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## NEW TAX FILING REQUIREMENTS

There are new trust reporting requirements effective for 2023 which now require many taxpayers to file trust returns.

These rules apply to many common ownership situations. There may be substantial penalties for not filing a return when required. It is important that you review the information below to determine if any of the scenarios apply to you.

Generally, a trust return is required to be filed 90 days after December 31<sup>st</sup> to avoid penalties. A T3 return is now required for bare trusts.

A bare trust exists when the person on legal title of an asset is not the beneficial owner of the asset. This may be documented with a bare trust agreement; however, many bare trust arrangements can exist without an agreement.

Common examples of bare trusts that require a T3 Trust return to be filed for 2023 include, but are not limited to:

- Your name was added to the title of your children's house to assist with financing.
- You have added your child(ren) to title on any assets for estate planning purposes, but they are not the beneficial owners. This may include children added to the title of farmland.
- A building paid for with company funds on land that you own personally.
- Adding a person to the name of a bank account or investment account with over \$50,000 of value in the year.

T3 trust filings are also required for Family Trusts, Spousal Trusts, Testamentary Trusts, Blind Trusts, etc., subject to the 2023 trust filing guide to be released by the Canada Revenue Agency.

Subject to certain exemptions, the following information is required to be provided with trust filings for the settlor, trustees, beneficiaries, and any person who has influence over the trustee's decisions:

- Name,
- Address,
- Date of birth,
- Jurisdiction of residence, and
- Taxpayer identification number (SIN, B/N, trust account number, foreign SSN, etc.).

The penalty for a missed filing is \$25/day up to \$2,500. If the return is knowingly not filed, the penalty is the greater of \$2,500 and 5% of the fair value of all the property held by the trust. For example, if you are on title of a property for estate planning purposes, this may be a bare trust arrangement. If the property has a value of \$500,000 and you knowingly do not file a return, there is a risk the CRA could apply a penalty of \$25,000.