

NEW TRUST FILING REQUIREMENTS LEARN HOW YOU MIGHT BE AFFECTED



NEW Trust filing requirements are now in effect, and <u>they may affect you.</u> Please read this memo <u>in full</u> to determine if you need to take action.

CRA penalties for not filing when required, or for filing without the required additional information, are significant.

The CRA has changed reporting requirements for trusts. For December 31, 2023 and later trust year-ends, most trusts will be required to file annual T3 Trust Income Tax and Information Returns (T3), and additional information will be required.

1. New Filing Requirements

In prior years, T3 returns were only required to be filed when tax was owed, or income or capital was disbursed to beneficiaries.

Now, T3 returns will be required to file annually for express trusts and non-resident trusts, with additional information required.

An express trust is generally a trust created with the settlor's express intent. Some examples of an express trust may include a charitable trust or a trust set up as a result of a will.

A non-resident trust can be a deemed Canadian resident trust if a Canadian resident provides assets to a trust set up in another country.

These new reporting rules may also apply if you have a bare trust arrangement.

A bare trust arrangement can exist when a party, or parties, have their name on the title of property, but the property is being used or managed by someone else.

Importantly, trusts can be assumed entered into even without legal documentation, such as a "bare trust" or "beneficial trust", where one individual or company owns an asset that benefits another individual or company.

For instance, where John and Jane Smith personally own land used by their company, J & J Smith Ltd. Or where a corporation only owns land that is being developed by joint venturers, and all the income and expenses are flowed through the venturers or other corporations. Or being on title for property owned by a relative, but you do not use personally.

2. Increased Information Reporting Requirements

Additionally, <u>all</u> non-exempted trusts will be required to report the below information regarding their trustees, beneficiaries, settlors, or other persons who can make decisions on behalf of the trust's assets:

- Name
- Address
- · Date of birth
- Country of residence
- SIN, business number, trust number, or other tax identification information

3. Penalties for Non-Compliance

In addition to the existing penalties for failure to file a T3 return, new penalties can apply. If a false statement, omission or failure to file a return was made knowingly or as a result of gross negligence, penalties equal to the greater of \$2,500 and 5% of the highest market value of the trust assets could apply.

If you believe these new reporting rules may apply to you, please contact us at 604-858-4990.