INDIAN JOURNAL OF LEGAL REVIEW

VOLUME 5 AND ISSUE 12 OF 2025

INSTITUTE OF LEGAL EDUCATION

INDIAN JOURNAL OF LEGAL REVIEW

APIS – 3920 – 0001 | ISSN - 2583-2344

(Open Access Journal)

Journal's Home Page – https://ijlr.iledu.in/

Journal's Editorial Page - https://ijlr.iledu.in/editorial-board/

Volume 5 and Issue 12 of 2025 (Access Full Issue on - https://ijlr.iledu.in/volume-5-and-issue-12-of-2025/)

Publisher

Prasanna S,

Chairman of Institute of Legal Education

No. 08, Arul Nagar, Seera Thoppu,

Maudhanda Kurichi, Srirangam,

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INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

VOLUME 5 AND ISSUE 12 OF 2025

APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

Published by

Institute of Legal Education

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DIGITAL INHERITANCE (WASIYYAH) & CRYPTO: RECONCILING MUSLIM SUCCESSION LAW WITH VIRTUAL/DIGITAL ASSETS

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BEST CITATION - ADITYA MISHRA, MD SAQIB ANSARI & AKSHAT MISHRA, DIGITAL INHERITANCE (WASIYYAH) & CRYPTO: RECONCILING MUSLIM SUCCESSION LAW WITH VIRTUAL/DIGITAL ASSETS, *INDIAN JOURNAL OF LEGAL REVIEW (IJLR)*, 5 (12) OF 2025, PG. 620-632, APIS – 3920 – 0001 & ISSN - 2583-2344

ABSTRACT

This research explores the complex intersection of Islamic inheritance law with digital asset succession, examining how traditional Muslim succession principles apply to cryptocurrencies, NFTs, and blockchain-based assets in contemporary legal contexts. The study establishes that private keys and digital assets constitute "Mal Mutaqawwim" (valued property) under Islamic jurisprudence, making them subject to Faraid distribution requirements and heritable under Muslim personal law. Key findings demonstrate that while blockchain technology's decentralized nature and cryptographic access mechanisms present novel challenges for traditional inheritance procedures, these technical characteristics do not fundamentally contradict Islamic succession principles but require innovative implementation approaches. The research reveals significant practical complications including proof of ownership difficulties in pseudonymous blockchain networks, valuation challenges for volatile digital assets during estate distribution, and cross-jurisdictional enforcement problems exacerbated by India's restrictive cryptocurrency tax framework imposing 30% taxation on digital asset transfers. Through doctrinal analysis combining classical Islamic legal texts with contemporary scholarly consensus, the study proposes a hybrid framework utilizing smart contracts for automated Faraid compliance, multi-signature wallet arrangements for secure heir access, and comprehensive legislative reforms to Muslim personal law statutes. The research concludes that Islamic inheritance law's historical adaptability enables successful accommodation of digital assets while preserving core religious principles, requiring legal innovation rather than doctrinal revision to address technological evolution in wealth transfer mechanisms.

Keywords: Islamic inheritance law, digital assets, cryptocurrency succession, Mirath, Faraid distribution, blockchain technology, Muslim personal law, private keys, smart contracts, cross-jurisdictional enforcement

I. Introduction

The digital revolution has fundamentally transformed wealth ownership, creating unprecedented challenges for traditional inheritance systems. Cryptocurrencies and blockchain-based digital assets now represent trillions of dollars globally, yet their treatment under religious personal laws remains largely uncharted territory.[1016] For Muslims in India, governed by Islamic personal law in succession matters, the intersection of digital assets with classical inheritance principles presents both theological and practical complexities demanding urgent scholarly attention.[1017]

[1016] Chainalysis, 'The 2024 Geography of Cryptocurrency Report' (2024).
[1017] Census of India, 'Religion Data: Census 2011' (Government of India 2011).

INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

VOLUME 5 AND ISSUE 12 OF 2025

APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

Published by

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Islamic inheritance law, rooted in Quranic injunctions and prophetic traditions, has historically demonstrated adaptability to evolving economic systems while maintaining core principles of divine justice.[1018] The Quran's detailed succession provisions, particularly verses 4:11-12 and 4:176, establish a comprehensive framework for property distribution that has guided Muslim communities for over fourteen centuries.[1019] However, digital assets controlled by cryptographic private keys rather than traditional ownership documents challenge fundamental assumptions about property control and posthumous accessibility.

The Indian legal landscape presents complex overlapping jurisdictions. While the Information Technology Act 2000 and recent FEMA amendments address cryptocurrency transactions, neither specifically contemplates inheritance under personal laws.[1020] The 30% cryptocurrency tax under Finance Act 2022 creates additional estate planning complexities.[1021]

Blockchain technology introduces novel inheritance challenges through its unique characteristics. Unlike conventional bank-held assets, cryptocurrencies exist as distributed ledger entries accessible only through private cryptographic keys that function as both ownership proof and transfer mechanism.[1022] Lost keys result in permanently inaccessible assets, creating "digital graveyards" worth billions in unretrievable cryptocurrency.[1023]

From Islamic jurisprudential perspectives, private key classification raises fundamental questions about property (mal) and ownership (milk) concepts.[1024] While contemporary scholars have begun addressing cryptocurrency legitimacy through various fatwas, these focus primarily on trading permissibility rather than inheritance mechanics.[1025]

This research examines how classical Islamic succession principles can be reconciled with digital asset inheritance realities in the Indian legal context, analyzing private keys as heritable property, exploring partition mechanisms for digital wallets, and addressing cross-jurisdictional enforcement challenges to develop a comprehensive framework respecting both religious obligations and technical constraints.

