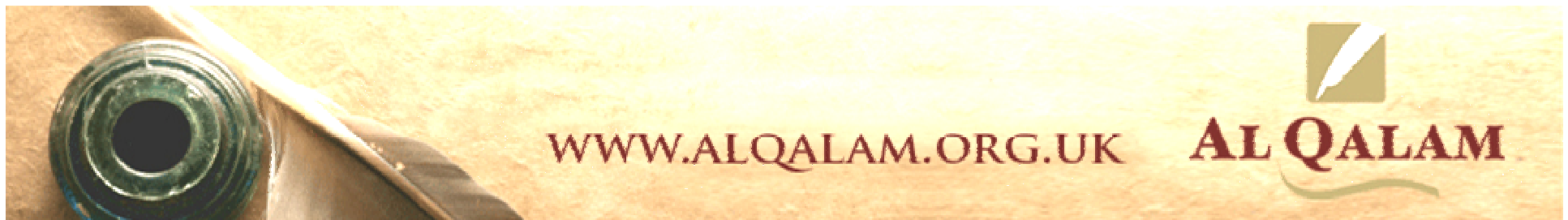


In collaboration with

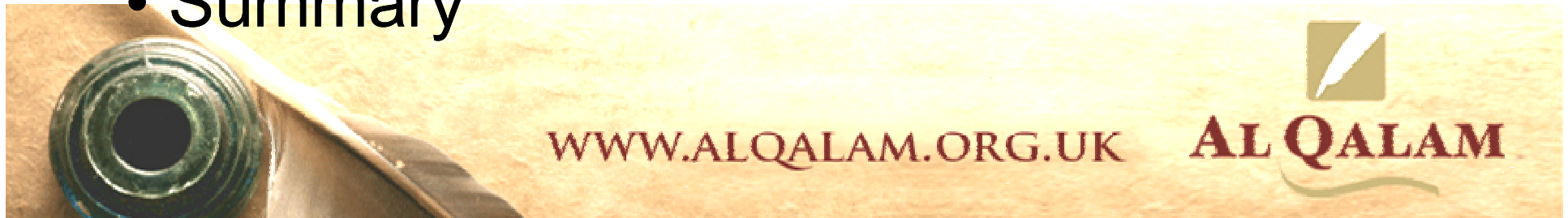


# ISLAMIC WILLS & INHERITANCE PLANNING

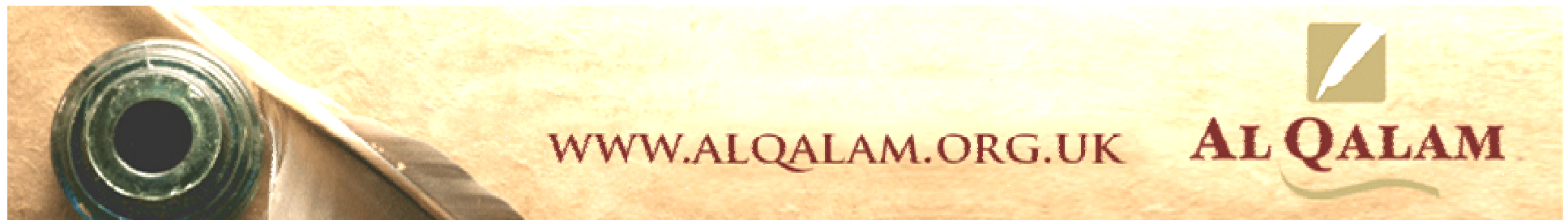


# PRESENTATION OVERVIEW

- Shariah & Inheritance
- UK Inheritance Law
- UK Inheritance Tax
- Islamic Wills & Inheritance Solution
- Summary

