



# Establishing a UAE Foundation

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# Private Foundations in the UAE

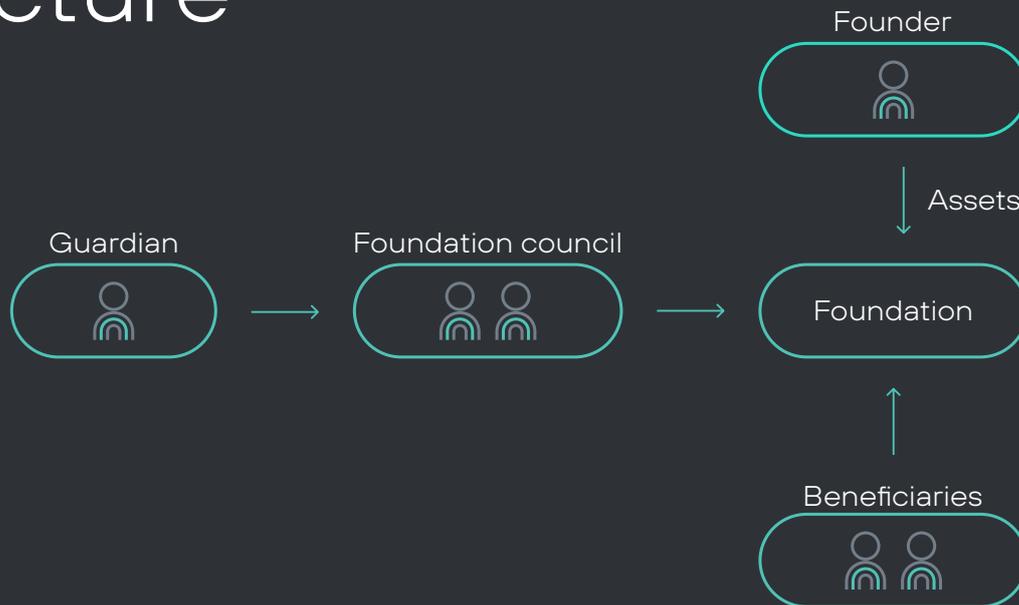
A foundation is a legal entity designed to hold the founder's assets. It is used to structure asset ownership and management and to transfer private wealth to future generations.

## Why Do You Need a Foundation?

- ≡ Wealth and capital structuring
- ≡ Comprehensive business and private asset management
- ≡ Ensuring continuous ownership of private wealth
- ≡ Tax efficiency
- ≡ Securing financing for family members
- ≡ Charitable endeavours
- ≡ Protection from third-party claims (with careful and timely structuring)



# Sample Foundation Structure



## Description

A foundation can be established in any of the UAE's free zones:

01 DIFC | 02 ADGM | 03 RAK ICC

A foundation is established by a founder through the adoption of its founding documents:

Charter | By-laws

- ≡ The founder has the authority to amend the foundation's constitutional documents
- ≡ Key asset privileges, such as rights to assets, profits, and control, are preserved upon transfer to the foundation
- ≡ From a legal perspective, the founder does not have legal title to the assets held by the foundation. Proper and timely structuring can help protect the foundation's assets from third-party claims and keep them separate from the founder's estate

- ≡ The council is responsible for the operational management of the foundation, similar to a company's board of directors. The founder may serve as a council member
- ≡ Authorised individuals, including family members, may be appointed as the foundation's governing bodies
- ≡ A foundation has designated beneficiaries who may be granted rights to its assets, including the right to receive periodic payments

# Foundation Structure

## Founder

- ≡ May be an individual or legal entity (there may be more than one founder)
- ≡ Contributes assets to the foundation
- ≡ Determines the governance structure and authority
- ≡ Designates beneficiaries and defines their rights to assets (including rights to payments)

## Council

- ≡ A mandatory governing body
- ≡ Should consist of a minimum of two members (the founder may be one of them)
- ≡ Manages the foundation's operations
- ≡ Its authority and duties are set out in the Charter and By-laws

## Guardian

- ≡ May be mandatory in certain circumstances
- ≡ May be an individual or legal entity
- ≡ The founder may act as the guardian (Note: in this case, the guardian cannot serve on the council)
- ≡ Appointed by the founder
- ≡ Exercises control over the foundation's operations; may approve transactions made by the council on behalf of the foundation

## Registered Agent

- ≡ May not be required in certain circumstances
- ≡ Provides a registered address if the foundation does not maintain its own office premises

## Beneficiaries

- ≡ Appointed by the founder
- ≡ May include individuals and/or legal entities
- ≡ The founder may also act as a beneficiary
- ≡ May be identified by class or description (for example, "all of the founder's grandchildren")
- ≡ Entitled to receive the foundation's assets (including periodic distributions or allowances)



# Risks Mitigated Through Careful Asset Structuring

- ≡ Loss of potential profit due to ineffective or incompetent management
- ≡ Significant tax burden
- ≡ Liability for violating foreign exchange laws and regulations
- ≡ Foreclosure on assets due to third-party claims
- ≡ Division of assets among a mix of heirs of different ages, experience, interests, and needs
- ≡ Requirement to trace assets in the event of force majeure involving the owner
- ≡ Asset freezing during the inheritance proceeding
- ≡ Requirement to obtain permits for the disposal of assets transferred to minor heirs



# Benefits of a Foundation Structure

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Preserves continuous family ownership of private wealth while ensuring capital preservation and growth

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Flexible structure with the option to create a tailored management framework

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Enables efficient tax planning

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The Middle East is a rapidly emerging hub for international trade and finance

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The UAE is considered a jurisdiction friendly to Russian interests

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A wide range of assets, including foreign assets, that can be held by a foundation

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Opportunity to establish UAE companies on behalf of the foundation

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Opportunity to arrange financing for family members

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Lower tax rates for real estate transfers in the UAE\*

\*0.125 per cent of the value of real property transferred by the founder or their first-degree relatives (spouse, children, parents), compared to the 4 per cent rate applicable to sale and purchase transactions

# How Can We Help You?

We will be pleased to assist you with establishing and operating a structure for holding private and business assets, offering the following services:

01 Assessing the suitability and practicality of a UAE foundation for asset transfer

02 Outlining the foundation structure and managing the setup process, which includes:

- ≡ drafting the documents required for establishing a foundation, organising asset management and distributions
- ≡ managing the transfer of assets to the foundation

03 Providing legal support for the foundation's operations, including advice on a broad range of matters under the laws of the UAE, Russia, and other jurisdictions

04 Developing alternative options for structuring private and business assets, including in foreign jurisdictions (as necessary)

05 Calculating the overall tax burden of the asset ownership structure in the context of the tax residency of the founder and beneficiaries

## Key Persons



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