



Canada Revenue  
Agency

Agence du revenu  
du Canada

# T3 Trust Guide

# 2017

## Is this guide for you?

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In this guide, you will find information on how to complete the *T3 Trust Income Tax and Information Return*, the T3 slip, *Statement of Trust Income Allocations and Designations*, and the T3 Summary, *Summary of Trust Income Allocations and Designations*.

Use this guide if you are filing a return for either a testamentary trust or an inter vivos trust. For more information, see “Types of trusts” on page 7.

We have used the word “you” throughout the guide to mean the trustee, executor, administrator, liquidator, or anyone preparing the return for a trust. For tax purposes, estates and trusts are treated similarly. In calculating the income of an estate, references in this guide to a trust or trust property include estate or estate property.

We use “the Act” to refer to the *Income Tax Act*. Unless otherwise stated, all legislative references are to the *Income Tax Act* and the *Income Tax Regulations*.

If you need more information after reading this guide, visit [canada.ca/taxes](http://canada.ca/taxes), or call 1-800-959-8281.

Our publications and personalized correspondence are available in braille, large print, e-text, or MP3 for those who have a visual impairment. Find more information at [canada.ca/cra-multiple-formats](http://canada.ca/cra-multiple-formats) or by calling 1-800-959-8281.

If you are outside Canada and the United States, call us at 613-940-8495. We accept collect calls by automated response. You may hear a beep and experience a normal connection delay.

La version française de ce guide est intitulée T4013, T3 – Guide des fiducies.

## What's new for 2017

We list the service enhancements and major changes below, including announced income tax changes that are not yet law at the time this guide was published. If they become law as proposed, they will be effective for 2017 or as of the dates given. For more information about these changes, see the areas outlined in colour in this guide.

### Ecological gifts program

Private foundations will no longer be permitted to receive ecological gifts.

In addition, for gifts made after March 21, 2017, in the case of land in the Province of Quebec, donations of personal servitudes that meet a number of conditions, including a requirement that the personal servitude run for at least 100 years, can also qualify as ecogifts.

### Principal residence for trusts

Under proposed changes, for tax years beginning after 2016, only certain trusts are eligible to designate property as a principal residence. For more information, see "Principal residence" on page 37.

### Investment Fund Mergers – Rules for Merging Mutual Fund Corporations with Mutual Fund Trusts

Currently, a mutual fund corporation (MFC) can merge with a single mutual fund trust (MFT) on a tax-deferred basis where the transaction is considered to be a qualifying exchange.

Under proposed changes, for transactions occurring after March 21, 2017, a qualifying exchange may include a situation in which a mutual fund corporation, such as a switch corporation, merges with more than one mutual fund trust. Several conditions must be met in order for such a transaction to be a qualifying exchange.

### Segregated Funds – Mergers and Non-Capital Losses

Under rules that deal with insurance corporations, certain segregated funds of insurers are deemed to be trusts for tax purposes. Currently, there are no rules providing for a tax deferred merger of such trusts. Under proposed changes, for transactions occurring after 2017, insurers may be able to carry out tax-deferred mergers of segregated funds under rules that are similar to the merger rules for mutual fund trusts.

In addition, it is proposed that, for taxation years that begin after 2017, a segregated fund will be able to carry forward non-capital losses and apply them in computing its taxable income for taxation years that begin after 2017. The use of these losses will be subject to the normal limitations for the carrying forward and back of non-capital losses. As is the case with the mutual fund merger rules, the use of these losses will be restricted following a tax deferred merger.

### Change to the tax treatment of RDSPs and RESPs

Under proposed changes, the anti-avoidance rules governing Registered Retirement Income Funds (RRIFs), Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSA) will be extended to Registered Disability Savings Plans (RDSPs) and Registered Education Savings Plans (RESPs).

### Investment tax credit

Eligibility for the mineral exploration tax credit has been extended to flow-through share agreements entered into before April 2018.

### Internet file transfer

The CRA has improved the Internet file transfer service. Effective January 8, 2018, trust administrators and their representatives will be able to file their T3 Trust Income Tax and Information return through the Internet file transfer method when the trust's taxable income, taxes payable and refundable credits are \$0.00. For more information about this filing method, see "How to file the T3 Return" in Chapter 1.

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## Before you start

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### Do you need to read the whole guide?

If you are filing a T3 return for an estate that has only pension income, investment income, or death benefits, you do not need to read the entire guide. We have used the ▲ symbol to lead you to the information you may need. This symbol appears in the table of contents, in the right margins of the guide, and in the left margins of the return beside the lines that may relate to your situation.

Before you start to complete the return, be sure to read:

- “Chapter 1 – General information” on page 7
- “Step 1 – Identification and other required information” on page 22
- the introduction to “Chapter 4 – T3 slip and summary” on page 59

### Did you know that?

In the future, the Canada Revenue Agency will start applying penalties to those information returns that have a missing Recipient Identification Number? For more information, see “Recipient identification number” on page 61.

### Non-resident trusts

If you are the trustee for a non-resident trust, or a deemed resident trust (described on page 9), there are special rules that apply in some situations. Not all of these rules are covered in this guide. For more information, contact the Winnipeg Tax Centre at the numbers listed on page 19.

### Which tax package should you use?

Use the provincial or territorial forms package for the province or territory where the trust was resident on the last day of its tax year.

To get any schedules and forms that you may need, go to [canada.ca/cra-forms](http://canada.ca/cra-forms), or call 1-800-959-8281. Once you have completed the necessary schedules, forms, and statements, you will be ready to complete the return. Attach all required documents to the return.

#### Note

The province of Quebec collects its own provincial income tax. **Do not** calculate provincial income tax on the trust’s federal return if it was resident in Quebec on the last day of its tax year. If the trust had income from a business with a permanent establishment in another province or territory, you have to calculate that province’s or territory’s income tax on the trust’s federal tax return.

## Definitions

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In this section, we define the technical terms we use in this guide.

**Administrator** – a person appointed by a court to settle the estate of a deceased person.

**Allocate, allocation** – to assign or set apart income from the trust to a beneficiary. An amount can only be allocated to a beneficiary when one of the following applies:

- the beneficiary is entitled to the income in the year that it is earned by the trust, under the trust document
- the trust makes a preferred beneficiary election to include the trust income in the beneficiary’s income
- the beneficiary is paid income in the year that it is earned by the trust, at the discretion of the trustee

In most cases, the amounts you allocate have to be included in the beneficiary’s income, and they are deducted from the trust’s income. For exceptions to this general rule, see “Exceptions and limits to income allocations” on page 45.

**Arm’s length** – refers to a relationship or a transaction between persons who act in their separate interests. An arm’s length transaction is generally a transaction that reflects ordinary commercial dealings between parties acting in their separate interests.

A taxpayer and a personal trust (other than a specified trust described in “Chart 1 – Types of Trusts” on page 8) are deemed not to deal with each other at arm’s length if the person, or anyone not dealing at arm’s length with the person, is beneficially interested in the trust.

“**Related persons**” are not considered to deal with each other at arm’s length. Related persons include individuals connected by blood relationship, marriage, common-law partnership or adoption (legal or in fact). A corporation and another person or two corporations may also be related persons.

“**Unrelated persons**” may not be dealing with each other at arm’s length at a particular time. Each case will depend upon its own facts. The following criteria will be considered to determine whether parties to a transaction are not dealing at arm’s length:

- whether there is a common mind which directs the bargaining for the parties to a transaction
- whether the parties to a transaction act in concert without separate interests; “acting in concert” means, for example, that parties act with considerable interdependence on a transaction of common interest
- whether there is de facto control of one party by the other because of, for example, advantage, authority or influence

For more information, see Income Tax Folio S1-F5-C1, *Related persons and dealing at arm’s length*.

**Non arm’s length** – generally refers to a relationship or transaction between persons who are related to each other.

However, a non-arm’s length relationship might also exist between unrelated individuals, trusts, partnerships or corporations, depending on the circumstances. For more information, see the definition of “arm’s length.”

**Beneficiary** – includes the person for whose benefit the trust is created, the person to whom the amount of an insurance policy or annuity is payable, or the unit holder of a mutual fund trust.

**Common-law partner** – this applies to a person who is **not your spouse** (see page 7), with whom you are living in a conjugal relationship, and to whom at least **one** of the following situations applies. He or she:

- a) has been living with you in such a relationship for at least 12 continuous months
- b) is the parent of your child by birth or adoption
- c) has custody and control of your child (or had custody and control immediately before the child turned 19 years of age) and your child is wholly dependent on that person for support

In addition, an individual immediately becomes your common-law partner if you previously lived together in a conjugal relationship for at least 12 continuous months and you have resumed living together in such a relationship.

For 2001 and later years, a person (other than a person described in b) or c) on this page) will be your common-law partner only after your **current** relationship with that person has lasted at least 12 continuous months.

Reference to “12 continuous months” in this definition includes any period that you were separated for less than 90 days because of a breakdown in the relationship.

**Contribution of property** – generally refers to a transfer or loan of property, other than an “arm’s length transfer” (as defined in subsection 94(1)) to a non-resident trust by a person or partnership. A contribution is also considered to have been made by a person or partnership where the person or partnership makes (or becomes obligated to make) a particular transfer (other than an “arm’s length transfer”) as part of a series of transactions or events that includes another transfer or loan (other than an “arm’s length transfer”), to the trust, by another person or partnership.

In these circumstances, the other transfer or loan is considered to be a contribution to the trust by the person or partnership only to the extent that the other transfer or loan can reasonably be considered to have been made in respect of the particular transfer or loan, or the obligation to make the particular transfer or loan.

**Deemed disposition** – used when you are considered to have disposed of property, even though you did not actually sell it.

**Designate, designation** – to keep the identity of certain types of allocated income or credits. In this way, the beneficiaries can take advantage of deductions or credits that relate directly to the type of income, such as a dividend tax credit or pension income amount. Generally, you report amounts designated to a beneficiary in the appropriate box on the T3 slip.

**Distribute, distribution** – to divide the trust property among the beneficiaries according to the terms of the trust document, or according to the applicable law.

**Electing beneficiary** – for a tax year of a qualified disability trust, means an individual named as a beneficiary by the particular individual (that is the deceased individual) in

the instrument under which the trust was created, and who meets all of the following conditions:

- includes in their return of income for the trust year, an election made jointly with the trust, that the trust will be a qualified disability trust for the trust year
- must be eligible for the disability tax credit for the beneficiary’s tax year in which the trust’s year ends
- does not elect with any other trust to be a qualified disability trust for the other trust’s tax year that ends in the beneficiary’s tax year

**Excluded property** – a share of the capital stock of a non-resident-owned investment corporation that is not taxable Canadian property.

**Executor** – an individual or trust institution named in a will and confirmed by a court to settle the testator’s estate. We define “testator” on the next page.

**Exempt property** – is trust property that, if disposed of, any income or capital gain resulting from the disposition is exempt from Canadian tax, either because the trust is not resident in Canada, or because of a tax treaty.

**Gift** – a voluntary transfer of property (including money). For gifts made after December 20, 2002, this includes a gift where the donor receives an advantage, as long as the advantage does not exceed 80% of the FMV of the property, or we are satisfied the property was transferred with the intention of making a gift.

Generally, the **eligible amount** of a gift or monetary contribution is the amount by which the fair market value (FMV) of the gifted property exceeds the amount of the advantage, if any, received for the gift.

The **advantage** is generally the total value of any property, service, compensation, use, or any other benefit that the trust, or a person not dealing at arm’s length with the trust, is entitled to as partial consideration for, or in gratitude for, the gift.

**Liquidator** – in Quebec, the liquidator is responsible for distributing the assets of all estates established after December 31, 1993. For estates with a will, the liquidator’s role is similar to an executor’s. For estates without a will, the liquidator acts as the administrator of the estate.

**Preferred beneficiary** – a person resident in Canada who is a beneficiary under the trust at the end of the year, and who meets one of the following conditions:

- he or she qualifies for the disability amount for the tax year that ends in the trust’s tax year
- he or she:
  - is 18 years of age or older before the end of the tax year
  - is a dependant of another individual for the tax year because of a mental or physical impairment
  - has income for the tax year, not including income from a preferred beneficiary election, which does not exceed the dependant tax credit

In addition, he or she must be one of the following:

- the settlor of the trust (see the definition of “settlor” on this page)
- the spouse or common-law partner, or former spouse or common-law partner, of the settlor of the trust
- a child, grandchild, or great-grandchild of the settlor of the trust
- the spouse or common-law partner of a child, grandchild, or great-grandchild of the settlor of the trust

**Principal residence** – generally means any of the following:

- a housing unit
- a leasehold interest in a housing unit
- a share of a co-operative housing corporation, if the share is acquired for the sole purpose of obtaining the right to live in a housing unit owned by that corporation

For more information, see “Principal residence” on page 37.

**Settlor** – generally means the person who set up a trust by contributing property to the trust. In the case of a preferred beneficiary election, a settlor is restricted to a person who is otherwise the settlor of the trust and has contributed the majority of property to the trust.

**Spouse** – this applies only to a person to whom you are legally married.

**Testator** – the deceased person who made and left a valid will.

**Trust** – a binding obligation enforceable by law when undertaken. It may be created by one of the following:

- a person (either verbally or in writing)
- a court order
- a statute

Generally, a trust is created when it is properly established and there is certainty of:

- the intent to create a trust
- the property to be placed in trust
- the beneficiaries of the trust

**Trustee** – an individual or trust institution that holds legal title to property in trust for the benefit of the trust beneficiaries. The trustee includes an executor, administrator, assignee, receiver, or liquidator who owns or controls property for some other person.

**Vested interest** – an immediate fixed interest in property, although the right of possession and enjoyment may be postponed.

**Will** – a legally enforceable document that declares the intentions about disposal and administration of the testator’s estate after his or her death. It is effective only at death and can be revoked at any time before death.

## Chapter 1 – General information

This chapter provides general information on the different types of trusts and the filing requirements for each.

### Types of trusts ▲

A trust is either a testamentary trust or an inter vivos trust. Each trust has different tax rules. “Chart 1 – Types of Trusts” on the next page, describes different types of trusts and arrangements.

#### Testamentary Trust

A testamentary trust is a trust or estate that is generally created on and as result of the death of a person. The terms of the trust are established by the will or by court order in relation to the deceased individual’s estate under provincial or territorial law.

Generally, this type of trust does not include a trust created by a person other than a deceased individual, or a trust created after November 12, 1981, if any property was contributed to it other than by a deceased individual as a consequence of the individual’s death. For rules about testamentary trusts created before November 13, 1981, call **1-800-959-8281**.

If the assets are not distributed to the beneficiaries according to the terms of the will, the testamentary trust may become an inter vivos trust.

For tax years ending after December 20, 2002, a testamentary trust may become an inter vivos trust if the trust incurs a debt or other obligation to pay an amount to, or guaranteed by, a beneficiary or any other person or partnership (any or all referred to as specified party), with whom any beneficiary of the trust does not deal at arm’s length.

This does not apply for certain debts or other obligations, including those:

- incurred by the trust in satisfaction of a beneficiary’s right to enforce payment of an amount payable by the trust to the beneficiary or to receive any part of the trust’s capital
- owed to the beneficiary as a result of services provided by the beneficiary for the trust
- owed to the beneficiary as a result of a payment on behalf of the trust for which property was transferred to the specified party within 12 months of the payment and the beneficiary would have made the payment had they been dealing with the trust at arm’s length

#### Inter vivos trust

An inter vivos trust is a trust that is not a testamentary trust.