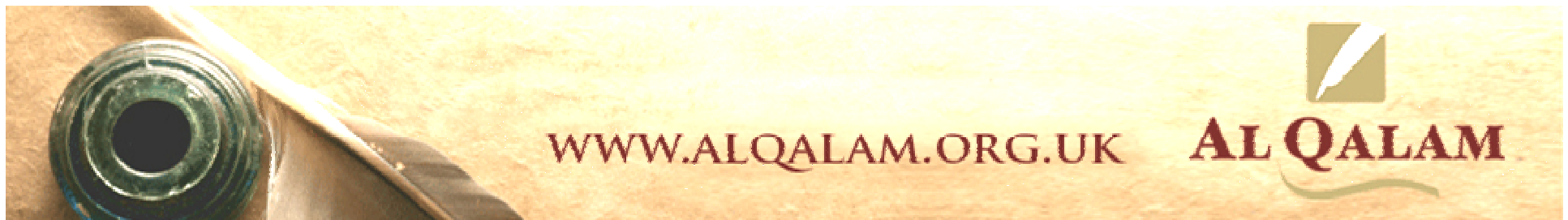


# SHARIAH & INHERITANCE



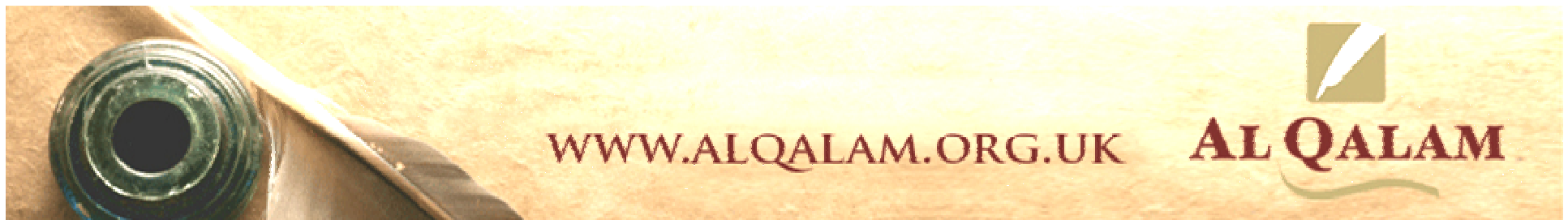
*“It is the duty of a Muslim who has  
anything to bequeath, not to let 2 nights  
pass without including it in his Will  
(Wasiyya)”*

*Bukhari*



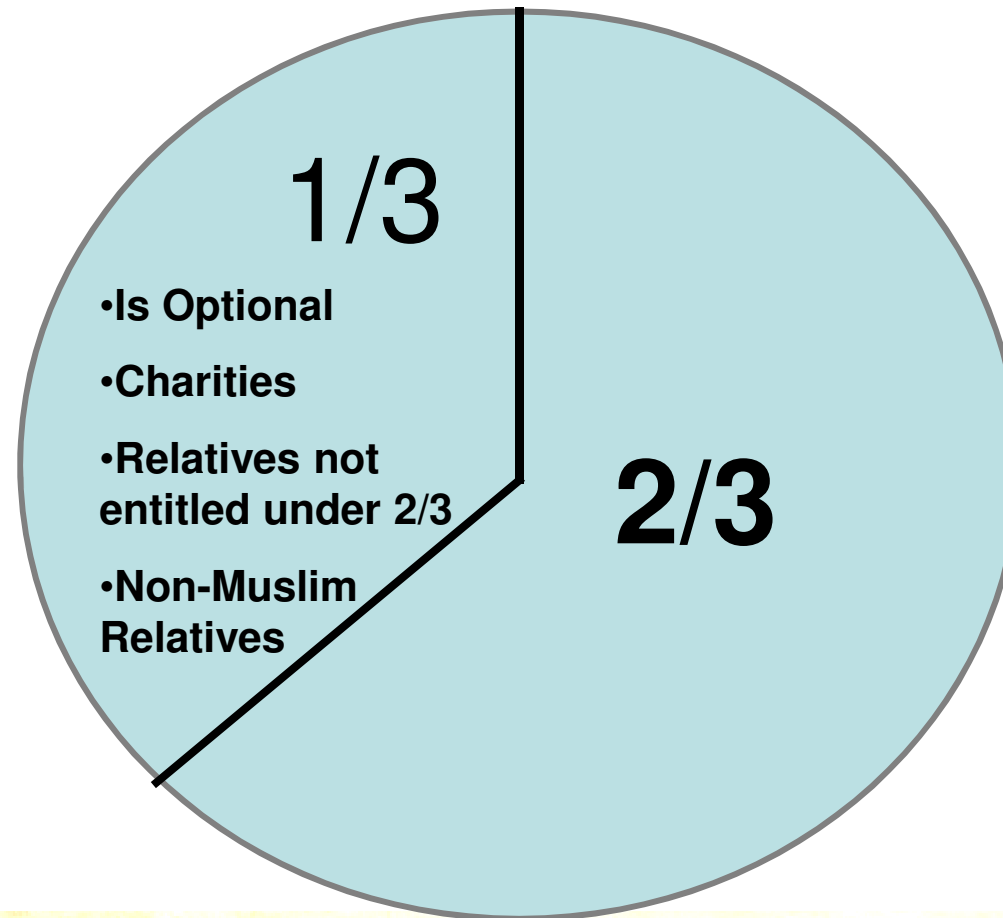
*"A man may do good deeds for seventy years but if he acts unjustly when he leaves his last testament, the wickedness of his deed will be sealed upon him, and he will enter the Fire. If, (on the other hand), a man acts wickedly for seventy years but is just in his last will and testament, the goodness of his deed will be sealed upon him, and he will enter the Garden."*

