

A New Era for China Family Trust Ahead?

Description

For a long time, trust industry in mainland China has a landscape widely different from the rest of the world, esp those common law jurisdictions like Hong Kong, Singapore, UK and other offshore financial centres, in that Chinese trusts are mostly employed in financial industries as a financing instrument, not much related to family and estate planning. You can check up this past post about [China trust law overview](#).



I. What's New

At the end of last year of 2024 and earlier of 2025, Local financial regulators in Beijing, Capital city of China, have announced their pilot program whereby local real properties and corporate equity interests

(including closed companies like [limited liability company](#)) can be settled into real family trusts catering to the needs for family and estate planning.

[**Update:** after the initial publishing of this post, Shanghai local government has also announced its local version of pilot program of creating family trust over local Shanghai real properties, effective from May 26, 2025, marking a milestone event for family trust business in Shanghai. The contents are much the same as those in Beijing local policies as described below.]

The major barrier of family trusts in China not being able to develop well is because of the failure by governments to step up registration measures as required by [China Trust Law](#) esp in relation to the two most significant assets in Chinese society: real properties, and corporate equity interests/shares. Without registration of trust properties, a trust is deemed not to come into effect, because the public has no way to know whether certain assets are held on trust or not.

The breakthrough of the Beijing local rules lies with registration of real properties and corporate equity interests that are placed into family trusts.

For the real properties settled into a family trust, the title deed of that property will be updated to indicate a trust interest having been created in the property, so any third party dealing with that properties will be informed of this trust interests instead of normal ownership interests.

For corporate equity, after a family trust is created over the shareholding in a company, the business license of that company will indicate the trust existing over the interests registered in certain shareholders.

Thus, family trusts over real properties and corporate equity interests can now legally and validly be created in Beijing over local assets of the two kinds.

II. What You Should Know

The pilot program in Beijing as described above will only run for one year, subject to further decision of local authorities by then.

While these new rules allow people to create real family trusts in Beijing China, there are still some difference worth taking note by those outside China who may want to make use of this new development in Chinese trust industry.

1. first and foremost, you shall know that under these local experimental rules, only local [trust companies can serve as trustees for such family trusts](#). In other words, you cannot just appoint your family members or friends or even legal professionals to serve as trustees for your China family trusts. These local pilot rules are designed to help trust companies to transform themselves into real trust businesses instead of financing tools against the backdrop of financial problems in Chinese economy.
2. there are certain procedures to follow in order to set up a [family trust over such local properties](#) in Beijing: the client shall approach a trust company in Beijing to pre-register the family trust with financial regulator, and obtain a certificate, and then sign trust contract with the trust company, and the trust company and the client shall together apply to update the title deed of the real properties, and in the case of corporate equity interests, the trust company or the company itself

shall effect the trust registration with company registration authority.

As for detailed contents of the trust contract, these local rules don't touch on them, leaving them to the negotiation of the parties to the trust parties. However, since the trustee here is a trust company which is surely in a stronger position in this relationship unless the client is really important, it can be imagined that the client may not be able to negotiate much in regard of the obligations of the trustee.

III. What Can You Do

If you have real properties and companies in Beijing and wish to set up a family trust over such assets, then it is time for you to take action with the one year period.

For people who don't have such assets in Beijing, but have real properties or companies in other parts of China, you may need to take an additional step to get your family trust set up in Beijing. In the case of real properties, if you are willing to pay high taxes to transfer those real properties to a company established in Beijing, there is not much you can do about them.

In the case of companies, it is relatively easier to do restructuring to get your companies to be held by a holding company in Beijing, then get the family trust settled over the equity interests in the Beijing holding company.

As always, we are here to help you to achieve your goal of estate planning in China. Contact us for more.

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