**Chart 1 – Types of Trusts**

Type of trust	General information
<p align="center">▲ <b>Personal trust</b></p>	<p>This is a trust (other than a trust that is, or was at any time after 1999, a unit trust) that is one of the following:</p> <ul style="list-style-type: none"> <li>■ a graduated rate estate</li> <li>■ a trust in which no beneficial interest was acquired for consideration payable directly or indirectly to:               <ul style="list-style-type: none"> <li>(i) the trust</li> <li>(ii) any person or partnership that has made a contribution to the trust by way of transfer, assignment or other disposition of property</li> </ul> </li> </ul> <p>For 2016 and subsequent tax years, only a graduated rate estate automatically qualifies as a personal trust without regard to the circumstances in which beneficial interest in the trust has been acquired.</p>
<p><b>Alter ego trust</b></p>	<p>This is a trust created after 1999 by a settlor who was 65 years of age or older at the time the trust was created, for which the settlor is entitled to receive all the income that may arise during his or her lifetime, and is the only person who can receive, or get the use of, any income or capital of the trust during the settlor's lifetime. A trust will <b>not</b> be considered an alter ego trust if it so elects in its return for its first tax year.</p>
<p><b>Specified trust</b></p>	<p>This is a trust that is: an amateur athlete trust; an employee life and health trust; an employee trust; a master trust; a trust governed by a deferred profit sharing plan, an employee benefit plan, an employee profit sharing plan, a foreign retirement arrangement, a pooled registered pension plan; a registered disability savings plan; a registered education savings plan, a registered pension plan, a registered retirement income fund, a registered retirement savings plan, or a registered supplementary unemployment benefit plan; a tax-free savings account trust; a related segregated fund trust; a retirement compensation arrangement trust; a trust whose direct beneficiaries are one of the above mentioned trusts; a trust governed by an eligible funeral arrangement or a cemetery care trust; a communal organization; and a trust where all or substantially all of the property is held for the purpose of providing benefits to individuals from employment or former employment.</p>
<p><b>Joint spousal or common-law partner trust</b></p>	<p>This is a trust created after 1999 by a settlor who was 65 years of age or older at the time the trust was created. The settlor and the settlor's spouse or common-law partner are entitled to receive all the income that may arise from the trust before the later of their deaths. They are the only persons who can receive, or get the use of, any income or capital of the trust before the later of their deaths.</p>
<p align="center">▲ <b>Spousal or common-law partner trust</b></p>	<p>A <b>post-1971 spousal or common-law partner trust</b> includes both a testamentary trust created after 1971, and an inter vivos trust created after June 17, 1971. In either case, the living beneficiary spouse or common-law <i>partner</i> is entitled to receive all the income that may arise during the lifetime of the spouse or common-law partner. That spouse or common-law partner is the only person who can receive, or get the use of, any income or capital of the trust during his or her lifetime.</p> <p>A <b>pre-1972 spousal trust</b> includes both a testamentary trust created before 1972, and an inter vivos trust created before June 18, 1971. In either case, the beneficiary spouse was entitled to receive all the income during the spouse's lifetime, and no other person received, or got the use of, any income or capital of the trust. These conditions must be met for the period beginning on the day the trust was created, up to the <b>earliest</b> of the following dates:</p> <ul style="list-style-type: none"> <li>■ the day the beneficiary spouse dies</li> <li>■ January 1, 1993</li> <li>■ the day on which the definition of a pre-1972 spousal trust is applied</li> </ul>



**Chart 1 – Types of Trusts**

Type of trust	General information
<p><b>Deemed resident trust</b></p>	<p>A trust is deemed resident in Canada where there is one of the following:</p> <ul style="list-style-type: none"> <li>■ a “resident contributor”</li> <li>■ a “resident beneficiary” under the trust</li> </ul> <p>A resident contributor to a trust at a particular time means a person that is, at that time, resident in Canada and has at or before that time made a contribution to the trust.</p> <p>A resident beneficiary under a trust at a particular time is a person (other than an “exempt person” or “successor beneficiary”) that, at that time, is a beneficiary under the trust, is resident in Canada, and there is a “connected contributor” to the trust.</p> <p>A “connected contributor” is a person who made a contribution either while resident in Canada, within 60-months of moving to Canada, or within 60-months of leaving Canada.</p> <p>For tax years that ended before February 11, 2014, individuals who had been resident in Canada for a period, (or periods the total of which is) 60 months or less were exempted from treatment as resident contributors or connected contributors. This exemption also applies to the tax years of non-resident trusts that end before 2015 if all of the following conditions are met:</p> <ul style="list-style-type: none"> <li>■ no contributions were made to the trust after February 10, 2014 and before 2015</li> <li>■ at any time that is after 2013 and before February 11, 2014, the 60-month exemption applied in respect of the trust</li> </ul> <p>These trusts are deemed resident for several purposes including:</p> <ul style="list-style-type: none"> <li>■ filing income tax returns and paying income tax under Part I of the Act</li> <li>■ withholding tax on amounts paid to non-residents under Part XIII</li> <li>■ certain filing obligations relating to ownership of foreign property, money received from or given to foreign entities</li> </ul> <p>The trusts are NOT considered resident for calculating a Canadian’s liability when paying the trust (i.e. when a resident taxpayer pays the deemed resident trust it is required to withhold Part XIII). They are also not considered resident for the purpose of determining a Canadian resident’s (other than the trust) foreign reporting requirements.</p> <p>If you need help in determining whether the trust is a deemed resident of Canada, call one of the telephone numbers listed in “Non-resident trusts and deemed resident trusts” on page 19.</p>
<p><b>Unit trust</b></p>	<p>This is a trust for which the interest of each beneficiary can be described at any time by referring to units of the trust. A unit trust must also meet one of the three conditions described in subsection 108(2) of the Act.</p>
<p><b>Communal organization</b></p>	<p>We consider a trust to exist when a congregation meets all of the following conditions:</p> <ul style="list-style-type: none"> <li>■ has members who live and work together</li> <li>■ follows the practices and beliefs of, and operates according to the principles of, the religious organization of which it is a part</li> <li>■ does not permit its members to own property in their own right</li> <li>■ requires that its members devote their working lives to the congregation’s activities</li> <li>■ carries on one or more businesses directly, or owns all of the shares of the capital stock of a corporation (except directors’ qualifying shares), or every interest in a trust or other person that carries on the business to support or sustain its members or the members of another congregation</li> </ul> <p>The communal organization has to pay tax as though it were an inter vivos trust. However, it can elect to allocate its income to the beneficiaries. For more information, see Information Circular IC78-5, <i>Communal Organizations</i>.</p>
<p><b>Retirement compensation arrangement (RCA)</b></p>	<p>This arrangement exists when an employer makes contributions for an employee’s retirement, termination of employment, or any significant change in services of employment.</p> <p>For more information, see Guide T4041, <i>Retirement Compensation Arrangements Guide</i>.</p> <p><b>Note:</b> If a trusteed arrangement is comprised of both an RCA and an employee benefit plan, you must file a T3 return for the portion of the arrangement that is treated as an employee benefit plan. Form T3 RCA, <i>Retirement Compensation Arrangement (RCA) – Part XI.3 Tax Return</i>, has to be filed for the RCA portion.</p>

**Chart 1 – Types of Trusts**

Type of trust	General information
<p><b>Mutual fund trust</b></p>	<p>This is a unit trust that resides in Canada. It also has to comply with the other conditions of the Act, as outlined in section 132 and the conditions established by <i>Income Tax Regulation</i> 4801. For a mutual fund trust that is a public trust, or public investment trust, there are certain reporting requirements these types of trusts must meet. For more information, see below or go to <a href="http://canada.ca/cra-trust-administrators">canada.ca/cra-trust-administrators</a>.</p> <p><b>Public trust</b> A public trust is, at any time, a mutual fund trust of which its units are listed, at that time, on a designated stock exchange in Canada.</p> <p><b>Public investment trust</b> A public investment trust is, at any time, a trust that is a public trust, where all or substantially all of the fair market value of the property is, at that time, attributable to the fair market value of property of the trust that is:</p> <ul style="list-style-type: none"> <li>■ units of public trusts</li> <li>■ partnership interests in public partnerships</li> <li>■ shares of the capital stock of public corporations</li> <li>■ any combination of those properties</li> </ul>
<p><b>Employee benefit plan</b></p>	<p>Generally, this is any arrangement under which an employer makes contributions to a custodian, and under which one or more payments will be made to, or for the benefit of, employees, former employees, or persons related to them.</p> <p>For more information, and for details on what we consider to be an employee benefit plan and how it is taxed, see Interpretation Bulletin IT-502, <i>Employee Benefit Plans and Employee Trusts</i>, and its Special Release.</p> <p><b>Note:</b> An employee benefit plan has to file a return if the plan or trust has tax payable, has a taxable capital gain, or has disposed of capital property.</p> <p>Because the allocations are taxed as income from employment to the beneficiaries, report the allocations on a T4 slip, not on a T3 slip. For more information, see Guide RC4120, <i>Employers' Guide – Filing the T4 Slip and Summary</i>.</p>
<p><b>Salary deferral arrangement (SDA)</b></p>	<p>Generally, this is a plan or arrangement (whether funded or not) between an employer and an employee or another person who has a right to receive salary or wages in a year after the services have been performed. For more information, see Interpretation Bulletin IT-529, <i>Flexible Employee Benefit Programs</i>.</p> <p><b>Note:</b> If a salary deferral arrangement is funded, we consider it a trust, and you may have to file a T3 return. The deferred amount is deemed to be an employment benefit, so you report it on a T4 slip, not on a T3 slip. The employee has to include the amount in income for the year the services are performed. The employee also has to include any interest, or other amount earned by the deferred amount. For more information, see Guide RC4120, <i>Employers' Guide – Filing the T4 Slip and Summary</i>.</p>
<p><b>Insurance segregated fund trust</b></p>	<p>This is a related segregated fund of a life insurer for life insurance policies and is considered to be an inter vivos trust. The fund's property and income are considered to be the property and income of the trust, with the life insurer as the trustee.</p> <p><b>Note:</b> You have to file a separate return and financial statements for each fund. If all the beneficiaries are fully registered plans, complete only the identification and certification areas of the return and enclose the financial statements. If the beneficiaries are both registered and non-registered plans, report and allocate only the income that applies to the non-registered plans.</p>
<p><b>Employee trust</b></p>	<p>This is a trust. Generally, it is an arrangement established after 1979, under which an employer makes payments to a trustee in trust for the sole benefit of the employees. The trustee has to elect to qualify the arrangement as an employee trust on the trust's first return. The employer can deduct contributions to the plan only if the trust has made this election and filed it no later than 90 days after the end of its first tax year. To maintain its employee trust status, each year the trust has to allocate to its beneficiaries all non-business income for that year, and employer contributions made in the year. Business income cannot be allocated and is taxed in the trust.</p> <p>For more information, see Interpretation Bulletin IT-502, <i>Employee Benefit Plans and Employee Trusts</i>, and its Special Release.</p> <p><b>Note:</b> An employee trust has to file a return if the plan or trust has tax payable, has a taxable capital gain, or has disposed of capital property.</p> <p>Because the allocations are taxed as income from employment to the beneficiaries, report the allocations on a T4 slip, not on a T3 slip. For more information, see Guide RC4120, <i>Employers' Guide – Filing the T4 Slip and Summary</i>.</p>

**Chart 1 – Types of Trusts**

Type of trust	General information
<p><b>Non-profit organization</b></p>	<p>This is an organization (for example, club, society, or association) that is usually organized and operated exclusively for social welfare, civic improvement, pleasure, recreation, or any other purpose except profit. The organization will generally be exempt from tax if no part of its income is payable to, or available for, the personal benefit of a proprietor, member, or shareholder. For more information, see Interpretation Bulletin IT-496, <i>Non-Profit Organizations</i>.</p> <p>If the main purpose of the organization is to provide services such as dining, recreational, or sporting facilities to its members, we consider it to be a <b>trust</b>. In this case, the trust is taxable on its income from property, and on any taxable capital gains from the disposition of any property that is not used to provide those services. The trust is allowed a deduction of \$2,000 when calculating its taxable income. Claim this on line 54 of the T3 return.</p> <p>For more information, see Interpretation Bulletin IT-83, <i>Non-Profit Organizations – Taxation of Income From Property</i>.</p> <p><b>Note:</b> A non-profit organization may have to file Form T1044, <i>Non-Profit Organization (NPO) Information Return</i>. For more information, see Guide T4117, <i>Income Tax Guide to the Non-Profit Organization (NPO) Information Return</i>.</p>
<p><b>Master trust</b></p>	<p>This is a trust. A trust can elect to be a master trust if during the entire time since its creation it met <b>all</b> of the following conditions:</p> <ul style="list-style-type: none"> <li>■ it was resident in Canada</li> <li>■ its only undertaking was the investing of its funds</li> <li>■ it never borrowed money except for a term of 90 days or less (for this purpose, the borrowing cannot be part of a series of loans or other transactions and repayments)</li> <li>■ it has never accepted deposits</li> <li>■ each of its beneficiaries is a trust governed by a deferred profit sharing plan, a pooled registered pension plan or a registered pension plan</li> </ul> <p><b>Note:</b> A master trust is exempt from Part I tax. A trust can elect to be a master trust by indicating this in a letter filed with its return for the tax year the trust elects to become a master trust. Once made, this election cannot be revoked. However, the trust must continue to meet the conditions listed above to keep its identity as a master trust. After the first T3 return is filed for the master trust, you do not have to file any further T3 returns for this trust. If a future return is filed, we will assume the trust no longer meets the above conditions. The trust will not be considered a master trust and must file yearly returns from then on. If the trust is wound up, send us a letter to tell us the wind-up date.</p>
<p><b>Registered retirement savings plan (RRSP), or Registered retirement income fund (RRIF) trusts</b></p>	<p>An RRSP, or RRIF trust has to complete and file a T3 return if the trust meets <b>one</b> of the following conditions:</p> <ul style="list-style-type: none"> <li>■ the trust has borrowed money and paragraph 146(4)(a) or 146.3(3)(a) of the Act applies</li> <li>■ the RRIF trust received a gift of property and paragraph 146.3(3)(b) of the Act applies</li> <li>■ the last annuitant has died and paragraph 146(4)(c) or subsection 146.3(3.1) of the Act applies. If this is the case, claim an amount on line 43 of the T3 return <b>only</b> if the allocated amounts were paid in accordance with paragraph 104(6)(a.2) of the Act</li> </ul> <p>If the trust does not meet one of the above conditions and the trust held non-qualified investments during the tax year, you have to complete a T3 return to calculate the taxable income from non-qualified investments, determined under subsection 146(10.1) or 146.3(9) of the Act. If the trust is reporting capital gains or losses, it has to report the full amount (that is, 100%) on line 01 of the T3 return. If the trust does not meet one of the above conditions and the trust carried on a business, you have to complete a T3 return to calculate the taxable income of the trust from carrying on a business. <b>Do not</b> include the business income earned from qualified investments for the trust.</p>
<p><b>Registered disability savings plan (RDSP)</b></p>	<p>An RDSP trust has to complete and file a T3 return if the trust has borrowed money and subparagraph 146.4(5)(a)(i) or 146.4(5)(a)(ii) of the Act applies. If this does not apply and the trust carried on a business or held non-qualified investments during the tax year, you have to complete a T3 return to calculate the taxable income from the business or non-qualified investments, determined under subsection 146.4(5) of the Act. If the trust is reporting capital gains or losses, it has to report the full amount (that is, 100%) on line 01 of the T3 return.</p>
<p><b>Registered Education Savings Plan (RESP) trusts</b></p>	<p>If an RESP trust held non-qualified investments during the tax year, you have to complete and file a T3 return to calculate the taxable income from non-qualified investments, determined under subsection 146.1(5) of the Act. If the trust is reporting capital gains or losses, it has to report the full amount (that is, 100%) on line 01 of the T3 return.</p>