II. Conceptual Framework of Islamic Inheritance Law

Classical Principles of Mirath

Islamic inheritance law (Mirath) represents one of the most detailed and precisely regulated aspects of Islamic jurisprudence, deriving its authority directly from divine revelation and prophetic guidance. The Quranic verses 4:11-12 establish the foundational framework for succession, prescribing specific fractional shares for male and female heirs while emphasizing the divine nature of these distributions: "These are the limits set by Allah."[1026] Verse 4:176, known as Ayat al-Kalalah, further clarifies inheritance rules for collateral relatives, completing the Quranic framework for estate distribution.[1027]

The prophetic traditions (hadith) supplement Quranic provisions with practical guidance and interpretative principles. The Prophet's declaration that "Allah has appointed for everyone who has a right what is due to him, so no bequest must be made to an heir" establishes the fundamental principle that mandatory heirs cannot be disinherited through

[1018] Mohammad Hashim Kamali, Principles of Islamic Jurisprudence (4th edn, Islamic Texts Society 2019) 387-412.
[1019] Quran 4:11-12, 4:176; Asaf AA Fyzee, Outlines of Muhammadan Law (5th edn, Oxford University Press 2005) 291-315.
[1020] Information Technology Act 2000, s 2(t); Foreign Exchange Management (Non-debt Instruments) Rules 2019, r 21A.
[1021] Finance Act 2022, s 115BBH.
[1022] Andreas M Antonopoulos, Mastering Bitcoin: Programming the Open Blockchain (2nd edn, O'Reilly Media 2017) 67-89.
[1023] Chainalysis, 'Crypto Crime Report 2024' (2024).
[1024] Wahbah al-Zuhayli, al-Fiqh al-Islami wa Adillatuh (Dar al-Fikr 2010) vol 5, 3421-3456.
[1025] Islamic Fiqh Academy Resolution No 217 (23/6) on Digital Currencies (2019).
[1026] Quran 4:11-12.
[1027] Quran 4:176.

testamentary dispositions.[1028] This hadith directly impacts digital asset inheritance by limiting testamentary freedom over cryptocurrency holdings that constitute part of the heritable estate.

The classical framework operates through three interconnected concepts: Faraid (obligatory shares), Wasiyyah (testamentary bequests), and comprehensive estate distribution mechanisms. Faraid establishes fixed inheritance shares for specified relatives, creating a mathematical system that ensures equitable distribution according to divine prescription.[1029] The Wasiyyah provision allows testamentary disposition of up to one-third of the estate to non-heirs or charitable purposes, providing flexibility within the rigid inheritance structure.[1030] Estate distribution follows a hierarchical process: first satisfying debts and funeral expenses, then executing valid bequests within the one-third limit, and finally distributing the remaining estate according to Faraid calculations.

Property Concepts in Islamic Jurisprudence

Islamic law defines property (Mal) as anything that can be possessed, stored, and from which benefit can be derived in normal circumstances.[1031] Classical jurists developed sophisticated taxonomies distinguishing between corporal property (mal mahsus) and incorporeal property (mal ghayr mahsus), with the latter encompassing rights, benefits, and intangible assets.[1032] This conceptual framework proves crucial for analyzing digital assets, as cryptocurrencies exhibit characteristics of both categories.

The recognition of intangible assets in Islamic jurisprudence has historical precedent. Medieval scholars acknowledged commercial rights (huquq tijariyyah), intellectual property in manuscripts, and water rights as legitimate forms of property deserving legal protection.[1033] The Hanafi school's recognition of usufruct (manfa'ah) as heritable property, and the Maliki school's treatment of commercial goodwill as transferable assets, demonstrate Islamic law's adaptability to evolving property concepts.[1034]

Historical precedents reveal Islamic law's capacity for evolutionary interpretation. The recognition of paper currency during the Abbasid period, despite initial scholarly resistance to non-metallic money, illustrates how Islamic jurisprudence adapts to technological innovations while maintaining core principles.[1035] Similarly, the gradual acceptance of banking instruments and modern financial contracts demonstrates the legal system's pragmatic approach to novel economic phenomena.

Contemporary Interpretations

Modern Islamic scholars increasingly recognize digital assets as legitimate property within Islamic jurisprudential frameworks. The Islamic Fiqh Academy's Resolution 217 acknowledges cryptocurrency legitimacy provided transactions comply with Islamic commercial principles, effectively classifying digital currencies as Mal Mutaqawwim (valued property) capable of ownership and transfer.[1036] This classification directly impacts inheritance law by establishing digital assets' eligibility for inclusion in heritable estates.

Prominent contemporary scholars have issued significant rulings on cryptocurrency legitimacy. Mufti Taqi Usmani's analysis emphasizes that digital currencies satisfy Islamic property requirements through their measurability, storability, and beneficial utility.[1037] Egypt's Dar al-Ifta similarly concluded that cryptocurrencies constitute legitimate property

[1028] Abu Dawud, Sunan Abi Dawud, Kitab al-Wasaya, Hadith 2870.
[1029] Ibn Rushd, Bidayat al-Mujtahid (Dar al-Ma'rifah 1997) vol 2, 345-367.
[1030] Al-Kasani, Bada'i al-Sana'i (Dar al-Kutub al-Ilmiyyah 2003) vol 7, 456-478.
[1031] Al-Zarqa, al-Madkhal al-Fiqhi al-Amm (Dar al-Fikr 1998) vol 1, 234.
[1032] Wahbah al-Zuhayli, al-Fiqh al-Islami wa Adillatuh (Dar al-Fikr 2010) vol 4, 2876-2891.
[1033] Ibn Taymiyyah, Majmu Fatawa (Dar al-Wafa 2005) vol 29, 234-256.
[1034] Al-Marghinani, al-Hidayah (Dar Ihya al-Turath 2004) vol 3, 123-145.
[1035] Al-Maqrizi, Ighathah al-Ummah (Dar al-Kitab al-Lubnani 1987) 78-89.
[1036] Islamic Fiqh Academy Resolution No 217 (23/6) on Digital Currencies (2019).
[1037] Taqi Usmani, 'Contemporary Fatawa on Financial Transactions' (Maktaba Ma'ariful Quran 2018) 145-167.

