

**1st Ethical**

1st Ethical Charitable Trust  
Education. Training. Charity.



# ISLAMIC WILLS & INHERITANCE PLANNING



Visit [www.1stethical.com](http://www.1stethical.com)



# PRESENTATION OVERVIEW

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

**1st Ethical**

1st Ethical Charitable Trust  
Education. Training. Charity.



# SHARIAH & INHERITANCE



Visit [www.1stethical.com](http://www.1stethical.com)



*“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)*



Allah instructs you concerning your children's (inheritance): a male receives a share equal to that of two females. But if they (the children) are only women, and are more than (or equal to) two, their share is two thirds of that which he (the deceased) had left. And if there is only one woman, her share is half (of the estate). And for his parents, each one's share is a sixth of that which he left if he had children. But if he had no children, and the parents inherit from him, the mother's share is one third. And if he had siblings, the mother's share is a sixth. (These distributions should be done) after the payment of any bequeathals that he may have made or debts (that he may have had). Your parents and offspring – you do not know which among them are nearest to you in benefit. (These shares are) an ordainment imposed by Allah. Indeed, Allah is Knowing and Wise.

**Surah Nisa v 11**

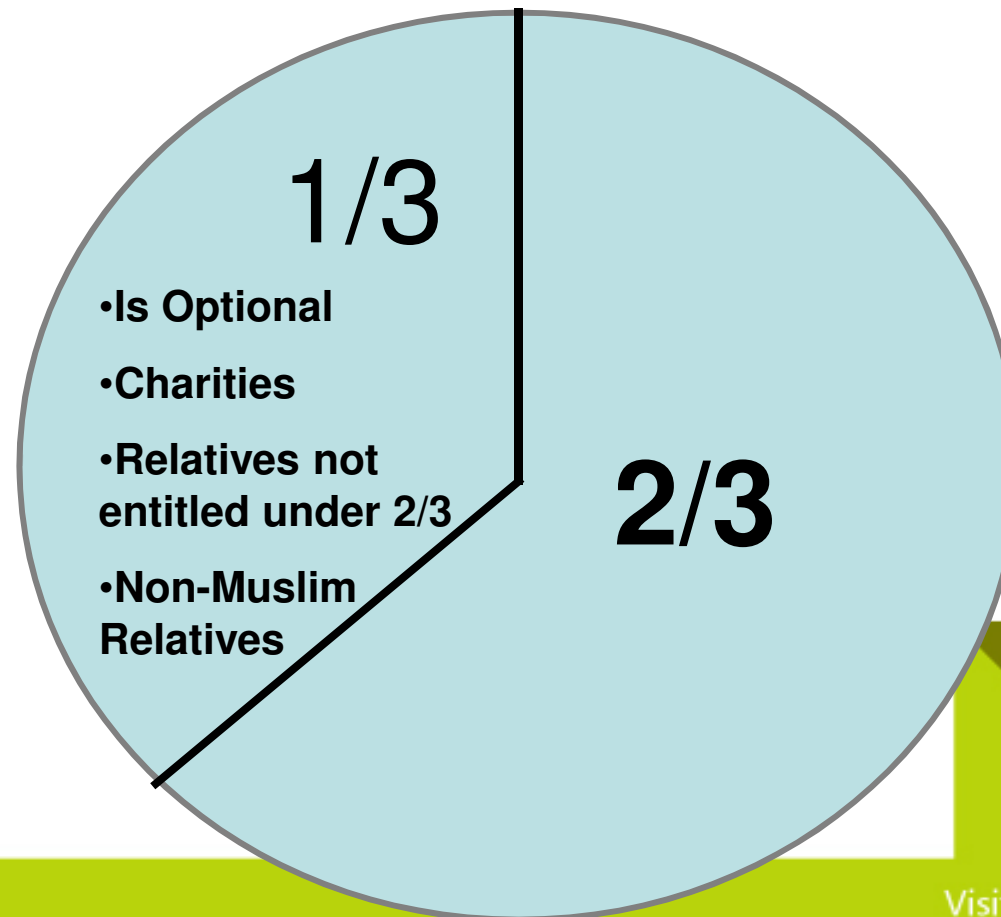


You receive one half of that which your wives leave if they have no child. If they have a child, you receive one fourth of what they leave – after payment of any bequeathals that they had made or debts (that they had). And they receive one fourth of that which you leave if you have no child. If you have a child, they receive one eighth of what you leave – after payment of any bequeathals that you had made or debts (that you had). If the man or woman whose inheritance is in question has neither ascendants nor descendants, but has a (maternal) brother or sister, each one of them two receives a sixth; and if they were more than two, they share a third – after payment of any bequeathals that had been made or debts (that are owed), and that are not intended to cause harm (to the legal inheritors). This is a commandment from Allah; and Allah is ever Knowing and Tolerant.



