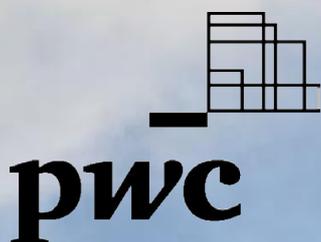


Fundamentals: Family ownership vehicles

PwC Middle East
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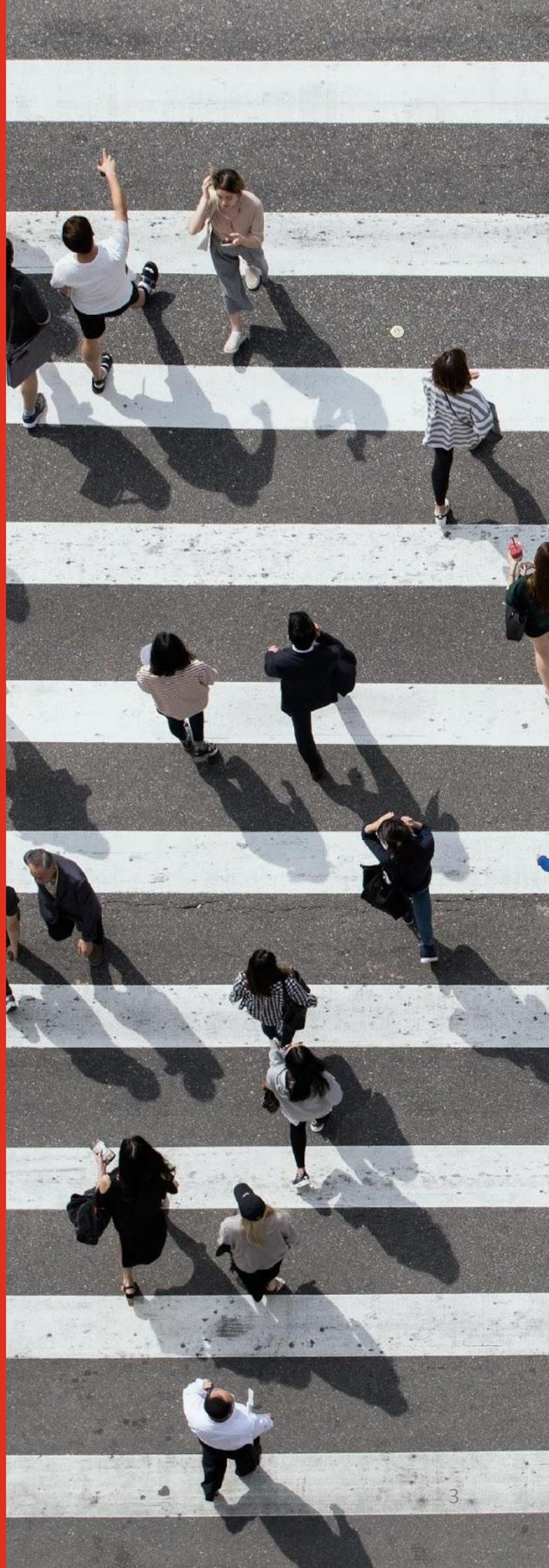
Many privately or family owned businesses in the Middle East have grown significantly, often expanding beyond the region. Protecting and preserving the family business and other family wealth that has amassed, and effectively passing it on to the next generation is often a key objective.

Although directly owning an asset may seem like the most straightforward approach, this may not be suitable for all circumstances and could mean that your objectives are not being met.

Owning your assets via a family ownership vehicle or structure can help you and your family better achieve your objectives, whatever they might be.

This guide will give you an overview of the fundamentals of various types of family ownership vehicle and some of the benefits they can provide.

Our team is experienced in advising families in the Middle East and beyond and can support you with selecting the most suitable option to meet your needs.



Why use a family ownership vehicle?

