

TRUST COMPLIANCE

There will be a new schedule added to the T3 tax return which will provide CRA with more information regarding the beneficial ownership of the trusts. This means that beginning with the 2023 tax return, Canadian-resident trusts will be required to report the identity of each of the following individuals:

- settlors;
- trustees;
- beneficiaries; and
- anyone who has the ability to exert control over the trust or override the trustee's decisions regarding the appointment of income or capital (such as a protector).

The specific information required for each settlor, trustee, beneficiary, and protector includes their:

- name,
- address,
- date of birth (if an individual),
- jurisdiction of residence, and
- taxpayer number (i.e.: SIN or ITIN (if an individual), a business number (if a corporation), or a CRA account number (such as a trust number if a trust is a settlor, trustee or beneficiary)).

There will be **stiff penalties for failing to file the new schedule**. They include a \$25 per day penalty, with a minimum penalty of \$100 and **a maximum of \$2,500**. If the failure to file is made knowingly or due to gross negligence, a further penalty equal to 5% of the maximum value of the trust property held by the trust during the year will apply. This would mean, for example, that a trust holding a cottage worth \$3 million could potentially incur a penalty of \$150,000.

Action required by you:

1. If your trust holds assets with a value of less than \$50,000 and those holdings are confined to deposits, government debt obligations and listed securities, it will not be subject to the new reporting requirements. Please let us know if this is the case.
2. If your trust holds assets with a value of >\$50,000, it will be subject to the new compliance requirements. Please open the attachment and do the following:

- Compare each page of the attachment to your trust document (it is our understanding that this is now the Will of Marguerite) and add any missing settlors, trustees, beneficiaries
- Please note: at this time, although unconfirmed, it does appear we will be required to provide information for contingent beneficiaries. Please review your trust document to make sure the compliance form includes all of the information for the contingent beneficiaries.
- Fill in the missing information for each individual/corporation...
- Upload the completed form back to our office using our secure portal

We recognize there may be a number of privacy issues and other concerns arising as a result of the nature of these new disclosure requirements particularly for settlors, trustees and beneficiaries who are required to share their SINs with accountants who may not be preparing their personal tax returns.

If you are uncomfortable providing any of the tax identification information, please make a note of that on the attached form. Please be advised, at this time, we have no information on whether or not CRA intends to penalize forms which may be missing some of the sensitive information.