



**By Amy Haste**

[amy@collinsmay.co.nz](mailto:amy@collinsmay.co.nz)  
DD: 576 1412

**Lloyd Collins**

[lloyd@collinsmay.co.nz](mailto:lloyd@collinsmay.co.nz)  
DD: 576 1403

**Eugene Collins**

[eugene@collinsmay.co.nz](mailto:eugene@collinsmay.co.nz)  
DD: 576 1407

**Davina Rowan**

[davina@collinsmay.co.nz](mailto:davina@collinsmay.co.nz)  
DD: 576 1411

**Michael Moohan**

[michael@collinsmay.co.nz](mailto:michael@collinsmay.co.nz)  
DD: 576 1417

**NEXT ISSUE:** Parenting  
Orders

*If you would like any of our previous newsletters or any of the our free booklets on Wills, Family Trusts, Relationship Property of Business Law please email us or visit our website at [www.collinsandmay.co.nz](http://www.collinsandmay.co.nz)*

## RENOVATIONS TO THE TRUST'S PROPERTY

One of the most common assets owned by a Family Trust is a residential property. A Trust is commonly set up to purchase a property and quite often does not own any other assets of substantial value.

It is important to remember that even though you may live in the property, the ownership is not in your personal name. This is particularly important if you complete any renovations to the property. For example, if you lay new carpet, change the curtains in the kitchen or add on another room to the property, these renovations will need to be recorded correctly.

If the renovations are paid for with your personal funds, the expenses will need to be recorded as a loan from yourselves personally to the Trust. Failure to do so will mean the amount that you have personally paid towards the renovations will be deemed a gift by the Inland Revenue Department and under the current law, gift duty may be charged on this amount.

In this situation, you will need to enter into a Deed of Acknowledgment of Debt recording the amount you advanced the Trust for the renovations. Under the current law, you may forgive \$27,000.00 of this amount each year without incurring gift duty. The Trustees will also need to sign a Trustee Resolution recording the

renovations completed and how these were funded.

For example Bill and Jane live in a property which is owned by their Family Trust and they recently renovated the kitchen. The renovations included installing new kitchen cupboards and benchtops, purchasing a new oven and curtains and tiling the kitchen floor and entrance way. The total cost of the renovations was \$36,000.00.

As the Trust did not have any funds of its own, Bill and Jane paid for the renovations with their personal funds. They both entered into Deeds of Acknowledgment of Debt which recorded they each advanced \$18,000.00 to the Trust to pay for the renovations. As they had not made any gifts in the previous 12 months, they were each able to gift the entire \$18,000.00 to the Trust in one go by filing Gift Statements with the Inland Revenue Department.

If you are not loaning any funds to the Trust and renovations are being paid for with the Trust's funds, the renovations will simply need to be recorded in a Trustee Resolution including how the renovations were funded.

Should you have any further queries in relation to completing renovations to a property owned by a Family Trust, please do not hesitate to contact the Collins & May Law Team.