

CASE STUDY

Succession planning for a multi-generational family with aspirations to follow Sharia Law

Succession planning for a multi-generational Middle Eastern family with both international and local assets who wanted to adhere to Sharia Law when it came to distribution requirements and donations to Zakat.

The challenge

From the outset, this became a complex structure, as not only would it need to be legally recognised in the UAE, (where the assets were located), but it would also need to be legally recognised in the UK, US and Canada.

As such, Vistra had to break down the requirements and approach them as follows:

- What succession planning vehicle was legally recognised in the UAE that could hold the assets, including the family's operational and trading businesses, which would also enable the Zakat to be paid year-on-year?
- Would that same succession planning vehicle be suitable for the UK, US and Canada and, if not, was there an alternative or a way to expand, amend or 'add to' the UAE vehicle?
- Could the governance within the structure ensure the family was able to adhere to Sharia Law for distributions without complications and that complexities were kept to a minimum?

Vistra's solution

With support, from a number of its own tax experts based in the UK, US and Canada, Vistra was able to establish a structure that matched the family's objectives by taking the following action:

- 1) Established a DIFC Foundation, to own the UAE assets. The By-Laws, as drafted by a UAE law firm, included a distribution policy which included the payment of Zakat, thereby enabling the family to adhere to this requirement.
- 2) Established a Jersey Reserved Powers Trust, which was appointed as a beneficiary of the DIFC Foundation, that was able to receive distributions directly from the DIFC Foundation to be held for the benefit of the individual family members, which could then be allocated to them in line with Sharia distribution requirements as per the Trust Deed and letter of wishes. This ensured that the structure from which the individuals were receiving their benefit was recognised in Canada, the US and the UK.

Benefits

The family were able to achieve their succession planning objectives whilst ensuring their Sharia Law requirements were met and the structure was legally recognised in the UAE, Canada, the UK and the US.

A Muslim resident based in the UAE wanted to engage with Vistra to look at succession planning following a health scare of the patriarch. Essential to its implementation, was its need to follow Sharia Law when it came to the distribution of assets and ensuring that his donation to Zakat was met year-on-year.

Despite this being a common request with regards to succession planning practices, this particular request came with a number of challenges due to complexities associated with the majority of the wealth being based in the UAE but some family members were citizens of Canada and the US, whilst others resided in the UK.

Industry

N/A

Location

Middle East – UAE



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