



Sunil and Nita LLP
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New trust reporting requirements for T3 returns filed for tax years ending after December 30, 2023

1. All trusts, unless certain conditions are met, will be required to file an annual T3 Return with the CRA.
2. Trusts that are required to file a T3 Return, other than **listed trusts**, generally need to complete Schedule 15 in their annual T3 return to report beneficial ownership information.
3. Bare trusts are subject to the new reporting rules.

You may have to file T3 return for the first time due to point number three (Bare trust) above. Please reach out to us for more information.

What is Bare Trust?

Bare trusts are subject to the new trust reporting rules for tax years ending after December 30, 2023. Accordingly, a bare trust is required to file a T3 Return annually unless specific conditions are met. A bare trust is also required to complete Schedule 15 annually, unless it is a listed trust.

The term "bare trust" is not defined in the Income Tax Act. However, a bare trust for income tax purposes is a trust arrangement under which the trustee can

reasonably be considered to act as agent for all the beneficiaries under the trust with respect to all dealings with all of the trust's property.

A trustee can reasonably be considered to act as agent for a beneficiary when the trustee has no significant powers or responsibilities, the trustee can take no action without instructions from that beneficiary and the trustee's only function is to hold legal title to the property. In order for the trustee to be considered as the agent for all the beneficiaries of a trust, it would generally be necessary for the trust to consult and take instructions from each and every beneficiary with respect to all dealings with all of the trust property. A bare trust agreement exists when the legal title holder is separate from the beneficial owner.

Below are few examples:

- You co-signed your kids (or anyone) home mortgage loan,
- A parent adds adult children to the title of their property for probate planning purposes,
- Holding legal title on behalf of joint venture or partnership
- Gifting to minor child

Additionally, you may be subject to T3 return if you filed UHT (underused Housing Tax) return as an individual.

What is a listed trust?

There is a long list of listed trust which can be found on CRA web site. Following examples may apply to you:

- (a) a trust that has been in existence for less than three months at the end of the year,
- (b) a trust that hold assets with a total fair market value that does not exceed \$50,000 throughout the year, if the only assets held by the trust throughout the year are one or more of
 - (i) money (note that money does not include collectible gold or silver coins, or gold or silver bars),
 - (ii) a debt obligation described in paragraph (a) of the definition "fully exempt interest" in subsection 212(3),
 - (iii) a share, debt obligation, or right listed on a designated stock exchange,
 - (iv) a share of the capital stock of a mutual fund corporation,
 - (v) a unit of a mutual fund trust,
 - (vi) an interest in a related segregated fund (within the meaning assigned by paragraph 138.1(1)(a) of the Income Tax Act, and
 - (vii) an interest, as a beneficiary under a trust, that is listed on a designated stock exchange

Due date & Penalty for non-compliance

The deadline to file your T3 trust income tax and information return is 90 days after your year-end.

If a person knowingly or under circumstances amounting to gross negligence makes, — or participates in, assents to or acquiesces in, the making of — a false statement or omission on a return required to be filed, or fails to file a return, a new penalty may apply.

This penalty will be the greater of \$2,500 and 5% of the highest amount of the fair market value of all the property held by the trust at any time in the year.

(source: CRA web site)



Few examples of 2023 Tax credits

Below is a list of tax credit available for 2023 tax return:

- Canada Caregiver for Child under 18 years of age: 15% of \$2,499
- Canada Caregiver over 18 years of age: 15% of \$7,999, reduced by 15% of the dependant's net income in Excess of \$18,783
- First Time Home Buyer's Credit: 15% of \$10,000 of the cost of an eligible home
- Adoption Expenses Credit: 15% of eligible expenses (reduced by any reimbursements) up to a maximum of \$18,210 per adoption,
- The age credit base is \$8,396. The base for this credit is reduced by 15% of the amount by which the individual's net income exceeds \$42,335. Not available when income reached \$98,308.
- Canada Employment Credit: 15% of the lesser of \$1,368 and the individual's employment income for the year
- Volunteer Search and Rescue Workers Credit: 15% of \$3,000 for qualifying volunteers.
- Disability – All Ages: 15% of \$9,428. Part or all of this credit can be transferred to a person claiming the disabled individual as a dependant.
- Home Accessibility Credit: 15% of the lesser of \$20,000 and the amount of

qualifying expenditure for the year

- Digital News Subscriptions: 15% of the lesser of \$500 and the cost of qualifying subscription expenses
- Pension: 15% of up to \$2,000 of eligible pension income

Automobile Deduction Limits:

- For Class 10.1 passenger vehicles purchased, new or used, on or after January 1, 2023, the CCA base is limited to the first \$36,000 of the cost, plus the GST/HST & PST based on that same amount.
- For zero-emission passenger vehicles (ZEPV) purchased, new or used, on or after January 1, 2023, the CCA base is limited to the first \$61,000 of the cost, plus the GST/HST & PST based on that same amount.
- Interest on financing of automobiles is limited to \$10 per day.
- Deductible leasing costs are limited to \$950 per month for leases entered into on or after January 1, 2023.
- Deductible rates = \$0.68 for first 5,000 kilometres, \$0.62 for additional kilometres.



Some Important dates:

• Feb 29, 2024:

- o Deadline to contribute to an RRSP, a PRPP, or an SPP, FHSA
- o Deadline to issue T4, T4A, and T5 tax slips

• April 2, 2024

- o Deadline for balance of corporate tax payment for most of Canadian - Controlled Private corporation with year end December 31, 2023, and the corporation claim the small business deduction for current or previous tax year. For other corporation with December 31, 2023, year-end, the taxes are due on

February 29, 2024 (i.e. two months after the year-end)

• **April 2, 2024**

- o Deadline to file most trust income tax return,
- o Deadline to issue T3 slips.

• **April 30, 2024**

- o Deadline to file personal tax return
- o Deadline to pay any income tax due for 2023 tax return
- o Extended deadline for residential property owners affected by the Underused Housing Tax (UHT) to file their returns and pay any tax owing for the 2022 calendar year
- o Deadline for residential property owners affected by the UHT to file their returns and pay any tax owing for the 2023 calendar year.

• **June 15, 2024**

- o Deadline to file your taxes if you or your spouse or common-law partner are self-employed,
- o Deadline to file GST/HST returns for self-employed individuals with a December 31 year-end,

• **June 30, 2024**

- o Deadline to file corporate income tax returns for 2023 where the corporate year-end is December 31.



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