**Chart 1 – Types of Trusts**

Type of trust	General information
<p><b>Specified investment flow-through (SIFT) trust</b></p>	<p>This is a trust (other than a trust that is a real estate investment trust for the tax year or an entity that is an excluded subsidiary entity) that meets <b>all</b> of the following conditions at any time during the tax year:</p> <ul style="list-style-type: none"> <li>■ the trust is resident in Canada</li> <li>■ investments in the trust are listed or traded on a stock exchange or other public market</li> <li>■ the trust holds one or more non-portfolio properties</li> </ul> <p>For more information, go to <a href="http://canada.ca/cra-sift-trust">canada.ca/cra-sift-trust</a>.</p>
<p><b>Tax-free savings account (TFSA) trust</b></p>	<p>A TFSA trust has to complete and file a T3 return if the trust meets one of the following condition;</p> <ul style="list-style-type: none"> <li>■ If a TFSA trust carried on a business or held non-qualified investments during the tax year, the trust will be taxable to the extent of the income earned from that business or those investments (Type of trust code 32 on the T3 Return). For more information, see “Line 22 – Non-qualified investments for TFSA, RRSP, RRIF, RDSP, and RESP trusts” on page 39.</li> <li>■ When the last holder of a TFSA dies, and the trust still exists after the exempt period, it is deemed to dispose of all its property at fair market value and immediately reacquire it at the same value on January 1 following the end of the exempt period. The trust becomes a taxable inter vivos trust from that point on (Type of trust code 318 – TFSA – Qualified Investments on the T3 Return) and subject to the normal rules for inter vivos trusts. Additionally, in its first year as an inter vivos trust, the trust is taxable on any income and gains earned but not distributed during the exempt period. For more information go to <a href="http://canada.ca/tfsa">canada.ca/tfsa</a>.</li> </ul>
<p><b>Employee life and health trust (ELHT) (established after 2009)</b></p>	<p>This is a trust, established by one or more employers, that meets a number of conditions under subsection 144.1(2) of the Act. The trust’s only purpose is the payment of designated employee benefits (DEBs) for employees and certain related persons (certain limitations apply to the rights and benefits that may be provided to key employees).</p> <p>Employers can deduct contributions made to the trust, as long as they are for DEBs and meet the conditions in subsection 144.1(4). Employee contributions are permitted, but are not deductible. However, employee contributions may qualify for the medical expense tax credit, to the extent that they are made to a private health services plan.</p> <p>The trust can deduct amounts paid to employees or former employees for DEBs and can generally carry non-capital losses back or forward three years. Any amount received from an ELHT must be included in income, unless the amount was received as the payment of a DEB. Payments of DEBs to non-resident employees or former employees will generally not be subject to tax under Part XIII.</p> <p>For more information on ELHTs, designated employee benefits and key employees, see section 144.1 of the Act.</p>
<p><b>Qualifying environmental trust (QET)</b></p>	<p>Generally, this is a trust resident in Canada or a province, or a corporation resident in Canada that is licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as trustee, or that is not an excluded trust and maintained at that time for the sole purpose of funding the reclamation of a qualifying site in Canada or in the province that is, or may become, required to be maintained under the terms of a qualifying contract, or a qualifying law, and that had been used primarily for, or for any combination of:</p> <ul style="list-style-type: none"> <li>■ the operation of a mine</li> <li>■ the extraction of clay, peat, sand, shale or aggregates (including dimension stone and gravel)</li> <li>■ the deposit of waste</li> <li>■ If the trust was created after 2011, the operation of a pipeline, as long as the other requirements defined in subsection 211.6(1) are met</li> </ul> <p>Under the definition, the trust is, or may become, required to be maintained under the terms of a contract entered into with the federal or provincial Crown or if the trust was established after 2011, by an order of a tribunal constituted under a federal or provincial law. Certain conditions exist that may exclude a trust from being a QET. For more information, please see the definition of a QET in subsection 211.6 (1) of the Act.</p>
<p><b>Environmental Quality Act trust</b></p>	<p>A trust under paragraph 149(1)(z.1) of the Act. This is a trust that was created because of a requirement imposed by section 56 of the <i>Environment Quality Act</i>. The trust must meet all of the following conditions:</p> <ul style="list-style-type: none"> <li>■ the trust is resident in Canada</li> <li>■ the only persons that are beneficially interested are one of the following: <ul style="list-style-type: none"> <li>(A) Her Majesty in right of Canada</li> <li>(B) Her Majesty in right of a province</li> <li>(C) a municipality (as defined in section 1 of that Act) that is exempt because of subsection 149(1) from tax under Part 1 on all of its taxable income</li> </ul> </li> </ul>

**Chart 1 – Types of Trusts**

Type of trust	General information
<p><b>Nuclear Fuel Waste Act trust</b></p>	<p>A trust under paragraph 149(1)(z.2) of the Act. This is a trust that was created because of a requirement imposed by subsection 9(1) of the <i>Nuclear Fuel Waste Act</i>. The trust must meet all of the following conditions:</p> <ul style="list-style-type: none"> <li>■ the trust is resident in Canada</li> <li>■ the only persons that are beneficially interested are one of the following:               <ul style="list-style-type: none"> <li>(A) Her Majesty in right of Canada, one of the following:</li> <li>(B) Her Majesty in right of a province</li> <li>(C) a nuclear energy corporation (as defined in section 2 of that Act) all the shares of the capital stock of which are owned by one or more persons described in clause (A) or (B)</li> <li>(D) the waste management organization established under section 6 of that Act if all shares of its capital stock are owned by one or more nuclear energy corporations described in clause (C)</li> <li>(E) Atomic Energy of Canada Limited, being the company incorporated or acquired in accordance with subsection 10(2) of the <i>Atomic Energy Control Act</i></li> </ul> </li> </ul>
<p><b>Real estate investment trust (REIT)</b></p>	<p>A trust is a REIT for a tax year, if it is resident in Canada throughout the year and meets a number of other conditions, including all of the following:</p> <ul style="list-style-type: none"> <li>■ at least 90% of the trust’s non-portfolio properties must be qualified REIT properties</li> <li>■ at least 90% of the trust’s gross REIT revenue for the tax year must be derived from rent, from real properties, interest, capital gains from dispositions of real properties which are capital properties, dispositions of eligible resale properties, dividends and royalties</li> <li>■ at least 75% of the trust’s gross REIT revenues for the tax year must be derived from rent from real properties, interest from mortgages on real properties and capital gains from dispositions of real properties which are capital properties</li> </ul>
<p><b>Health &amp; Welfare trust (HWT)</b></p>	<p>Health and welfare benefits for employees are sometimes provided through a trust arrangement under which the trustees receive the contributions from the employer(s), and in some cases from employees, to provide such health and welfare benefits as have been agreed to between the employer and the employees. To qualify for treatment as a HWT, the funds of the trust cannot revert to the employer or be used for any purpose other than providing health and welfare benefits for which the contributions are made. In addition, the employer’s contributions to the fund must not exceed the amounts required to provide these benefits. Further, to qualify for treatment as a HWT, the payments by the employer cannot be made on a voluntary or gratuitous basis – they must be enforceable by the trustees should the employer decide not to make the payments required. This arrangement is restricted to one or any combination of the following:</p> <ul style="list-style-type: none"> <li>■ a group sickness or accident insurance plan</li> <li>■ a private health services plan</li> <li>■ a group term life insurance policy</li> </ul> <p>For more information, see Income Tax Folio S2-F1-C1, <i>Health and Welfare Trusts</i>.</p>
<p><b>Pooled registered pension plans (PRPP)</b></p>	<p>Pooled Registered Pension Plans must operate through an arrangement acceptable to the Minister. Where a trust is used, the PRPP will generally be treated as a trust for tax purposes. A pooled registered pension plan trust will be excluded for purposes of the 21 year deemed disposition rule and other specified measures. In addition, when certain criteria are met, a pooled registered pension plan trust will be exempt from Part 1 tax.</p> <p>For more information, please refer to Department of Finance News Release 2011-134 dated December 14, 2011.</p>

**Chart 1 – Types of Trusts**

Type of trust	General information
<p><b>Lifetime benefit trust</b></p>	<p>This is a trust that is at any particular time a lifetime benefit trust with respect to a taxpayer and the estate of a deceased individual if both of the following conditions are met:</p> <ul style="list-style-type: none"> <li>■ immediately before the death of the deceased individual, the taxpayer meets one of the following conditions:               <ul style="list-style-type: none"> <li>(i) was both a spouse or common-law partner of the deceased individual and mentally infirm</li> <li>(ii) was both a child or grandchild of the deceased individual and dependent of the deceased individual for support because of mental infirmity</li> </ul> </li> <li>■ the trust is, at the particular time, a personal trust under which:               <ul style="list-style-type: none"> <li>(i) no person other than the taxpayer may receive or otherwise obtain the use of, during the taxpayer's lifetime, any of the income or capital of the trust</li> <li>(ii) the trustees:                   <ul style="list-style-type: none"> <li>(A) are empowered to pay amounts from the trust to the taxpayer</li> <li>(B) are required in determining whether to pay, or not to pay, an amount to the taxpayer to consider the needs of the taxpayer including, without limiting the generality of the foregoing, the comfort, care and maintenance of the taxpayer</li> </ul> </li> </ul> </li> </ul>
<p><b>Hepatitis C trust and Indian residential school trust</b></p>	<p>These are inter vivos trusts under paragraph 81(1)(g.3) of the Act and are government funded trusts.</p> <ul style="list-style-type: none"> <li>■ established under:               <ul style="list-style-type: none"> <li>(A) the 1986-1990 Hepatitis C Settlement Agreement</li> <li>(B) the Pre-1986/Post-1990 Hepatitis C Settlement Agreement</li> <li>(C) the Indian Residential Schools Settlement Agreement entered into by her Majesty in right of Canada on May 8, 2006</li> </ul> </li> <li>■ as long as no contribution to the trust, other than contributions provided for under the Agreement, is made before the end of a tax year of the trust, the trust's income is generally exempt from income tax for that tax year</li> </ul>
<p><b>Graduated rate estate (GRE)</b></p>	<p>A graduated rate estate, of an individual at any time, is the estate that arose on and as a consequence of the individual's death, if all of the following conditions are met:</p> <ul style="list-style-type: none"> <li>■ that time is no more than 36 months after the death of the individual</li> <li>■ the estate is at that time a testamentary trust</li> <li>■ the individual's social insurance number is provided in the estate's return of income for the tax year that includes that time and for each of its earlier tax years that ended after 2015 (36 month period after the death of the individual)</li> <li>■ the estate designates itself as the graduated rate estate of the individual in its return of income</li> <li>■ no other estate designates itself as the graduated rate estate of that individual in a return of income for a tax year that ends after 2015</li> </ul> <p>An estate can only be a "graduated rate estate" for up to 36 months following the death of an individual. The estate will cease to be a graduated rate estate if it is still in existence at the end of the 36 month period.</p>
<p><b>Qualified disability trust (QDT)</b></p>	<p>A qualified disability trust for a tax year is a testamentary trust that arose on the death of a particular individual that jointly elects (using Form T3QDT, <i>Joint Election for a Trust to be a Qualified Disability Trust</i>), with one or more beneficiaries under the trust, in its T3 return of income for the year to be a qualified disability trust for the year. In addition, all of the following conditions have to be satisfied:</p> <ul style="list-style-type: none"> <li>■ the election must include each electing beneficiary's Social Insurance Number</li> <li>■ each electing beneficiary must be named as a beneficiary by the particular individual in the instrument under which the trust is created</li> <li>■ each electing beneficiary must, for the beneficiary's tax year in which the trust's year ends, be eligible for the disability tax credit</li> <li>■ no beneficiary who elects with the trust to be a qualified disability trust for the year can elect with any other trust for the other trust to be a qualified disability trust for the other trust's tax year that ends in the beneficiary's tax year</li> <li>■ the trust must be factually resident in Canada (i.e., resident determined without regard to section 94 of the <i>Income Tax Act</i>)</li> <li>■ the trust is not subject to the recovery tax for the year</li> </ul> <p>For a trust that was a qualified disability trust in a previous tax year, refer to "Line 11 – Federal recovery tax on page 54.</p>

## Code number for the type of trust

A trust is either a testamentary trust or an inter vivos trust. Enter the code number for the type of trust.

### Testamentary trusts:

- **code 001**, for a Spousal or common-law partner trust
- **code 900**, for a testamentary trust that is not identified by one of the other testamentary trust codes
- **code 901**, for a Lifetime Benefit trust
- **code 903**, for an estate that designated itself as a graduated rate estate (applicable for tax years ending after 2015)
- **code 904**, for a qualified disability trust (applicable for tax years ending after 2015 when Form T3QDT, *Joint Election for a Trust to be a Qualified Disability Trust* is submitted)

### Inter vivos trusts:

- **code 11**, for a Spousal or common-law partner trust
- **code 12**, for a Unit trust
- **code 13**, for a Mutual fund trust
- **code 14**, for a Communal organization trust
- **code 15**, for an Employee benefit plans trust
- **code 19**, for an Employee trust
- **code 20**, for a Blind/revocable trust
- **code 21**, for a Personal trust
- **code 22**, for a joint Spousal or common-law partner trust
- **code 23**, for an Alter ego trust
- **code 24**, for a Master trust
- **code 28**, for a Specified income flow-through trust (SIFT)
- **code 32**, for a Tax-free savings account (TFSA) trust
- **code 33**, for an Employee life and health trust (ELHT)
- **code 161**, for an Insurance segregated fund-fully registered trust
- **code 162**, for an Insurance segregated fund-partially registered trust
- **code 163**, for an Insurance segregated fund-non-registered
- **code 180**, for a Non-profit organization trust-subsection 149(5) trust
- **code 181**, for a Non-profit organization trust-subsection 149(1)(l) trust
- **code 300**, Other trust
- **code 301**, for a Registered retirement savings plan trust (RRSP) to report tax payable on an advantage under section 207.05 of the Act
- **code 302**, for a Registered retirement income fund trust (RRIF) to report tax payable on an advantage under section 207.05 of the Act

- **code 303**, for a Registered disability savings plan trust (RDSP) to report tax payable on an advantage under section 207.05 of the Act
- **code 304**, for a Real estate investment trust (REIT)
- **code 305**, for a Health and welfare trust (HWT)
- **code 306**, for a Salary deferral arrangement trust (SDA)
- **code 314**, for an *Environmental Quality Act* trust described in paragraph 149(1)(z.1) of the Act
- **code 315**, for a *Nuclear fuel waste Act* trust described in paragraph 149(1)(z.2) of the Act
- **code 316**, for an Hepatitis C trust described in paragraph 81(1)(g.3) of the Act
- **code 317**, for an Indian residential schools trust described in paragraph 81(1)(g.3) of the Act
- **code 318**, for a Tax-free savings account (TFSA) trust described in paragraph 146.2(9) of the Act
- **code 319**, for a Registered Education Savings Plans (RESP) to report tax payable on non-qualified investments under section 146.1(5) of the Act

## Who should file ▲

You have to file a T3 return if income from the trust property is subject to tax, and in the tax year, the trust:

- has tax payable
- is requested to file
- is resident in Canada and has either disposed of, or is deemed to have disposed of, a capital property or has a taxable capital gain (for example, a principal residence, or shares)
- is a non-resident throughout the year, and has a taxable capital gain or has disposed of taxable Canadian property
- is a deemed resident trust
- holds property that is subject to subsection 75(2) of the Act
- has provided a benefit of more than \$100 to a beneficiary for upkeep, maintenance, or taxes for property maintained for the beneficiary's use (for more information, see "Line 43 – Upkeep, maintenance, and taxes of a property used or occupied by a beneficiary" on page 28)
- receives from the trust property any income, gain, or profit that is allocated to one or more beneficiaries, and the trust has:
  - total income from all sources of more than \$500
  - income of more than \$100 allocated to any single beneficiary
  - made a distribution of capital to one or more beneficiaries
  - allocated any portion of the income to a non-resident beneficiary

## Examples

1. A T3 return must be filed when a trust does not have tax payable, however the trust holds property that is subject to subsection 75(2) of the Act and from which the trust received income, gains or profits during the year.
2. A T3 return must be filed when the trusts' total income from all sources is less than \$500, however the trust made a distribution of capital to one or more beneficiaries.

A trust, whose residency status changes, will retain the same trust number.

Where an electing trust has filing obligations under both its resident portion trust and non-resident portion trust, it is required to file these amounts separately under two distinct trust numbers.

### Tax tip

You may not have to file a return if the estate is distributed immediately after the person dies, or if the estate did not earn income before the distribution. In these cases, you should give each beneficiary a statement showing his or her share of the estate.

## Trust account number

Trustees can now apply for a trust account number before filing their T3RET, *T3 Trust Income Tax and Information Return*. A trust account number is an identifier starting with the letter "T" followed by an eight-digit number.

### Who can apply for a trust account number?

The trustee, which is an individual or trust institution that holds legal title to property in trust for the benefit of the trust beneficiaries, can apply for a trust account number. The trustee includes an executor, administrator, assignee, receiver, or liquidator who owns or controls property for some other person.

#### Note

This does not apply to a non-resident trust electing to file an income tax return under section 216 of the Act.

### How to apply for a trust account number?

Apply for a trust account number using Form T3 APP, *T3 Application for Trust Account Number*.

You can now submit this form online in My Account at [canada.ca/my-cra-account](https://canada.ca/my-cra-account) by using the "Submit Documents" service. Your authorized representative can access this online service through Represent a Client at [canada.ca/taxes-representatives](https://canada.ca/taxes-representatives).

### What information is needed?

To process your application, we need a **completed and signed** Form T3 APP with a signed copy of the **trust document or will**.

#### Note

**Do not** attach Form T3APP to your T3RET, *T3 Trust Income Tax and Information Return*.

Once we have assigned a trust account number to the trust, we will inform you of your trust account number by mail when your T3 APP form is processed. Include this number on all correspondence related to the trust to simplify dealings with us. If you want to authorize a person to apply for a trust account number on your behalf, we need a completed and signed Form T1013, *Authorizing or Cancelling a Representative*. This form allows us to deal with a person who is acting as a representative for another person on income tax matters (including trust accounts). In order for the CRA to process the Form T1013, it must be signed by all joint legal representatives, if applicable. If any of the legal representatives are deceased or no longer wish to act as a joint legal representative, make sure to include the death certificate or a letter of renunciation from each representative.

## What to file

Trusts listed in "Chart 1 – Types of Trusts" beginning on page 8 may have to file a *T3 Trust Income Tax and Information Return* (T3 return), and any related schedules and statements, if they meet the requirements listed in "Who should file" on page 15. The T3 return is filed as both an income tax return, which calculates tax liability, and an information return, which reports amounts allocated and designated to beneficiaries. When the trust files its first T3 return, attach a copy of the will or trust document.