*(Ahmad and Ibn Majah)*



# BEQUESTS FROM THE 1/3

(After Debts & Funeral Expenses)



# KEY RULES

**Wife receives** (of husband's estate)

$\frac{1}{8}$  = if they have **children** or

$\frac{1}{4}$  = if they have **no children**.

**Husband** receives (of wife's estate)

$\frac{1}{4}$  = if they **have children**

$\frac{1}{2}$  - if they have **no children**

**Mother and father** receive

$\frac{1}{6}$  **each** = if client **has children** or

If client has **no children** = **Mother** gets  $\frac{1}{3}$

**Sons** get **twice** what daughters receive (of the residual estate) **AFTER** fixed share inheritors receive their shares.

If **2 or more daughters** exist = they receive  $\frac{2}{3}$  of the estate.

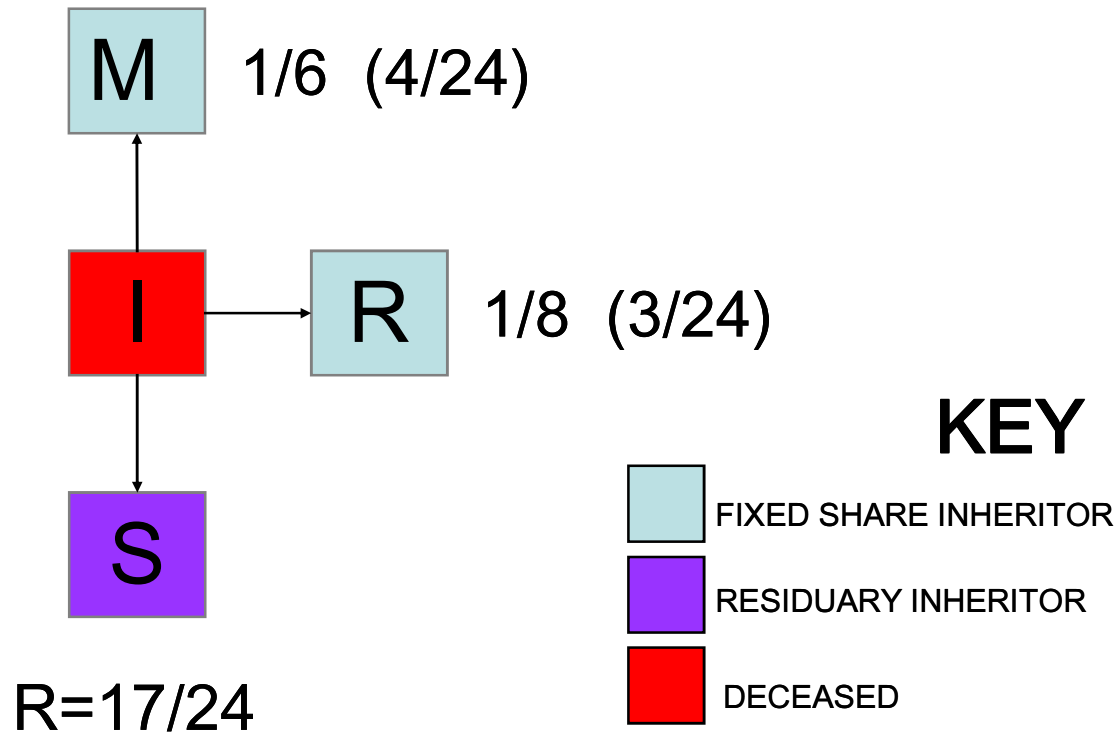
If **One daughter** alone = she receives  $\frac{1}{2}$  the estate.

