***Dear Esteemed Members*,**

The Direct Taxes Committee of PHD Chamber of Commerce and Industry is organizing a Conference on Family Trust and Business Succession Planning (Physical & Virtual) on Thursday 7th August 2025, from 02:30 PM to 05:30 PM at PHD House, New Delhi. Followed by high tea.

"CPE Credit:- 2 Hours for CMA Members"

For Registration (Rs. 1000/- Per Participant).

Topics to be Covered:

1. Concept of Family Trust and Legal Implications

- A Family Trust is a legal arrangement where a settlor transfers personal assets to a trustee, who holds them for the benefit of defined beneficiaries (usually family members).
- Facilitates separation of ownership and benefit: Legal ownership rests with the trustee; beneficial interest lies with the family members.
- Trust can be revocable (can be cancelled/modified by settlor) or irrevocable (permanent and cannot be altered).
- Improperly structured trusts may attract scrutiny under Benami Law or be treated as a sham.

2. Use of Family Trust for Ring-Fencing Against Existing and Potential Liabilities

- Ring-fencing refers to protecting personal/family wealth from external risks like business failure, creditor claims, litigation, or personal guarantees.
- Assets transferred to an irrevocable trust are no longer legally owned by the settlor; they are owned by the trust.
- Trust must be created proactively before liabilities arise, not after default or foreseeable financial stress.
- Legal risks include challenge under Section 53 of the Transfer of Property Act and Section 66 of the Insolvency and Bankruptcy Code (IBC).
- If the trust is formed after default or to defeat creditor claims, courts may declare the transfer void.

3. Using Family Trust as a Succession Tool

- Trusts provide a structured, dispute-free mechanism for wealth transfer across generations.
- Avoids probate process and challenges to Wills.
- Trust deed can specify terms of distribution, conditions (age, education, etc.), and successor trustees.
- Useful in protecting minors, disabled heirs, or preserving control of family businesses.
- Trusts maintain privacy and continuity, unlike Wills which become public documents.

4. Taxation Issues of Trusts and Trustees

- Taxation depends on the type of trust under the Income-tax Act, 1961.
- Revocable Trusts (Section 61): Income clubbed with settlor and taxed accordingly.
- Irrevocable Specific Trusts (Section 161(1)): Taxed in hands of trustee at the rate applicable to beneficiaries.
- Irrevocable Discretionary Trusts (Section 164): Taxed at Maximum Marginal Rate (MMR) in hands of trustee.
- Capital gains from sale of trust property are taxed in the trust's hands unless the trust is revocable.
- Transfers to trust may be exempt under Section 56(2)(x) if for benefit of relatives.

For any queries, you may connect the undersigned or **Ms. Minakshi Srivastava, Deputy Secretary, Direct Tax Committee, PHDCCI at minakshi.srivastava@phdcci.in (+91 8287221855**).

We look forward to your joining us at the program.

Kindly use below link to register:

https://www.phdcci.in/events/conference-on-family-trust-and-business-succession-planning/

With best regards,
Babeeta Sharma
Sr. Secretary – Finance
PHD Chamber of Commerce and Industry

For any query, please contact ***Ms. Minakshi Srivastava, Deputy Secretary, Direct Tax Committee***
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