

New Trust Reporting Rules



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SLF

The Canadian government is taking a stronger stance against money laundering, tax evasion and tax avoidance, associated with trusts, by implementing enhanced income tax reporting requirements.

Effective for taxation years ending after December 30, 2021, it is proposed that trustees, beneficiaries, settlors and protectors of trusts be reported on a T3 tax form:

- Name
- Address
- Date of Birth
- Jurisdiction of residence
- Taxpayer identification number (i.e., social insurance number, business number, trust account number or a taxpayer identification number used in a foreign jurisdiction)

The failure to accurately report the enhanced information may result in a minimum penalty of \$2500, up to 5% of the highest total fair market value of the property held by the trust during the taxation year

Under the new rules

While some Canadian trusts were not required to file a tax return in the past, most trusts will now have to do so. Express trusts, for civil law purposes, and all trusts other than a trust established by law or judgment will be required to file. A trust with assets not exceeding \$50,000, in fair market value, for the taxation year is exempted from filing if the only assets held by the trust are one or more of the following:

- Mutual fund share
- Mutual fund trust unit
- An interest in a segregated fund
- Cash
- Certain government debt obligations
- A share, debt obligation or right listed on a designated stock exchange

There are also exceptions for certain trusts including, but not limited to:

- A trust that is a registered charity
- A qualified disability trust
- A trust that has been in existence for less than three months
- A graduated rate estate
- Employee life and health trusts
- Certain government funded trusts

It is now more crucial than ever to maintain proper records. To avoid an audit, it is strongly recommended that trusts keep precise minutes of all annual resolutions, notices of assessment and accounting records.

For more information or specific details on how the new rules may affect your trust, **contact your SLF advisor.**

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