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# PRACTICAL EXAMPLE 1

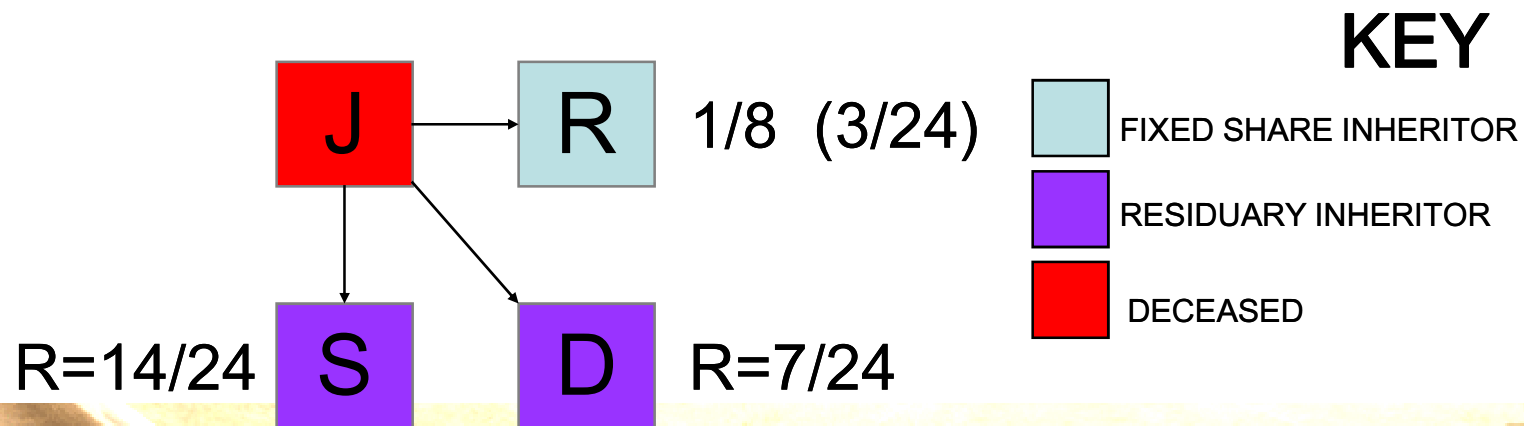
Q. Imran married to Rehana, Imran passes away with his Mother still living and 1 child, a boy.