You may also have to file the following, depending on the type of amounts paid or allocated by the trust.

- If the trust allocated amounts to resident beneficiaries, file the T3 Summary, *Summary of Trust Income Allocations and Designations* and the related T3 slips. For more information, see "Chapter 4 – T3 slip and summary" on page 59.
- If the trust paid executor, liquidator, or trustee fees, or if an employee benefit plan or an employee trust made distributions other than a return of employee contributions, file a T4 Summary, *Summary of Remuneration Paid*, and the related T4 slips, *Statement of Remuneration Paid*. For more information, see Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.
- If the trust paid scholarships, fellowships, bursaries, prizes, or research grants to a resident of Canada, file a T4A Summary, *Summary of Pension, Retirement Annuity, and Other Income*, and the related T4A slips, *Statement of Pension, Retirement, Annuity, and Other Income*. For more information, see Guide RC4157, *Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary*.
- If the trust paid or credited, or is considered to have paid or credited, amounts to a non-resident beneficiary, file an NR4 Summary, *Summary of Amounts Paid or Credited to Non-Residents of Canada*, and the related NR4 slips, *Statement of Amounts Paid or Credited to Non-Residents of Canada*. For more information, see Guide T4061, *NR4 – Non-Resident Tax Withholding, Remitting, and Reporting*.
- If the trust paid fees to a non-resident of Canada for services performed in Canada and the non-resident acts in the capacity of an executor in the course of a business,



file a T4A-NR Summary, Fees, Commissions, or Other Amounts Paid to Non-Residents for Services Rendered in Canada, and the related T4A-NR slips, Statement of Fees, Commissions, or Other Amounts Paid to Non-Residents for Services Rendered in Canada. For more information, see Guide RC4445, T4A-NR – Payments to Non-Residents for Services Provided in Canada.

## Form T3-DD, Direct Deposit Request for T3

We can deposit a trust's T3 refund into the trust's account at a financial institution in Canada.

To enrol for direct deposit or to update a trust's banking information, the trustee or other authorized person can complete Form T3-DD, *Direct Deposit Request for T3*, and send it to the CRA. You can also sign up for direct deposit, or change your banking information by filling out the "Direct Deposit – Start or Change" area on the T3RET, *Trust Income Tax and Information Return*, or on the T3 Special Returns forms. For more information, go to [canada.ca/cra-direct-deposit](http://canada.ca/cra-direct-deposit).

## When to file

The filing due date depends on the trust's tax year-end. ▲

## Tax year-end and fiscal period

### Testamentary trust

For tax years prior to 2016, a testamentary trust may have a non-calendar tax year but will have a deemed tax year-end on December 31, 2015 (unless the trust is an estate that exists at the end of 2015 and is a graduated rate estate (GRE) for its 2016 tax year).

For 2016 and subsequent tax years, a GRE may have a non-calendar tax year (the period for which the accounts of the estate are made up for purposes of assessment). A GRE will have a deemed tax year-end on the day on which the estate ceases to be a GRE, which will be no later than the day on which the 36-month period after the death of the individual ends. Subsequent tax year-ends will be on a calendar-year basis.

All remaining trusts are required to use a December 31 tax year.

### Inter vivos trust

Generally, the tax year end of an inter vivos trust is December 31. For more information, call **1-800-959-8281**.

### Example 1

On January 31, 2014, Mr. Leblanc died and his estate is a testamentary trust for income tax purposes. His legal representative chooses as the estate's first fiscal period the period that ends January 31, 2015.

Tax year-end and fiscal period rules implications:

The estate will be able to have the same fiscal period until December 31, 2015. On this date, the graduated rate estate definition came into effect and the legal representative must decide whether to designate the estate as

Mr. Leblanc's graduated rate estate, in the estate's tax return for its first tax year that ends after 2015. Assuming the estate is so designated, because Mr. Leblanc died on January 31, 2014, the estate may qualify as a graduated rate estate until January 31, 2017 and maintain its original fiscal period until that date, provided that it remains a graduated rate estate. Beginning February 1, 2017, the estate will cease to be a graduated rate estate. A new tax year will begin on February 1, 2017 and end on December 31, 2017. Subsequent tax year-ends will be on a calendar-year basis.

A *Trust Income Tax and Information Return* will be filed for the period February 1, 2016 to January 31, 2017, and a second one for the period February 1, 2017 to December 31, 2017.

### Example 2

On April 3, 2012, Mr. Smith died and an estate arose, which is a testamentary trust for income tax purposes. His legal representative chose as the estate's first fiscal period the period that ended on April 3, 2013.

Tax year-end and fiscal period rules implications:

The estate will have the same fiscal period until December 31, 2015. However, since Mr. Smith died on April 3, 2012, and the 36 month period after death ends before December 31, 2015 (i.e., April 3, 2015), the trust will not qualify as a graduated rate estate. The trust will have a deemed tax year-end on December 31, 2015 (for the period April 4 to December 31, 2015). Subsequent tax year-ends will be on a calendar-year basis.

A *Trust Income Tax and Information Return* will be filed for the period April 4, 2014 to April 3, 2015, and a second one for the period April 4, 2015 to December 31, 2015.

## Filing dates

In the same calendar year, you have to file the T3 return, the related T3 slips, NR4 slips, and T3 and NR4 summaries no later than **90 days** after the trust's tax year-end (see "Tax year-end and fiscal period" on this page). You should also pay any balance owing no later than 90 days after the trust's tax year-end.

### Tax tip

For Mutual Fund Trusts that filed an election to have a tax year-end of December 15, where the pre-loss restriction event year-end is after December 15 in that calendar year, the NR4 return must be filed within **90 days** after the end of that December 15 tax year. In any other case, the NR4 return must be filed within 90 days after the end of the calendar year during which the pre-loss restriction event year ends.

If you do not have the information slips you need to complete the return when it is due, **estimate** the income. If, after you receive the slips, you find your estimate differs from the actual amounts, send the slips and a letter to us, requesting an adjustment to the trust's income. For more information, see "Reassessments" on page 20.

If you mail the return first class, or if you use an equivalent delivery service, we consider the date of the postmark on the envelope to be the day you filed the return.

When the due date falls on a Saturday, a Sunday, or a public holiday recognized by the CRA, we consider your payment to be on time if we receive it on the next business day. Your return is considered on time if we receive it or if it is postmarked on or before the next business day. For more information, go to [canada.ca/taxes-important-dates](http://canada.ca/taxes-important-dates).

For information on late-filing penalties and interest on unpaid taxes, see “Penalties and interest” on this page.

**Deadline for distributing T3 slips** – You must send the T3 slips to the beneficiary’s last known address no later than 90 days after the end of the trust’s tax year. If you have the information you need to complete the slips before that deadline, we encourage you to send them to the beneficiaries as early as possible.

#### Tax tip

For certain testamentary and inter vivos trusts, a deemed taxation year end will occur upon the death of a particular beneficiary of the trust. For more information on the due date for filing the return and payment of tax for the deemed tax year end, see Form T1055 section on page 39.

#### Final return

For a testamentary trust that is a **graduated rate estate**, you have to file the final T3 return and pay any balance owing no later than 90 days after the trust’s wind-up (discontinuation) date. Enter the wind-up date on page 1 of the return.

If you wind up a **graduated rate estate**, the tax year will end on the date of the final distribution of the assets.

If you wind up an **inter vivos trust or a testamentary trust** (other than a graduated rate estate), you have to file the final T3 return and pay any balance owing no later than 90 days after the trust’s tax year-end. However, you may want to file the final return before the trust’s tax year-end.

In either case, you should get a clearance certificate before you distribute the trust property. For more information, see “Clearance certificate” on page 21.

## How to file the T3 return ▲

### Filing by Internet file transfer

Effective January 8, 2018, trust administrators and their representatives may be able to file their T3 return electronically through the Internet file transfer method when the trust’s taxable income, taxes payable and refundable credits are \$0.00. This is the same method available to you for filing the trust’s T3 slip and summary in Chapter 4.

Internet file transfer allows you to transmit an original T3 return with a maximum file size of **150 MB**. All you need is a web browser to connect to the Internet, and your software will create, print, and save your electronic return in XML format. For information about this filing method,

contact your software publisher or go to [canada.ca/taxes-iref](http://canada.ca/taxes-iref).

### Web access code

To file your return over the Internet using the Internet file transfer, you will need a web access code (WAC). The CRA is no longer mailing WAC letters. As a result, you can use the WAC that was issued for the 2012 tax year to file your trust-related information returns. If you have misplaced or do not have a WAC, go to [canada.ca/taxes-iref](http://canada.ca/taxes-iref) to access our web access code online service. If you cannot get your WAC online or would like to change it, call the Business Enquiries line at **1-800-959-5525**.

### Eligibility

Internet file transfer is available to most taxpayers and tax preparation service providers when the trust’s taxable income, tax payable and refundable credits are \$0.00. However some exceptions apply. For a list of exceptions, see “Restrictions” and “Other Restrictions” below.

### Restrictions

There are certain types of T3 returns that can’t be sent to the Canada Revenue Agency (CRA) electronically:

- an amended tax return
- a return for any taxation year before 2017

You can’t use Internet file transfer to file your T3 return if you meet one of the following conditions:

- you are filing a trust income tax and information return for the first time with the CRA and the CRA has not assigned you a trust account number
- the trust is reporting taxable income, tax owing, or refundable credits
- the trust went bankrupt in 2017 (does not include a proposal for bankruptcy)

You can’t use Internet file transfer to change trust information, such as, the trust’s:

- name
- legal representative (trustee/executor/administrator)
- legal representative’s address
- alternate mailing address, if different from the legal representative’s address
- direct deposit information (nor can you request direct deposit)

### Other restrictions

The following is a list of specific situations that prevent you from filing a tax return through the Internet file transfer service:

- the trust is a specified investment flow-through (SIFT) trust (Type of trust code 028)
- for the related tax year, the trust is subject to deemed dispositions as detailed on Form T1055, *Summary of Deemed Dispositions*

- the trust is reporting one of the following:
  - gross-up amounts of dividends on line 49 of the T3 return
  - reserves on Schedule T3SCH2, Reserves on Dispositions of Capital Property, or on line 15 of Schedule T3SCH1, *Dispositions of Capital Property*
  - capital gains on gifts of certain capital property on Schedule T3SCH1A, *Capital Gains on Gifts of Certain Capital Property*
  - designations of taxable capital gains eligible for deduction on line 930 of T3SCH9, *Income Allocations and Designations to Beneficiaries*
- the trust is subject to minimum tax and has a net adjusted taxable income for minimum tax (line 28 of Schedule T3SCH12, *Minimum Tax*) that is greater than \$0.00
- the trust is filing Form RC199, *Voluntary Disclosures Program (VDP) Taxpayer Agreement*, or the taxpayer is making a request under the Voluntary Disclosures Program

### Filing on paper

Where you file the return depends on where the trustee address is based in. Generally, we consider a trust to reside where the trustee, executor, administrator, liquidator, or other legal representative who manages the trust or controls the trust's assets lives. It is the jurisdiction in which the central management and control is factually exercised that will be considered in determining the residence of the trust.

#### If the trustee address is based in:

Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, and the remainder of the province of Quebec not listed under the Winnipeg Tax Centre,

Send the return to:

**Sudbury Tax Centre**  
T3 Trust Returns Program  
1050 Notre Dame Avenue  
Sudbury ON P3A 6C2

#### If the trustee address is based in:

Manitoba, Saskatchewan, Alberta, British Columbia, Northwest Territories, Yukon, Nunavut, Laval (Quebec), Montreal (Quebec) and Sherbrooke (Quebec)

Send the return to:

**Winnipeg Tax Centre**  
T3 Trust Returns Program  
Post Office Box 14003, Station Main  
Winnipeg MB R3C 0N8

If you have questions about **resident trusts**, call **1-800-959-8281**.

### Non-resident trusts and deemed resident trusts

Send the return to:

**Winnipeg Tax Centre**  
T3 Trust Returns Program  
Post Office Box 14003, Station Main  
Winnipeg MB R3C 0N8  
Canada

If you have questions about **non-resident trusts** or **deemed resident trusts**, call one of the following numbers:

- Toll free within Canada and the continental USA: **1-800-959-8281**.
- From outside Canada and the continental USA – We accept collect calls by automated response. Please note that you may hear a beep and experience a normal connection delay: **613-940-8495**.

### Penalties and interest ▲

#### Penalties

If you do not file the trust's T3 return by the due date, we will charge a late-filing penalty. The penalty is **5%** of the unpaid tax **plus 1%** of the unpaid tax for each full month that the return is late, to a maximum of **12 months**. The trust may still be subject to a penalty even if all income has been allocated and there are no taxes owing. The penalty is \$25 a day for each day the return is late, from a minimum of \$100 to a maximum of \$2,500.

The late-filing penalty will be **higher** if we issued a demand to file the return, and we assessed a late-filing penalty for any of the three previous years' returns. In this case, the penalty may be **10%** of the current year balance owing, **plus 2%** of the current year balance owing for each full month that the return is late, to a maximum of **20 months**.

If you distribute any trust-related information slip to a recipient late, the penalty is \$25 a day for each day the slip is late, from a minimum of \$100 to a maximum of \$2,500, for each failure to comply with this requirement.

If you are convicted of not filing a return or slip as required, you are liable to a fine of \$1,000 to \$25,000, or to a fine and imprisonment for a period of up to 12 months.

The minimum penalty for failing to file a trust-related information slip by the due date is \$100 and the maximum penalty is \$7,500. For more information, go to [canada.ca/penalty-information-returns](http://canada.ca/penalty-information-returns).

#### Repeated failure to report income penalty

If you failed to report an amount on your return for 2017 **and** you also failed to report an amount on your return for 2014, 2015, or 2016, you may have to pay a federal and provincial or territorial repeated failure to report income penalty. If you did not report an amount of income of \$500 or more for a tax year, it will be considered a failure to report income.

The federal and provincial or territorial penalties are each equal to the lesser of:

- 10% of the amount you failed to report on your return for 2017
- 50% of the difference between the understated tax (and/or overstated credits) related to the amount you failed to report and the amount of tax withheld related to the amount you failed to report

However, if you voluntarily tell us about an amount you failed to report, we may waive these penalties. For more information, go to [canada.ca/taxes-voluntary-disclosures](http://canada.ca/taxes-voluntary-disclosures).

## False statements or omissions penalty

You may have to pay a penalty if you knowingly or under circumstances amounting to gross negligence have made a false statement or an omission on your 2017 return.

The penalty is equal to the greater of:

- \$100
- 50% of the understated tax and/or the overstated credits related to the false statement or omission

The trustee or tax preparer will also be subject to penalties if, due to culpable conduct, they prepare, or participate in the preparation of, income tax or information returns, forms, or certificates on behalf of another person and make false statements.

## Interest

We pay compounded daily interest on a tax refund starting on the **latest** of:

- the 30th day after the return is due
- the 30th day after the return is filed
- the day after the overpayment arises

We charge interest on unpaid amounts and the total amount of penalties assessed. We calculate this interest, compounded daily, at a prescribed rate from the date the unpaid amount was due until the date of its payment.

## Cancel or waive penalties or interest

The CRA administers legislation, commonly called the taxpayer relief provisions, that gives the CRA discretion to cancel or waive penalties or interest when taxpayers are unable to meet their tax obligations due to circumstances beyond their control.

The CRA's discretion to grant relief is limited to any period that ended within 10 calendar years before the year in which the request is made.

For penalties, the CRA will consider your request only if it relates to a tax year or fiscal period ending in any of the 10 calendar years before the year in which you make your request. For example, your request made in 2017 must relate to a penalty for a tax year or fiscal period ending in 2007 or later.

For interest on a balance owing for any tax year or fiscal period, the CRA will consider only the amounts that accrued during the 10 calendar years before the year in

which you make your request. For example, your request made in 2017 must relate to interest that accrued in 2007 or later.

To make a request, fill out Form RC4288, *Request for Taxpayer Relief – Cancel or Waive Penalties or Interest*. For more information about relief from penalties or interest and how to submit your request, go to [canada.ca/taxpayer-relief](http://canada.ca/taxpayer-relief).

## After you file

### Processing times

We can usually assess a T3 return within seventeen weeks. If you filed a return for the first year of a graduated rate estate, and you chose a tax year-end other than December 31, it may take longer to assess the return. For more information, see "Tax year-end and fiscal period" on page 17.

### Reassessments

If you need to change a return after you send it to us, **do not** file another return for that tax year. Send us a completed Form T3-ADJ, *T3 Adjustment Request*, or a letter providing the details of the change. Indicate the trust's account number, the tax year you want us to change, and attach any supporting documents.