Holding your family's business and/or personal assets via a family ownership vehicle or structure can have a number of benefits, for example:



Asset protection - Transferring your wealth into a structure typically means it is no longer considered to be part of your estate. A robust legal framework can enhance protection in the event of a legal challenge or claim.



Succession planning - Setting up a vehicle allows you to direct who will benefit, how and when. As it can exist in perpetuity, it can also provide for long term continuity, preventing proliferation of ownership and probate procedures, which can be complex where beneficiaries or assets are in multiple jurisdictions.



Beneficiary protection - A well thought out structure can protect beneficiaries, for example, from the risks of directly holding significant wealth, providing security for vulnerable family members or safeguarding their position in a difficult situation, such as a breakdown of their marriage.



Efficiency - Consolidating ownership into a structure may also improve efficiencies by reducing the number of entities, jurisdictions and processes you are required to deal with. There may also be reduced reporting and tax filing requirements and tax efficiencies to be made.



Philanthropy - A structure can be used to support you in your philanthropic aims by acting as a vehicle to hold wealth on behalf of charities or other good causes and enabling you to ensure your wealth keeps benefiting others long into the future.



Control - By stipulating the terms of the legal documents which establish the vehicle (and perhaps by retaining some involvement in how it is run during your lifetime) you can ensure your family's wealth is managed in accordance with your wishes now and in the future.

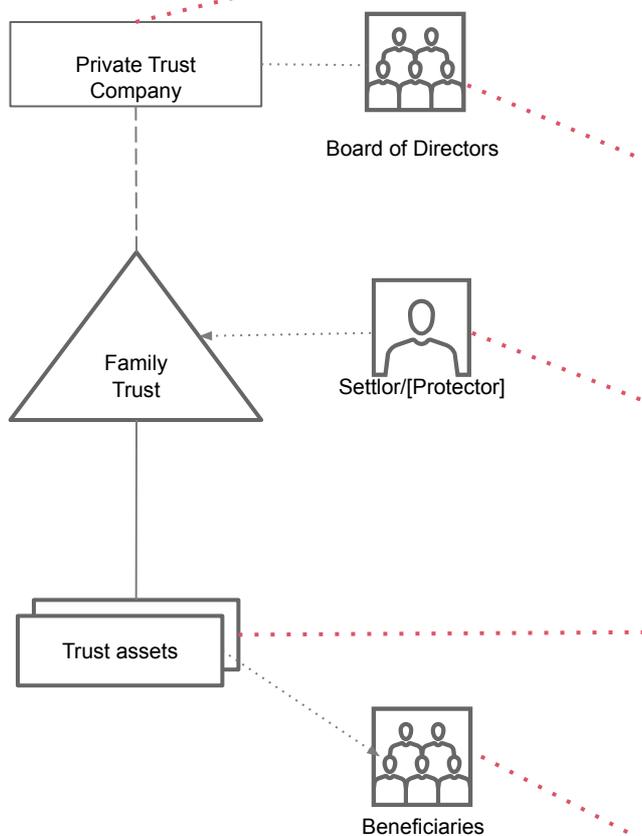


Conflict - Setting up a structure to provide for your family members can clearly set out your wishes and each individual's entitlement, role and responsibilities, helping to manage expectations and eliminate potential conflict in future.



Privacy - Where assets are held in the name of a vehicle rather than in family members' personal names, the amount of information being unnecessarily shared with the public and authorities can often be reduced, ensuring that while all legal requirements are adhered to, your family's privacy is enhanced.

Trust (with optional private trust company)