# PRACTICAL EXAMPLE 2

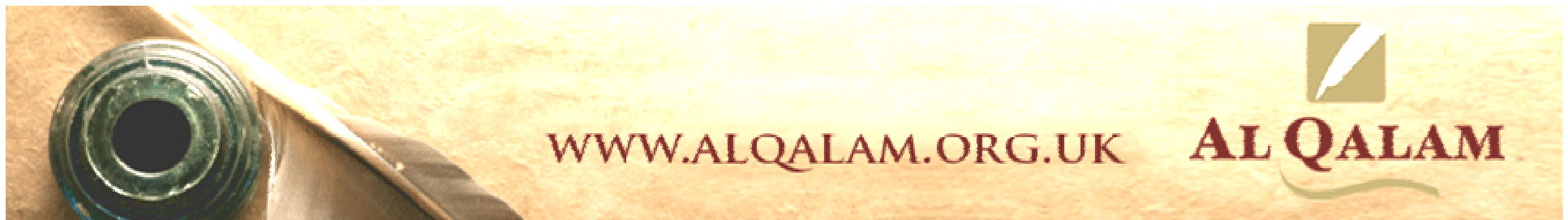
Q. Jameel married to Rizwana, Jameel passes away with no mother but 2 children, a boy and girl



# UK INHERITANCE LAW

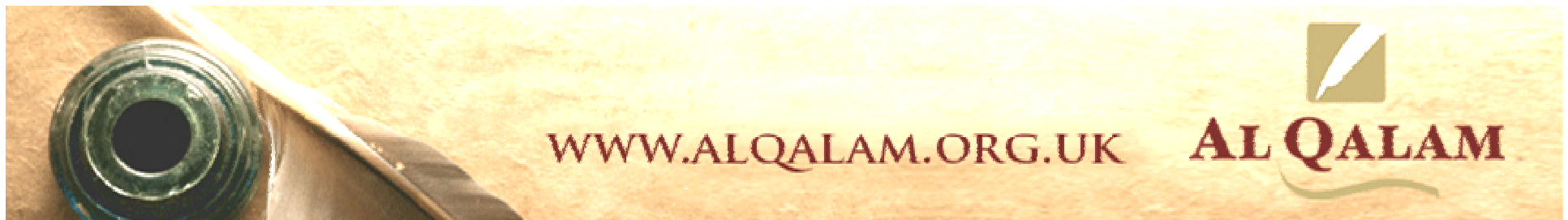
## LAWS OF INTESTACY

- Any jointly owned assets (e.g. family home) pass automatically to surviving partner
- For assets owned in sole name, first £250,000 & chattels to wife
- Half balance of estate in Trust with wife having right to income
- Remaining balance in Trust for children if under 18.



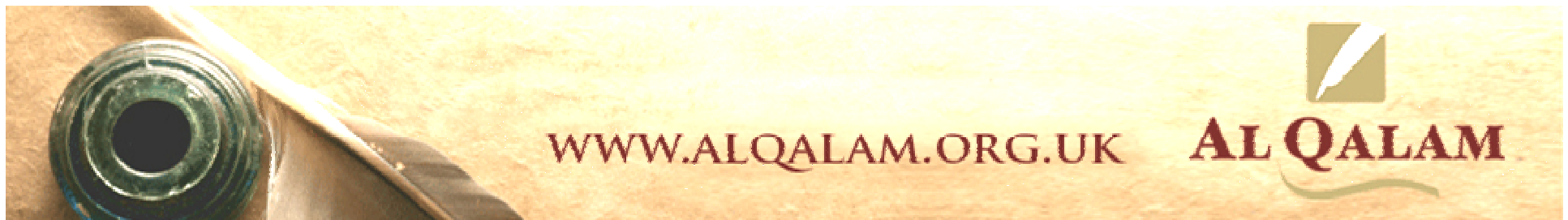
# U.K INHERITANCE TAX

- Tax can be levied on death, regardless of whether a will is in place.
- Tax payable at 40% on assets above NRB
- NRB currently stands at £325,000 (2010)
- System can be at complete odds with Shariah