You can submit Form T3-ADJ, *T3 Adjustment Request* online in My Account at [canada.ca/my-cra-account](http://canada.ca/my-cra-account) by using the "Submit documents" service. Your authorized representative can access this online service through Represent a Client at [canada.ca/taxes-representatives](http://canada.ca/taxes-representatives).

We can reassess your return, make additional assessments, or assess tax, interest, or penalties within one of the following:

- three years (four years for mutual fund trusts) from the date of your original notice of assessment or a notice that no tax was payable for the tax year (this period is called the "normal reassessment period")
- six years (seven years for mutual fund trusts) from the date of your original notice of assessment to allow or change a carryback of certain deductions, such as a loss or an unused investment tax credit

Your request should be postmarked before the end of the above periods for us to consider reassessing your return.

The taxpayer relief provisions permit the CRA to issue income tax refunds or reduce income tax payable for individuals and graduated rate estate beyond the normal three-year period. The CRA's discretion to grant relief is limited to any period that ended within 10 years before the calendar year in which a request is submitted or an income tax return is filed.

We usually base our initial assessment on the income you report. Later, we may select the return for a more in-depth review or audit. We can also reassess a return at any time if:

- You have made a misrepresentation because of neglect, carelessness, wilful default, or fraud in either filing the return or supplying information required by the Act.

- You file Form T2029, *Waiver in respect of the normal reassessment period or extended reassessment period*, with your tax services office before the normal reassessment period expires. If you want to revoke a waiver you previously filed, file Form T652, *Notice of Revocation of Waiver*. The revocation will take effect six months after you file Form T652.

If requested by T3 Trusts Audit, you can submit the documentation online.

## Tax Administration Rules

For 2016 and subsequent tax years, the following administration rules, only available to GRE, extend the period:

- during which the Canada Revenue Agency (CRA), may refund an overpayment of tax
- during which, at the trust's request, the CRA may reassess or make determinations in respect of certain income tax liabilities
- for objecting to a tax assessment
- for filing an agreement to transfer forgiven amounts under the debt forgiveness rules

## How to register a formal dispute

If you disagree with your assessment or reassessment, you can make a formal objection.

Filing an objection is the first step in the formal process of resolving a dispute. The time limit for filing an objection is as follows:

- If you are an individual (other than a trust), or filing for a graduated rate estate, the time limit for filing an objection is either one year after the due date for the return or 90 days after the date of the notice of assessment or notice of reassessment, whichever is later. If you did not file your objection on time, you can apply for a time extension within one year of your original time limit to file an objection. You can apply by writing to the Chief of Appeals at your Appeals Intake Centre or by using My Account at [canada.ca/my-cra-account](http://canada.ca/my-cra-account) if you are an individual, or My Business Account at [canada.ca/my-cra-business-account](http://canada.ca/my-cra-business-account) if you are a business owner. Include the reasons why you were prevented from filing on time.
- In every other case, including the assessment of taxes in respect of over-contributions to an RRSP or a TFSA, you have to file an objection within 90 days after the date of the notice of assessment or notice of reassessment.

You or your representative can choose to file your objection by using one of these options:

- making an online submission in "Represent a Client" at [canada.ca/taxes-representatives](http://canada.ca/taxes-representatives)
- sending a completed Form T400A, *Objection – Income Tax Act*, or a signed letter to the chief of appeals at your appeals intake centre

For more information about objections and appeals to your income tax assessment or reassessment, go to [canada.ca/cra-complaints-disputes](http://canada.ca/cra-complaints-disputes).

## Elections

The taxpayer relief provisions permit the CRA to accept certain late, amended, or revoked income tax elections. This applies to both of the following elections that we discuss in this guide:

- 164(6) election by an estate (see page 33)
- preferred beneficiary election (see page 47)

A late, amended, or revoked election is subject to a penalty of \$100 for each complete month from the due date of the election to the date of the request. The maximum penalty is \$8,000.

For more information about the taxpayer relief provisions, go to [canada.ca/taxpayer-relief](http://canada.ca/taxpayer-relief).

## What records do you have to keep?

You have to keep your books, records, and supporting documents in case we need to verify the income or loss you reported on the return. Generally, you must keep them for at least six years from the tax-year end to which they relate. However, you can request permission to dispose of them before the end of this period.

For more information, go to [canada.ca/taxes-records](http://canada.ca/taxes-records), or see Information Circular IC78-10, *Books and Records Retention/Destruction*.

## Clearance certificate

You can distribute property without a clearance certificate, as long as you keep sufficient property in the trust to pay any liability to us. However, by getting a clearance certificate, you will avoid being personally liable for unpaid taxes, interest, and penalties.

We **cannot** issue a clearance certificate until you have done both of the following:

- filed all the required returns and we have assessed them
- paid or secured all amounts owing

To ask for a clearance certificate, complete Form TX19, *Asking for a Clearance Certificate*, and send it to the Assistant Director, Audit Division, at your tax services office. **Do not** send Form TX19 until you have received a notice of assessment for each return.

For more information, see Information Circular IC82-6, *Clearance Certificate*.

## Chapter 2 – Completing the return

The *T3 Trust Income Tax and Information Return* is a four-page form with related schedules. The following information will help you to complete the return.

## Step 1 – Identification and other required information ▲

Complete all items on page 1 of the return. The assessment of the return may be delayed if you do not provide all the information.

**Residence of trust** – A trust resides where its real business is carried on, which is where the central management and control of the trust actually takes place. For information about the residence of a trust or estate, see Income Tax Folio S6-F1-C1, *Residence of a Trust or Estate*.

**Name of trust** – Use the same name on all returns and correspondence for the trust. The name of the trust will be modified to meet our requirements if it is longer than 60 characters.

**Mailing address** – We may modify part of your address to meet Canada Post's requirements. Therefore, the address on any cheques or correspondence we send you may be different from the one you indicate on the trust's return. If you include the name and mailing address of a contact person, we will send any cheques or correspondence for the trust in care of that person.

**Trust account number** – If we have assigned an account number to the trust, enter it in this space. Include this number on all correspondence related to the trust. If this is the first return for the trust, we will issue an account number, which will appear on the notice of assessment.

**Designated Aboriginal settlement lands** – If the trust resides on designated Aboriginal settlement lands, answer **yes**, and enter the name and settlement number in the spaces provided.

The settlement lands and their numbers are as follows:

### British Columbia:

Nisga'a 09001

### Yukon:

Carcross/Tagish 11001

Champagne and Aishihik 11002

Kluane 11003

Kwanlin Dun 11004

Little Salmon/Carmacks 11006

Nacho Nyak Dun 11007

Selkirk 11009

Ta'an Kwäch'än 11010

Teslin Tlingit 11011

Tr'ondëk Hwëch'in 11012

Vuntut Gwitchin 11013

### Northwest Territories:

Déliné Got'ínê 10015

Tlicho 10008

### Newfoundland and Labrador:

Nunatsiavut Government 00010

When you enter this information on the return, we will transfer part of any tax payable to the government of the Aboriginal settlement where the trust resides.

**Date of residency** – Provide the date the trust became a resident of Canada or ceased to be a resident of Canada during the tax year, if applicable.

**Deemed resident trust** – Indicate if the trust is a deemed resident trust and provide the name of any other country in which the trust is considered to be resident. See the definition of a deemed resident trust in "Chart 1 – Types of Trusts" on page 9.

**Type of trust** – It is important that you complete this section correctly because we use this information to determine the correct rate of tax. To identify the correct type of trust, see "Chart 1 – Types of Trusts" beginning on page 8 and "Code number for the type of trust" on page 15. This information is mandatory. If this information is not entered, the process of the T3 return may be delayed.

### Note

If you enter inter vivos code 300, for other trust, you must specify the type of trust on the "Other inter vivos trust (specify)" line.

**Date of death (if the trust is a testamentary trust) or Date trust was created (if the trust is an inter vivos trust)** – Provide this information on each return.

**Social Insurance Number of the deceased** – If the trust is a testamentary trust, enter the Social Insurance Number of the deceased. The Social Insurance Number of the deceased individual is mandatory for graduated rate estates.

**Non-profit organization** – If the non-profit organization is incorporated, enter the business number.

## Reporting foreign income and property

If the trust is resident in Canada or deemed to be resident in Canada, you have to report its income from **all** sources, both inside and outside Canada.

If a resident trust or a deemed resident trust conducts business with a foreign affiliate, or owns specified foreign property in excess of CAN\$100,000, you may have to file special returns. For more information, call **1-800-959-8281**.

Specified foreign property includes all of the following:

- funds or intangible property (patents, copyrights, etc.) situated, deposited or held outside Canada
- tangible property situated outside Canada
- a share of the capital stock of a non-resident corporation held by the taxpayer or by an agent on behalf of the taxpayer
- an interest in a non-resident trust that was acquired for consideration, other than an interest in a non-resident trust that is a foreign affiliate for the purposes of section 233.4 of the Act
- shares of corporations resident in Canada held by you for you outside Canada
- an interest in a partnership that holds a specified foreign property unless the partnership is required to file Form T1135, *Foreign Income Verification Statement*
- an interest in, or right with respect to, an entity that is a non-resident

- a property that is convertible into, exchangeable for, or confers a right to acquire a property that is specified foreign property
- a debt owed by a non-resident, including government and corporate bonds, debentures, mortgages, and notes receivable
- an interest in a foreign insurance policy
- precious metals, gold certificates, and futures contracts held outside Canada

Specified foreign property **does not** include any of the following:

- a property used or held exclusively in carrying on an active business
- a share of the capital stock or indebtedness of a foreign affiliate
- an interest in a trust described in paragraph (a) or (b) of the definition of “exempt trust” in subsection 233.2(1) of the Act
- a personal-use property as defined in section 54 of the Act
- an interest in, or a right to acquire, any of the above-noted excluded foreign property

You can also find specific information on the following forms:

- Form T1134, *Information Return Relating to Controlled and Not-Controlled Foreign Affiliates*
- Form T1135, *Foreign Income Verification Statement*
- Form T1141, *Information Return in Respect of Contributions to Non-Resident Trusts, Arrangements or Entities*
- Form T1142, *Information Return in Respect of Distributions from and Indebtedness to a Non-Resident Trust*

You may be able to claim a foreign tax credit when you calculate your federal, provincial or territorial taxes. For more information, see Form T3FFT, *T3 Federal Foreign Tax Credits*, and Form T3 PFT, *T3 Provincial or Territorial Foreign Tax Credit*.

## Other required information

Answer all the questions on page 2. The following information will help you answer some of the questions.

**Question 1** – If the trust is **not** a trust to which section 94 applies, do not answer this question.

Where a deemed resident trust has received property from multiple contributors, it may file an election to have certain property that was not contributed to the trust by the resident contributors and/or, where there is a resident beneficiary, the connected contributors, be part of a separate trust that is not subject to section 94 (the non-resident portion trust). This election is non-revocable.

If the trust is an electing trust, indicate what year the trust became an electing trust. For the year indicated, include a schedule showing all of the trust’s assets and specifying allocation of assets between the resident portion trust and

the non-resident portion trust. Include schedules for subsequent years only if changes occur.

CRA considers the electing trust and its non-resident portion trust to be two separate trusts. If the non-resident portion trust has any Canadian filing obligations under Part I or Part XIII as a non-resident trust, it must report those amounts as a separate trust under a separate trust number from the deemed resident trust.

**Question 2** – The terms of the will, trust document, or court order determine the requirement to allocate income. The trust may be required to pay out its income to a beneficiary. In this case, the income cannot be retained and taxed in the trust, unless the trust has made a designation under subsections 104(13.1) or 104(13.2). For more information, see “Income to be taxed in the trust” on page 46.

**Question 3** – If you answer **yes**, attach a statement giving all required information. For more information, see “Distribution of property to beneficiaries” on page 33.

**Question 4** – If you answer **yes**, attach a statement giving all required information **only** if the trust is a personal trust, spousal or common law partner trust, joint spousal or common law partner trust, or alter ego trust.

**Question 5** – This question relates to spousal and similar trusts under subsection 104(13.4) and for purposes of this question, a lifetime beneficiary under the trust is:

- the last surviving beneficiary (either the settlor, or the spouse or common-law partner, as the case may be) of an alter ego trust, a joint spousal or common-law partner trust, or a spousal or common-law partner trust
- an individual (other than a trust who transferred property in circumstances described in subparagraph 73(1.02(b)(ii) or subsection 107.4(1)

**Question 6** – For information about debts incurred in non-arm’s length transactions, see Interpretation Bulletin IT-406, *Tax Payable by an Inter Vivos Trust*.

**Question 7** – If you answer **yes**, provide the date and attach a statement showing the changes. For information on the disposition of an income interest in a trust, see Income Tax Folio S6-F2-C1, *Disposition of an Income Interest in a Trust*.

**Question 8** – A **yes** response to this question only applies to personal trusts.

**Question 9** – “Contribution of property” is defined on page 6.

**Question 10** – A **yes** response to this question only applies to a mutual fund trust.

**Question 11** – If a trust used International Financial Reporting Standards (IFRS) when it prepared its financial statements, answer **yes**.

IFRS is the collection of financial reporting standards developed by the International Accounting Standards Board (IASB). For more information, go to [canada.ca/en/revenue-agency/services/tax/businesses/topics/international-financial-reporting-standards-ifs.html](http://canada.ca/en/revenue-agency/services/tax/businesses/topics/international-financial-reporting-standards-ifs.html).

**Question 12** – If you answer **yes**, provide the date of the loss restriction event. For more information, see “Loss trading – Rules for trusts” on page 29.

## Step 2 – Calculating total income: Lines 01 to 20

### Line 01 – Taxable capital gains

Calculate the taxable capital gains and allowable capital losses of the trust on Schedule 1.

If the amount on line 23 of Schedule 1 is a taxable capital gain, enter it on line 01.

If the amount on line 23 of Schedule 1 is a net capital loss, **do not** enter it on line 01. You cannot deduct the net capital loss from other income of the trust in the year, or allocate it to the beneficiaries (except as described under “Exceptions and limits to income allocations” on page 44). You can only use it to reduce the trust’s taxable capital gains of other years. For more information, see “Line 52 – Net capital losses of other years” on page 30.

#### Tax tip

In the first tax year of a GRE, the legal representative can elect to apply any net capital loss against income on the deceased’s final return. For more information, see “Graduated rate estate elections (losses)” on page 33.

If a trust sells capital property and realizes a gain, it is treated as a capital gain. If a trust sells eligible capital property and realizes a gain, it is treated as business, farming, or fishing income. If the eligible capital property is qualified farm or fishing property, or qualified small business corporation, the gain may qualify for the capital gains deduction to be claimed by a beneficiary of the trust. For more information, see “Line 921 – Taxable capital gains” on page 49.

For more information, see:

- Guide T4037, *Capital Gains*
- Guide T4002, *Self-employed Business, Professional, Commission, Farming, and Fishing Income*

### Line 02 – Pension income ▲

Enter amounts that the trust received from any the following:

- registered pension plans
- retirement compensation arrangements
- deferred profit sharing plans
- superannuation plans
- foreign retirement arrangements

When an amount is considered to have been distributed to an estate from a foreign retirement arrangement according to the laws of the country where the arrangement was established, the payment is also deemed received by the estate for tax purposes in Canada. In this case, you must include the amount, in Canadian funds, on line 02.

### Line 03 – Total of actual amount of dividends from taxable Canadian corporations ▲

Enter the total of the actual amount of dividends received from taxable Canadian corporations from line 3 of Schedule 8. On line 3A, enter the actual amount of

dividends other than eligible dividends from line 1 of Schedule 8. Attach all information slips received. For more information, see “Lines 1 to 3 – Dividends from taxable Canadian corporations” on page 41.

### Line 04 – Foreign investment income ▲

Enter all interest and other investment income from foreign sources from line 6 of Schedule 8. For more information, see the tax tip below and “Lines 4 to 6 – Foreign investment income” on page 42.

### Line 05 – Other investment income ▲

Enter the amount from line 12 of Schedule 8.

Include all interest and investment income from Canadian sources except dividends from taxable Canadian corporations reported on line 03. Attach all information slips received. For more information, see “Lines 7 to 12 – Other investment income” on page 42.

#### Tax tip

In the first year of a testamentary trust, any interest income that has accrued to the person’s date of death is reported on the deceased’s final return. Any interest income accrued after the person’s date of death is reported on the *T3 Trust Income Tax and Information Return*.

## Thin capitalization – Rules for trusts

The scope of the application of the thin capitalization rules will be extended to:

- Canadian-resident trusts
- non-resident corporations and trusts that operate in Canada

These measures will also apply where a Canadian-resident trust or a non-resident trust is a member of a partnership.

### Canadian resident trusts

A trust’s “equity” for the purposes of the thin capitalization rules will generally consist of contributions to the trust from specified non-residents plus the tax-paid earnings of the trust, less any capital distributions from the trust to specified non-residents. The permitted 1.5-to-1 debt-to-equity ratio will remain unchanged.

