

SUCCESSION PLANNING

Succession/ Estate Planning

What? and its benefits

What is Estate planning?

- # Building a robust structure in conformity with applicable succession laws for
 - # Perpetuating/ preserving/ maintaining/ holding the family wealth for generations
 - # Flexibility to distribute economic interests in desired proportions to family members and at desired time
 - # Regular income flow for family members

Benefits / Value provided by Estate planning

- # Smooth transition of wealth to the next generation
- # Segregation of economic interest and management control
- # Segregation of business and personal assets
- # Mitigation of inheritance tax (if levied in future)
- # Simplification of group structure goes hand in hand with estate planning facilitating liquidity to Promoters with minimal tax leakage

Succession Planning

Key Elements – Achieved through a mix of

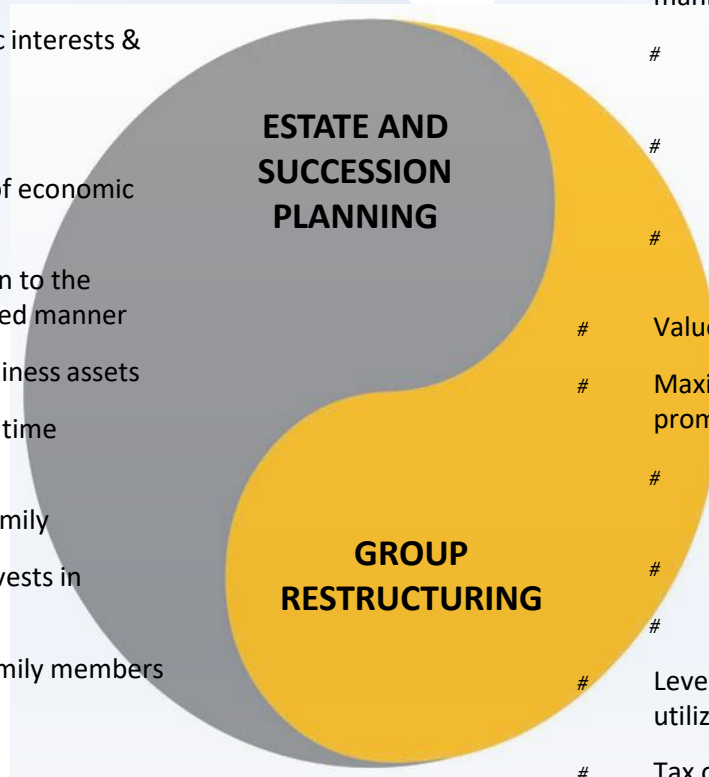
Structures

- # Holding company
- # Partnership firm
- # LLP
- # HUF
- # Trust – Onshore/ Off Shore
 - # Trustee
 - # Professional / Family owned
 - # Individual / Entity
 - # Administrator / Protector
 - # Beneficiaries
 - # Individual/ Entity
 - # Charity element to pursue philanthropic objectives
- # Family Office

Arrangements/ Agreements

- # Family constitution
- # Family arrangement
- # Shareholders Agreement
- # Memorandum & Articles of association
- # Partnership Deed/ LLP Deed
- # Transfer Deed
- # Trustee Memorandum
- # Trust deed
- # Letter of Wishes by Settlor
- # Operating protocol
- # Will

Succession Planning and Group Restructuring – Key drivers



To balance/ align economic interest & management control of various businesses

Preserve and perpetuate economic interests & control in family

Pre-empt potential family conflicts

Streamline shareholding in terms of economic interest & voting rights

Ensure ownership and control given to the successive generations in the desired manner

Segregation of business assets & non-business assets

Clear demarcation of wealth at the same time ensuring continuity of business

Exit flexibility for each branch of family

Ensuring control of each business/ asset vests in desired manner

Flexibility of making funds available to family members at desired time in desired proportion