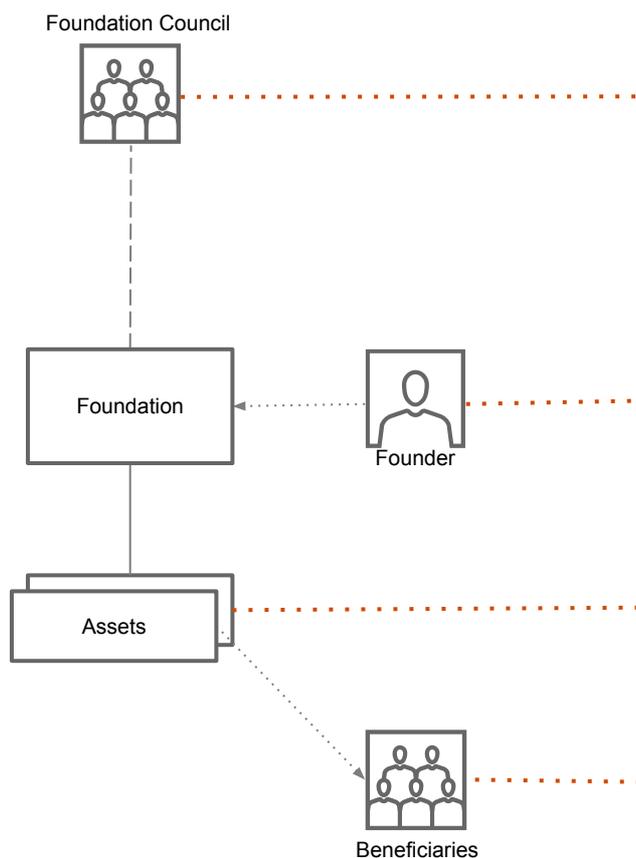
Trusts separate the legal and beneficial ownership of assets and are a useful way of protecting assets and beneficiaries. They are typically set up in common law jurisdictions. A number of trust regimes exist in the region, including in the Dubai International Financial Centre, Abu Dhabi Global Market and Bahrain.

A trust is an agreement whereby the legal ownership of assets is held by a trustee on behalf the nominated beneficiaries or a class of beneficiaries. The terms of this agreement are usually set out by the person who has transferred the assets into trust (the settlor) in a trust deed.

- Trustees may be individuals or a corporate entity. Some settlors look to a corporate trustee or set up their own private trust company. The trustees have a fiduciary duty under law to safeguard the trust assets for the beneficiaries and ensure the provisions of the trust deed are fulfilled.
- If the trustee is a corporate entity, decisions will be made by the Board of Directors, which may include family members who wish to remain involved in the decision making as well as professionals.
- The settlor(s) are the original owners of the trust assets. They give away ownership of the property to the trustees absolutely and usually irrevocably.
- Legal ownership of the trust assets is held by the trustees, which may be individuals or a corporate entity, on behalf of the beneficiaries who have a beneficial entitlement to the assets.
- The beneficiaries have a right to the income and/or capital of the trust's assets. This could be a discretionary, contingent or an automatic right depending on the stipulations of the trust deed.



Foundation



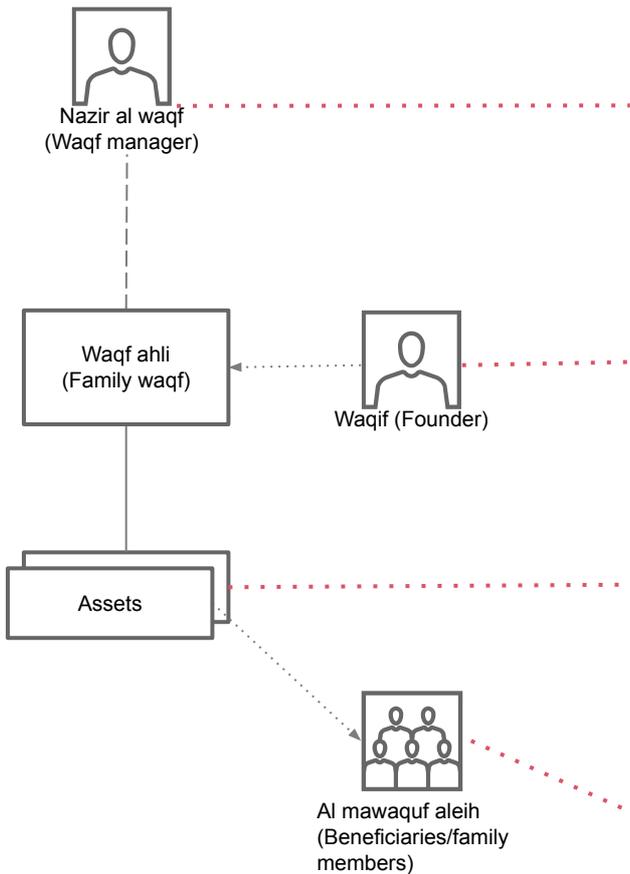
Foundations have their own legal personality and can own assets to hold them for the benefit of family members or philanthropic causes. They are typically set up in civil law jurisdictions. A number of foundations regimes exist in the region, including in the Dubai International Financial Centre, Abu Dhabi Global Market and Ras Al Khaimah International Corporate Centre.



