

What is a UK Charitable Trust?

A Charitable trust is established specifically for a charitable purpose that is for public benefit. They attract a favourable tax treatment, operate principally under the Charities Act 2011 and are regulated by the Charities Commission.

In basic terms they follow the same principle of other types of trusts, whereby there is an arrangement whereby assets are set aside by a Settlor and passed to a trustee with directions that it is to be used for the benefit of a group of beneficiaries. The main distinction is that for a charitable trust is that the intended beneficiary is a charity or charitable cause. The trust deed, which is signed at the start of the relationship, sets out the legal basis upon and within which the trustee must operate.

Purpose of a Charitable Trust – For Public Benefit

This can fall under a number of categories;

- Prevention of relief or poverty
- Advancement of religion, education, health or saving of lives
- Advancement of citizenship or community development
- Advancement of the arts, culture, heritage or science
- Advancement of amateur sport
- Advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity
- Advancement of environmental protection or improvement
- Relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage
- Advancement of animal welfare
- Promotion of the efficiency of the armed forces of the Crown, or of the efficiency of the police, fire and rescue services or ambulance services
- Any other purposes recognised as charitable under existing charity law, including facilities for recreation or other leisure-time occupation, if the facilities are provided in the interests of social welfare
- Any purposes that may reasonably be regarded as analogous to, or within the spirit of, a purpose falling within any of the above

Process of a typical Charitable Trust

Assets (gifts) placed into a trust are registered into the name of the trustees who become the legal owners. The trustees are responsible for the administration of the trust and the

assets placed within it, always bearing in mind that they have a duty to act in the best interest of the beneficiaries.

A notable difference to other types of trust is that charity law does not require there to be a human beneficiary. In this respect, individuals who may benefit under a charitable trust have no right to enforce it, as the trust is for the benefit of the public at large.

Another distinct advantage for individuals wishing to donate to charity is that the charitable trust offers anonymity for the donor(s) as opposed to gifting directly to a charity.

Tax advantages of Charitable Trusts

- Charities are exempt from income tax, provided that the income is applied for charitable purposes only.
- There are provisions for 'Gift Aid' donations, allowing for tax relief if the donation is a qualifying one under the Income Tax Act 2007. Donors under Gift Aid must give an appropriate declaration to enable the charity to reclaim the income tax paid.
- Deceased estate gifts are exempt from inheritance tax.
- In other trusts the object or purpose of the trust must be certain. i.e. enhancing trust assets for the beneficiaries. The object of a charitable trust does not need to be certain and can simply be for 'charitable purposes'. However, the objects of the trust must be exclusively charitable.
- A charitable trust can be perpetual. i.e. not restricted to a time period and termination date as per a standard trust.

Tax Advice/Fees

Full tax and structuring advice must be obtained for the establishment of a UK Charitable Trust. Imperium work with a number of leading advisory firms to assist with this advice and drafting of the trust deed.

The fees associated with setting up a UK Charitable Trust would start at £2,500 including the collection of due diligence. On an ongoing basis annual trustee fees would depend on the complexity of the trust, activity and assets. Please note that third party tax, legal and listing advice would be charged in addition to Imperium's fees.

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