



New rules for in trust reporting for 2023 returns

The Canada Revenue Agency (CRA), has updated the rules governing which trusts must file an annual T3 Trust Income Tax and Information Return (T3 Return). As a result, many trusts with a taxation year ending after December 30, 2023, that did not previously have to file, now require a T3 return to be filed annually for example, bare trustees are required to file an annual T3 return under the new rules. A bare trust exists where a taxpayer has legal title to property, but another taxpayer has beneficial ownership. An example of a bare trust includes bank or investment accounts or other property that are held in trust by an individual for another person such as a parent or child.

If the new reporting rules apply and you determined that a T3 return needs to be completed, **please contact us as soon as possible** but, by no later than January 15, 2024.

If you do not contact us before **January 15, 2024**, we cannot ensure that we will have the capacity to complete your T3 return.

For the complete CRA update on bare trusts, released December 1, 2023, please refer to [New Trust Reporting Requirements](#).

A summary of the key items released by the CRA:

Reporting Income of a Bare Trust

Income earned from the trust property must be reported by the beneficial owner of the property rather than the bare trustee that only holds legal title. This means that the bare trust would report income of "NIL" on the T3 (Q2.6).

Name of the Bare Trust

If there is no written trust deed or other agreement governing the bare trust or if the document does not identify a name for the bare trust, the trustee should use the legal name (e.g., the full corporate name identified in the articles of incorporation, or the first and last names for an individual) of the beneficial owner(s) with the word "Trust" at the end (Q3.4).

Penalty Relief (Bare Trusts Only)

CRA will provide relief to bare trusts by waiving the information return penalty (Subsection 162(7)) for the 2023 tax year in situations where the T3 Return and Schedule 15 are filed after the filing deadline. CRA noted that if the failure to file for the 2023 tax year was made knowingly or due to gross negligence, the gross negligence penalty may still apply (Q3.5).

Trust Number & Documentation to Provide

A trust number can be obtained by submitting the T3 APP to CRA. This can be done electronically through My Account, My Business Account or Represent a Client. The instructions on this Form require that a copy of the trust document or the last will and testament be forwarded to CRA. Where there are no written documents for the trust, a written summary can be submitted describing the nature of the trust arrangement, including the title "Summary of [enter trust name]." This summary should include the date of creation of the trust and the full names of the trustees, settlor and beneficiaries (Q5.3).

If you have any questions, please contact us at (905) 549-8463.