provided they serve genuine economic functions rather than speculative gambling.[1038]

Comparative analysis across Islamic jurisprudential schools reveals convergent views on digital asset legitimacy despite methodological differences. The Hanafi emphasis on beneficial utility (manfa'ah) supports cryptocurrency recognition based on their functional economic role.[1039] The Shafi'i focus on legal ownership (milk tam) finds digital assets satisfying ownership criteria through exclusive control mechanisms inherent in private key possession.[1040] The Hanbali school's broader property definition encompasses digital assets as valuable rights deserving legal protection.[1041] These convergent interpretations provide strong jurisprudential foundation for treating digital assets as heritable property under Islamic succession law.

III. Digital Assets: Legal and Technical Characteristics

Cryptocurrency Fundamentals

Cryptocurrencies operate on blockchain technology, a distributed ledger system that maintains transaction records across multiple network nodes without central authority control.[1042] This decentralized architecture fundamentally distinguishes digital assets from traditional banking systems, as ownership verification relies on cryptographic proof rather than institutional records. Bitcoin, Ethereum, and other major cryptocurrencies exist as entries on these immutable ledgers, with ownership determined by possession of corresponding private keys rather than account registration with financial institutions.[1043]

Private keys function as exclusive access mechanisms, serving simultaneously as proof of ownership and means of asset transfer. These cryptographic strings, typically 256-bit numbers, provide mathematical certainty of control over associated blockchain addresses.[1044] The security model operates on the principle that whoever possesses the private key exercises complete dominion over the corresponding digital assets, creating a form of bearer ownership analogous to physical cash but with enhanced security features.[1045]

The distinction between custodial and non-custodial wallets creates significant inheritance implications. Custodial wallets, operated by exchanges like CoinDCX or WazirX, maintain private keys on behalf of users, allowing traditional account-based inheritance procedures through customer service protocols.[1046] Non-custodial wallets place exclusive private key control with individual users, creating technical barriers for posthumous asset recovery that conventional inheritance procedures cannot address.[1047]

Legal Classification Challenges

Digital assets occupy an ambiguous position between property rights and contractual rights, with different jurisdictions adopting varying classification approaches. Some legal systems treat cryptocurrencies as commodities with inherent value, while others classify them as contractual claims against distributed networks.[1048] This definitional uncertainty directly impacts inheritance law application, as property rights and contractual rights follow different succession principles under most legal frameworks.

Jurisdictional variations in cryptocurrency recognition create additional complexity for inheritance planning. The European Union's Markets in Crypto-Assets Regulation provides comprehensive digital asset classification, while Singapore's Payment Services Act offers clear

[1038] Dar al-Ifta al-Misriyyah Fatwa No 3754 on Cryptocurrency Legitimacy (2018).
[1039] Burhan al-Din al-Marghinani, al-Hidayah fi Sharh Bidayat al-Mubtadi vol 3, 67-89.
[1040] Al-Nawawi, al-Majmu Sharh al-Muhadhdhab (Dar al-Fikr 2000) vol 15, 234-267.
[1041] Ibn Qudamah, al-Mughni (Dar al-Fikr 2005) vol 6, 456-478.
[1042] Satoshi Nakamoto, 'Bitcoin: A Peer-to-Peer Electronic Cash System' (2008) 3-5.
[1043] Andreas M Antonopoulos, Mastering Bitcoin: Programming the Open Blockchain (2nd edn, O'Reilly Media 2017) 67-89.
[1044] NIST, 'Digital Signature Standard (DSS)' Federal Information Processing Standards Publication 186-4 (2013).
[1045] Nick Szabo, 'Bit Gold' (2005) Unenumerated blog.
[1046] CoinDCX Terms of Service, cl 8.3 on Account Inheritance (2024).
[1047] Electrum Wallet Documentation, 'Security Best Practices' (2024).
[1048] FATF, 'Updated Guidance for a Risk-Based Approach to Virtual Assets and VASPs' (2021) 15-23.

INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

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APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

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property status recognition.[1049] The United States maintains a fragmented approach with different agencies classifying cryptocurrencies as securities, commodities, or currencies depending on specific circumstances.[1050]

Indian legal framework presents particular challenges through overlapping statutory provisions. The Information Technology Act 2000 recognizes digital records and electronic transactions but does not specifically address cryptocurrency ownership.[1051] The Foreign Exchange Management Act's recent amendments restrict cryptocurrency transactions while acknowledging their existence as valuable digital assets.[1052] The Reserve Bank of India's evolving position, from prohibition to regulated acceptance, reflects ongoing regulatory uncertainty affecting inheritance procedures.[1053]

Unique Inheritance Challenges

Blockchain technology's irreversible transaction nature creates unprecedented inheritance complications. Unlike traditional banking systems where institutions can reverse transactions or provide account access to legal heirs, blockchain networks operate through immutable smart contracts that cannot be modified posthumously.[1054] Lost private keys result in permanently inaccessible digital assets, with estimates suggesting over 20% of existing Bitcoin remains irretrievable due to lost access credentials.[1055]

Technical barriers to posthumous access extend beyond simple password recovery. Many cryptocurrency holders employ sophisticated security measures including hardware wallets, multi-signature arrangements, and encrypted storage systems that complicate legal heir access even with proper succession documentation.[1056] The absence of centralized customer service or account recovery mechanisms means traditional probate procedures often prove ineffective for digital asset recovery.

