

Rödl & Partner

Expert advice

A family foundation



What is a family foundation?

It is a new legal concept used to safeguard family assets and ensure the continuity of the family business.

Statutory objectives

- accumulate assets,
- manage assets in the interests of beneficiaries,
- provide benefits to beneficiaries.

The founder defines the specific objective and principles of the family foundation in its statute.

What does this mean?

By establishing a family foundation you can:

- safeguard the accumulated assets against fragmentation after the founder's death,
- protect family members and other foundation beneficiaries by granting them benefits to cover, e.g. living or education expenses,
- support charity by establishing an NGO as a beneficiary of the family foundation,
- preserve the family nature of the business (also when the heirs do not wish to actively participate in its running).

Who can set up a family foundation?

Any natural person with full legal capacity.

A family foundation can also be established by several people if they do it during their lifetime. A family foundation established by a will may have only one founder.

What does this mean?

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A family foundation can be established by anyone of legal age if they are not legally incapacitated.

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When setting up a family foundation, the founder may collaborate with another person.



How does a family foundation work?

›	It is established by a foundation deed or a will.	
›	It has its own legal personality from the moment it is entered in the register of family foundations.	
›	It acts through its bodies (Management Board, Meeting of Beneficiaries, Supervisory Board), which can be compared to governing bodies in a limited liability company.	
›	The initial capital must be at least 100,000 zloty (cash or other property).	
›	It may carry out business activities only to a limited extent (e.g. disposing of property, leasing, joining commercial companies, granting loans).	



Who can be a beneficiary of the foundation?

- Natural person, including the founder
- Public benefit organisation

What does this mean?

> A family foundation may be the right choice for you if you want to:

- secure your future financially, but you no longer want to be involved in the day-to-day affairs of your business,
- secure your family and/or others for the future,
- support an NGO.



Tax benefits

>	Income from business activities is exempt from CIT (within statutory boundaries).
>	Tax-neutral treatment of assets contributed by the founder (no PIT, CIT or transfer tax).
>	CIT payable by the family foundation usually not earlier than at the time of making payments to beneficiaries (15%).
>	Reduced CIT rate (15%) upon liquidation of the foundation.
>	Reduced PIT rate for beneficiaries, or even exemption, depending on the degree of consanguinity with the founder – at the time of receiving the benefit from the family foundation.
>	Beneficiaries that are NGOs can be exempt under the applicable laws.
>	Benefits received by beneficiaries are exempt from social and health insurance contributions.
>	Beneficiary status can be combined with participation in a company that pays the profit distribution tax (so-called Estonian CIT regime).



How can we help?



Identify your needs.



Define the objectives and principles of the prospect family foundation.



Draft relevant documents.



Prepare and file the application for entry in the register of family foundations.

You are welcome to contact us – we will be happy to talk and provide you with more details.

Contact



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