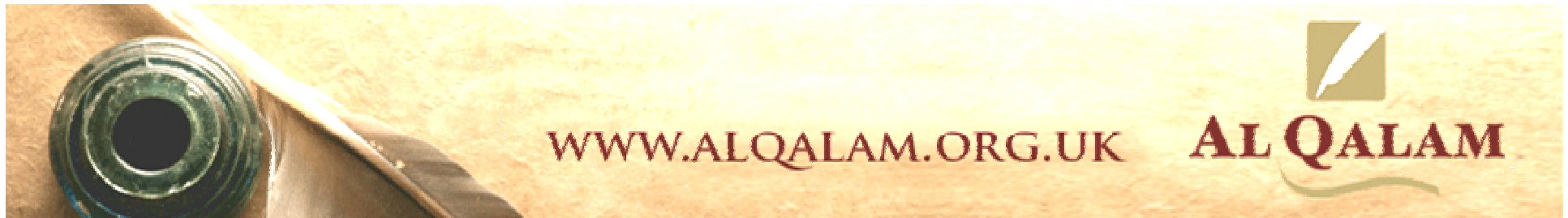
# INHERITANCE TAX CASE STUDY

House	275,000
Stocks & Shares	10,000
Pension Fund	20,000
Cash in Bank	20,000
TOTAL ESTATE	<u>325,000</u>



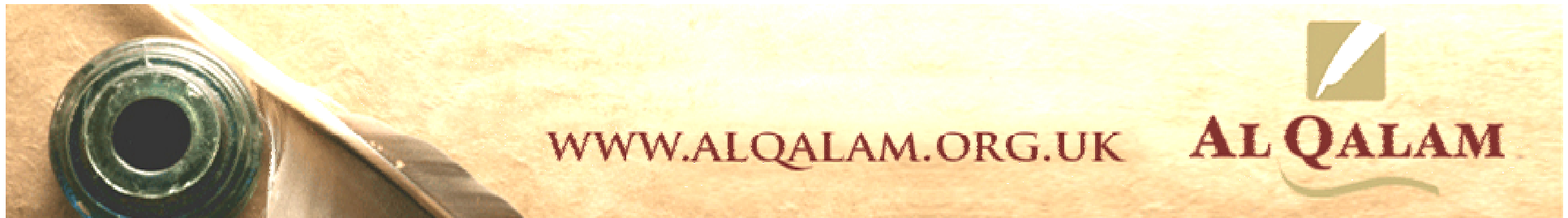
# TAXATION ON DEATH

Estate Value	£325,000
Less Allowance	£325,000
Net Estate	£0
Tax Liability @ 40%	=£ 0



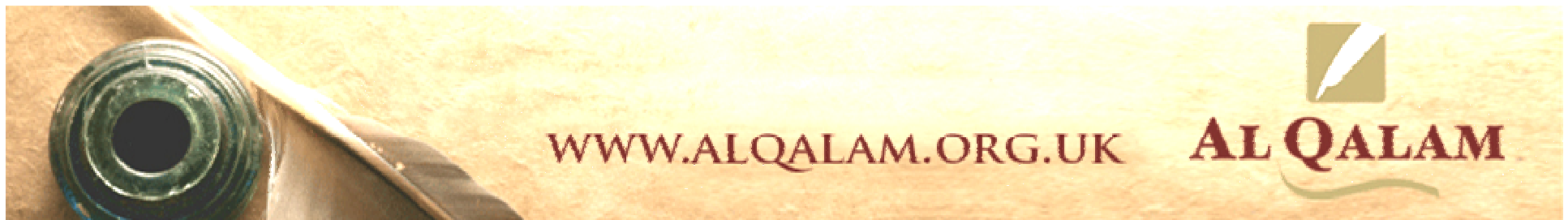
# CASE STUDY

- Assuming that:
  - advising married couple with one son and one daughter
  - both sets of parents are alive
  - husband's estate worth £800,000
  - husband dies first



