Succession Planning of Family Businesses from an Islamic Perspective

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Abstract

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The main idea of this research paper is to examine various succession plans for Muslim family businesses that will ensure their continuous operation throughout generations. The research argues that historically, family Waqf was used as an alternative to Faraidh rules to enable the founder to turn a strategic part of his wealth into Waqf for the benefit of his progeny. It was done in order to protect the estate from falling into the hands of prodigal children or to avoid wealth fragmentation. Family Waqf allows the founder to retain control over the management of the Waqf asset and to plan for its future management. The introduction of modern legislations nationalised the management of Waqf properties. Consequently, Muslim family patriarchs who wished to retain control over the management of the Waqf asset were not willing to declare the family assets as Waqf. Hence, the family businesses are by default left to Faraidh rules. However, the fragmentation of family businesses will diminish its value and harm the heirs. The preservation of family businesses also contributes to socio-economic development of the society. This research argues that there is a need for alternative mechanism that will allow the founder to declare family business as a trust for the benefit of the family, retain control over its management and at the same time protect the family businesses from disintegration through Faraidh. Moreover, by providing the heirs with their respective shares in the revenues of the family business, such a mechanism in substance will adhere to Faraidh rules. This research argues that a private trust or an Islamic family foundation established under the Labuan Foundations Act 2010 (LFA 2010) that cater to family businesses should not be subjected to Faraidh rules. Provided however, that they adhere to an equitable distribution of the revenue among all the heirs and should not become the means to inflict harm on them.
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Introduction
This paper begins with a discussion on estate planning where evidence from the Quran and Hadith are discussed to show that it is a commendable act to leave one’s children in better spiritual and material conditions. The paper next discusses the institution of Waqf, in particular family to Waqf, and its role in enabling a person to provide for the future prosperity of one’s children. The subsequent nationalisation of Waqf management is critically examined next. The application of Faraidh rules to family businesses is discussed in the light of Quranic verses and Hadith. The paper argues that the distribution and the subsequent disintegration of family businesses will reduce its productivity and harm the heirs. It contends that preserving the business while distributing its revenue would, in substance, adhere to the Faraidh rules. The paper next examines the concepts of private trust and family foundations. It concludes that charity and in particular the provision of continuous charity (Sadaqah Jariyyah) to one’s family and other purposes is a praiseworthy act.

Estate Planning from an Islamic Perspective
Allah (swt) has endowed humans with the natural desire to acquire own wealth and to have children. Humans also have the natural desire to preserve and protect wealth, and to transfer it to their children in order to provide for their future prosperity. There is evidence both in the Quran and Hadith that supports wealth succession planning and management. A starting point for a discussion on Islamic wealth management would be the Quranic verses in Surah al-Kahf (Surah no. 18).

According to these verses, Moses requested Khidhir to be his companion to learn about the ‘the higher Truth’ (18: 66). Khidhir reluctantly allowed Moses to follow him after the latter agreed not to question Khidhir’s actions until and unless Khidhir himself voluntarily explain to him (18:70). In the third incident, which is related to our discussion, Khidhir set up a straight wall in a village where inhabitants refused them food and hospitality. Moses told Khidhir: “Had you wished, surely you could have obtained some payment for it?” (18:77). The question was a breach of a promise as to not to question Moses’ action and therefore Khidhir had to part from Moses. He then explained to Moses, that a father buried a treasure (Kanz) beneath a wall in the village. The Quran states:

“And as for that wall, it belonged to two orphan boys, [living] in the town, and beneath it was [buried] a treasure belonging to them [by right]. Now their father had been a righteous man, and so thy Sustainer willed it that when they come of age they should bring forth their treasure by thy Sustainer’s grace. And I did not do [any of] this of my own accord: this is the real meaning of all [those events] that thou were unable to bear with patience” (18: 82).