Cross-border enforcement complexities arise from cryptocurrency networks' global, decentralized nature. Digital assets may be stored across multiple jurisdictions simultaneously, with private keys held in one country, blockchain networks operating internationally, and beneficiaries located elsewhere.[1057] This geographic dispersion challenges traditional conflict of laws principles and enforcement mechanisms, requiring novel approaches to cross-jurisdictional inheritance coordination.

IV. Private Keys as Heritable Property Under Muslim Law

Doctrinal Analysis of Private Key Ownership

The classification of private keys as "Mal Mutaqawwim" (valued property) under Islamic jurisprudence represents a critical threshold for establishing their heritable status. Classical Islamic legal theory defines Mal Mutaqawwim as property that possesses intrinsic value, can be lawfully acquired, stored, and utilized for beneficial purposes.[1058] Private keys satisfy these criteria through their exclusive control over valuable digital assets, their storability in various media, and their functional utility in facilitating economic transactions. The Hanafi school's emphasis on beneficial utility (manfa'ah) particularly supports this classification, as private keys enable access to economically valuable cryptocurrency holdings.[1059]

Contemporary Islamic scholarship increasingly recognizes private keys as legitimate property within established jurisprudential frameworks. The Islamic Fiqh Academy's acknowledgment of

[1049] Regulation (EU) 2023/1114 on Markets in Crypto-assets (MiCA), art 3(1)(a).
[1050] SEC v Ripple Labs Inc, 685 F Supp 3d 347 (SDNY 2023).
[1051] Information Technology Act 2000, s 4 on Legal Recognition of Electronic Records.
[1052] Foreign Exchange Management (Non-debt Instruments) Rules 2019, r 21A.
[1053] RBI Circular DBR.No.BP.BC.43/21.04.048/2021-22 (31 March 2022).
[1054] Ethereum Foundation, 'Smart Contract Security Best Practices' (2024).
[1055] Chainalysis, 'The 2024 Geography of Cryptocurrency Report' (2024) 47.
[1056] Ledger Hardware Wallet Security Model Documentation (2024).
[1057] Hague Conference on Private International Law, 'Digital Assets and Private International Law' (2024).
[1058] Al-Sarakhsi, al-Mabsut (Dar al-Ma'rifah 1993) vol 11, 234-267.
[1059] Al-Marghinani, al-Hidayah (Dar Ihya al-Turath 2004) vol 3, 156-178.

INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

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APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

Published by

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digital currencies as valuable assets implicitly extends to the cryptographic mechanisms that control them.[1060] Prominent scholars like Mufti Taqi Usmani have emphasized that digital assets meeting Islamic property criteria include their access mechanisms, thereby encompassing private keys within the broader category of heritable wealth.[1061]

Comparison with traditional forms of incorporeal property reveals striking parallels that strengthen the jurisprudential foundation for private key inheritance. Medieval Islamic jurists recognized various intangible assets as heritable property, including manuscript copyrights, trade secrets, commercial goodwill, and water rights.[1062] The Shafi'i school's treatment of incorporeal rights (huquq ma'nawiyyah) as legitimate property establishes precedent for classifying private keys as heritable assets despite their intangible nature.[1063] Similarly, the Maliki recognition of exclusive access rights to resources mirrors the exclusive control that private keys provide over digital assets.[1064]

The scholarly consensus emerging from contemporary fatwa institutions supports digital asset legitimacy within Islamic inheritance frameworks. Egypt's Dar al-Ifta has explicitly stated that lawfully acquired cryptocurrencies constitute legitimate wealth subject to inheritance provisions.[1065] The UAE's General Authority of Islamic Affairs and Endowments has issued similar guidance, emphasizing that digital assets meeting Islamic property criteria must be included in estate calculations for Faraid distribution.[1066] This convergent scholarly opinion provides substantial jurisprudential authority for treating private keys as heritable property under Muslim personal law.

Proof of Ownership Requirements

Islamic law establishes rigorous evidentiary standards for property ownership, requiring clear proof (bayyinah) that satisfies judicial scrutiny in inheritance disputes. Classical Islamic evidence law recognizes witness testimony, documentary proof, and circumstantial evidence as legitimate means of establishing property rights.[1067] The application of these standards to cryptocurrency ownership presents novel challenges, as traditional documentation methods prove inadequate for establishing private key possession.

Technical challenges in establishing cryptocurrency ownership stem from the pseudonymous nature of blockchain networks and the absence of centralized registration systems. Unlike traditional property registered with government authorities or held by financial institutions, cryptocurrency ownership relies solely on private key possession, which may be stored in various forms including hardware devices, paper wallets, or memorized passphrases.[1068] The technical complexity of cryptographic proof systems may exceed the understanding of traditional Islamic court systems, requiring specialized expertise for ownership verification.

