

# New Trust Reporting Requirements

October 2023

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New filing requirements for trust income tax and information returns will apply to taxation years ending on or after December 31, 2023.

As a result, some trusts that currently do not have to file a Trust Income Tax and Information Return (T3) will be required to file such a return annually. Additionally, extensive information regarding the identity of all trustees, beneficiaries and settlors will therefore have to be disclosed in the T3 return.

These new requirements will increase the administrative burden on trustees, especially for trusts that have never filed a T3 return in the past.

The following provides an overview of the new rules to help you prepare.

## NEW FILING REQUIREMENTS

Under current rules, generally, a T3 return must be filed if the trust has tax payable or if it distributes all or part of its income or capital to its beneficiaries. Inactive trusts therefore usually do not have to file such a return, regardless of the nature or value of the property held. However, filing a return on a voluntary basis is often advisable to avoid questions from the tax authorities.

Under the new rules, most trusts will be required to file an annual T3 return.

In particular, this new filing requirement will affect family trusts set up as part of an estate freeze to hold shares in a private corporation or those that hold non-income-producing property (e.g. main or secondary residence) even if they have no income.

## IDENTITY OF STAKEHOLDERS TO BE REPORTED

The new rules provide that, as of taxation year ending on or after December 31, 2023, trusts will have to report the identity of all trustees, beneficiaries and settlors of the trust, along with each person who has the ability (through the trust terms or a related agreement) to exert control or override trustee decisions over the appointment of income or capital of the trust (e.g., a protector).

For some trusts, for example, those that provide for numerous beneficiaries, gathering the information needed to meet these new requirements may be an arduous task. It's not too soon to start preparing by carefully reading the trust deed's clauses.

### Stakeholder information to report

Although some details on the scope of this obligation have yet to be provided, currently, it is expected that the following information will have to be provided for each stakeholder:

- Name and address;
- Date of birth (for an individual);
- Jurisdiction of residence;
- Tax identification number, that is, the social insurance number for an individual, business number for a corporation or account number for a trust.

If the tax administrations interpret these new rules broadly, this disclosure obligation could target beneficiaries having a contingent or conditional right in the trust, such as for example those provided for in a "catastrophe clause". So far, no position has been issued in this regard.

Do not hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you understand the measures that apply to your situation and assist you with the steps needed to comply with them.

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