In these verses, the Quran provides a small window to enable us to see how humans could take measures, to manage as far as possible the harmful effects of
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dearth on family and wealth. The Quran states that a ‘righteous’ (Salih) person buried treasure for the benefit of his young children. His intention was that after his death the children would dig up the place and retrieve the treasure when they reach the age of majority. He might have kept some wealth for the day-to-day expenses of the family and children. The buried treasure was specifically intended for the future well-being of the children in the case where the father die early. He must have informed his children of its location. He took this measure in order to minimise the harmful effects of his death on the future well-being of his children. He most probably could not trust the people and could not leave the treasure with them. Yusuf Ali, in his commentary on verse 18:82, has the following to say:

“The wall was in a ruinous state. If it had fallen, the treasure buried beneath it would have been exposed and would certainly have been looted, among so churlish and selfish a people. The treasure had been collected and buried by a righteous man. It was not in any sense of the word, ill-gotten gains: it was buried expressly in the interests of the orphans by their father before his death. It was intended that the orphans should grow up and safely take possession of their heritage” (Abdullah Yusuf Ali, commentary No. 2425)

There are lessons that we may draw from these Quranic verses. These verses indicate that although a person cannot foresee future events, he/she should take measures and have plans to manage their unfavourable effects on life and family welfare. That parents may have a succession plan through which the wealth earned could be transferred to children in the safest possible way.

These verses also indicate that it is a virtuous act (Amal Salih) for a parent, following the example of this ‘righteous’ person, to take all necessary measures to earn wealth in permissible ways and to plan for the future wellbeing of his/her children. Since death cannot be predicted and may happen at any time, it is advisable to have a proper succession plan that will minimise harm and provide for the future of one’s children and to ensure, as far as possible, that they are in a better spiritual, moral and material condition. Similarly, assisting parents who plan for the well-being of their children during their lifetime or after their death is also a meritorious act. The Quran also tells us that on occasion, Allah’s will interferes to protect the wealth that a righteous father intended to reach his children (18:82).

The Hadith also acknowledges the human desire to provide for one’s children during his lifetime and after his death and recommends that it is better for parents to leave their children in a better state rather than leaving them poor and make them to beg from others. In a Hadith mentioned by Bukhari, the Prophet (pbuh) is reported to have said:

“Sa’ad ibn Abi Waqqás said: ‘The Messenger of Allah used to visit me at Mecca, in the year of the Farewell pilgrimage, on account of (my) illness which had become very severe. So I said, ‘My illness has become very severe and I have much property and there is none to inherit from me but a daughter, shall I then bequeath two-thirds of my property as a charity?’ He said, ‘No. ‘I said, “Half?” He said, “No.” Then he said: “Bequeath one-third, and one-third is much, for if you leave your heirs rich (free from want), it is better than that you leave them in want, begging from (other) people; and you do not spend anything seeking thereby the pleasure of Allah but you are rewarded for it, even for that which you put into the mouth of your wife.” (Sahih Muslim, Hadith no: 1628, 3/1250)

The Prophet (pbuh) is also reported to have said:

“Narrated by Anas ibn Malik (may Allah be pleased with him) that a person told O Prophet of Allah should I tie my camel and put my trust in Allah (swt) or should I release it and put my trust in Allah (swt). The Prophet told him tie your camel and put your trust in Allah (swt).” (Sunan Al-Tirmidhi, Hadith no: 2517, 4/668)

The Hadith implies that the true meaning of trust in Allah (swt) is that a person should first take all the necessary measures to minimise risk and then to put his trust in Allah (swt).

Protecting the Heirs from Harm

The Quranic verses on Faraidh in Surah Nisa begins with the phrase ‘Yousikum Allah fi awladukum’ which means ‘Allah directs you in regard to your children’s inheritance’ (4: 11). After prescribing the shares of the various heirs, the Quran states that the shares should be distributed, ‘after [the deduction of] any bequest that
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may have been made, or any debt [that may have been incurred], neither of which having been intended to harm [the heirs]” (4:12) (Muhammad Asad translation). The Quran commands that equity and fairness should be observed in all matters and the interest of no one should be prejudiced. The Prophet (pbuh) has also said that there is no Wasiyyah for an heir. The purpose of the Hadith is that equity and fairness among heirs should be observed. Making Wasiyyah in favour of one of the heirs will entitle him to an extra share of the estate in addition to his/her share under Faraidh. The testamentary power of the testator is also limited to one third to protect the rights of the heirs and prevent any harm to them. A Hadith of the Prophet (pbuh) states: “Harm should neither be inflicted nor received” (Sunan ibn Majah, Hadith no: 2341, 2/784). A well established legal maxim that is taken from this Hadith states that ‘harm must be removed’, meaning it is always better to prevent harm from occurring than to remove it after its occurrence.

