FAQs on Private Trust –

1. What is Private Trust?
   A trust established where an individual (Settlor) transfers the assets to private trust established for the benefit of identifiable individuals OR family members (the Beneficiaries)

2. Under which Act, Private Trusts are established?
   Private Trusts in India are established under the Indian Trusts Act 1882

3. What are the modes of creation of Private Trust?
   A private trust is created by a Deed of Trust or by a Will.

4. What are the necessary conditions to form a Private Trust?
   The conditions that are required to form a private trust are –
   a) Beneficiary is certain.
   b) Identifiable individual
   c) Sufficient Corpus to fulfill the objective.
   d) A valid trust deed defining the all the above i.e purpose, beneficiary, Corpus.
   e) Termination clause

5. Can a Private Trust be registered?
   Registration is mandatory if the trust holds immovable property (Like real estate) If the trust exclusively holds movable assets, registration is not compulsory.

6. Does a Private Trust need its own PAN?
   Yes … for Income Tax purposes, a private trust is treated as a separate, accessible entity.

7. Can a Private Trust be revoked OR closed?
   Yes. – Any Private Trust must have an extinction clause i.e. a condition once fulfilled OR/ time period after which the said Private Trust will have to be closed and the available corpus, if any, to be distributed in the manner mentioned in the trust deed
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8. Can a Private Trust accept foreign donations?
   Yes, a Private trust in India can accept foreign donations, but only if it is registered or permitted under the Foreign Contribution Regulations Act (FCRA) Accepting foreign funds without the compliance is a punishable offense. The trust set up for the benefit of specific private individual OR family members, other family members living abroad can legally transfer money to the trust for the personal maintenance of beneficiaries, which is governed by the Foreign Exchange Management act (FEMA) not FCRA.

9. What Tax Benefits are available for Private Trust?
   Private Trusts do not have inherent tax exemptions like Public Charitable Trusts

10. Who can become a trustee of Private Trust?
Under the Indian Trusts Act 1882, any person or legal entity capable of holding property and executing contracts can become a trustee. This includes corporate entities, and the settlor(creator) of the trust.

11. What are the number of trustees in a Private Trust?
Under the Indian Trust Act 1882, a private trust requires a minimum of 2 trustees and there is no legal maximum limit on the number of trustees.