A foundation is a legal entity without an owner (an “orphan” entity). The Founder transfers legal title of the assets to the Foundation, which holds them for the benefit of the Beneficiaries. A foundation is established via a Foundation Charter, which sets out setting out the powers of the Council, the objects of the foundation, who can benefit and so on.

- The foundation is managed by an appointed foundation council, which may include family members who wish to remain involved in the decision making as well as professionals. The council members have a duty under law to safeguard the foundation assets and ensure the objects of the foundation charter are fulfilled.
- The founder(s) are the original owners of the assets. They transfer ownership of the property to the foundation absolutely and usually irrevocably.
- Legal ownership of the assets is held by the foundation and managed by the foundation council in accordance with the objects set out in the foundation charter.
- The beneficiaries have a right to the income and/or capital of the foundations assets on the terms stipulated in the foundation charter.

Waqf



A waqf is an Islamic law concept akin to a trust arrangement. The waqif (founder) donates the property to the waqf in perpetuity, where it is managed by the nazir (waqf manager) for the benefit of someone else (e.g. philanthropic causes, family members). The terms of the waqf are usually set out in a hijat al waqf (deed).

- A manager is appointed to administer the waqf. They are responsible for ensuring the assets are managed in accordance with the founder's wishes as set out in the deed.
- The waqif (founder) is the original owner who transfers ownership of the asset(s) to the waqf absolutely and in perpetuity. They can be Muslim or non-Muslim.
- Legal ownership of the assets is held by the waqf and managed in accordance with the objects set out in the deed. The assets transferred into the waqf must be compliant with Sharia (Islamic law) principles.
- The beneficiaries appointed by the founder can enjoy the income and/or capital of the assets held in the waqf on the terms stipulated in the deed.

The notion of a waqf is notably similar to that of a trust but is an Islamic law concept dating back many centuries. Although this diagram depicts a family waqf, waqfs are also commonly set up in the interests of the public or charitable causes.