The word Wasiyyah has a broader meaning and is not necessarily confined to its technical meaning, where a person may bequest a maximum of 1/3 of the estate to others who are not his heirs. Wasiyyah in its broader sense covers other legitimate wishes of the deceased. Some type of wealth, if divided through Faraidh, would have diminished value and productivity. These include, for instance, family businesses, small- and medium-sized industries and small pieces of land located in strategic places. Distribution of family businesses, in particular, would reduce its productivity and harm the heirs. Similarly, a person may think that his prodigal children will mismanage the family business and wealth and will become poor within few years. In such cases, it is necessary to make arrangements to keep the business, land or wealth intact in order to maintain its productive nature and to allow the subsequent generations to benefit from the wealth. It is possible to argue that in such situations a person may make a Wasiyyah that after his death for one or two generations the revenue from the business, and not from running the business itself, should be distributed among the heirs. In this case, the revenue will be distributed among all his heirs based on Faraidh law. Such a Wasiyyah is valid provided no heir is deprived of his/her share in the revenue of the business.

In addition, there is also the public interest (Maslahah) issue as the running business will continue to maintain jobs and contribute to the socio-economic development of the society. Thus, if a person wishes that his family business should not be distributed but to distribute its revenue based on Faraidh among his heirs, his wish must be recognised and respected as the intention is not to prevent the Faraidh rules from coming into operation but to implement it in the best possible way that would benefit all the heirs and the society. The objective of Faraidh rules is to ensure that no heirs should be deprived of their legal shares and all of them receive their shares either through the physical wealth or its revenue. The purpose of the Faraidh rule could be achieved not only by the actual distribution of the estate, but also through the distribution of its revenue in cases where the actual distribution of estate will harm the heirs in the long run or it is not feasible as in the case of the family businesses.

These and other injunctions in the Quran and Sunnah indicate that it is a virtuous act to ensure the future spiritual and material prosperity of one’s children. Indeed the concept of spending in the way of Allah (swt) (Infaq) is broader to cover all types of charitable spending including spending on one’s family and providing for their future spiritual, educational and material needs. For centuries, Muslims used the institution of Waqf and family Waqf to financially support the poor, the needy and also one’s children. In the following sections, we will briefly discuss the concept of Waqf, in particular to family Waqf and its role in providing a continuous source of spending on one’s children.

The Institution of Waqf
Waqf refers to a perpetual dedication of a certain property to Allah (swt) and devoting its benefit or usufruct to religious and charitable causes. Waqf is a continuous charity (Sadaqah Jariyyah) and the property devoted as a Waqf must be capable of yielding continuous benefit. The concept of continuous charity is introduced by the Hadith of the Prophet (pbuh) which states:

“When a man dies, his acts come to an end, but three, recurring charity, or knowledge (by which people) benefit, or a pious son, who prays for him.” (Sahih Muslim, Hadith no: 1631, 3/1255)
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The history of Waqf can be traced back to the time of the Prophet (pbuh) on whom recommendation the companions made Waqf of properties. The early examples of Waqf include the Waqf of Othman ibn ‘Affan (r.a) who bought the well of Ruma to provide free water to both Muslim and non-Muslim inhabitants of Madinah and the Waqf of ‘Umar ibn Khitab (r.a) in Khaibar. Umar asked the Prophet (pbuh) about the best use of his land and received the following reply.

“Omar had acquired a piece of land in Khaibar, and proceeded to the Prophet and sought his counsel, to make the most pious use of it whereupon the Prophet (saw) told him: “tie up the property (asl or corpus) and devote the usufruct to human beings, and it is not to be sold or made the subject of gift or inheritance, devout its produce to the poor and relatives, emancipation of slaves, the weak and the wayfarer”. (Sahih al-Bukhari, Hadith no: 2772, 4/12)

The Prophet (pbuh) instructed that the wealth devoted as such ‘is not to be sold or made the subject of gift or inheritance’. By prohibiting the inheritance of Waqf property, its sale and gift to others, the Waqf property will not be fragmented and will remain in the same state of usefulness perpetually or for a long time to come. The Hadith provides an exception to the general rule of inheritance as prescribed in the Quran. This ensures that the Waqf property is protected from the disruptive consequences of change in ownership through gifts or sales and not disintegrated through inheritance after the death of the founder.

The Hadith also implies that a person may wish for his wealth not to become the subject of gift or Faraidh rules if he has the intention to make the wealth to benefit his children or the poor and other disadvantaged groups continuously in the future. It has authorised a person, after his death to exclude that particular wealth from the rules of inheritance and protect it from future sale and purchase if he/she has charitable motives. It also implies that the wish of the founder that the wealth should not be subjected to inheritance, nor gifted or sold should continue to be respected for generations to come. It is to ensure that the Waqf for as long as it remains, depending on its life span, will continuously benefit the subsequent generations of the beneficiaries.