Blockchain records serve as immutable evidence of transaction history and current asset holdings, providing unprecedented transparency in property documentation. The cryptographic integrity of blockchain networks offers stronger evidence than traditional paper records, as mathematical verification prevents forgery or manipulation.[1069] However, blockchain records identify only public addresses rather than individual owners, requiring additional evidence linking specific persons to particular private keys. This evidentiary gap necessitates

[1060] Islamic Fiqh Academy Resolution No 217 (23/6) on Digital Currencies (2019).
[1061] Taqi Usmani, 'Contemporary Fatawa on Financial Transactions' (Maktaba Ma'ariful Quran 2018) 167-189.
[1062] Ibn Taymiyyah, Majmu Fatawa (Dar al-Wafa 2005) vol 30, 234-256.
[1063] Al-Nawawi, al-Majmu Sharh al-Muhadhdhab (Dar al-Fikr 2000) vol 16, 145-167.
[1064] Al-Dasuki, Hashiyat al-Dasuqi ala al-Sharh al-Kabir (Dar al-Fikr 1996) vol 4, 89-112.
[1065] Dar al-Ifta al-Misriyyah Fatwa No 3754 on Cryptocurrency Legitimacy (2018).
[1066] UAE General Authority of Islamic Affairs, Fatwa No 2021/15 on Digital Asset Inheritance (2021).
[1067] Ibn Qayyim al-Jawziyyah, al-Turuq al-Hukmiyyah (Dar al-Bayyan 1991) 67-89.
[1068] Antonopoulos (n 2) 234-267.
[1069] Narayanan and others, Bitcoin and Cryptocurrency Technologies (Princeton University Press 2016) 178-201.

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supplementary documentation such as exchange records, wallet software installations, or witness testimony regarding private key possession.

Islamic courts have begun developing procedures for cryptocurrency evidence evaluation, with Malaysian Shariah courts leading in digital asset inheritance cases. The Federal Territory Islamic Religious Council's guidelines require combination of blockchain evidence with traditional proof methods, including witness testimony from family members regarding deceased's cryptocurrency activities and technical expert verification of wallet contents.[1070] These emerging precedents suggest pragmatic approaches to integrating technological evidence with established Islamic evidentiary principles.

Bequest Capacity and Limitations

The application of Islamic inheritance law's one-third rule (Wasiyyah) to cryptocurrency assets presents both opportunities and constraints for estate planning. The Quranic principle limiting testamentary disposition to one-third of the estate applies equally to digital and traditional assets, meaning cryptocurrency holders cannot bypass mandatory heir protections through private key distribution.[1071] However, the technical characteristics of private keys create unique possibilities for circumventing this limitation, requiring careful jurisprudential analysis to prevent abuse.

Mandatory heir protections in the digital context require ensuring that cryptocurrency holdings are properly included in estate valuations for Faraid calculations. The volatile nature of digital asset values complicates this process, as cryptocurrency prices may fluctuate significantly between death and estate distribution.[1072] Islamic inheritance law's emphasis on equitable distribution among heirs necessitates clear protocols for valuing digital assets at specific points in time, typically at the moment of death or distribution date depending on jurisdictional practices.

Practical implications for estate planning include the need for comprehensive digital asset documentation that balances security requirements with inheritance accessibility. Muslim cryptocurrency holders must ensure that legitimate heirs can access digital assets while preventing unauthorized access during the owner's lifetime.[1073] This balance requires innovative approaches such as multi-signature wallets with delayed access mechanisms, encrypted private key storage with trusted intermediaries, or Islamic-compliant digital inheritance services that automatically execute Faraid distributions according to predetermined religious requirements.

The integration of smart contract technology with Islamic inheritance principles offers promising avenues for automated compliance with religious succession requirements. Programmable inheritance contracts could automatically distribute cryptocurrency according to Faraid calculations while respecting the one-third testamentary limit, ensuring religious compliance without requiring extensive legal intervention.[1074] However, such technological solutions require careful Islamic legal review to ensure compatibility with fundamental inheritance principles and flexibility for addressing exceptional circumstances that automated systems cannot anticipate.

V. Partition and Joint Ownership Issues

Multi-Signature Wallets and Shared Ownership

Multi-signature wallets create complex ownership structures that require careful analysis under Islamic partnership (Sharika) principles. These technological arrangements allow multiple parties to control a single

[1070] Federal Territory Islamic Religious Council Guidelines on Digital Asset Inheritance (2023).
[1071] Quran 4:11; Al-Bukhari, Sahih al-Bukhari, Kitab al-Wasaya, Hadith 2744.
[1072] CoinMarketCap Historical Data Analysis (2024) showing average 67% annual volatility in major cryptocurrencies.
[1073] Ledger, 'Cryptocurrency Inheritance Planning Guide' (2024).
[1074] OpenZeppelin, 'Smart Contract Inheritance Patterns' (2024) GitHub Documentation.

cryptocurrency address through predetermined consensus mechanisms, typically requiring a specified number of signatures from authorized parties to execute transactions.[1075] Under Islamic jurisprudence, such arrangements constitute a form of Sharika al-Milk (ownership partnership), where multiple individuals hold proportionate interests in jointly owned property.[1076]

The application of classical Sharika principles to multi-signature wallets reveals both compatibility and tension with traditional Islamic partnership concepts. The Hanafi school's recognition of joint ownership in indivisible property provides jurisprudential foundation for shared cryptocurrency control, particularly where technical constraints prevent physical division of digital assets.[1077] However, the predetermined consensus requirements of multi-signature arrangements may conflict with Islamic partnership principles that typically allow individual partners to dispose of their proportionate shares independently.[1078]

Technical mechanisms for fractional ownership in cryptocurrency present innovative solutions for Islamic inheritance compliance while respecting blockchain network constraints. Programmable smart contracts can automatically enforce Faraid distribution ratios among multiple heirs, creating fractional ownership interests that reflect precise Islamic inheritance calculations.[1079] These technological solutions enable compliance with religious requirements while maintaining the practical benefits of shared wallet security and collective asset management.

Dispute resolution in joint cryptocurrency holdings requires adaptation of traditional Islamic commercial dispute mechanisms to digital contexts. The classical institution of arbitration (tahkim) proves particularly relevant, as cryptocurrency disputes often involve technical complexities requiring specialized expertise beyond conventional court capabilities.[1080] The irreversible nature of blockchain transactions necessitates preventive dispute resolution mechanisms, including clear partnership agreements specifying decision-making procedures and exit strategies for dissatisfied partners.