Recurring consistent cash flows

Potential levy of estate duty if re-introduced

Forced Heirship rules

Streamlining the ownership and businesses in desired manner

Desired consolidation and segregation of business verticals

Flexibility to deploy funds generated in businesses

Attract investors to meet specific business strategies

Value of the Group is captured as desired

Maximization of cash available for distribution to promoters

Minimize DDT inefficiency on repatriation of profits as dividends

Minimize multiple cash trap

Mitigation of adverse tax implications, if any

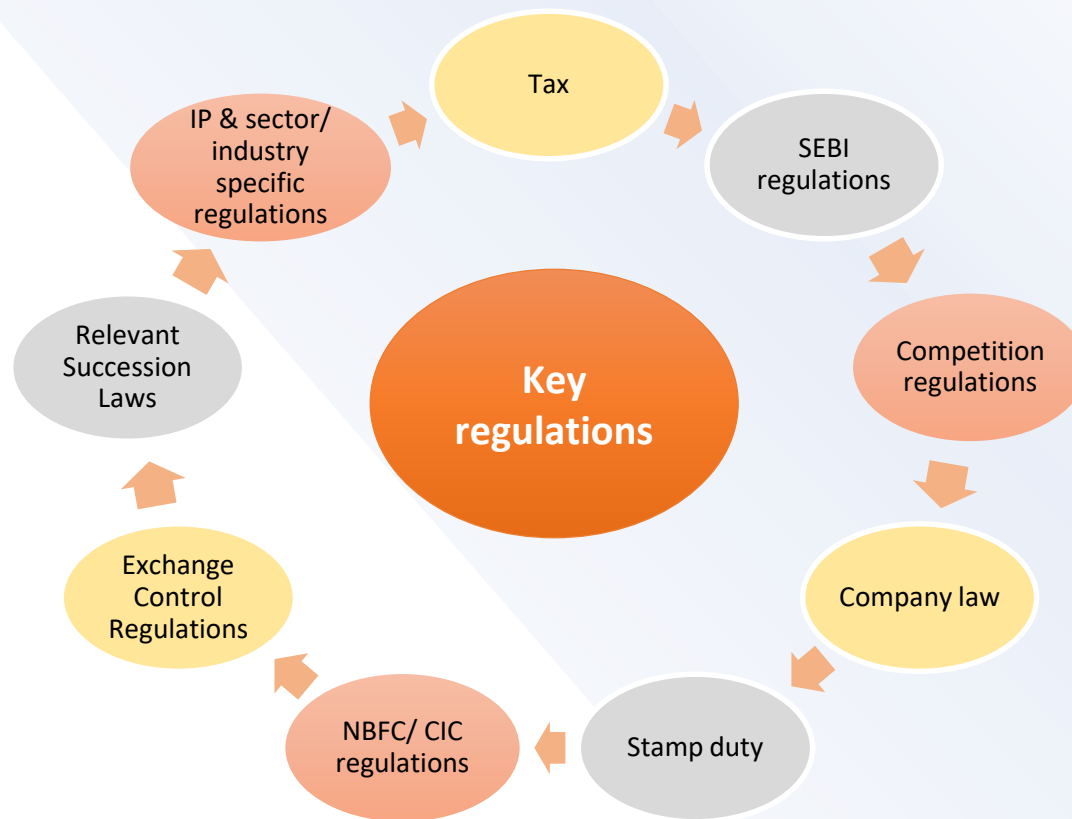
Leveraging on the tax losses available and their utilization for profit making entities

Tax optimization for green field and brown field expansions

Funding options and their considerations

Succession Planning and Group Restructuring – Key regulations

While various considerations matter in evolving a desired structure, primary being facts and the strategic vision of the family, the same is also subject to various tax and other considerations