The Waqf property is not owned by the founder (Waqif), the manager (Mutawwalli) or the beneficiaries (Mawquf ‘Alaihim). A trustee (Mutawalli), represents the Waqf and has the power to do everything necessary and reasonable to manage and develop the Waqf property for the ultimate benefit of the beneficiaries.

Throughout the Muslim history, the institution of family Waqf (Waqf al-Zum) was used as an instrument of succession planning to enable a person to provide for the future prosperity of his/her children and close relatives. In family Waqf, the founder will declare his wealth as Waqf for the benefit of his children and thereby, provide for their future welfare. The children will be entitled to the revenue and benefit from the Waqf property but they will not own the Waqf property itself. Family Waqf is an ideal tool for wealth preservation and succession planning. A founder might have thought that after his death the estate will be subjected to Faraidh and distributed among the heirs. However, the nature of the estate is such that its division will diminish its value and economic productivity. He might also intend that after his death all his children, whether male or female, should equally benefit from the estate. It is also possible that by making a family Waqf he might have planned to protect the estate from being squandered by his prodigal children and at the same time to provide a continuous source of revenue for their long-term welfare. Family Waqf not only saves the key family wealth from fragmentation but also provides the beneficiaries with a sustainable source of revenue. Moreover, a family Waqf also benefits other public charitable entities. For instance, the founder could create a family Waqf for the benefit of his children and their children until there is no living family members after which the Waqf could be turned into a public Waqf for the benefit of the poor and the needy. It is also possible that the founder stipulates that a certain percentage of the revenue of the family Waqf go to the charities.

Family Waqf most appropriately suits all these objectives. It protects the wealth from fragmentation, serves the religious and family objectives of the founder and the socio-economic interests of the society. Most importantly, it allows the founder to retain control over its management and upon his death to appoint a successor to manage the Waqf for the benefit of the family or to decide on a formula based on which the appointment of future management could be decided. Endowing strategic wealth such as main family business or commercial properties also helps maintain family solidarity.
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However, with the rise of the colonial powers in the Muslim lands, the *Waqf* in general and family *Waqf* in particular suffer a serious setback. Modern legislations in most Muslim countries including Malaysia have transferred the power over *Waqf* and its management to government institutions. This has particularly discouraging consequences for the creation of family *Waqf* as a founder intends to retain the control and management of his family business within the family. This left Muslim family businesses subject to *Faraidh* rules upon the death of the family patriarch. The subsequent fragmentation of the family businesses also negatively affected the socio-economic developments of the Muslim communities.

If under the present circumstances, the creation of family *Waqf* is not desirable and a person thinks that after his death the distribution of the family business could bring harm to the heirs, he may establish a private trust or a family foundation to ensure the continuity of the family business and the continuous flow of revenue to his heirs. However, this should be done in the best interest of all the heirs and by no means become an instrument to harm or deprive any of the heirs. Preferably, the heirs should be assigned the same percentage of the revenue as they are entitled to under the *Faraidh* rules. However, it could also be possible to assign all heirs an equal share of the revenue. Any other type of preference among the heirs should be avoided. Due care should also be taken to assign the management of the business to the heirs in an equitable and acceptable way. A family trust or a family foundation should not become the means to harm the heirs and deprive them of their legal shares. Declaring the family business as a private trust or a family foundation does not fall within acts that harm the heirs but on the contrary, benefits them.

**Private Trust**

Private trust is a method to keep wealth in the family for future generations. It protects wealth from legal challenges, marriage breakdown and prodigal children who may be tempted to squander the assets in a short period of time. A person may set up a trust during his lifetime or through a will. He can also retain management control over the trust by naming himself as one of the trustees. The founder can appoint a trustee of his own choice which could be close relatives or strangers to manage the trust during his lifetime and after his death. The parents’ wish as to how a trust should be run, or its income channelled to the beneficiaries and when to release part or all of the underlying asset to the children are contained in the trust deed. A trustee is bound to strictly adhere to these instructions, terms and conditions. Besides tax advantages, trust provides protection to the asset and preserves it for the family’s future. Private trust contains features of family *Waqf* and guardianship (*Wasayah*). The asset under trust does not form part of the estate. The beneficiaries are entitled to the revenue from the asset. Part or the entire asset, depending on the wish of the creator can finally be released to the named beneficiaries.

