

Trust Reporting Requirements for 2021 in Canada

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For those that are looking to the *Income Tax Act* for relief and comfort on the horizon after a difficult 2020, we suggest looking elsewhere.

One of the many changes likely to come in 2021 is the compliance requirements for trusts. Trustees and administrators of trusts are generally only used to filing a T3 Trust Income Tax and Information Return (a “T3”) when it has tax payable or makes its final distribution.



In 2021, and thereafter, non-resident trusts and certain express Canadian-resident trusts will be required to file T3 whereas they currently do not. Additionally, for taxation years ending on or after December 31, 2021, all Canadian-resident trusts (exceptions noted below) and certain non-resident trusts will be required to report the following information on the settlors, trustees, beneficiaries, and protectors, or other individuals who may override trustee decisions or otherwise control the trust:

- Name;
- Address;
- Date of birth (if applicable);
- Jurisdiction or residence; and
- SIN, business number, or another account number (as the case may be)

Exceptions include graduated rate estates, qualified disability trusts, trusts that qualify as a registered charity or as a non-profit organization, trusts in existence for less than three months, mutual fund trusts, trusts governed by registered plans, lawyer’s trust accounts, and trusts that hold less than \$50,000 in assets (in the year), made up solely of deposits, listed securities or government debt obligations.

The trustees or administrators of a trust should speak to their trust counsel to see if any exceptions apply and make sure that the proper reporting is done in order to avoid the steep fines, including a penalty of up to 5% of the value of the trust property in the year (calculated at the highest value of assets in the year) as well as the late and non-filing penalties that are currently in effect.

Leo E.K. Palay works with both established private businesses and startup businesses in order to maximize tax-efficient growth and protect the interest of the founders every step of

the way.

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