# 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.

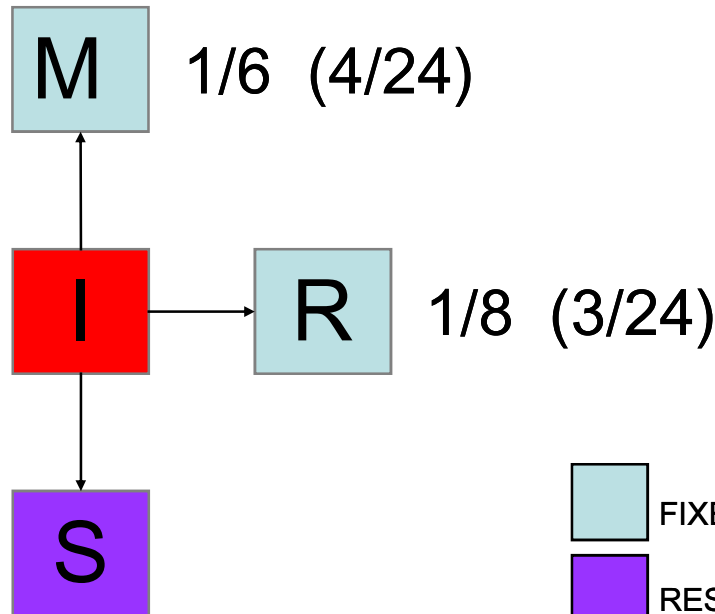
If **2 or more daughters** exist = they receive  $\frac{2}{3}$  of the estate.

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



# PRACTICAL EXAMPLE 1

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



R=17/24

## KEY

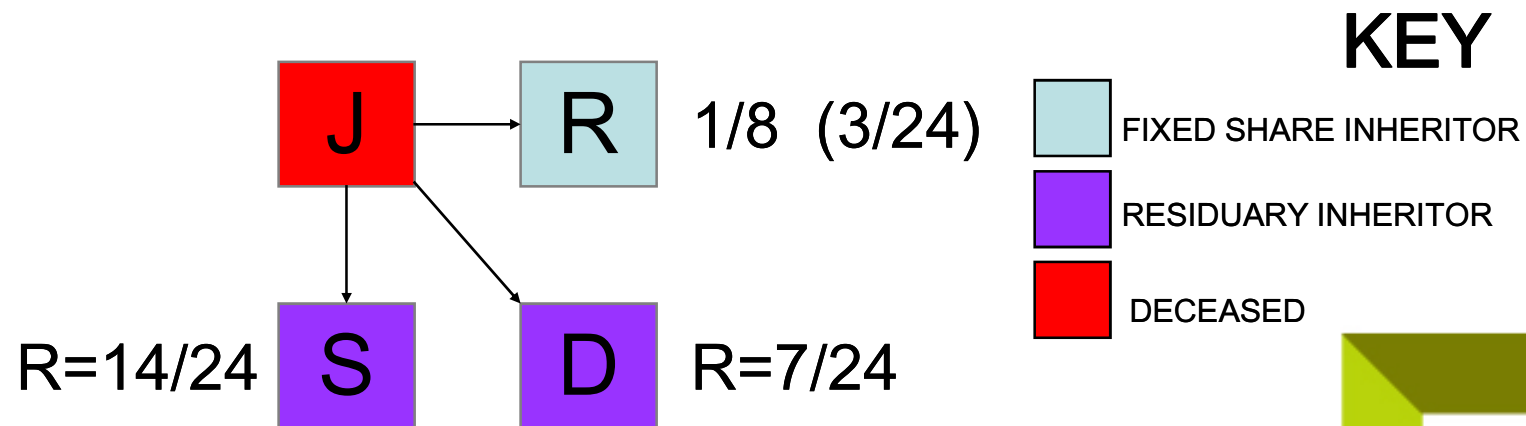
- FIXED SHARE INHERITOR
- RESIDUARY INHERITOR
- DECEASED





## 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 (2009)
- 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
<b>TOTAL ESTATE</b>	<u><b>325,000</b></u>



# TAXATION ON DEATH

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



# INHERITANCE TAX CASE STUDY

<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>£500,000</b>
<b>TOTAL ESTATE</b>	<b><u>£900,000</u></b>





# TAXATION ON DEATH

Estate Value	£900,000
Less Allowance	£325,000
Net Estate	£575,000
<b>Tax Liability @ 40% = £ <u>230,000</u></b>	



## 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



## 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.