Gaudiosi (1988) has noted a resemblance between *Waqf* and English trust law and mentioned that every *Waqf* is required to have a *Waqif* (founder), *Mutawillis* (trustee), *Qadi* (judge) and beneficiaries. Furthermore, under both of these institutions, property is reserved and its usufruct is appropriated in order to benefit specific individuals or some other charitable purpose. These institutions can be created for an indefinite period of time and favour the successive beneficiaries. It is worth mentioning here that both of these entities can supersede the laws of inheritance or the rights of the heirs. However, unlike trust, a family *Waqf* reverts to a charitable *Waqf* after the fulfillment of the specific object of creation. There are no substantial differences in the title of property and since a trustee is bound to perform the administration of property for the welfare of beneficiaries, his role is not significantly different from a *Mutawalli*.

Labuan under its Labuan Shariah Compliance Trust offers private trusts structured in a Shariah-compliant way. The creator of the trust has complete discretion to provide instructions which would be strictly adhered to. The asset under trust is invested in Shariah-compliant business ventures. In the case of death, the asset does not constitute part of the estate (Aida Othman, 2013).

**Private Foundation**

A private foundation is a non-profit and non-governmental organisation that is created to fund charitable causes and organisations or any other legal economic objective. A private foundation does not seek...
funding from the general public and is funded by an individual, family or a business. The fund is invested and the revenue from the investments is used to fund charities. Since it is privately funded, it is not subject to strict regulatory oversight and enhanced disclosure requirements. A private foundation is a legal entity managed by its council of trustees or directors. In the United States, except for a private operating foundation, other types of private foundations do not initiate or operate their own charity programmes. They act as an intermediary and make grants and donations to other organisations to conduct charitable activities (Hopkins, 2011). In the US, endowment income of private foundations is tax exempt and the donations given to them are also tax deductible (Sansing & Yetman, 2006).

A family foundation derives its funds primarily from the members of a family, and at least one member from that family serves on the board or works as an officer for the foundation. This arrangement is made to ensure that the family keeps on playing a significant role in the management and governance of the entity. The presence of family members on the board as well as their services as trustees, is purely on a voluntary basis and they receive no compensation for this (Moody, Lugo Knapp, & Corrado, 2011). The Bill & Melinda Gates Foundation is an example of foundation which has billions of US Dollars in assets dedicated to charitable causes (Montgomery, 2006).

In Malaysia, a foundation is always linked to charitable causes and is not utilised for succession planning or asset protection. However, LFA 2010 has introduced foundation as an alternative to family Waqf and private trust. It is a hybrid institution that has the features of family Waqf, trust and private foundation. It can be used for succession planning or asset protection. In contrast with the family Waqf and private trust, a foundation is a legal entity and can have both legal and beneficial ownership of the asset.

Under LFA 2010, a foundation can be registered for any lawful purposes, which could be charitable or non-charitable. Like any other foundations, a Labuan Foundation is established by a founder who can also be the beneficiary. It receives the property from the founder and owns it. The foundation is run by a council with members appointed by the founder. The founder or any of the beneficiaries can also be members of the council. The council supervises the officer who manages the day-to-day running of the foundation. The founder can also appoint himself as the officer. Although the founder has transferred the ownership over the asset to the foundation, he can still retain the power to manage it. The founder can revoke the foundation, reserve rights and power in the Charter of the foundation and can assign or transfer them to others (Carolyn Oh, 2015, Mark Lea, 2014). A LFA 2010 registered private foundation can serve as an estate planning device that can provide for both the continuity of family businesses and charitable causes.

**Family Waqf, Private Trust and Family Foundation**

The institution of family Waqf is an ideal device used for centuries to achieve these objectives. However, various factors including the absence of innovation and creativity that could adjust the concept of Waqf and in particular its management to new realities have prevented it from effectively contributing to the socio-economic prosperity of the Muslim communities. The nationalisation of both public and family Waqf has also crippled the third sector that can best survive and grow in an atmosphere of voluntarism.

Based on the present Waqf laws that allow government institutions to take over the management of Waqf assets, a founder of family Waqf may not be willing to surrender the control and management of family business. However, Waqf is not necessarily the one and only form of continuous charities (Sadaqah Jariyyah). The concept of continuous charity is sufficiently broad in substance to accommodate all types of charities even if they do not exactly fit the legalistic form of a Waqf. The concept should be liberalised from the rigid legalistic discourse that currently surrounds the institution of Waqf. Providing for one’s children through proper estate planning, removing any harm that may reduce the productivity of the estate and leaving one’s children in better conditions are praiseworthy acts. Due recognition should be given to other forms of continuous charities in order to provide a family patriarch with a variety of instruments at his disposal to make Sadaqah Jariyyah for the benefit of his heirs and others.