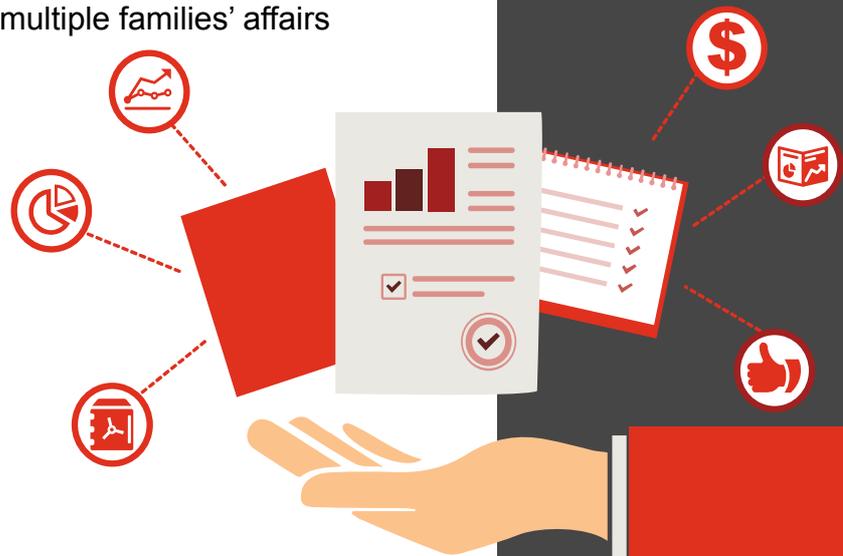
Family offices

There is no single definition of a family office. A family office is likely to be as unique as the family or families it serves and its role and structure will depend on what service and assistance they require. At its most basic level, a family office is a group of people looking after the affairs of family members and can have many diverse functions and responsibilities. The family office may be embedded (e.g. part of the family's business) or a standalone entity.

In order to require and afford such a function, the family (or families) served by a family office are likely to be of high net worth (HNW), with several family members to manage and holding assets with a high level of complexity.

There are broadly two types of family office:

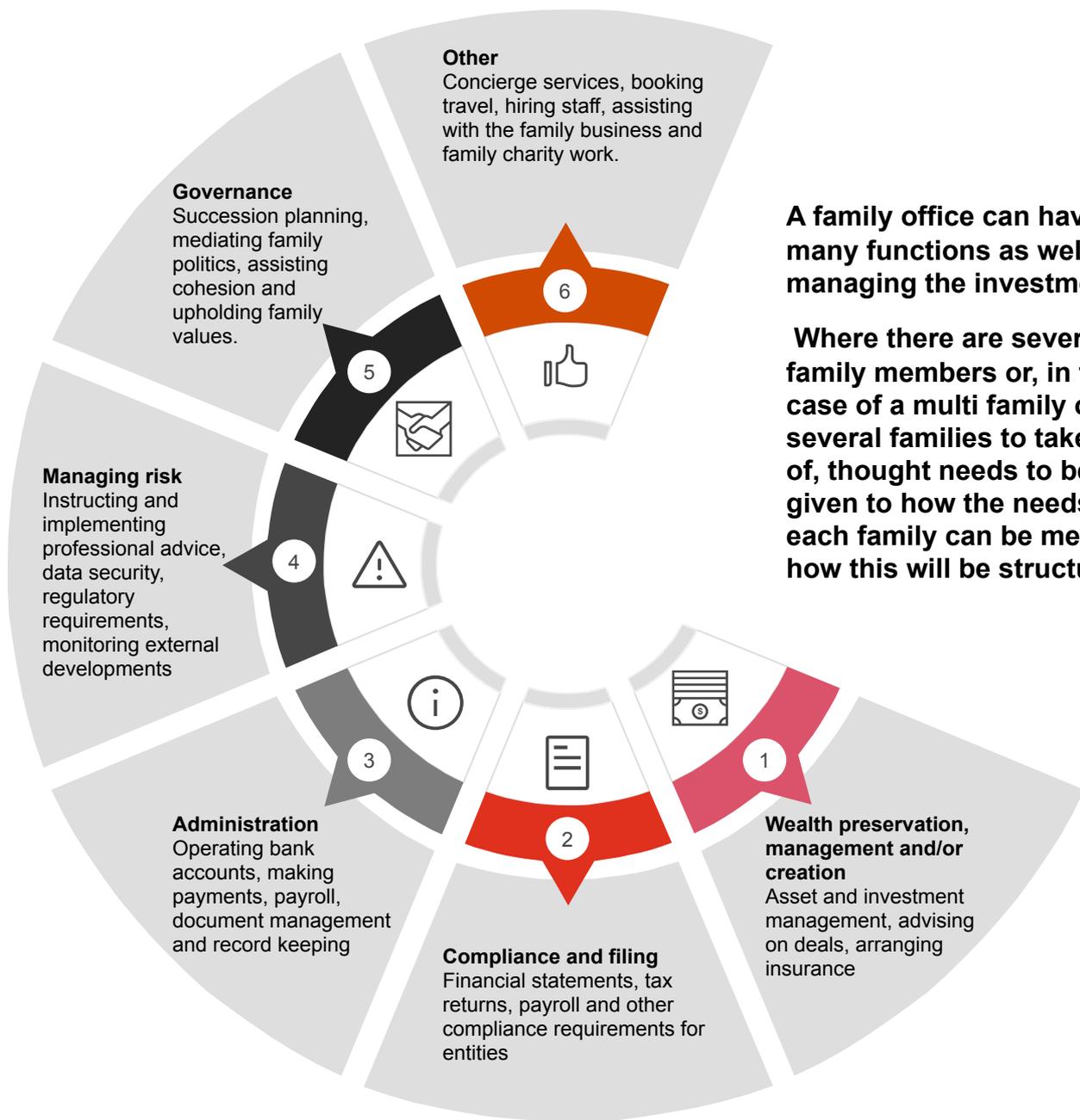
- Single Family Office – looking after just one family's affairs
- Multi Family Office – looking after multiple families' affairs



