



GLOBAL TAXATION

Simplified Advanced Solutions



Global & Foreign Tax solutions



Introduction



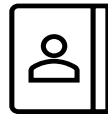
Family Foundation



Managing Cross-boarder - Tax Treaty Utilization



Corporate Tax Base



Taxable Person



Exempt Person



Exempt Income



Family Foundation - Article 17



Out of scope person:

Transparent partnerships, funds, trusts, and family foundations

1. Trust vs Foundation
2. Objectives of Trust & Foundation
3. Family Foundation
4. Legal Status of Family Foundations
5. Family foundation Taxability
6. Summary

Family Foundation vs Trust

#		Trust	Family Foundation
1	Formation	Three party relationship [trustor, trustee, and beneficiary]	A standalone legal entity, and its non-profit organization
2	Example	Parents who make a trust so that their children and grandchildren receive their assets after they die	Individuals, families, companies, or public entities set up foundations like The Bill and Melinda Gates Foundation
3	Objective	Protection of assets or Charitable	Protection of assets or Charitable
4	Founding document	Trust Deed	Charter
5	Who Owns Assets	Trustor (trustee is nominal owner)	Foundation
6	Manager	Trustee	Board of Directors
7	Manager Role	Follow terms of trust	BoD sets the direction
8	Types	Through contract or legal entity	Legal Entity

- The family foundations and trusts perform **various activities like** receiving, holding, investing, disbursing, or otherwise managing assets or funds associated with savings or investments for the interest of the individual beneficiaries or to achieve a charitable purpose.

As defined in the law, the **family foundation** means
"Any foundation, trust or similar entity that meets the conditions of Article 17 of this Decree-Law".

FF was established for the **benefit of identified** or identifiable natural persons or for the benefit of a public benefit.

Principal activity of the FF is to receive, hold, invest, disburse, or otherwise manage assets or funds associated with savings or investment.

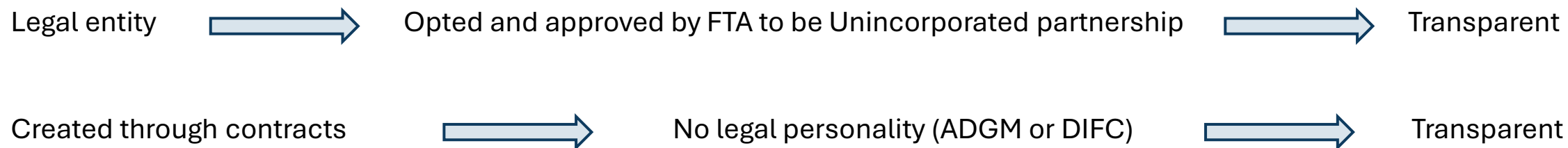
FF does not **conduct any business or business activity.**

The main purpose is **not the avoidance of Corporate Tax.**

Any other conditions as may be prescribed by the Minister.

Family Foundation – Legal Status & Taxability

Trust or Foundation



- Generally, **family foundations that are incorporated, established, and registered** in the UAE have a separate legal personality from their family members/trust creators and meet the definition of a juridical person as defined in the UAE CT law **except for a few trusts** (like trusts established in DIFC or ADGM) that have only a contractual relationship between the persons, and such trusts do not have legal personalities.
- **Where the trusts have been created only through the contractual relationship**, it will be treated as transparent for UAE corporate tax purposes, and the income of such trusts will be taxable in the hands of the relevant parties.

Unincorporated Partnership



Unincorporated Partnerships – (Article 16)

Conditions to be met:

A Foreign Partnership will be treated as an Unincorporated Partnership if all of the following conditions are met:

