UAE family foundations: seven points to know before you set one up

SEVEN POINTS

1. **A foundation is a legal person, not a trust.** It has no shareholders or owners, and the assets it receives become its own property. Foundations with legal personality do not meet the Hague Convention's definition of a trust, so abroad they are recognised as legal persons.
2. **It suits succession and holding assets, not tax deferral where your home country taxes you.** A foundation can hold family assets in a legal person that outlives the founder, under written rules. Where the founder or a beneficiary lives in a country that attributes its income to them, such as the UK, Germany or the US, it gives governance and succession benefits but limited tax deferral.
3. **In the UAE, the established regimes are DIFC, ADGM and RAK ICC.** Each gives the foundation its own legal personality. DMCC issued its Foundations Regulations in September 2026. They take effect on a date DMCC notifies, so check that DMCC is taking registrations before you plan on one.
4. **UAE corporate tax turns on an Article 17 application.** A qualifying family foundation can apply to be treated as a tax-transparent unincorporated partnership, but this needs FTA approval and is not automatic. Approval is not a treaty-benefit election and does not by itself give the foundation a tax residency certificate in its own name.
5. **A firewall does not bind foreign courts.** Each regime rejects specified foreign heirship claims and inconsistent foreign judgments. A firewall does not bind the courts where assets are located and does not stop a challenge by a creditor.
6. **Sharia and forced heirship can still apply.** Under Sharia rules heirs' shares are fixed, and under the 2024 Personal Status Law a will normally operates within one-third of the estate unless the heirs approve more, subject to exceptions. Whether a lifetime transfer to a foundation holds good against heirs depends on the court hearing the case and where the assets are.
7. **Banks and reporting often decide whether it works in practice.** Banks verify identity and beneficial ownership before opening an account, and under CRS a foundation's founder, council, protector and beneficiaries are identified as for a trust.

THE THREE REGIMES AT A GLANCE

	DIFC	ADGM	RAK ICC
Law	DIFC Foundations Law, DIFC Law No. 3 of 2018	ADGM Foundations Regulations 2017	RAK ICC Foundations Regulations 2019 (as amended 31 July 2025)
Registry	DIFC Registrar	ADGM Registration Authority	RAK ICC, through an authorised registered agent
Minimum endowment	No statutory minimum; charter describes initial capital	USD 100 or equivalent	Generally USD 100 or equivalent
Council	Foundation council under the law, charter and by-laws	Statutory duties broadly comparable to directors'	At least two members
Guardian	Required for charitable or specified non-charitable objects; optional otherwise	Optional in the founder's lifetime; compulsory after death	Required in specified purpose-foundation cases
Public register	Name, registered office, names of founders, council and agent; by-laws and beneficiaries private	Confidentiality significant, subject to registry, beneficial ownership, AML and tax disclosure	By-laws, assets and beneficiary details generally private, subject to the same disclosures
Creditor challenge	Foundation can be liable to a defrauded creditor; three-year limit on specified challenges	Transfer can be voided if founder insolvent or meant to defraud; no specific period stated	Foundation can be liable to a defrauded creditor; three-year limit
Official fees	Registration nil; licence USD 350 a year	US$1,000 formation; US$500 renewal	AED 1,500 registration; AED 1,500 renewal; AED 750 licence

SEVEN QUESTIONS A FAMILY SHOULD ASK

1. What is the foundation for: family support, succession, holding a business, philanthropy or a mix?
2. Where are the founder and beneficiaries tax resident now, and where will they be in twenty years?
3. Who should control investments and distributions after the founder's death or incapacity?
4. Which risks matter most: creditors, divorce, forced heirship or political risk?
5. What will be public, and how will CRS and FATCA apply?
6. Which assets go in, where are they, and do transfer or endowment taxes apply?
7. Which banks and custodians must accept the structure?

Talk to Within

Every family's answer is different. Within, by PBF, is fractional tax advisory by PBF: a senior tax team that is happy to start with a conversation about your situation.

Speak to us

This article is general information on the position as at 11 November 2026 and is not tax advice, so please take advice on your own circumstances before you act.