



At a glance non-charitable purpose trusts

Generally, in order for a trust to be valid there must be identifiable beneficiaries who have a right to enforce the terms of the trust. However, the Trusts (Jersey) Law 1984, as amended (the Trusts Law) also permits the creation and enforcement of non-charitable

purpose trusts. These are trusts in which property is held by trustees to carry out specific purposes which do not qualify as exclusively charitable purposes. This type of trust is often simply referred to as a "purpose trust".

5 things to consider in relation to a non-charitable purpose trust



Purpose – The purpose trust deed must specify the particular purpose or purposes for which the trust has been established. These may be non-charitable or a mixture of charitable and non-charitable. The trust deed may include a power to add or remove purposes



Restrictions on the purpose – In general there are no restrictions on the scope of the purpose(s) except (i) the purpose(s) must not be illegal or contrary to public policy and (ii) the purpose(s) cannot be for the benefit only of the trustee



Self-serving purposes – The Trusts (Jersey) Law 1984, was amended in 2012 to provide that the definition of "purpose" includes the acquisition, holding, ownership, management or disposal of property. As such a purely asset holding purpose is permissible



Enforcer – The purpose trust deed must also provide for a person whose duty it is to enforce the trust in relation to its non-charitable purpose(s). This person is known as the "Enforcer" and must be a different person from the trustee



Exit strategy – The purpose trust deed should provide for what happens to the assets of the trust once the purpose is achieved. It may be that the assets will be exhausted in the achievement of the purpose but this is not always the case. As such the purpose should be wide enough to deal with the ultimate disposal of assets



Philanthropy – Non-charitable purpose trusts are commonly used where a trust is required for philanthropic or good causes which do not necessarily fall within the strict definition of "charitable" for the purposes of Jersey trust law. They may be used for bespoke philanthropic projects or as vehicles for social impact investments



Mixed trusts – It is possible for a Jersey trust to combine charitable purposes, non-charitable purposes and beneficiaries. Such a trust could be drafted to provide that the purposes and beneficial interests run concurrently or consecutively



Private trust company (PTC) structures – In the context of a PTC structure a non-charitable purpose trust is typically used to hold the shares in the PTC which will then in turn administer a series of private family trusts



Corporate structures – Non-charitable purpose trusts are also used to hold shares in special purpose vehicles in corporate structuring. The benefit of a non-charitable purpose trust in this context is that it creates a so-called "orphan" structure



Employee benefit arrangements – Non-charitable purpose trusts can also be used in the context of employee benefit arrangements where it is necessary for a corporate vehicle to be owned separately from any employer company



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