

Trust management expenses table: what is allowable or not allowable

Item	Allowable	Not allowable
Accountancy	<p>Identifiable or realistically estimated costs of:</p> <ul style="list-style-type: none"> • accounting for the trust's income • returning the trust's income, including costs of tax return software incurred by the trustees • making Income Tax repayment claims • getting tax advice relating directly to the preparation of Income Tax returns or Income Tax repayment claims 	<p>All other accounting costs.</p> <p>All other costs of making the tax return including return of capital gains.</p> <p>All other tax advice costs including costs that relate to Capital Gains Tax or Inheritance Tax.</p>
Audit	<p>Audit undertaken because of Section 22(4) Trustee Act 1925 - where trustees exercise their discretion, expenses they decide to charge to income, where they don't, only the expenses associated with auditing income.</p> <p>Otherwise, identifiable costs of auditing the trust's income.</p>	<p>Audit undertaken because of Section 22(4) Trustee Act 1925 - where trustees exercise their discretion, expenses they decide to charge to capital, where they don't, the expenses associated with auditing capital.</p> <p>Otherwise, all other audit costs.</p>
Bank charges	<p>Identifiable costs of operating a bank account that deals exclusively with income.</p>	<p>Charges to secure a facility that is for the better administration of the trust as a whole. For example, charges on a current account, whether or not it incidentally bears interest, or to keep open an overdraft facility.</p>
Depreciation	<p>None.</p>	<p>All.</p>
Distributing trust funds - cost of	<p>Identifiable or realistically estimated costs of deciding which income beneficiaries to pay and how much, and of paying income to beneficiaries.</p>	<p>All other distribution costs.</p>
Insurance or assurance premiums	<p>Only where all of the following apply:</p> <ul style="list-style-type: none"> • the premiums relate to buildings insurance for a property • the lease contains an obligation to insure the property • the trustees are lessees of the property • the leasehold property is occupied by beneficiaries under the terms of the trust • neither the beneficiaries nor any tenants (as the case may be) are under a legal obligation to meet the insurance premium 	<p>Premiums for insuring trust assets already allowed as a deduction against trading or rental income of the trustees. Insurance on trust assets other than buildings.</p> <p>Premiums payable for trust buildings used or occupied by a beneficiary where the terms of the beneficiary's use or occupation provide that they must meet the insurance premium.</p> <p>Annual premiums on assurance policies.</p>

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Interest	<p>Interest on a loan taken out in order to purchase an income-bearing asset, such as shares, that is to be held in the trust for as long as the asset is held in the trust.</p> <p>Interest on a loan taken out or overdraft arranged by trustees for acquiring a non-income bearing property that is occupied by a beneficiary.</p>	<p>Interest on a loan taken out or overdraft arranged to pay for general administration or to buy a non-income bearing asset (other than property to be occupied) for the trust, or an asset that is to be sold.</p> <p>Interest on a loan used by the trustees to make a gift or non-commercial loan to a third party (not an income beneficiary of the trust).</p> <p>Interest incurred in the course of a trade or rental business and already allowed as a deduction against trading or rental income.</p>
Interest on unpaid/overdue tax, etc	<p>Interest on overdue Income Tax.</p> <p>Surcharges and interest on surcharges relating to overdue Income Tax.</p>	<p>Interest on overdue Capital Gains Tax.</p> <p>Interest on unpaid Inheritance Tax.</p> <p>Interest on loans taken out to pay Inheritance Tax.</p> <p>Tax penalties and interest on penalties.</p> <p>Surcharges and interest on surcharges relating to overdue Capital Gains Tax.</p>
Investment advice	<p>Exceptionally, identifiable costs incurred for the purpose of temporarily investing income while deciding whether or not to distribute income to beneficiaries, to the extent that the income was distributed and not accumulated.</p>	<p>Normally, all costs, including the costs incidental to the investment or change of investment of trust funds and the costs of getting investment advice.</p>
Legal costs	<p>Identifiable or realistically estimated costs that relate exclusively to the income beneficiaries.</p>	<p>All other costs including:</p> <ul style="list-style-type: none"> • the costs of the appointment of new trustees • the costs of getting legal advice, and of taking the direction of the court • the costs of an administration action • the costs of paying money into court under the Trustee Act • the costs of bringing or defending actions against third parties for the protection of the estate (for example, against lessees for breach of their covenants to repair), and the like
Personal expenses of beneficiaries	<p>None.</p>	<p>All, including items that are the occupier's responsibility, as opposed to the owner's (trustee's) responsibility. For example, utility bills and Council Tax (including business rates, if appropriate).</p>
Premiums on life policies	<p>None.</p>	<p>All.</p>

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Property costs	<p>Identifiable costs of maintenance of a freehold property and rent or maintenance of a leasehold property, paid by trustees pursuant to the terms of a lease of which they are the lessees where:</p> <ul style="list-style-type: none"> • the property is properly held by the trust for the occupation of a beneficiary • the property is actually occupied by a beneficiary, or the only reason it is not is because the property is in a state of disrepair that makes it uninhabitable • the beneficiary is not occupying on terms that they meet those expenses personally 	Otherwise not allowable.
Property income business expenses	None.	All.
Reimbursement of expenses to trustees	Allowable or not according to what costs the reimbursement is for - see specific categories.	Allowable or not according to what costs the reimbursement is for - see specific categories.
Running costs	None.	All, including maintaining an office, salaries of personnel, expenses of accommodation, cleaning, and maintenance of equipment and premises.
Trading expenses	None.	All.
Travel and subsistence costs of trustees	Identifiable costs incurred exclusively to confer benefit on the income beneficiaries.	All other costs.
Trustees' fees - the public trustee	Costs specifically chargeable to income by statute - Public Trustee (Fees) Order SI 1999 No. 855.	All other costs.
Trustees' fees - other trustees	Identifiable or realistically estimated costs of conferring benefit exclusively on income beneficiaries, such as securing the income of the trust, and determining and making income distributions.	All other costs.