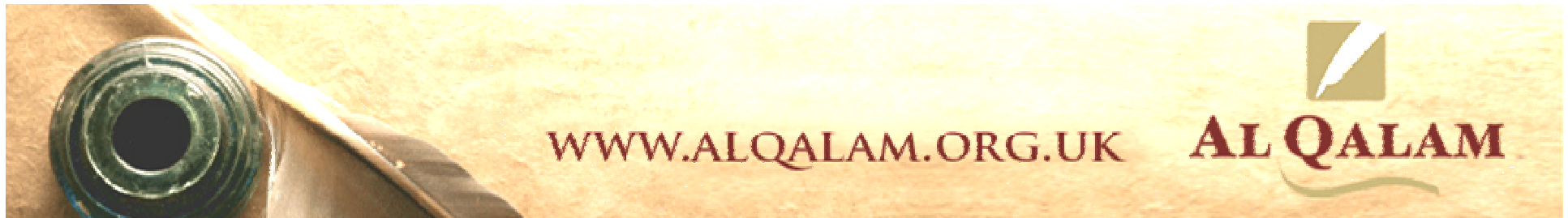
# INHERITANCE TAX CASE STUDY 2

<b>House</b>	<b>£250,000</b>
<b>Stocks &amp; Shares</b>	<b>£50,000</b>
<b>Pension Fund</b>	<b>£50,000</b>
<b>Cash in Bank</b>	<b>£50,000</b>
<b>Additional Property</b>	<b>£400,000</b>
<b>TOTAL ESTATE</b>	<b><u>£800,000</u></b>



# TAXATION ON DEATH

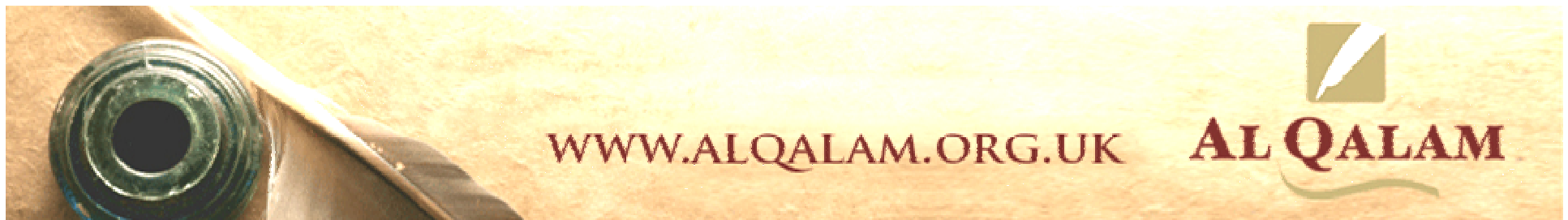
Estate Value	£800,000
Less Allowance	£325,000
Net Estate	£475,000
<b>Tax Liability @ 40% = £ <u>190,000</u></b>	





# SHARIAH DISTRIBUTION

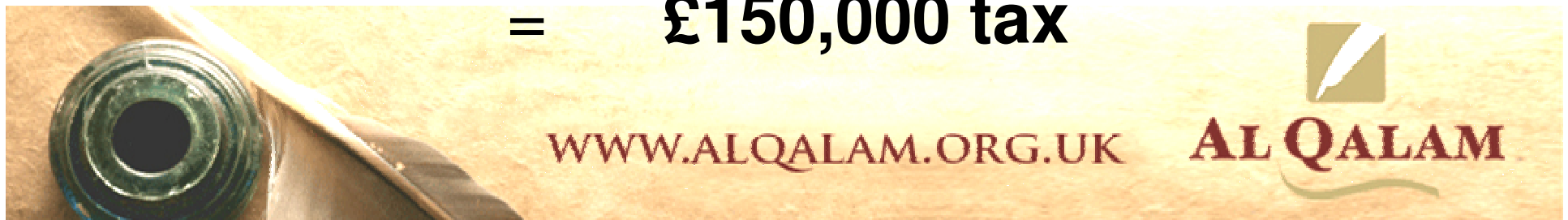
- 1/8 to wife                      £100,000
- 1/6 to father                    £133,000
- 1/6 to mother                  £133,000
- Remainder to children:
  - £289,333 to son
  - £144,666 to daughter
- But, what of **Inheritance tax**?