While parents may plan for the future of their loved ones, to implement their plan could take various
forms. Parents may make gifts of properties in favour of their children and transfer the wealth to them while the parents are alive. They may also appoint a guardian or trustee (Wasit) to take care of a certain properties for the benefit of some or all of their children and transfer the property to them when they reach the age of majority. They may also take a Takaful protection to provide for the future educational needs of their children.

Creating a private trust or a family foundation or any other institutional arrangements could be an alternative way to assist parents to provide for the future well-being of their children. A property structured private trust and a family foundation are also examples of continuous charities. Based on the wishes of the founders, they should continue to benefit the family and other charitable causes. It is possible to argue that these charitable institutions, in cases where a founder wishes, should not be the subject of gift or sale and should be exempted from the application of Faraidh rules based on the same principles that exclude Waqf from the application of the Faraidh rules.

There are noticeable similarities between trust and Waqf. As discussed earlier, there is evidence to show that the Common Law concept of trust, both public and private, was inspired and shaped by Waqf. Both trust and Waqf are administered by trustees and Mutawalli who has the fiduciary responsibilities to the trust and Waqf respectively. Prior to the emergence of modern legislation on Waqf, a founder who is like a settlor, had complete freedom to appoint anyone as a manager (Mutawalli) of Waqf or to become its first manager. A manager of Waqf, who is like a trustee, could conclude a contract in his own name without any reference to the trust or Waqf. He would be personally liable in case of negligence. A trust or a Waqf does not have a separate legal personality. It cannot sue or be sued in its own name. A trustee and a Mutawalli will have to act on behalf of the trust and Waqf respectively.

For Waqf, a LFA 2010 foundation can be created for a charitable or any other legal purpose. Both Waqf and foundation can be created during the lifetime of the founder. A founder in the case of foundation can be a member of the council and he may have control over the foundation’s assets. Similarly, a founder of Waqf could be the first trustee or a member of the board of trustees. Both family Waqf and a LFA 2010 registered family foundations can be created for the purposes of protecting family assets and succession planning. Based on the majority of the jurists’ opinion, once Waqf is established, it cannot be revoked by the founder, but a foundation can be revoked by the founder any time. However, based on the Maliki jurists’ opinions, a temporary Waqf can still be valid. A foundation has an independent legal personality which holds assets in its own name. It can sue and be sued. A foundation is run and administered by a council. The council acts on behalf of the foundation. It enters into contractual relationship on behalf of the foundation as its agent. The council does not assume any personal liability.

Conclusion

Charity in Islam has a wider meaning and includes spending on one’s family. Spending continuously on one’s family (Infaq) or continuous charity is a much wider concept and should not be confined to family Waqf only. A new structure that will benefit the family members in an equitable way and bring about socio-economic development and prosperity does not have to exactly fit the Waqf structure and fulfil all its conditions. Charity on the family and society may take different forms and in all its various types of charities and in particular continuous charity is in line with the principles enshrined in the Quran, Sunnah and the objectives of Shariah.

Permissibility is the main principle in transactions as they are meant to serve the people’s needs. The concept of private trust and Islamic family foundation in substance conforms to family Waqf as it protects the heirs from the harm that may result from the fragmentation of family businesses. The revenue from the private trust or the foundation-run business may either be shared equally or based on the same ratio as they would have received under the Faraidh rules. This particularly suits those family businesses that if distributed, its productivity and value will be reduced. The preservation of family businesses and their survival through generations will also contribute to socio-economic development of the society. Provided however, that private trust or Islamic family foundations are not used to favour one of the heirs over the other, or to deprive any of the heirs or to harm them. They should be used as instruments to prevent harm and protect the interest of all the heirs.
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With a focus on enabling cross-border transactions, providing risk management structures, Islamic financial services, commodities trading incentives and wealth management vehicles, we offer solutions to regional businesses going global or global businesses looking at penetrating Asia’s burgeoning markets.

Labuan IBFC also serves as a hub for Islamic finance, especially in the areas of Sukuk issuance and listing, takaful and re-takaful, Shariah-compliant captive structures and Islamic trusts and foundations.
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