Trust Structure

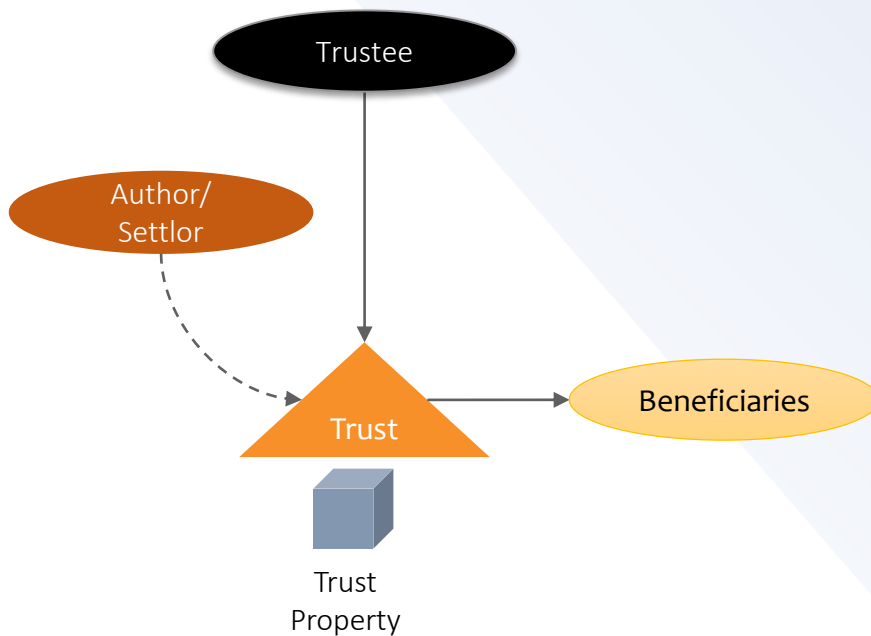
What it is ?

Definition - The Indian Trusts Act, 1882 defines trust as:

“an obligation annexed to the ownership of property, and arising out of a confidence reposed in and accepted by the owner, or declared and accepted by him, for the benefit of another, or of another and the owner”

- Trust is a legal concept wherein, property is vested or placed under the control of a person or persons, for the benefit of certain specified individuals or organizations
- A trust is a relationship governed by the terms of the trust deed through which
 - the trustee holds legal title to certain trust property
 - but is bound by a fiduciary duty to exercise that legal control for the benefit of one or more beneficiaries
 - beneficiary of the trust holds the beneficial or equitable title

Parties under Trust



Author/
Settlor

Person who places/ settles property into the trust for the benefit of other specified individual(s) or the person who reposes/ declares the confidence

Trustee

Person in whose confidence the property is placed for the benefit of specified person(s) or the person who accepts the confidence



Trust
Property

The subject matter of the trust which is applied for the benefit of the beneficiaries