# TAX BILL

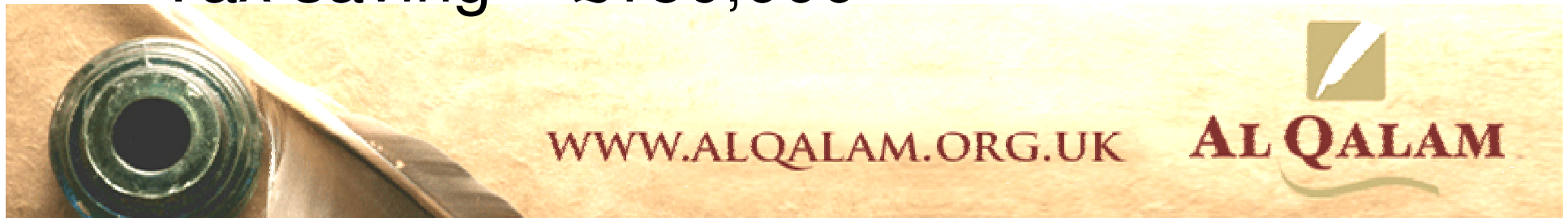
• Total estate	£800,000
less nil rate band	£325,000
less spouse exemption	<u>£100,000</u>
Total taxable estate	<u><b>£375,000</b></u>

Tax due = Taxable estate @ 40%  
= **£150,000 tax**



# USING A LIFE INTEREST TRUST

- Distribution - All to life interest trust, with wife as the life tenant
- Overriding powers to favour other beneficiaries
- Tax bill = zero (spouse exemption)
- Tax saving = £150,000



# SAVING INHERITANCE TAX

## THE KEY RULES

1. Single persons have £325k tax free allowance (NRB)
2. Married couples have double NRB (£650k)
3. No Inheritance Tax liability on transfers to spouse
4. Death within 7 years of making a gift may result in a tax liability

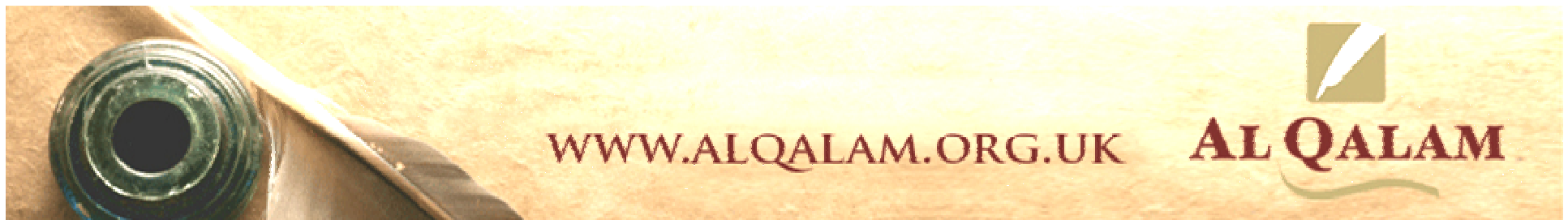
5. Use of Trusts

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# Summary - Objectives

- Adherence to Shariah Principles on estate distribution
- Legally valid – also protection of rights of beneficiaries, especially young children
- Mitigation or elimination of any inheritance Tax liability



# SUMMARY

- As English law does not ensure shariah distribution of wealth on death it is vital each UK based Muslim has a Will – this is not optional but a shariah obligation.
- Muslims who do not have inheritance tax concerns and are confident family dispute will not occur should use FREE template. They should contact solicitor to convert jointly owned properties to tenants in common.
- Muslims with inheritance tax issues must seek professional advice.
- Muslims who have concerns over possible family disputes are recommended to seek professional advice.