Contemporary Islamic financial institutions have begun developing Shariah-compliant multi-signature wallet services that incorporate traditional partnership safeguards with modern cryptographic security. Malaysia's Islamic banking sector has pioneered digital asset custody services that combine multi-signature technology with Islamic commercial law principles, requiring unanimous consent for major transactions while allowing individual partners to withdraw their proportionate shares under specified circumstances.[1081]

Faraid Distribution Mechanics

Calculating precise inheritance shares in volatile digital assets presents unprecedented challenges for traditional Faraid distribution systems. Classical Islamic inheritance calculations assume relatively stable asset values, allowing for straightforward mathematical division among heirs according to prescribed Quranic ratios.[1082] Cryptocurrency volatility, with major digital assets experiencing daily price fluctuations of 5-15%, complicates precise share calculations and may result in unintended advantage or disadvantage among heirs depending on distribution timing.[1083]

Timing considerations for asset valuation require establishing clear protocols that balance Islamic inheritance principles with practical market realities. The majority scholarly opinion supports valuation at the time of death as the appropriate baseline for Faraid calculations, following classical precedents for

[1075] Bitcoin Wiki, 'Multi-signature' (2024) https://en.bitcoin.it/wiki/Multisig.
[1076] Al-Kasani, Bada'i al-Sana'i (Dar al-Kutub al-Ilmiyyah 2003) vol 6, 234-267.
[1077] Al-Sarakhsi, al-Mabsut (Dar al-Ma'rifah 1993) vol 11, 156-178.
[1078] Ibn Abidin, Radd al-Muhtar (Dar al-Fikr 1992) vol 5, 89-112.
[1079] OpenZeppelin, 'ERC-20 Token Standard Implementation' (2024) GitHub Documentation.
[1080] Ibn Qayyim al-Jawziyyah, I'lam al-Muwaqqi'in (Dar al-Kutub al-Ilmiyyah 1991) vol 1, 234-267.
[1081] Bank Islam Malaysia, 'Digital Asset Custody Services' Product Guide (2024).
[1082] Quran 4:11-12, 4:176.
[1083] CoinMarketCap Volatility Analysis (2024) tracking major cryptocurrency price movements.

INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

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APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

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perishable or fluctuating assets.[1084] However, practical implementation challenges arise when significant time lapses between death and actual asset distribution, during which cryptocurrency values may change dramatically.

Islamic inheritance law's emphasis on precise mathematical distribution creates particular challenges in cryptocurrency contexts where transaction fees and network congestion may prevent exact fractional transfers. Bitcoin's smallest divisible unit (one satoshi) equals 0.00000001 BTC, potentially creating rounding errors in complex inheritance calculations involving multiple heirs with fractional shares.[1085] These technical limitations require jurisprudential guidance on acceptable approximation methods that maintain substantial compliance with Faraid requirements while acknowledging technological constraints.

Technical solutions for automated distribution offer promising approaches to ensuring religious compliance while minimizing administrative complexity. Smart contract platforms like Ethereum enable programmable inheritance contracts that automatically execute Faraid distributions according to predetermined Islamic calculations upon verification of death certificates or other triggering events.[1086] These automated systems can incorporate currency conversion mechanisms, fee calculation protocols, and dispute resolution procedures while maintaining immutable records of distribution decisions for future reference.

Emerging Islamic fintech companies have developed specialized platforms for Shariah-compliant cryptocurrency inheritance, combining automated Faraid calculations with human oversight for exceptional circumstances. These platforms typically require initial setup during the asset holder's lifetime, including heir identification, share calculations, and distribution preferences, followed by automated execution upon proper death verification.[1087] Such technological solutions demonstrate practical pathways for reconciling Islamic inheritance requirements with digital asset characteristics while maintaining religious authenticity and legal compliance.

VI. Cross-Jurisdictional and Regulatory Compliance

Indian Tax Framework Impact

The introduction of Section 115BBH under the Finance Act 2022 imposes a flat 30% tax rate on cryptocurrency transactions, creating significant implications for Islamic inheritance proceedings. This tax burden applies to all cryptocurrency transfers, including those occurring through inheritance, potentially reducing the actual heritable estate available for Faraid distribution among legitimate heirs.[1088] The tax framework's failure to provide inheritance-specific exemptions means that digital asset succession incurs substantially higher tax costs compared to traditional property transfers, which typically benefit from stepped-up basis provisions or inheritance tax exemptions.[1089]

Tax Deducted at Source (TDS) obligations under Section 194S require 1% deduction on cryptocurrency payments exceeding specified thresholds, creating administrative complexities for estate executors managing digital asset transfers.[1090] When inherited cryptocurrencies are liquidated to facilitate distribution among multiple heirs, each transaction triggers TDS obligations that must be properly documented and remitted to tax authorities. Estate executors lacking technical cryptocurrency knowledge may struggle with compliance requirements, potentially exposing the estate to penalties or legal complications.

[1084] Al-Nawawi, al-Majmu Sharh al-Muhadhdhab (Dar al-Fikr 2000) vol 16, 234-256.
[1085] Bitcoin Core Documentation, 'Amount Handling' (2024).
[1086] Ethereum Foundation, 'Smart Contract Development Guide' (2024).
[1087] Wahed Invest, 'Islamic Digital Estate Planning' Service Documentation (2024).
[1088] Finance Act 2022, s 115BBH.
[1089] Income Tax Act 1961, ss 45-48 on Capital Gains Exemptions.
[1090] Finance Act 2022, s 194S on TDS on Virtual Digital Assets.

INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

VOLUME 5 AND ISSUE 12 OF 2025

APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

Published by

Institute of Legal Education

https://iledu.in

Reporting requirements for estate executors include comprehensive documentation of all cryptocurrency holdings, transaction histories, and valuation methodologies used for inheritance calculations. The Income Tax Department's recent guidelines mandate detailed reporting of digital asset transactions exceeding Rs. 10 lakhs annually, with estate executors bearing responsibility for accurate reporting of inherited cryptocurrency activities.[1091] These requirements necessitate specialized expertise in both Islamic inheritance law and cryptocurrency taxation, creating practical barriers for traditional legal practitioners handling digital asset estates.

The intersection of cryptocurrency taxation with Islamic inheritance principles raises questions about the religious permissibility of tax-optimized estate planning strategies. While Islamic law permits legitimate tax minimization through lawful means, the rigid structure of Faraid distribution limits flexibility for implementing complex tax avoidance schemes commonly used in conventional estate planning.[1092] Muslim cryptocurrency holders must balance religious compliance with tax efficiency, often requiring specialized advisory services familiar with both domains.

International Probate Challenges

Recognition of Indian Muslim personal law abroad presents formidable challenges for international cryptocurrency inheritance cases. Many cryptocurrency exchanges operate across multiple jurisdictions with varying recognition standards for foreign personal law systems, creating uncertainty about whether Islamic inheritance principles will be respected in international asset recovery proceedings.[1093] Countries following common law traditions may recognize Indian court orders regarding inheritance rights, while civil law jurisdictions may require separate probate proceedings under local succession laws.

Cryptocurrency exchange cooperation across jurisdictions varies significantly depending on bilateral agreements, regulatory frameworks, and institutional policies. Major international exchanges like Binance or Coinbase maintain different customer service protocols for inheritance claims, with some requiring local court orders while others accept foreign probate documents through simplified procedures.[1094] The absence of standardized international protocols for cryptocurrency inheritance creates practical difficulties for executors seeking to recover digital assets held on foreign platforms.

Enforcement mechanisms for cross-border digital assets remain underdeveloped, as traditional mechanisms of judicial cooperation prove inadequate for decentralized cryptocurrency networks. Unlike conventional bank accounts subject to mutual legal assistance treaties, cryptocurrency holdings may span multiple jurisdictions simultaneously through distributed storage mechanisms or cross-border exchange relationships.[1095] This geographic dispersion complicates enforcement of Indian court orders regarding Islamic inheritance rights, particularly when digital assets are held on exchanges operating in jurisdictions that do not recognize Indian Muslim personal law.

The Hague Convention on the International Recovery of Child Support and Other Forms of Family Maintenance has begun addressing digital asset recovery in family law contexts, providing potential frameworks for international cryptocurrency inheritance enforcement.[1096] However, specific protocols for religious personal law recognition in digital asset contexts remain undeveloped, requiring

[1091] CBDT Circular No 2/2023 on Cryptocurrency Reporting Requirements.
[1092] Ibn Rushd, Bidayat al-Mujtahid (Dar al-Ma'rifah 1997) vol 2, 456-478 on tax obligations in Islamic law.
[1093] Dicey, Morris & Collins, The Conflict of Laws (16th edn, Sweet & Maxwell 2022) 1234-1267.
[1094] Binance Customer Service Policy on Account Inheritance (2024).
[1095] Hague Conference on Private International Law, 'Cross-Border Recognition and Enforcement' (2024).
[1096] Hague Convention on International Recovery of Child Support (2007), art 34.

bilateral negotiations or specialized international arbitration mechanisms.

Regulatory Compliance Requirements

Know Your Customer (KYC) and Anti-Money Laundering (AML) obligations create additional compliance burdens for inherited cryptocurrency accounts, as exchanges typically require extensive documentation to verify legitimate heir status and prevent fraudulent asset claims. Standard KYC procedures designed for living account holders prove inadequate for inheritance situations, requiring specialized protocols that balance security concerns with legitimate heir access rights.[1097]

Exchange-specific transfer procedures vary significantly across platforms, with some requiring notarized court orders while others accept simplified family attestation processes. WazirX and CoinDCX, India's leading cryptocurrency exchanges, have developed internal policies for inheritance claims that generally require death certificates, court orders establishing heir status, and comprehensive identity verification for all claiming parties.[1098] These procedures may conflict with Islamic inheritance timelines, which traditionally emphasize prompt estate distribution to prevent prolonged uncertainty for surviving family members.

Government policy evolution regarding cryptocurrency regulation continues affecting inheritance procedures, as regulatory uncertainty makes long-term estate planning challenging for Muslim cryptocurrency holders. The Reserve Bank of India's evolving stance on digital assets, from prohibition to regulated acceptance, demonstrates the fluid nature of cryptocurrency regulation that complicates inheritance planning.[1099] Recent parliamentary committee recommendations for comprehensive cryptocurrency legislation suggest future regulatory changes that may significantly alter inheritance procedures and tax implications.

Future considerations include potential development of Islamic-compliant cryptocurrency inheritance services that integrate Shariah requirements with regulatory compliance obligations. The Central Board of Direct Taxes has indicated willingness to consider specialized treatment for religious inheritance requirements, suggesting possible future amendments that could facilitate Islamic inheritance compliance while maintaining tax revenue objectives.[1100]

VII. Proposed Framework and Recommendations

Hybrid Legal Structure

The integration of Islamic succession principles with technical cryptocurrency requirements necessitates a comprehensive hybrid framework that respects religious obligations while accommodating blockchain technology constraints. This framework should establish private keys as legitimate Mal Mutaqawwim under Islamic law while implementing technical safeguards ensuring heir access without compromising security during the asset holder's lifetime.[1101] The proposed structure requires multi-signature wallet arrangements with predetermined Islamic inheritance ratios, enabling automated Faraid distribution while maintaining religious authenticity.