Why use a family office?

- Leverage professionals to manage the family's affairs
- Protect the family's privacy
- Exert greater control over the family's holdings
- Simplify administrative burden on family members due to the wealth and holdings
- Ensure continuity across generations, regarding the family's legacy and values
- Oversee family enterprises (businesses, philanthropy, real estate, etc.)
- Manage family wealth and pass it down over multiple generations
- Pool family resources to access greater investment opportunities and better pricing
- Provide a single resource to oversee and integrate the family's wealth
- Focus exclusively on the needs and interests of the family
- Manage the various risks facing the family

Typical roles of a family office



A family office can have many functions as well as managing the investments.

Where there are several family members or, in the case of a multi family office, several families to take care of, thought needs to be given to how the needs of each family can be met and how this will be structured.



Selecting a jurisdiction for your family ownership vehicle or family office

A number of factors may impact your decision on where your family ownership vehicle should be located. We can help you to select the most appropriate jurisdiction for your needs, a process which may include comparing factors such as:



Legal framework

Does the legal framework in the jurisdiction offer flexibility, privacy and robust asset protection in the event of a legal challenge?



Reputation

Is the jurisdiction well regarded? Is it well regulated and does it adhere to global best practices and standards? Are there quality service providers readily available?



Tax efficiency

What are the tax implications for the vehicle or for you and members of your family? Will there be significant tax liabilities or complex filing requirements?



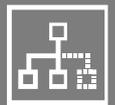
Accessibility

Would travel to the jurisdiction straightforward? Would any difference in time zone or the working days convenient?