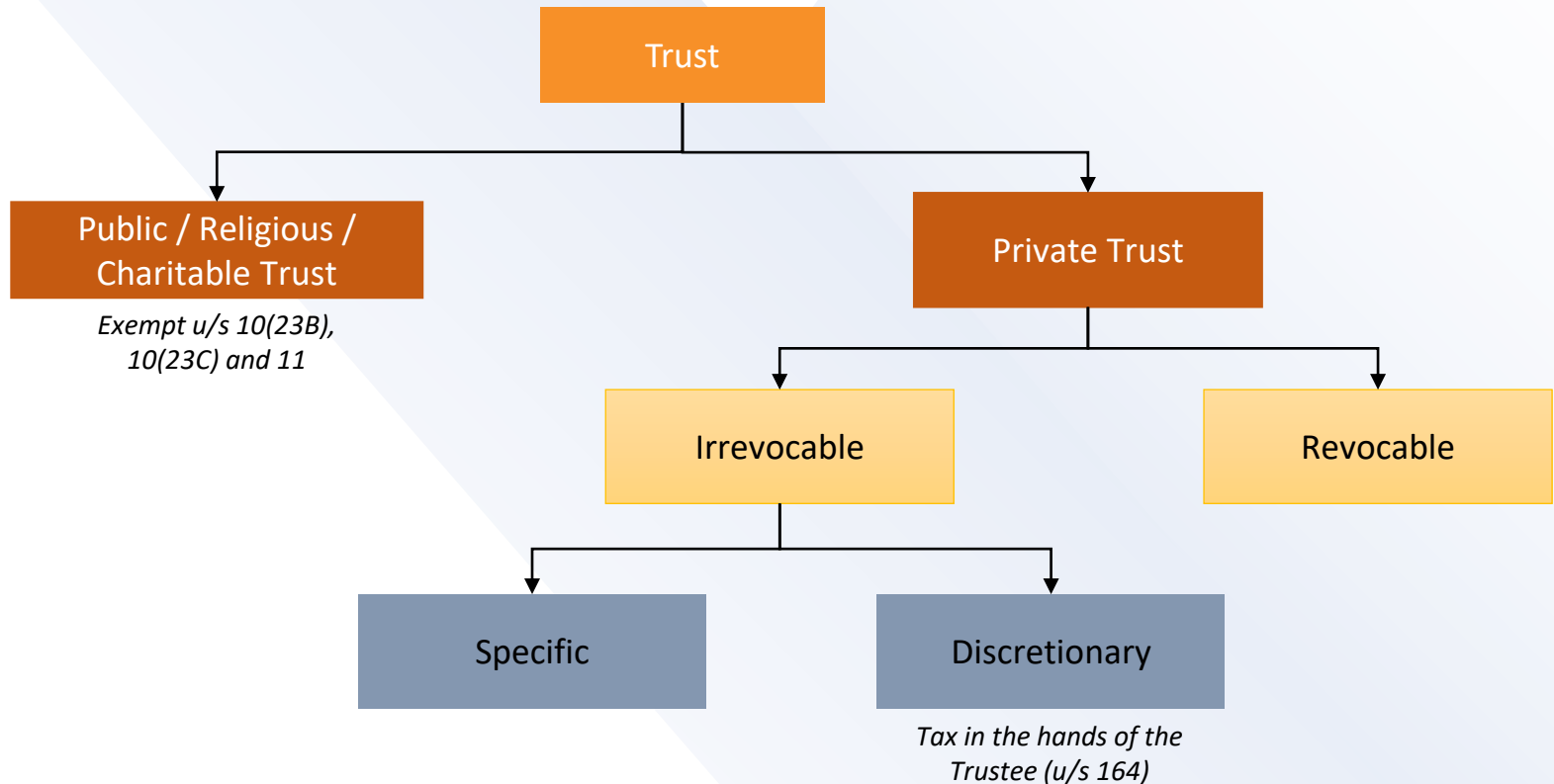
Beneficiaries

Persons for whose benefit the property is settled or the confidence is accepted

Trust Deed

Instrument (usually written) governing the trust or the instrument by which the trust is declared

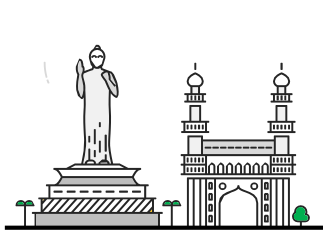
Classification of Trusts



Key Discussion Points

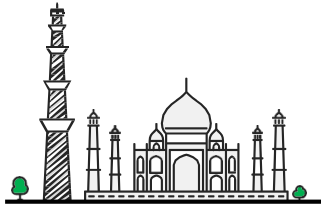
- # Internal consolidation of assets among Promoter Group
 - # Selection of alternative options for promoter holding consolidation - Company v/s LLP v/s Partnership
- # Structuring of promoters holding to facilitate succession
 - # Citizenship/ Residency of individual promoters – US/ Indian
- # Separate Trusts for Business assets and personal assets
 - # Trustee – Corporate or individual or combination
 - # Beneficiary – LLPs or individuals
- # Internal reorganization to consolidate similar business in a single entity and segregate distinct businesses in different entities
 - # Ability to leverage on losses of loss making entities by profit making companies
- # Detailed evaluation of Indian tax and regulatory implications of various options
 - # Comparative analysis of options
 - # Evaluation of the tax, stamp duty and other transaction costs
- # Legal vetting of the structures
- # Implementation
- # Act as project managers for implementation

Contact us



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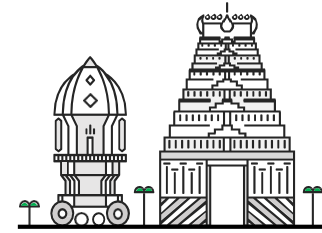
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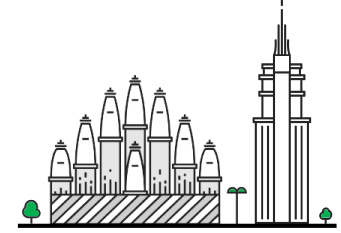
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Thank You



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