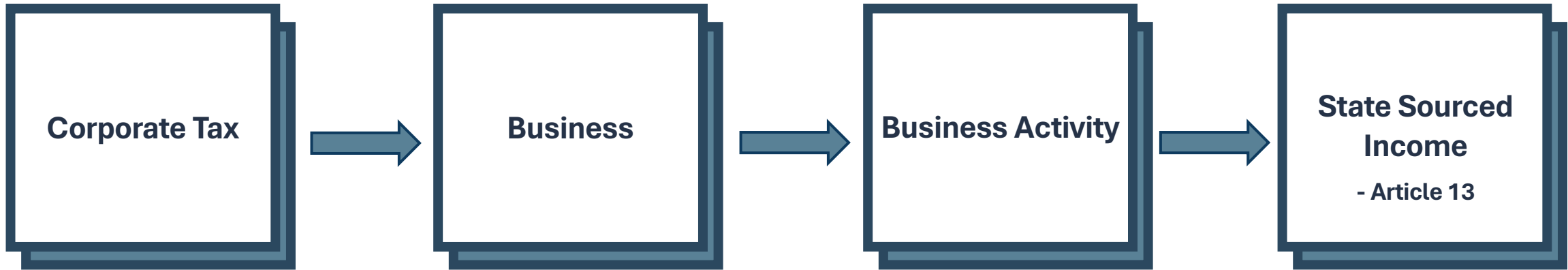
- The Foreign Partnership is **not subject to tax** under the laws of the foreign jurisdiction.
- Each partner in the Foreign Partnership is individually subject to tax with regards to their distributive share of any income of the Foreign Partnership as and when the income is received by or accrued to the Foreign Partnership.

Double Taxation Treaties - DTT

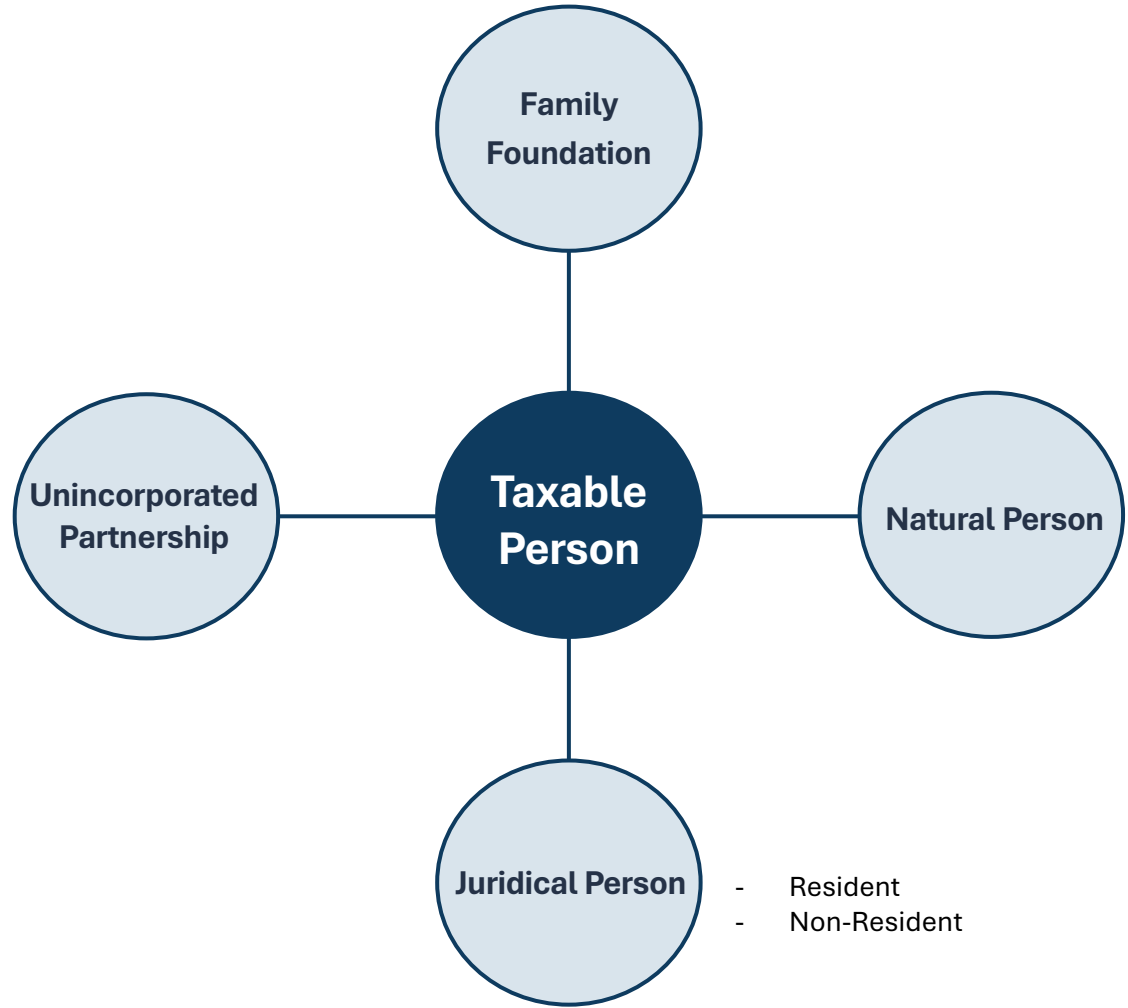
Reduced Withholding Taxes:

