

Ownership Structures: Options & Implications



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ahead of the curve

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8th Asian Invitational Conference on Family Business

Presented by

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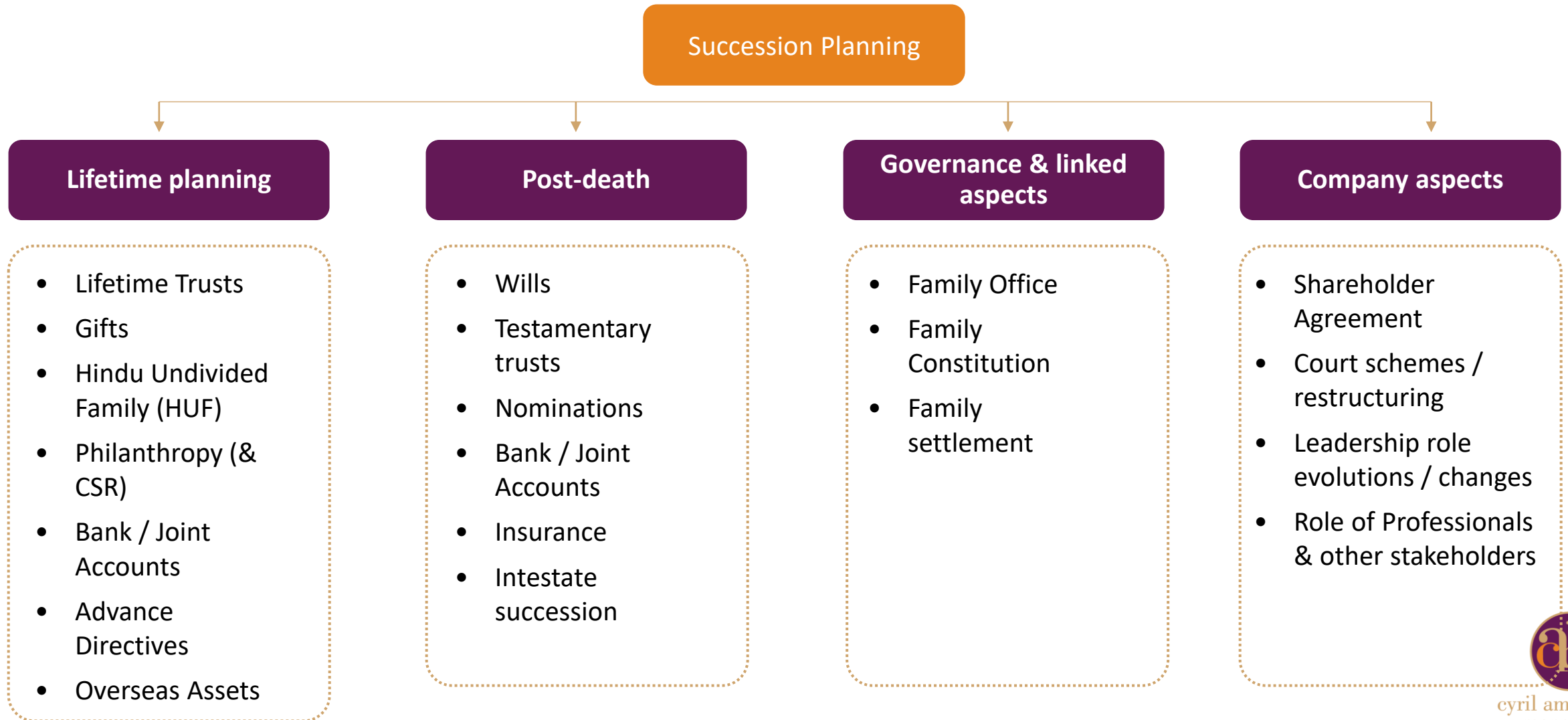
What are we seeing family businesses do, during the Pandemic and beyond?