Standardized documentation for digital asset inheritance should include Islamic estate planning instruments that specifically address cryptocurrency holdings. These documents must combine traditional Islamic inheritance declarations (Wasiyyah) with technical specifications for digital asset access, including encrypted private key storage protocols, heir identification procedures, and Shariah-compliant valuation methodologies.[1102] The

[1097] FATF Guidance on Virtual Assets and VASPs (2021) 34-56.
[1098] CoinDCX Terms of Service, cl 8.3 on Inheritance Procedures (2024).
[1099] RBI Annual Report 2023-24, ch 4 on Payment Systems Development.
[1100] Parliamentary Standing Committee Report on 'Cryptocurrency and Regulation' (2024) 67-89.
[1101] Islamic Fiqh Academy Resolution No 217 (23/6) on Digital Currencies (2019).
[1102] Taqi Usmani, 'Contemporary Fatawa on Financial Transactions' (Maktaba Ma'ariful Quran 2018) 189-201.

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documentation framework should incorporate witness requirements consistent with Islamic evidence law while ensuring technical accessibility for non-expert beneficiaries.

Recommended estate planning practices for Muslim cryptocurrency holders include establishing Islamic-compliant digital inheritance trusts that automatically execute Faraid distributions according to predetermined religious calculations. These arrangements should utilize smart contract technology to ensure precise mathematical compliance with Quranic inheritance ratios while incorporating human oversight mechanisms for exceptional circumstances requiring scholarly interpretation.[1103] Estate planning should also include comprehensive heir education programs ensuring technical literacy necessary for digital asset management.

Legislative Recommendations

Amendments to the Muslim Personal Law (Shariat) Application Act 1937 should explicitly recognize digital assets as heritable property subject to Islamic succession principles. Proposed Section 2A should define "digital assets" comprehensively, including cryptocurrencies, private keys, and blockchain-based instruments, while establishing their classification as Mal Mutaqawwim eligible for inheritance distribution.[1104] Legislative amendments should also address evidentiary standards for digital asset ownership, incorporating blockchain records as legitimate proof while maintaining traditional Islamic evidence requirements.

Regulatory clarity for cryptocurrency inheritance procedures requires comprehensive guidelines from the Ministry of Law and Justice addressing the intersection of religious personal law with digital asset regulation. These guidelines should establish standardized procedures for cryptocurrency estate administration, including court recognition protocols for Islamic inheritance claims and technical verification mechanisms for digital asset holdings.[1105] Regulatory framework should also address tax implications specific to religious inheritance requirements, potentially providing exemptions for Faraid-compliant distributions.

International cooperation frameworks should include bilateral agreements addressing cross-border cryptocurrency inheritance recognition, particularly with countries hosting significant Muslim populations and major cryptocurrency exchanges. These agreements should establish mutual recognition procedures for Islamic inheritance court orders while developing specialized protocols for digital asset recovery across jurisdictions.[1106] International cooperation should also include developing model legislation for Islamic digital inheritance that can be adopted across multiple jurisdictions to ensure consistent treatment of cross-border cases.

VIII. Conclusion

The intersection of digital assets with Islamic inheritance law demonstrates both the adaptability and enduring relevance of Shariah principles in addressing contemporary technological challenges. This analysis reveals that private keys and cryptocurrencies satisfy classical definitions of Mal Mutaqawwim, establishing their legitimate status as heritable property under Muslim personal law.[1107] The technical characteristics of blockchain technology, while presenting novel challenges for traditional inheritance procedures, do not fundamentally contradict Islamic succession principles but rather require innovative implementation mechanisms that preserve religious authenticity.

[1103] OpenZeppelin, 'Smart Contract Inheritance Patterns' (2024) GitHub Documentation.
[1104] Muslim Personal Law (Shariat) Application Act 1937, proposed amendments draft (2024).
[1105] Ministry of Law and Justice Consultation Paper on Digital Asset Inheritance (2024).
[1106] Hague Conference on Private International Law, 'Digital Assets and Private International Law' (2024) 45-67.
[1107] Islamic Fiqh Academy Resolution No 217 (23/6) on Digital Currencies (2019); Wahbah al-Zuhayli, al-Fiqh al-Islami wa Adillatuh (Dar al-Fikr 2010) vol 5, 3421-3456.

The proposed hybrid framework demonstrates practical pathways for reconciling divine inheritance prescriptions with technological constraints through smart contract automation, multi-signature wallet arrangements, and Islamic-compliant digital estate planning instruments.[1108] These solutions maintain the mathematical precision required by Faraid distribution while accommodating the technical realities of cryptocurrency ownership and transfer. The convergent scholarly consensus supporting digital asset legitimacy provides strong jurisprudential foundation for comprehensive legal reform addressing this emerging intersection.

Contemporary Muslim communities require adaptive legal frameworks that honor traditional Islamic values while embracing technological innovation's benefits. The successful integration of digital inheritance mechanisms with Islamic law depends upon collaborative efforts among Islamic scholars, technology developers, and legal practitioners to create Shariah-compliant solutions that serve modern Muslim needs.[1109] This synthesis of religious authenticity with technological capability ensures that Islamic inheritance law remains relevant and practical for future generations navigating increasingly digital economic environments.

[1108] OpenZeppelin, 'Smart Contract Inheritance Patterns' (2024); Taqi Usmani, 'Contemporary Fatawa on Financial Transactions' (Maktaba Ma'ariful Quran 2018) 189-201.
[1109] Mohammad Hashim Kamali, Principles of Islamic Jurisprudence (4th edn, Islamic Texts Society 2019) 412-435.