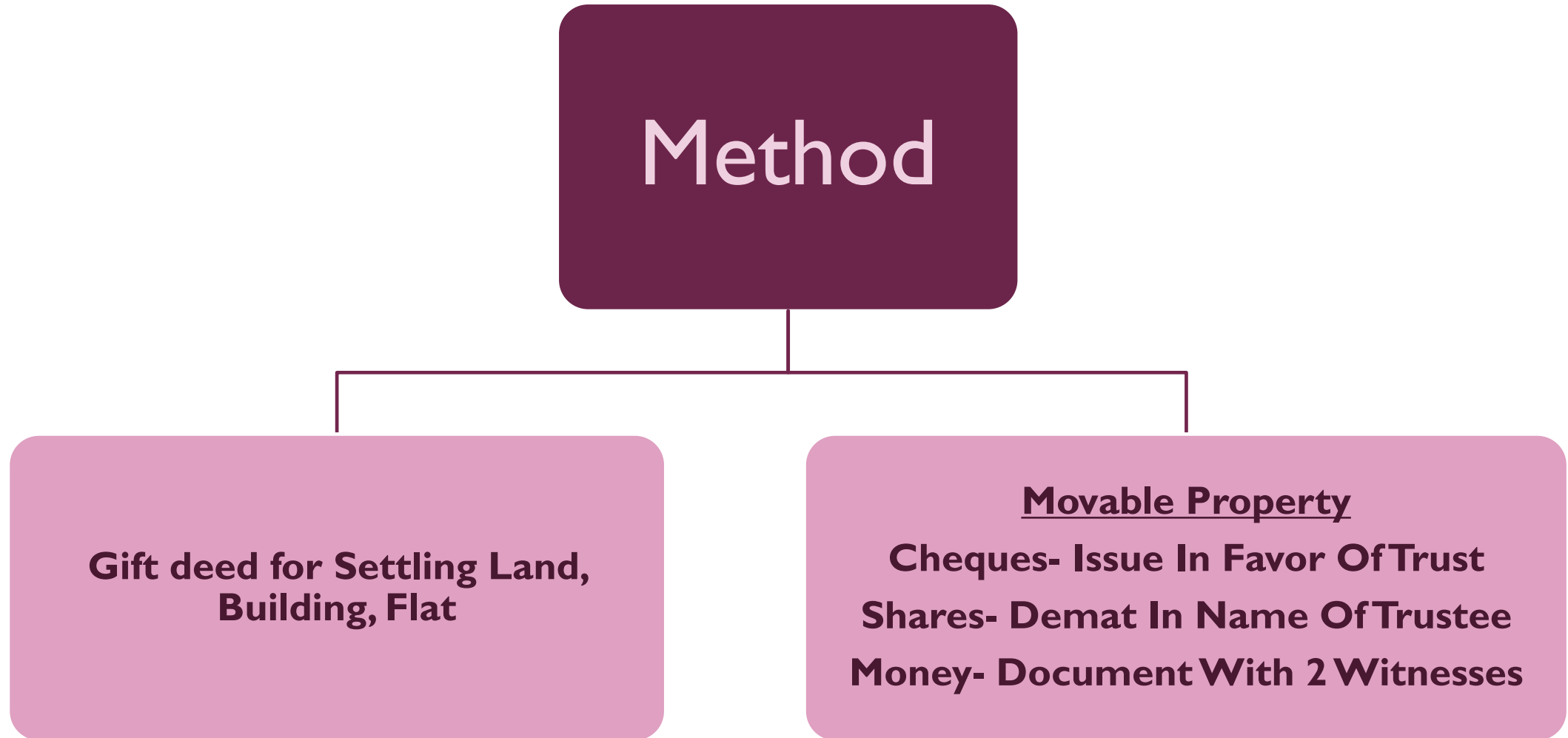
## Units of MF



## Demat Account NOT in trust name but in name of Trustee

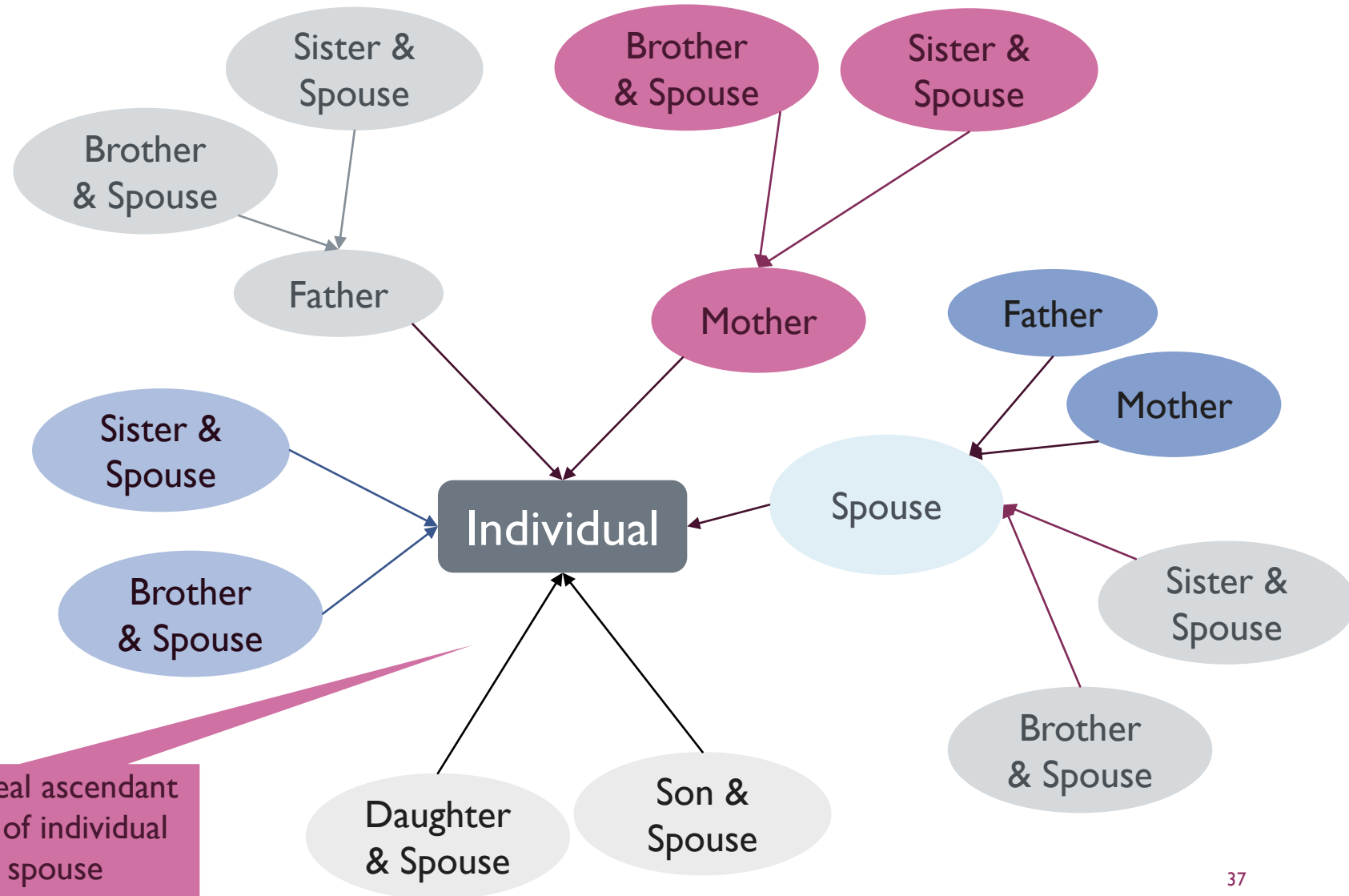


# Trust Property- Method of transfer



## Section 56(2)(x)

Exemption only if  
Trust is created  
by an individual  
solely for benefit  
of his relatives



# To Remember



## For assets parked in Trust

- No gift
- No Will
- No Nomination



# Who can be Trustee?



1. Every person capable of holding property (Section 10 of Trust Act)
2. Living persons, legal persons like company (Section 5 of TOPA)
3. Person after attaining Majority (Section 11 of ICA)
4. Corporate Trustees operate through their authorized professionals

# Who can be Beneficiaries?

1. Every person capable of holding property (Section 9 of Trust Act)
2. A beneficiary need not be competent to contract i.e a Minor can be a beneficiary
3. The settler and trustees can be beneficiaries
4. There is no restriction on minimum and maximum number. There may a sole beneficiary
5. Beneficiaries may or may not be relatives of settler
6. The beneficial interest may be specified or may be variable
7. Beneficiaries may get full interest in property or only on income
8. Beneficiary may renounce his interest





# Type of Trusts

**Revocable**

**Irrevocable**

**Discretionary**

**Specific**

**Private**

**Public**

## Family Arrangement:

- ☐ No Specific Law- Judge made Law
- ☐ Between Members of Joint Family
- ☐ Preserving the family Property
- ☐ Peace and Security of Family
- ☐ Avoiding Litigation
- ☐ Competing titles and differences are resolved by compromise



# Documentation of family Settlement



Thank  
you