Trust beneficiaries will be used in place of shareholders for the purpose of determining whether a person is a specified non-resident in respect of the trust and, therefore, whether a debt owing to that person is included in the trust’s outstanding debt to specified non-residents. The current rules dealing with rights to acquire shares in determining who is a specified shareholder will be modified to address discretionary powers.

Where interest expense of a trust is not deductible as a result of the application of the thin capitalization rules, the trust will be entitled to designate the non-deductible interest as a payment of income of the trust to a non-resident beneficiary (i.e., the recipient of the non-deductible interest). In such a case, the trust will be able to deduct the designated payment in computing its income, but the designated payment will be subject to



non-resident withholding tax under Part XIII of the *Income Tax Act* and potentially tax under Part XII.2, depending on the character of the income earned by the trust.

The thin capitalization rules apply to partnerships in which a Canadian resident trust is a member. As with debt owed directly by the trust, where these rules result in an amount being included in computing the income of a trust, the trust is entitled to designate the included amount as having been paid to a non-resident beneficiary as income of the trust.

Since some trusts may not have complete historical information, any trust that exists on March 21, 2013 are able to elect to determine the amount of its equity for thin capitalization purposes as at March 21, 2013 based on the fair market value of its assets less the amount of its liabilities. Each beneficiary of the trust would then be considered to have made a contribution to the trust equal to the beneficiary's share (determined by reference to the relative fair market value of their beneficial interest in the trust) of this deemed trust equity. Contributions to the trust, tax-paid earnings of the trust and distributions from the trust on or after March 21, 2013 would then increase or decrease (as appropriate) trust equity for thin capitalization purposes.

This measure applies to tax years that begin after 2013 and applies with respect to existing as well as new borrowings.

## Non-resident trusts

Since a Canadian branch is not a separate person from the non-resident corporation or trust, the branch does not have shareholders or equity for purposes of the thin capitalization rules. Therefore, the thin capitalization rules for non-resident corporations and trusts will differ from the rules for Canadian-resident corporations in certain respects. For example, a debt-to-asset ratio of 3-to-5 will be used, which parallels the 1.5-to-1 debt-to-equity ratio used for Canadian-resident corporations.

A loan that is used in a Canadian branch of a non-resident corporation or trust will be an outstanding debt to a specified non-resident for thin capitalization purposes if it is a loan from a non-resident who does not deal at arm's length with the non-resident corporation or trust.

A non-resident corporation or trust that earns rental income from certain Canadian properties may elect to be taxed on its net income under Part I of the *Income Tax Act* rather than being subject to non-resident withholding tax under Part XIII on its gross rental income. The election allows the non-resident to compute its taxable income as if it were a resident of Canada, with such modifications to the tax rules as the circumstances require. Where an election is made, the thin capitalization rules for non-resident corporations and trusts, rather than those for Canadian residents, will apply in computing the non-resident's Part I tax liability.

The thin capitalization rules apply to partnerships in which a non-resident corporation or trust is a member. Any income inclusion for a non-resident partner that arises as a consequence of the application of the thin capitalization rules is deemed to have the same character as the income against which the partnership's interest deduction is applied.

This measure applies to tax years that begin after 2013 and applies with respect to existing as well as new borrowings.

## Lines 06, 07, and 09 – Business, farming or fishing, and rental income

Enter on the appropriate lines, the trust's gross and net income or loss from business, farming, fishing, and rentals. If the amount is a loss, report it in brackets. If the trust is a member of a partnership, enter the **partnership's** total gross income and the **trust's share** of the partnership's net income or loss. Attach the appropriate forms or statements to the T3 return.

If a trust (other than a graduated rate estate) operates a business with a tax year-end other than December 31, special rules apply for calculating income. For more information, see Guide RC4015, *Reconciliation of Business Income for Tax Purposes*, to calculate the income to report.

You have to follow certain rules when reporting business, farming, fishing, and rental income. The following publications contain more information and the forms you may need to calculate the trust's income:

- Guide T4002, *Self-employed Business, Professional, Commission, Farming, and Fishing Income* (Form T2125, *Statement of Business or Professional Activities*, Form T2042, *Statement of Farming Activities*, and Form T2121, *Statement of Fishing Activities*).
- Guide T4036, *Rental Income* (Form T776, *Statement of Real Estate Rentals*).

If the trust is a member of the AgriInvest Fund 2, call **1-866-367-8506** to find out which form you should use to report farming income.

## Line 10 – AgriInvest Fund 2

Use the calculation in this section to report all amounts received, and those deemed to have been received by the trust out of its AgriInvest Fund 2. This fund is the portion of a farm producer's net income stabilization account that comes from third-party sources, such as interest, bonuses, and government contributions.

The trust should receive an AGR-1 slip, *Statement of Farm-Support Payments*, (AgriInvest Fund 2 amounts are reported in Box 18) for all farm support-programs from which it received payments of more than \$100. These include programs administered by the federal, provincial, territorial, and municipal governments, and producer associations. Participants in the Agri-Quebec program must also include in income, any amounts withdrawn from their Agri-Quebec Fonds 2. The trust should receive an RL-21 slip, *Farm Support Payments* (Agri-Quebec Fonds 2 amounts are reported in Box D).

### Note

In this Guide and the T3 return, any reference to AgriInvest Fund 2 is a reference to AgriInvest Fund 2 and includes Agri-Quebec Fonds 2.

An AgriInvest Fund 2 amount can be transferred to a testamentary post-1971 spousal or common-law partner trust when the settlor dies. If the beneficiary spouse or common-law partner dies, the trustee has to report a

deemed payment on the day the beneficiary spouse or common-law partner dies. The deemed payment is equal to the fund's balance at the end of the day of death. The rules related to the death of a beneficiary of a spousal or similar trust have been amended in 2016. For more information, see "Deemed disposition" on page 39.

The trust has to report on line 10, the amount, if any, determined by the following calculation:

**A – (B – C)**  
 where:  
**A** = the amount paid in the year out of the program (or deemed to have been paid out of the AgriInvest Fund 2, such as on the death of the beneficiary spouse or common-law partner)  
**B** = the total of all amounts previously deemed to have been paid out of the AgriInvest Fund 2 to the trust, or to the beneficiary spouse or common-law partner, or out of another person's AgriInvest Fund 2 on being transferred to the trust  
**C** = the total of all amounts previously applied to reduce income out of the AgriInvest Fund 2

Make separate calculations for each amount either paid or deemed paid.

AgriInvest Fund 2 payments are taxable in the trust. They cannot be allocated to beneficiaries, except for:

- amounts that relate to payments received by a testamentary spousal or common-law partner trust while the beneficiary spouse or common-law partner was still alive
- amounts received by a communal organization

Use the space below line 10 to show any of the amounts on that line relating to payments received by the beneficiary spouse or common-law partner while he or she was, or is still alive, or by a communal organization.

For more information, see Guide T4002, *Self-employed Business, Professional, Commission, Farming, and Fishing Income*.

### Line 11 – Deemed dispositions income or losses

Enter the trust's total income or losses resulting from deemed dispositions from line 42 of Form T1055, *Summary of Deemed Dispositions (2002 and later tax years)*. For more information, see "Deemed disposition" on page 39.

### Line 19 – Other income ▲

Enter the total income the trust received in the tax year that is not included elsewhere on the return or schedules, such as:

- royalties (do not include Crown royalties in income)
- commissions
- death benefits under the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP)
- retiring allowances, unless this amount is reported by a beneficiary, or reported in the retired person's income for the year of death as a **right or thing** (for more

information, see Interpretation Bulletin IT-337, *Retiring Allowances*)

- certain employment-related income (for more information, see Guide T4011, *Preparing Returns for Deceased Persons*)

### Death benefit – Other than CPP or QPP

A death benefit is an amount for a deceased person's employment service. This amount is shown in box 106 of a T4A slip. If a death benefit is to be taxed in the trust according to the provisions of the trust document, you may be able to exclude up to \$10,000 of the amount from the trust's income.

If no one other than a trust received a death benefit, report the amount that is more than \$10,000. Even if the trust did not receive all of the death benefits in one year, the total tax-free amount for all years cannot exceed \$10,000. To find out what to report if anyone else received a death benefit for the same person, see Interpretation Bulletin IT-508, *Death Benefits*.

Attach a copy of the T4A slip, or a statement from the deceased person's employer that identifies the payment as a death benefit.

### Registered retirement savings plan (RRSP)

A trust may be entitled to income earned by an RRSP after the death of the only or last annuitant. Usually, this income is shown on a T5 or T4RSP slip issued to the estate. Include this amount on line 19 of the return. Generally, amounts deemed received on death or as a refund of premiums should not be included.

For more information on taxable benefits from matured and unmatured RRSPs, see Guide T4040, *RRSPs and Other Registered Plans for Retirement*, Guide T4011, *Preparing Returns for Deceased Persons*, and Interpretation Bulletin IT-500, *Registered Retirement Savings Plans – Death of an Annuitant*.

## Step 3 – Calculating net income: Lines 21 to 50

### Line 21 – Carrying charges and interest expenses ▲

Enter the total carrying charges from line 17 of Schedule 8. For more information, see "Lines 13 to 17 – Carrying charges and interest expenses" on page 42.

### Lines 22 to 24 – Trustee fees

Trustee, executor, and liquidator fees include:

- fees paid for certain investment advice (for more information, see Interpretation Bulletin IT-238, *Fees Paid to Investment Counsel*)
- fees incurred to gain or produce business or property income (deducted when you calculate the trust's business or property income)
- fees for administering the trust or looking after real property (for example, a residence) used by a lifetime beneficiary of a testamentary trust (because these fees

are not incurred to earn business or property income, you cannot deduct them from the income of the trust)

Whether or not these fees are deductible by the trust, they are still income to the recipient. For this reason, you have to include the total fees paid in the year on line 22.

On line 23, enter the fees that were not incurred to earn income or that were already deducted elsewhere on the return.

Trustee, executor, or liquidator fees paid to a person who acts in the capacity of an executor in the course of a business are part of that individual's business income. You must report these amounts on a T4A slip. If the trust paid fees to a non-resident of Canada for services performed in Canada and the non-resident acts in the capacity of an executor in the course of a business, complete a T4A-NR slip. For more information, see Guide RC4445, *T4A-NR – Payments to Non-Residents for Services Provided in Canada – 2017*. Otherwise, the fee for acting as executor is income from an office. If the fees paid are \$500 or more, you have to prepare a T4 slip for that individual. The individual reports these amounts as income from an office, even if he or she does not receive a T4 slip. For more information, see Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

## **Line 25 – Allowable business investment losses (ABIL)**

If the trust had a business investment loss, you can deduct a part of that loss from income. We call the deductible portion an ABIL. It results from the actual or deemed disposition of certain capital properties. This can

happen if the trust has disposed of, or is deemed to dispose of, one of the following to a person with whom it deals at arm's length:

- a share or debt of a small business corporation
- a bad debt owed to it by a small business corporation

For more information, see Guide T4037, *Capital Gains*.

You can deduct the ABIL from the trust's other sources of income for the year. If the ABIL is more than the other sources of income for the year, the difference is a non-capital loss for the year. For more information, see "Line 51 – Non-capital losses of other years" on page 29.

If you cannot deduct the ABIL as a non-capital loss within the allowed time frame, the unapplied part becomes a net capital loss in the 11th year. You can then use it to reduce the trust's taxable capital gains in the 11th year or any following year.

**Reduction in business investment loss** – If the trust designated part or all of its eligible taxable capital gains for the purpose of the capital gains deduction to a beneficiary in a previous year, you have to reduce the business investment loss for the current year.

Use the chart on the next page to calculate the reduction in business investment loss. If the trust had more than one business investment loss in the year, use this chart to calculate the total reduction.

For more information, see Interpretation Bulletin IT-484, *Business Investment Losses*.

## Allowable Business Investment Loss and Reduction

You have to adjust the amount of eligible taxable capital gains on lines 1 to 7, because they were included in income at different rates in previous years.

Total eligible taxable capital gains designated by the trust in 1985, 1986, and 1987.....	_____ × 2	= _____	1
Total eligible taxable capital gains designated by the trust in 1988 and 1989; <b>do not</b> include eligible capital property on this line .....	_____ × 3/2	= + _____	2
Total deemed taxable capital gains from eligible capital property designated by the trust in 1988 and 1989.....	_____ × 4/3	= + _____	3
Total eligible taxable capital gains designated by the trust in years after 1989 and before 2000.....	_____ × 4/3	= + _____	4
Total eligible taxable capital gains designated by the trust in 2000 (see Note).....	_____ × _____	= + _____	5
Total eligible taxable capital gains designated by the trust in 2001 (see Note).....	_____ × _____	= + _____	6
Total eligible taxable capital gains designated by the trust in years after 2001 .....	_____ × 2	= + _____	7
<b>Add</b> lines 1 to 7.....		= _____	8
Total amount you used to reduce the trust's business investment losses in years after 1985 and before 2017 .....		- _____	9
Line 8 <b>minus</b> line 9.....		= _____	10
Business investment losses for the year before reducing the losses.....		_____	11
Enter the amount from line 10 or line 11, whichever is <b>less</b> . This is the reduction for the year. (Enter this amount on line 12 of Schedule 1.) .....		- _____	12
Business investment losses for the year: line 11 <b>minus</b> line 12.....		= _____	13
Allowable business investment losses for the year: line 13 ( _____ ) × 1/2..... (Enter this amount on line 25 of the return.)		= _____	14

**Note:** The fractions to be used at lines 5 and 6 are the inverse of the trust's inclusion rates for 2000 and 2001. For example, if the trust's inclusion rate was 1/2, the inverse is 2. If the trust's inclusion rate was 3/4, the inverse is 4/3. If the trust's inclusion rate was 2/3, the inverse is 3/2. For 2000 (and 2001, if applicable), use the inclusion rate from line 16 of the 2000 Schedule 1.

### Line 40 – Other deductions from total income

Generally, you can deduct expenses if they were paid to earn income for the trust. Expenses include legal, accounting, and management fees. You can also deduct the fees paid for advice or assistance to file an objection or an appeal to an assessment or decision under the Act (although you have to reduce the claim by any award or reimbursement you received for such expenses).

**Do not** deduct the following:

- outlays and expenses that apply to the capital assets of the trust (see "Outlays and expenses" on page 36)
- personal expenses of the beneficiaries or trustees, such as funeral expenses or probate fees
- any amounts paid to beneficiaries

**Note**

Enter investment counsel fees paid (paragraph 20(1)(bb)) on line 21. For more information, see "Lines 13 to 17 – Carrying charges and interest expenses" on page 42.

### Line 43 – Upkeep, maintenance, and taxes of a property used or occupied by a beneficiary

You may have claimed expenses on the return that relate to the upkeep, maintenance, and taxes on a property used by a beneficiary. You may have claimed these expenses on a financial statement, such as a rental statement. Generally, if these amounts were paid out of the income of the trust according to the trust document, the beneficiary is required to include these amounts in income in the year they were

paid. Therefore, you have to report these benefits as income on the beneficiary's T3 slip, and you will deduct them again from the trust's income on line 47. To offset this "double-deduction" of the same expenses, you have to add these amounts back into the trust's income on line 43.

Provide details of the amount entered on this line, including the nature and amount of each expense, and where on the return or financial statement these expenses have been claimed.

### Line 44 – Value of other benefits to a beneficiary

You may have paid benefits, such as amounts for personal or living expenses, from the trust to a beneficiary. The beneficiary has to include the value of these benefits in income in the year they were paid, unless the value:

- is already included in calculating the beneficiary's income for the year
- has been used to reduce the adjusted cost base of the beneficiary's interest in the trust

Enter on line 44, the amount of these benefits that were included as income on the beneficiary's T3 slip.

Because you have to deduct the value of the benefits as income allocations and designations to beneficiaries on line 47, and the trust cannot deduct this amount, you have to add it back into the trust's income by including the amount on line 44. Provide details of the amount entered on this line, including the nature and amount of each benefit.

## Lines 471, 472, and 47 – Total income allocations and designations to beneficiaries ▲

Generally, a trust receives income and pays it to the beneficiaries according to the terms of a will or trust document. We call this **allocating** income (defined on page 5). In most cases, you enter the income on the T3 return in Step 2, then enter it on line 471 in Step 3, so the trust does not pay tax on the income. The beneficiary then has to report the income on his or her return. For more information, see “Schedule 9 – Income Allocations and Designations to Beneficiaries” on page 43.

In some cases, income that is allocated to a beneficiary may be taxed on the trust’s return, instead of on the beneficiary’s return. In other cases, income that is usually reported on the trust’s return may instead be reported on the beneficiary’s return. For more information, see “Exceptions and limits to income allocations” on page 44.