- Pandemic forced families / individuals to accelerate their estate & succession planning
- Review of older structures with a new lens
- More concerns on business risks 'infecting' personal wealth e.g. Insolvency & Bankruptcy Code
- More family disputes → separations
- Siren calls of foreign shores & foreign passports
- Wealth creation across the spectrum e.g. Start-ups, professionals
- Rise and rise of women in family businesses

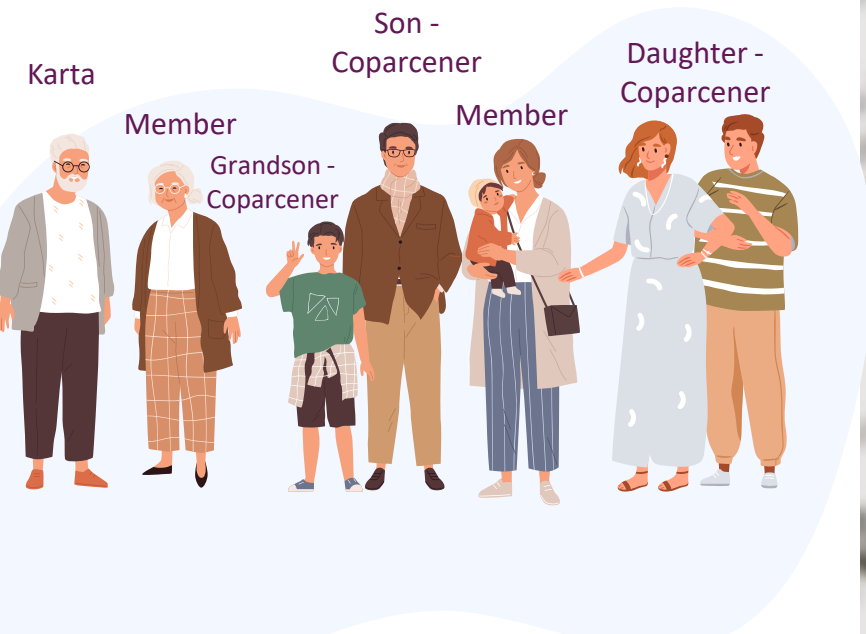


Succession Planning toolkit: Use of HUFs & Trusts

Succession Toolkit: Key 'Tools'



Death of the Hindu Undivided Family (HUF)



“In present times, HUF is neither congruent with corporate governance, nor is it conducive for the tax regime.” (Law Commission of India, Consultation Paper, 2018)

“Law Commission proposes doing away with concept of HUF” (Business Standard 01 September, 2018)

“Tax saving tool HUF may cease to exist: Law Commission proposes to abolish it” (The Economic Times, 12 September, 2018)

“Once a sought-after tax-saving mechanism, Hindu Undivided Family now losing its clout” (The Times of India, 06 Nov 2017)

“However, today, when it has been 72 years since independence, it is high time that it is understood that justifying this institution on the ground of deep-rooted sentiments at the cost of the country’s revenues may not be judicious.” (Law Commission of India, Consultation Paper, 2018)

“HUF no longer popular among high net worth Indians but winding up a challenge” (The Times of India, 08 Nov 2017)

Trusts vs HUFs

TRUST



- ➔ Effective tool for long term estate and succession planning.
- ➔ Trusts provide complete flexibility and control over assets - highly customizable.
- ➔ Trusts provide protection from potential creditors, divorce, litigious family members.
- ➔ Trusts can complete a smooth inter-generational transfer of assets during your lifetime - no Probate!

HUF



- ➔ HUFs are not easy to understand, nor commonly understood. Shares keep fluctuating with birth and death of family members.
- ➔ Despite recent clarity on women's / daughters rights, practically negligible wealth inside an HUF.
- ➔ Dissolution of an HUF often leads to a legal dispute.
- ➔ In practice, families prefer winding up HUFs and getting assets in their personal name

Examples of families using trusts





Family Offices: Exponential Growth!

