

DIFC FOUNDATIONS

What is the DIFC?

The Dubai International Financial Centre (DIFC) is a financial freezone overseen by three independent authorities: The Financial Services Authority (FSA), the Dubai International Financial Centre Authority (DIFCA), and the DIFC Courts. The DIFC follows best practice internationally and is recognised as a robust and highly regulated jurisdiction by all major financial centres worldwide. The DIFC operates under the common law framework and not Sharia law.

What is a DIFC Foundation?

A DIFC Foundation is a legal entity which can be set up within the Dubai International Financial Centre, a highly-regulated Tier 1 independent jurisdiction within the UAE. The DIFC's Common law framework is seen as advantageous in this case as it allows a greater degree of freedom in structuring the management and procedural framework of Foundations.

What are the features of a DIFC Foundation?

- A DIFC Foundation is similar to a company in that it is a legal entity that can hold assets and sign contracts, but it does not issue shares or have shareholders.
- A Foundation is not owned by anyone, but is set up to fulfil a purpose, and that purpose is to manage assets for its beneficiaries.
- The Council, consisting of at least two members is responsible for managing the assets of the Foundation.
- An optional Guardian may be appointed to oversee the Foundation, and ensure the council carries out the functions of the Foundation in accordance with the founder's wishes.

What are the key roles within a Foundation?

Founder – the individual who provided the initial assets when he/she established the Foundation.

Council – the managing board responsible for carrying out the Foundation's stated purpose.

Guardian – either an individual or a company charged with ensuring the Council carry out the Foundation's stated purpose.

Beneficiaries / Qualified Recipients – either an entity or individual who are designated as benefiting from the outcome of the Foundation's activities

Default Recipient - either an entity or individual who are designated as managing the residual assets of the Foundation if it is wound up. This role safeguards the suitable distribution of remaining assets if the remaining beneficiaries are not found, or the foundation no longer meets its original mandate.

What is a Foundation used for?

A DIFC Foundation allows the founders to manage assets, and protect those assets within a robust governing framework. Holding and safeguarding assets, Foundations can facilitate succession planning and family wealth preservation, wealth management and Tax planning, all within a recognised and confidential governance structure. Foundations are also set up for charity and other philanthropic purposes, and are an effective vehicle for managing and distributing donations.

Are there any further benefits to using a DIFC Foundation?

There are several other advantages not already mentioned:

- The Foundation is a different legal entity to the Founder, and therefore any assets transferred to the Foundation are ring-fenced from any possible personal liabilities which may be incurred later on by the Founder
- DIFC Foundations can be registered as tax transparent meaning they would not be required to pay UAE Corporate Tax. Tax liability would then fall to the beneficiaries who, if they were UAE tax residents, would not be subject to personal income tax.
- Only the Foundation's name and registered office are visible to the public, keeping all other details private.
- Even after the death of the Founder, a Foundation will continue to manage and distribute assets.

What are the legal obligations of a DIFC Foundation?

DIFC Foundations must:

- Include the word 'Foundation' in their entity title, but generally not use the words 'Dubai' or 'UAE'.
- Obtain a DIFC license to operate, and this must reflect the intended activity of the Foundation
- Draw up the Foundation's Charter; a public document declaring the purpose, roles and structure
- Draw up the Bye-Laws; a private document detailing decision-making rules, management of assets and governance of the foundation.
- File the Annual Confirmation statement
- File the Annual Data Protection Return
- Complete FATCA/CRS Reporting
- Prepare Annual Financial Statements to IFRS standards

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