### Note

Income allocated to a beneficiary that is not deductible by the trust (other than a designated amount included in line 472) should **not** be included on line 471, or reported on Schedule 9.

On line 471, enter the amounts paid or payable to beneficiaries in the current year, including any amount designated by a preferred beneficiary election. On line 472, subtract the amounts claimed under subsections 104(13.1) and 104(13.2). Enter the result on line 47.

For more information, see “Income to be taxed in the trust” on page 46.

### Tax tip

Line 47 has to equal the amount entered on line 928 of Schedule 9.

## Step 4 – Calculating taxable income: Lines 51 to 56

**Losses of other years** – If you are claiming a loss from other years, provide a continuity statement of the loss balances.

Be sure the statement includes the year the loss was incurred, the amounts applied in previous years, and the balance remaining at the beginning of the current year.

### Loss trading – Rules for trusts

The loss streaming rules generally apply to limit a corporation’s trading of certain tax attributes (for example, non-capital losses, net capital losses, farm losses, and unused investment tax credits) where a person or group of persons acquires control of the corporation. The loss-streaming and related rules apply, with appropriate modifications, to a trust that is subject to a “loss restriction event.”

A trust will be subject to a loss restriction event when a person or partnership becomes a majority-interest beneficiary of the trust or a group becomes a majority-interest group of beneficiaries of the trust. The concepts of majority-interest beneficiary and majority-interest group of beneficiaries will apply as they do under the existing income tax provisions for affiliated persons, with appropriate modifications. In general, under

the affiliated persons provisions, a majority-interest beneficiary of a trust is a beneficiary who, together with persons and partnerships with which the beneficiary is affiliated, has a beneficial interest in the trust’s income or capital with a fair market value that exceeds 50 per cent of the fair market value of all the beneficial interests in income or capital, respectively, in the trust. Additional rules apply to beneficiaries who have discretionary interests.

The rules that deem certain transactions or events to involve (or not involve) an acquisition of control of a corporation are applicable, with appropriate modifications, in determining whether a trust is subject to a loss restriction event under section 251.2. For example, rules similar to the continuity of ownership rules that deem a corporate acquisition of control not to occur in certain circumstances involving the death of a shareholder, or involving transactions within certain groups of shareholders, will also apply in the context of trusts and their beneficiaries.

Many of the typical transactions or events involving changes in the beneficiaries of a personal (that is, family) trust will not, because of the continuity of ownership rules, result in the trust being subject to a loss restriction event.

These measures, apply to transactions that occur after March 20, 2013.

The acquisition of equity in certain types of investment trusts will not be treated as a loss restriction event of the trusts if certain conditions are met. Certain relieving measures exist where a trust is subject to a loss restriction event; for example, the filing due date of the trust’s T3 return and issuance of T3 slips, and balance due date have been extended in respect of a tax year that is deemed to end before the loss restriction event.

## Line 51 – Non-capital losses of other years

A non-capital loss could arise if the trust had a loss from business or property in a year, and it was more than the trust’s income from all sources in that year.

The tax year in which the non-capital loss was incurred will affect the extent to which you can carry over the unused portion. You can carry over the unused portion of a loss that was incurred in a tax year ending:

- on or after January 1, 2006, back 3 years and forward 20 years
- after March 22, 2004, and before January 1, 2006, back 3 years and forward 10 years
- before March 23, 2004, back 3 years and forward 7 years

If the trust has an unused non-capital loss from a previous year, you can use it to reduce taxable income for the current year. Enter this amount on line 51.

For information on how to carry back an unused non-capital loss, see “Form T3A, Request for Loss Carryback by a Trust” on this page.

**Farming and fishing losses** – If the trust had a farming or fishing loss from a previous year, see “Line 54 – Other deductions to arrive at taxable income” on page 30.

## Line 52 – Net capital losses of other years

Generally, if the trust's allowable capital losses are more than its taxable capital gains in a year, the difference is a net capital loss for that year. You can use the net capital loss to reduce the trust's taxable capital gains in any of the three preceding years or in any future year.

Within certain limits, you can deduct all or a portion of the trust's net capital losses of other years that have not already been claimed.

For more information, see Guide T4037, *Capital Gains*.

**Listed personal property losses** – Losses on listed personal property (LPP) can be applied only against LPP gains. Claim the unused portion of an LPP loss from a **previous** year against a current-year LPP gain on line 8 of Schedule 1, or on line 8 of Form T1055, *Summary of Deemed Dispositions (2002 and later tax years)*, if applicable. For more information, see "Lines 7 to 9 – Listed personal property" on page 38.

The unused portion of an LPP loss can be carried back three years and forward seven years, and applied against LPP gains in those years.

For information on how to carry back an unused net capital loss or an LPP loss, see the next section.

## Form T3A, Request for Loss Carryback by a Trust

Use this form to carry an unused loss back to a previous year. You have to make your request on or before the due date of the return for the year in which the trust incurred the loss. You can attach the completed form to the current year's return or, where applicable, file it together with the Form T3-ADJ, *T3 Adjustment Request*.

If the loss was not deducted fully in a previous year, keep a schedule of the unused portion so you can deduct it in future years. Always apply the oldest loss within a class of losses first. For example, apply a 2006 non-capital loss before a 2007 non-capital loss.

A non-capital loss carryback is used to reduce the taxable income of the trust in a previous year. A net capital loss carryback is deductible in computing a trust's taxable income for a previous tax year only to the extent of the trust's taxable capital gains in that previous year.

If you allocated income or designated taxable capital gains to beneficiaries in a previous year and you subsequently carry back a loss to that year, the trust may make a late subsection 104(13.1) or (13.2) designation only where the application of the loss results in nil taxable income for the trust.

Filings to amend the tax position of the trust and the beneficiary are as follows:

- the trust would file Form T3A, *Request for Loss Carryback by a Trust* in connection with the loss year to request the loss be carried back to the prior year
- the trust would file Form T3-ADJ, *T3 Adjustment Request* for the prior year to reflect a late subsection 104(13.1) or (13.2) designation so as to amend the trust's T3 return

- the trust would issue amended T3 slips to the beneficiary for that prior year, reducing the income allocated
- the beneficiaries would file a Form T1-ADJ, *T1 Adjustment Request* to reflect the revised T3 slip and to amend the T1 return

The CRA will only reassess beneficiaries' returns if the tax years to which they relate and the tax year of the trust to which the loss will be applied are not statute-barred.

The trust must file Forms T3A and T3-ADJ together as they must be processed concurrently.

If you apply a net capital loss carryback, a non-capital loss may be increased or created if the loss was previously used to reduce the amount of taxable capital gains in the year of the carryback.

For more information, see Interpretation Bulletin IT-232, *Losses – Their Deductibility in the Loss Year or in Other Years*.

## Line 54 – Other deductions to arrive at taxable income

Enter other deductions, such as:

- prior-year limited partnership, farming, or fishing losses (see Note)
- the \$2,000 deduction allowed to a non-profit organization reporting income from property (subsection 149(5) deduction)
- the amount of foreign income reported that is exempt from tax in Canada because of a tax treaty or convention (identify the exempt income amount, and the treaty or convention that applies)

If the trust is claiming more than one loss, or if a claim needs more explanation, attach a note to the return providing the details.

### Note

The unused portion of a farming or fishing loss incurred in a year can be carried back 3 years and forward 20 years. There are restrictions on the amount of certain farm losses you can deduct each year. For information on restricted farm losses, see Guide T4002, *Self-employed Business, Professional, Commission, Farming, and Fishing Income*. For information on how to carry back this type of loss, see "Form T3A, Request for Loss Carryback by a Trust" on this page.

## Step 5 – Summary of tax and credits: Lines 81 to 100

### Line 81 – Total federal tax payable ▲

Enter the federal tax payable from line 33 of Schedule 11, or line 54 of Schedule 12.

### Line 82 – Provincial or territorial tax payable ▲

For information on which provincial or territorial form to use, see "Provincial and territorial income tax" on page 59.

### Line 85 – Tax paid by instalments ▲

Enter the total instalment payments made by the trust. If the account number on the trust's receipt is not the same as

the one on page 1 of the return, enter the account number from the receipt to the right of line 85. If you received a refund of all or part of an instalment, **do not** include this amount on line 85.

**Note**

Do not include, on line 85, any tax withheld on income earned by the trust. Any amount of tax withheld, as shown on the trust's information slips, is to be reported on line C. See the following section.

## Tax instalments

For tax years before 2016, testamentary trusts were exempted from the tax instalment rules and therefore were required to pay any tax owing within 90 days after the end of the tax year. For 2016 and subsequent tax years, **only** a graduated rate estate is exempt from making the tax instalments. However, consistent with current administrative practices, the CRA will continue to not assess penalties or interest where a trust fails to make sufficient instalment payments.

### Lines C, D, and 86 – Total tax deducted ▲

If tax was withheld on any income earned by the trust, enter the amount of tax withheld on line C. Attach information slips if they are available. If an information slip is not available, attach a statement from the issuer, indicating the income reported and the tax withheld. **Do not** allocate the tax that was withheld to the beneficiaries.

**Transfer to Quebec** – If the trust was resident in Quebec and earned income outside that province, tax may have been withheld for a province or territory other than Quebec. You can transfer up to 45% of this amount to the province of Quebec. Enter this amount on line D. If this does not apply to you, enter "0" on line D.

Subtract the transferred amount from total tax deducted, and enter the result on line 86.

### Line 89 – Capital gains refund

This refund is available only to a mutual fund trust that has refundable capital gains tax on hand at the end of the year. To calculate the refund, complete Form T184, *2017 Capital Gains Refund to a Mutual Fund Trust*.

### Line 90 – Part XII.2 tax credit

If the trust is the beneficiary of another trust and received a T3 slip from that trust with an amount in box 38, enter that amount on line 90.

### Line 91 – Other credits

Certain provincial or territorial tax credits are available to a trust if the trust meets both of the following conditions:

- it was a resident of the province or territory at the end of the tax year
- it incurred eligible expenditures related to certain activities

You can find specific information on the following forms:

- Form T1129, *Newfoundland and Labrador Research and Development Tax Credit (Individuals)* (for the Newfoundland and Labrador research and development tax credit)
- Form T1232, *Yukon Research and Development Tax Credit (Individuals)* (for the Yukon research and development tax credit)
- Form T88, *British Columbia Mining Exploration Tax Credit (Individuals)* (for the British Columbia mining exploration tax credit)
- Form T1241, *Manitoba Mineral Exploration Tax Credit* (for the Manitoba mineral exploration tax credit)

**Note**

Under proposed changes, eligibility for the mineral exploration tax credit has been extended to flow-through share agreements entered into before April 2018.

Use the appropriate form to calculate the tax credit. Attach the form to the trust's return.

In the case of the research and development tax credits, the trust can designate some or all of these credits to beneficiaries of the trust. **Subtract** the amount designated to beneficiaries from the credit calculated on the form. Enter the result on line 91 of the trust's return.

### Line 94 – Refund or balance owing ▲

The refund or balance owing is the difference between the total taxes payable on line 84 and the total credits on line 93. Generally, a difference that is \$2 or less does not have to be paid, nor will it be refunded.

### Line 95 – Amount enclosed ▲

Attach to the front of the return, a cheque or money order payable to the Receiver General. **Do not mail cash.** To help you credit the correct account, write the trust's name and account number on the front of your payment. Enter on line 95, the amount of the payment.

If you make a payment that your financial institution does not honour, including a cheque on which you put a stop-payment, we will charge you a fee. Generally, this fee will be \$15 for each returned cheque, plus interest, if applicable.

If you or your representative does not have a bank account at a financial institution in Canada, you or your representative can send your payment:

- using a wire transfer
- an international money order drawn in Canadian dollars
- a bank draft in Canadian dollars drawn on a Canadian bank

For more information, go to [canada.ca/payments](http://canada.ca/payments) or contact your financial institution.

## Line 100 – Refund code ▲

If the trust is entitled to a refund, enter one of the following codes in the refund code box:

- 0 if you want us to refund the credit
- 1 if you want us to keep the credit for next year
- 2 if you want us to hold the credit and apply it to an expected assessment of an additional amount to be paid. Attach a letter providing details

To have the trust's refund deposited directly into the trust's account, complete the "Direct Deposit – Start or change" area on page 4 of the T3RET, *Trust Income Tax and Information Return*.

You also have to send us a void cheque or a letter/form stamped by the financial institution showing that the account is in the name of the trust. You do not have to complete this area if you already have direct deposit service and the information you have already given us has not changed. Your direct deposit request will stay in effect until you update the information.

We consider the credit to have been received on the date we assess your return. First, we will apply a credit to any outstanding balance. Then, we will direct any amount left over according to the code you enter. If you do not enter a code, we will refund the credit.

### Name and address of person or company who prepared this return

Complete this part if someone other than the trustee, executor, liquidator, or administrator prepared this return.

### Certification ▲

The trustee, executor, liquidator, or administrator of the trust has to complete and sign this part.

## Chapter 3 – Trust schedules and forms

### Schedule 1 – Dispositions of Capital Property

If the trust disposed of capital property in the year, see Guide T4037, *Capital Gains*, for the general rules regarding capital gains and losses. We explain the rules that relate to trusts in this section.

Complete Schedule 1 and file it with the T3 return if the trust had dispositions of capital property during the year. **Do not** include any deemed dispositions that are reported on Form T1055, *Summary of Deemed Dispositions (2002 and later tax years)*. For more information, see "Form T1055, *Summary of Deemed Dispositions (2002 and later tax years)*" on page 39.

Transfer any taxable capital gains from line 23 of Schedule 1 to line 01 of the return.

A disposition of capital property includes any of the following:

- the sale of property
- the sale of the principal residence
- the distribution or exchange of property
- the making of a gift
- a redemption of shares
- a debt settlement
- a theft
- the destruction of property

#### Note

We do not consider a disposition to have occurred if two corporations or a parent corporation and its subsidiary have amalgamated and there is no consideration for the redemption of shares. For more information, call 1-800-959-8281.

### Certain gifts – zero inclusion rate

Generally, a trust's taxable capital gain from the disposition of capital property is 50% of the trust's capital gain with certain exceptions.

If the trust donated certain types of capital property to a registered charity or other qualified donee, the trust may not have to include in its income any amount of capital gain realized on such gifts. The trust may be entitled to an inclusion rate of zero on any capital gain realized on such gifts.

Donated capital property, where an inclusion rate of zero may apply, includes all of the following:

- a share, debt obligation or right listed on a designated stock exchange
- a share of the capital stock of a mutual fund corporation
- a unit of a mutual fund trust
- an interest in a related segregated fund trust
- a prescribed debt obligation\*
- a gift of ecological sensitive land including a covenant, an easement, or in the case of land in Quebec, a real servitude, or under proposed changes, for gifts made after March 21, 2017, a personal servitude when certain conditions are met\*\*

\* The inclusion rate of zero also applies to any capital gain realized on the exchange of shares of the capital stock of a corporation for securities listed in the first five bullets above that are donated. This treatment is subject to certain conditions. In cases where the exchanged securities are partnership interests, a special calculation is required to determine the capital gain to be reported. For more information, see *Pamphlet P113, Gifts and Income Tax*.

\*\* For donations of ecologically sensitive land to a private foundation made before March 22, 2017, the inclusion rate of zero does not apply. Under proposed changes, these donations cannot be made to a private foundation after March 21, 2017.



If there is no advantage in respect of the gift, the full amount of the capital gain realized on the gift is eligible for an inclusion rate of zero. However, if there is an advantage, only part of the capital gain is eligible for the inclusion rate of zero. The remainder is subject to an inclusion rate of 50%.

**For deaths that occur after 2015**, a zero inclusion rate may also apply to a gift of certain capital property made to a qualified donee by a GRE (or by a former GRE). The donated property must be property that was acquired by the estate on and as a consequence of the death of the individual (or property that was substituted for such property). Where conditions are met, the zero inclusion rate will apply to any capital gain realized on the deemed disposition of the property immediately before the individual's death reported on the individual's final return as well as to any capital gain realized by the estate on the transfer of the property to the qualified donee.

For more information, see T3 Schedule 1A, *Capital Gains on Gifts of Certain Capital Property* and the section called "Capital gains realized on gifts of certain capital property" in Pamphlet P113, *Gifts and Income Tax*.

### Distribution of property to beneficiaries

If a personal trust distributes property to a beneficiary (to settle in whole or in part the beneficiary's capital interest in the trust), attach a statement to the return that includes all of the following information about the distributed property:

- the name and address of the recipient or recipients
- a description of the property
- the fair market value (FMV) on the day it is distributed
- the cost amount on the day it is distributed

For information regarding the distribution of property to a non-resident beneficiary, see "Capital dispositions – Rules for trusts" on page 34.