- DTT's frequently offer reduced withholding tax rates on dividends, interest, and royalties paid to residents of the treaty partner country.
- This reduction encourages cross-border investment and trade by lightening the tax load on companies.

Corporate Tax Base



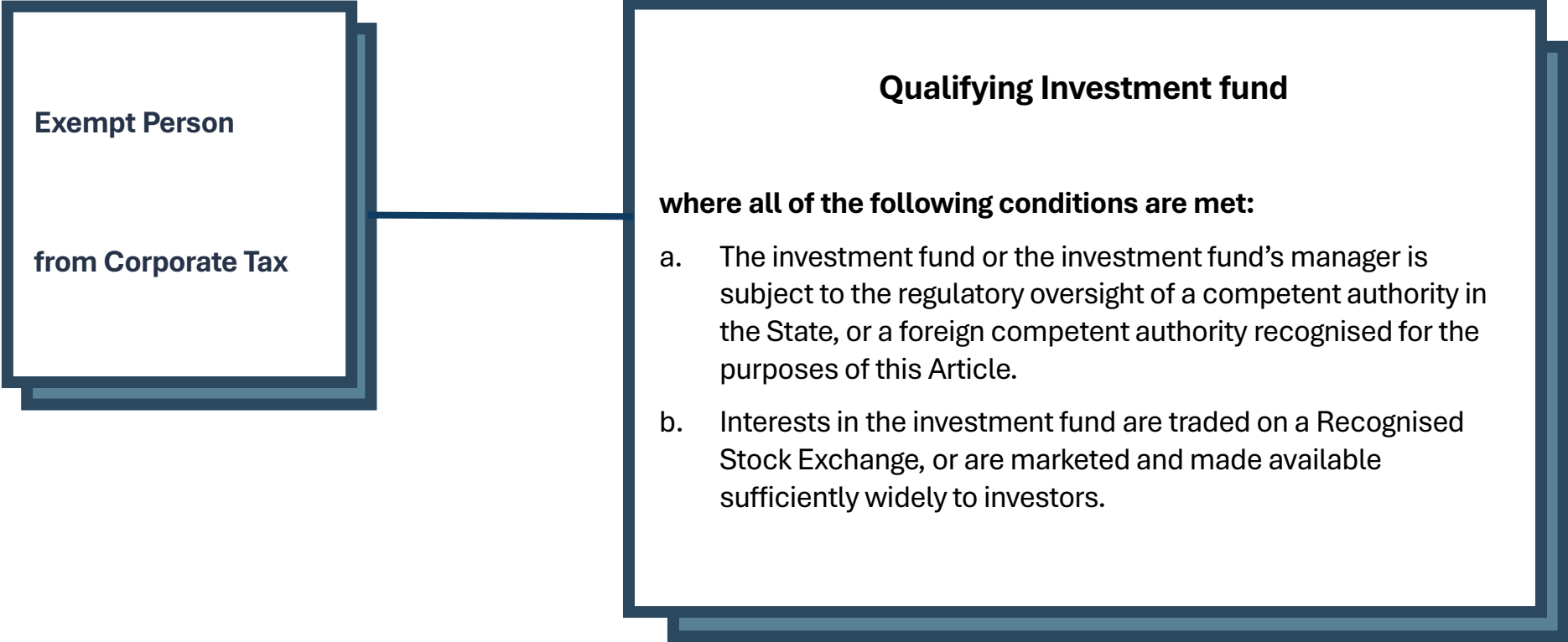
Taxable Person



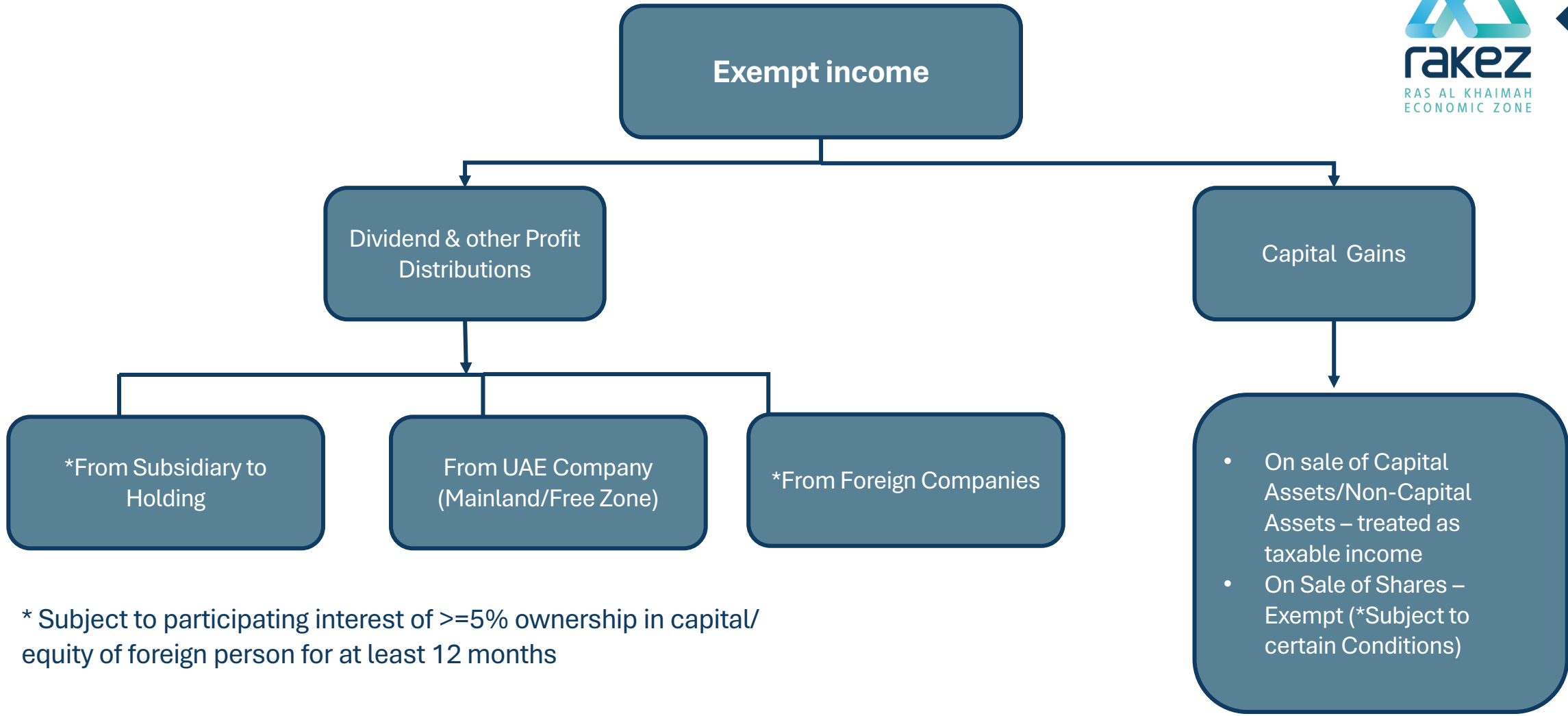
- Resident
- Non-Resident

- Resident
- Non-Resident

Exempt Person



Exempt Income



* Subject to participating interest of $\geq 5\%$ ownership in capital/ equity of foreign person for at least 12 months

Exempt Income



Business Activities Conducted by a Natural Person that are not considered as Businesses or Business Activities conducted by a resident or non-resident natural person subject to Corporate Tax, regardless of the amount of Turnover derived from such activities:

- ❖ Personal Investment income.
- ❖ Real Estate Investment income.



Thank you!

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