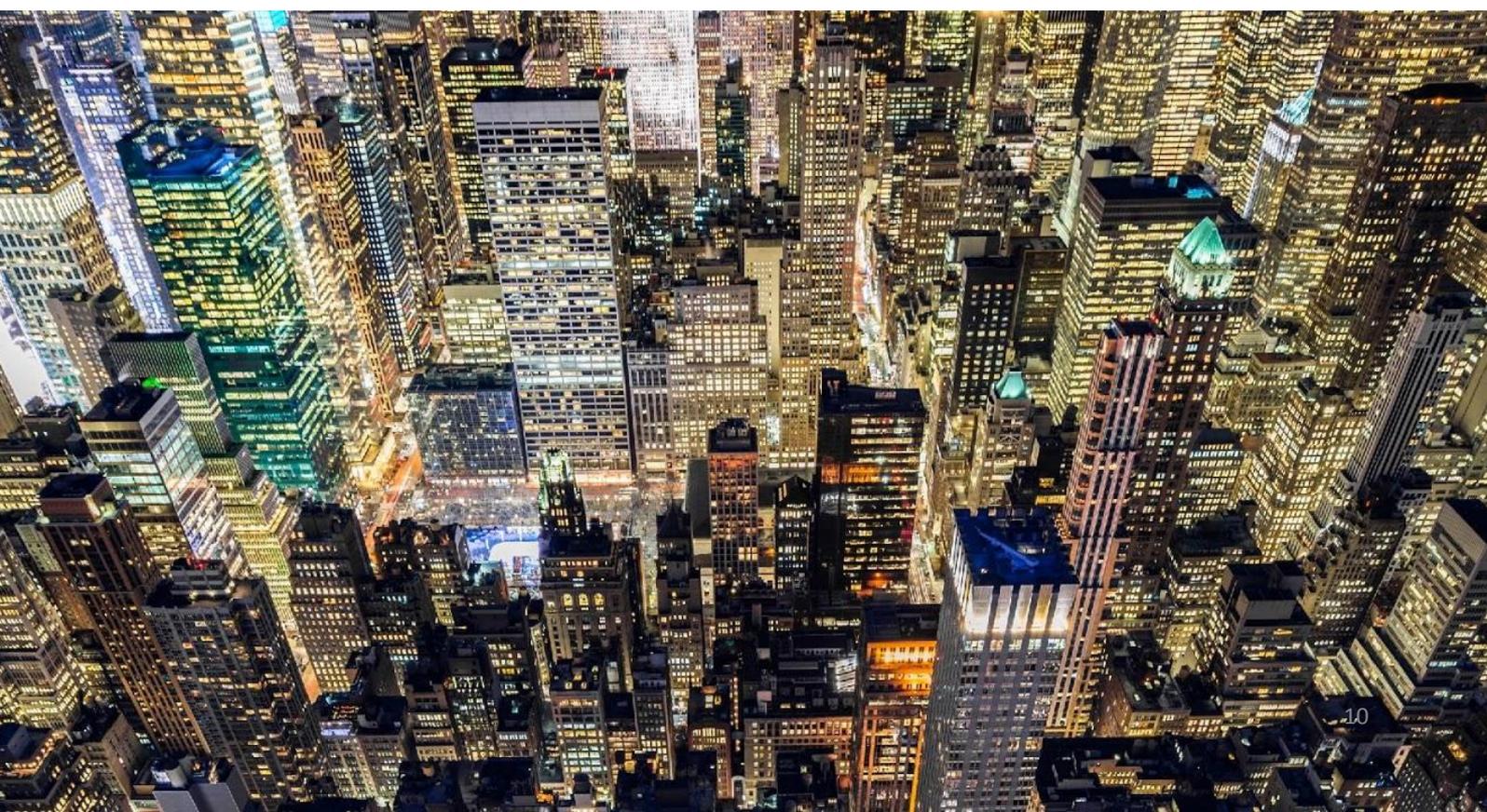
Relationships

Do you have a preference to work with a Key deciding factor is often to work with a particular service provider who your family can relate to



Local limitations

restrictions on ownership your options may be limited depending on the assets you would like the vehicle to hold. Certain assets in some jurisdictions can only be held by a local vehicle, for example.



Get in touch



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James has over 20 years of international tax experience and leads the Family Office Services practice in the Middle East and our Private Business and Private Client tax team in the UAE.

James provides international tax advice to UHNW individuals and families, family offices and business owners, across a wide range of industries and geographies. He advises a number of families across the Middle East on areas such as international tax planning, governance, succession planning/next generation transition, strategy, set up, etc.



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Kim has over 10 years experience advising the owners of multi generational family businesses and specialises in understanding the specific challenges they face.

Kim is experienced in designing bespoke solutions to achieve families' long term objectives, such as asset protection, wealth preservation, succession planning and tax optimisation and in the creation and optimisation of global ownership structures for holding business and personal assets, including the use of corporate entities, trusts and foundations across multiple jurisdictions.



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Nora is an experienced corporate lawyer. As a Senior Manager at PwC Legal, she provides transactional advice to both corporates and investors on acquisitions, investments and restructuring.

Nora specialises in advising families and family businesses in the region on the legal implications of asset ownership structuring, conducting legal due diligences, advising on mechanisms to implement asset transfers based on local laws and drafting related legal documentation.



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We are one of the fastest growing PwC member firms worldwide and the largest professional services firm in the Middle East. Our tailored solutions help clients to meet the challenges and opportunities of doing business in the Middle East market and beyond.

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