Rise and rise of Family Offices in India



India has more than 200 formal Family Offices and maybe over 300 unorganised Family Offices.



Extremely active in investing in riskier assets, especially start-ups – very deep pools of capital.



























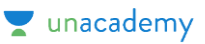









More Family Offices are emerging in Tier 2 and Tier 3 cities of India.



Recent trend to set up Family Offices overseas e.g. Dubai, Singapore

Prominent Family Offices in India

Family	Name of Family Office	Type of Family Office	Date of Establishment	Investments made
Jindal Group		AIF	2016	  
Ratan Tata		Private Company	2009	  <i>Sar utha ke jiyo!</i>
Sachin Bansal		Private Company	2018	 
Mariwala Family		Individual	2015	   
Narayan Murthy		LLP	2010	       
Ritesh Aggarwal		Partnership	2020	    
Virat Kohli & Anushka Sharma	VIRAT KOHLI SPORTS LLP and others	LLP	2015	   



Questions?

Further Reading from CAM

- Visit our Private Client blog:
<http://privateclient.cyrilamarchandblogs.com/>
- For our article on ‘Succession planning during the Pandemic’, visit:
<https://privateclient.cyrilamarchandblogs.com/2020/03/estate-succession-planning-during-the-coronavirus-pandemic>
- Visit our Website: www.cyrilshroff.com





Who We Are



Mr. Rishabh Shroff, Partner

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- Rishabh is the Co-head of the Private Client team. He specializes in family constitutions & settlements, trusts, Wills & succession planning. He provides succession, taxation, estate & wealth planning advice for wealthy individuals & their families, who are often promoters of family businesses
- Advises on the creation & management of domestic trusts. He also frequently advises on issues arising under the Indian exchange control regime & takeover regulations. Advises on a number of charitable & philanthropic endeavours.
- Rishabh is ranked as one of the top 200 specialist trusts & private client lawyers in the world, by the UK's prestigious legal publication, Legal Week. Rishabh is also highly ranked as one of the top private client advisors in India by numerous agencies and publications
- Rishabh is the Co-Chair of the FICCI Young Leaders Forum (FYL) and also the Founding Chairman of the FYL Maharashtra Chapter

CAM's Private Client Practice

An unmatched legacy of advising India's leading family businesses across generations. For comprehensive succession plans, settling sensitive family feuds or helping transition your business to the next generation, we are your trusted port of call.

What we do

- Estate & succession planning, including preparation of wills & / or the establishment of family trusts (with PTCs, professional trustees & protectors)
- Family governance advisory & structuring – Including creation of family constitutions, vision statements & structuring of family offices
- Restructuring of existing promoter / family holdings in a tax efficient & succession-friendly manner
- Family settlements, litigations & disputes

Our Private Client Practice team

- 6 Partners
- 12 Dedicated Associates
- Integrated tax team
- Leverages experience & skills from other practices
- Access to international best practices



Band 1 in India for Private Wealth Law
Chambers & Partners
High Net Worth Guide
2020 – 2022



Private Client Practice
IBLJ Indian Law Firm
Awards 2020 & 2021



Best Private Client Law Firm
Association of Wealth
Management of India
(AIWMI) India Wealth
Awards 2019



Private Client Firm of the Year
The Asian Lawyer, Asia
Legal Awards 2018



Tier 1 in Private Client Practice
Legal 500, Asia Pacific
2023 Rankings

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Asian Legal Business (ALB) India Law Awards 2022

Best Overall Law Firm

IBLJ Indian Law Firm Awards 2021

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Asian Legal Business 2020

Law Firm of the Year, *India*

Asialaw Regional Awards 2020

Law Firm of the Year

IFLR 1000 India Awards 2021

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The Asian-Mena Counsel - In-House Community 2021

Practice of Law – Liquidity and Finance

FT Innovative Lawyers Asia-Pacific 2021 Awards

Most Innovative National Law Firm of the Year, *India*

IFLR Asia-Pacific Awards 2020

THANK YOU