### Graduated rate estate elections (losses)

For 2016 and subsequent tax years, if you are a legal representative administering the graduated rate estate of a deceased person, you may:

- elect under 164(6) to treat certain capital losses and terminal losses, arising in the first tax year of the deceased person's graduated rate estate, as losses of the deceased person for that person's final tax year
- elect under 164(6.1) to carryback certain amounts relating to employee stock options, arising in the first tax year of the deceased person's graduated rate estate, to be deducted in computing the deceased person's income for that person's final tax year

Prior to January 1, 2016, these elections were available to all estates. However, effective January 1, 2016, these elections are only available to an estate that is a graduated rate estate.

These elections apply only to the first tax year of a deceased person's estate. The elections do not affect the return of the deceased person for any year before the year of death.

### Due date of election and amended final T1 return

In addition to filing the election you are also required to file an amended final T1 return of the deceased person to give effect to the rules. Both the election and amended final T1 return must be filed by the later of:

- the filing due date of the deceased person's final T1 return that the legal representative is required to file or has elected to file
- the filing due date for the estate's T3 return for its first tax year

When filing the amended T1 return, you must clearly identify the amended final T1 return of the deceased person as a "164(6) election" or a "164(6.1) election."

### 164(6) election

Generally, you can make this election for:

- all or any portion of the capital loss (to the extent the graduated rate estate's capital losses exceed its capital gains) resulting from the disposition of the graduated rate estate's capital property as reported on Schedule 1
- all or any portion of the terminal loss (not exceeding the total of the graduated rate estate's non-capital loss and farm loss before the election) resulting from the disposition of all of the depreciable property of a prescribed class of the graduated rate estate

If you are making an election under 164(6) for the graduated rate estate, attach the following to the T3 return:

- a letter indicating that you are making an election under 164(6) and providing all of the following information:
  - the amount of the capital loss you elect to be a capital loss of the deceased person
  - the amount of the terminal loss you elect to be deductible in computing the income of the deceased person
- a schedule with details of the capital loss
- a schedule with the details of the terminal loss and a statement of the amounts that would have been the non-capital loss and the farm loss of the estate for its first tax year had the election not been made

The graduated rate estate cannot claim a loss that you have elected to transfer to the deceased person's final T1 return. However, you have to report the dispositions of the estate property on Schedule 1. If the total is a loss, enter the amount elected under subsection 164(6) on line 19.

#### Tax tip

If you know you want to apply a loss to the deceased person's final T1 return before that return is due to be filed, you can submit a request to apply the loss with the return. Clearly identify the return as a 164(6) election. Although we will not allow the claim on the initial assessment of the T1 return, we will hold your request until we assess the T3 return and verify your claim. If we accept your claim, we will adjust the T1 return, and issue a notice of reassessment.

### 164(6.1) election

This election applies to certain unexercised employee security options held by a person, at the time of death, in respect of which a benefit has been included in the person's income under paragraph 7(1)(e) for the tax year in which the person died. Generally, where the value of those unexercised options subsequently declines and the options expired or were exercised or disposed of in the first year of the estate, the deceased's legal representative may elect to treat an amount determined under 164(6.1) as a loss of the deceased from employment for the year in which the person died.

You can only make this election for employee security options that expired, or that you exercised, or disposed of in the first tax year of the graduated rate estate.

If you are making an election under 164(6.1) for the graduated rate estate, attach the following to the T3 return:

- a letter indicating that you are making an election under 164(6.1) and providing all of the following information:
  - the amount of the benefit included in the deceased person's income for the tax year in which the person died
  - the amount, if any, by which the value of the right immediately before it was exercised or disposed of exceeds the amount, if any, the deceased person paid to acquire the right
  - the amount of the loss you elect to be a loss of the deceased taxpayer from employment in the year in which the taxpayer died

Use the following calculation to determine the amount that can be carried back to the deceased person's final T1 return:

$$A - (B + C)$$

where:

- A** = the deemed benefit for the option included on the deceased person's final return
- B** = the amount by which the value of the option immediately before it expired, was exercised, or disposed of, is **more** than the amount the deceased person paid to acquire it
- C** = the amount by which A is **more** than B, if a security option deduction for this option was claimed on the deceased person's final return, multiplied by 50%

If you make this election, reduce the trust's adjusted cost base of the option by A **minus** B, without considering C.

### Capital dispositions – Rules for trusts

After March 22, 2004, a trust is considered to be affiliated with its majority interest beneficiary and any person who is affiliated with such a beneficiary. As a result, the rules that apply to affiliated persons may apply to a trust and its beneficiaries, settlors, or contributors. For more information, call 1-800-959-8281.

After February 27, 2004, a trust that distributes property to a non-resident beneficiary in satisfaction of all or part of the beneficiary's capital interest in the trust, is deemed to have disposed of such property for proceeds equal to the property's fair market value (FMV) at that time. This

rule does not apply to property that meets any of the following conditions:

- a share of the capital stock of a non-resident owned investment corporation
- real or immovable property situated in Canada, a Canadian resource property or a timber resource property
- capital property used in, eligible capital property in respect of or property described in the inventory of, a business carried on by the taxpayer through a permanent establishment in Canada at the particular time
- an excluded right or interest of the taxpayer, and the conditions in subsection 107(2) are met and subsection 107(4.1) is not applicable

A trust that ceases to be resident in Canada is deemed to have disposed of all property, including certain taxable Canadian property, for proceeds equal to the property's fair market value (FMV) at that time, and reacquired the property, at the same value, immediately thereafter.

These rules do not apply to any of the following properties, among others:

- real property situated in Canada, Canadian resource property, or timber resource property
- property of a business carried on by the trust through a permanent establishment in Canada, including capital property, eligible capital property, and property described in the inventory of the business
- pension or other similar rights or interests
- payments out of an AgriInvest Fund 2

The trust or beneficiary can defer paying tax resulting from the deemed disposition by providing acceptable security. To arrange security, call 1-800-959-8281.

A trust that ceases to be resident in Canada, and that owns property with a total fair market value (FMV) of more than \$25,000 at that time, has to file Form T1161, *List of Properties by an Emigrant of Canada*, with its T3 return for that year, listing each property the trust owned at that time. For the purposes of determining whether Form T1161 is required, property **does not** include:

- money that is legal tender in Canada and all deposits of such money
- pension or other similar rights or interests
- any item of personal-use property, with a FMV of less than \$10,000 at the time the trust ceased to be a resident in Canada

### Canadian cultural property

For information on dispositions of Canadian cultural property, see "Selling or donating certified Canadian cultural property" in Guide T4037, *Capital Gains*, Interpretation Bulletin IT-407, *Dispositions of Cultural Property to Designated Canadian Institutions*, and Pamphlet P113, *Gifts and Income Tax*.

## Proceeds of disposition

This is usually the amount that the trust received or will receive for its property. In most cases, it refers to the sale price of the property. In certain situations, the proceeds of disposition are set by rules in the Act.

**Personal trust** – When this kind of trust distributes property to a beneficiary, and there is a resulting disposition of all or part of the beneficiary’s capital interest in the trust, we generally consider the trust to have received proceeds of disposition equal to the “cost amount” of the property. The cost amount of a capital property (other than a depreciable property) is its adjusted cost base. We define “adjusted cost base” on this page.

The cost amount of a depreciable property is calculated as follows:

- if the property was the only property in the class, the cost amount is the undepreciated capital cost (UCC) of the class before the distribution
- if there is more than one property in the class, the cost amount of each property is as follows:

Capital cost of the property	÷	Capital cost of all properties in the class that have not been previously disposed of	×	UCC of the class	=	Cost amount of the property
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Where a personal (or prescribed) trust distributes property to a beneficiary to settle all or part of the beneficiary’s capital interest in the trust, the trust can elect under subsection 107(2.001) of the Act to **not** have the trust’s proceeds of disposition equal to the cost amount of the property.

A subsection 107(2.001) trust election is applicable to distributions made after October 1, 1996 when:

- the trust was resident in Canada when it distributed the property
- the property is taxable Canadian property
- the property is property of a business carried on by the trust through a permanent establishment in Canada. This includes capital property, eligible capital property, and property described in the inventory of the business, immediately before the time of distribution

To elect under subsection 107(2.001) of the Act, the trust must attach a letter to its *T3 Trust Income Tax and Information Return* for the tax year in which the property was distributed.

The letter should include all of the following information:

- a declaration to elect under subsection 107(2.001) of the Act
- name of the trust
- trust account number
- type of trust
- trust’s tax year end date

- residency status of the trust, (resident trust or non-resident trust)
- if applicable, the date the trust became a resident of Canada in the year
- if applicable, the date the trust became a non-resident of Canada in the year
- name, address and signature of trustee making the election

If you file an election, we consider the trust, if resident in Canada, to have received proceeds of disposition equal to the fair market value (FMV) of the property at the time of distribution.

Effective for distribution of property after December 20, 2002, a personal (or prescribed) trust is deemed to have disposed of property for proceeds equal to the property’s fair market value at the time of the distribution if both of the following conditions are met:

- at a particular time before December 21, 2002, there was a qualifying disposition (within the meaning assigned by subsection 107.4(1) of the Act) of the property, or of other property for which the property is substituted, by a particular partnership or a particular corporation, as the case may be, to the trust
- the beneficiary is neither the particular partnership nor the particular corporation

**Post-1971 spousal or common-law partner trust** – When this kind of trust, whose beneficiary spouse or common-law partner is still alive, distributes property such as capital property, resource property, or land inventory to a person who is not the beneficiary spouse or common-law partner, we consider the trust to have received proceeds of disposition equal to the property’s fair market value (FMV).

This also applies to both of the following:

- a **joint spousal or common-law partner trust** that distributes property to a person who is not the settlor, beneficiary spouse or common-law partner and the settlor, beneficiary spouse or common-law partner is still alive
- an **alter ego trust** that distributes property to a person who is not the settlor and the settlor is still alive

**Trust other than a personal trust** – When this kind of trust distributes property to a beneficiary and there is a resulting disposition of all or part of the beneficiary’s capital interest in the trust, we consider the trust to have received proceeds of disposition equal to the property’s fair market value (FMV).

For more information, see Chapter 2 in Guide T4037, *Capital Gains*.

## Adjusted cost base (ACB)

This is usually the cost of the property plus expenses incurred to obtain it. The adjusted cost base can differ from the original cost if changes have been made to the property between the time it was acquired and the time it was sold. For more information, see Guide T4037, *Capital Gains*, and Interpretation Bulletin IT-456, *Capital Property – Some Adjustments to Cost Base*, and its Special Release.

Generally effective after February 27, 2004, the cost of a capital interest in a trust that is not held by the taxpayer as capital property is deemed to be equal to the cost amount used for inventory valuation purposes less the total of all returns of capital and non-taxable capital gains payable to the taxpayer in respect of the interest, prior to the disposition. At any particular time, inventory valuation is deemed to be the fair market value of the capital interest plus the sum of all returns of capital and non-taxable capital gains payable before that time.

**Beneficial interest in a trust** – A trust may receive a T3 slip with an amount showing in box 42. Use this amount to determine the ACB of your interest in that trust. Reduce the cost of your interest by the total of the positive amounts shown in box 42 of the T3 slips received from the trust for all tax years after 2003. Also reduce it by all amounts (other than amounts received as proceeds of disposition or as a distribution of income of the trust) received from the trust before 2004. If the amount in box 42 is in brackets, it will result in an increase in the ACB. You may want to contact the trustee of the trust to determine if there are any other adjustments required in calculating the ACB of your interest. For more information on how to account for box 42 amounts, see Information Sheet RC4169, *Tax Treatment of Mutual Funds for Individuals*.

#### Note

If your ACB is reduced to an amount below zero at any time in the tax year, we consider a deemed disposition to have occurred. The negative amount is deemed to be a capital gain. Your ACB is then reset to zero. For more information, see “Line 3 – Mutual fund units and other shares” on page 37.

#### Property acquired before 1972

Before 1972, capital gains were not taxed. If the trust sold property acquired before 1972, you have to use special rules when calculating the capital gain or capital loss to remove any capital gains accrued before 1972. These rules are found on Form T1105, *Supplementary Schedule for Dispositions of Capital Property Acquired Before 1972*. Use Form T1105 to calculate the gain or loss from selling property the trust owned before 1972.

#### Outlays and expenses

These are amounts incurred to sell a capital property such as finder’s fees, commissions, broker’s fees, legal fees, and advertising costs. You can deduct outlays and expenses from the proceeds of disposition when calculating the capital gain or capital loss.

In the case of depreciable property sold at a loss, these outlays and expenses reduce the proceeds from the sale to be credited to the class. **Do not** claim them as deductions from the trust’s income.

#### Note

Outlays and expenses made or incurred in respect of deemed dispositions cannot be claimed.

#### Lines 1 and 2 – Qualified small business corporation shares and qualified farm or fishing property

Use these sections if you are filing a return for a personal trust reporting a capital gain or loss from the disposition of qualified small *business* corporation shares or qualified farm or fishing property. For more information, see Guide T4037, *Capital Gains*.

**Do not** report a loss the trust incurred in disposing of shares of, or debts owing by, a small business corporation in an arm’s length transaction. For information on these types of losses, see “Line 25 – Allowable business investment losses (ABIL)” on page 27.

Capital gains from the disposition of qualified small business corporation shares, or qualified farm or fishing property may qualify for the capital gains deduction where the trust is allocating and designating the eligible capital gains to a beneficiary. Complete Schedules 3 and 4, and see “How to complete the T3 slip” on page 62.

A share in a small business corporation is considered to be a **qualified small business corporation share** if all of the following conditions are met:

- at the time of disposition, it was a share of the capital stock of a small business corporation and was owned by the trust, or a partnership related to the trust
- throughout the 24 months before the disposition, only the personal trust, or a person or a partnership related to the personal trust, owned the share
- throughout that part of the 24 months immediately before the disposition, while the personal trust or person or partnership related to the personal trust owned the share, it was the share of a Canadian-controlled private corporation (CCPC), and more than 50% of the fair market value of the assets of that corporation:
  - was used mainly in an active business carried on primarily in Canada by the CCPC, or by a related corporation
  - was certain shares or debts of connected corporations
  - was a combination of the two

For the purpose of a qualified small business corporation share, a person or a partnership is related to a personal trust if it meets any of the following conditions:

- the person or partnership is a beneficiary of the personal trust
- the personal trust is a member of the partnership;
- the person is a member of a partnership that is a member of another partnership and is deemed to be a member of the second partnership
- when the personal trust disposes of the shares, all the beneficiaries are related to the person from whom the personal trust acquired the shares

For more information, see “Qualified small business corporation shares” in Guide T4037, *Capital Gains*.

**Qualified farm or fishing property** of a personal trust includes any of the following property the personal trust owns:

- a share of the capital stock of a family farm or fishing corporation
- an interest in a family farm or fishing partnership
- real or immovable property, or a fishing vessel, or an eligible capital property used in carrying on a farming or fishing business in Canada by either of the following:
  - an individual beneficiary (who is entitled to receive directly from the trust any income or capital of the trust), or that beneficiary’s spouse or common-law partner, child, or parent
  - a family farm or fishing corporation, or a family farm or fishing partnership in which either an individual beneficiary, or the beneficiary’s spouse or common-law partner, child, or parent own a share in the corporation or an interest in the partnership

**Note**

In addition, certain conditions must be met for property to be considered to have been used in the course of carrying on a farming or fishing business in Canada. Special rules apply to the disposition of eligible capital property that is qualified farm or fishing property. For more information, see “Chapter 5 – Eligible Capital Expenditures” and “Chapter 7 – Capital Gains” in Guide T4002, *Self-employed Business, Professional, Commission, Farming, and Fishing Income*.

**Line 3 – Mutual fund units and other shares**

Use this section to report a capital gain or loss when the trust sells mutual fund units, shares, or securities that are not described in any other section of Schedule 1.

If you are deemed to have a capital gain as a result of a negative adjusted cost base (ACB), use this line to report the deemed gain. Complete the first two columns with the number of shares and the name of the fund or corporation. Enter the ACB in brackets in column 3 and the capital gain in column 5.

**Line 4 – Bonds, debentures, promissory notes, and other similar properties**

Use this section to report capital gains or losses when the trust sells these types of properties. The trust may receive Form T5008, *Statement of Securities Transactions*, or an account statement, showing details of the sale.

Also use this section to report capital gains or losses when the trust sells options. For information on disposing of options to sell or buy shares, see Interpretation Bulletin IT-96, *Options Granted by Corporations to Acquire Shares, Bonds, or Debentures and by Trusts to Acquire Trust Units*, and Interpretation Bulletin IT-479, *Transactions in Securities*, and its Special Release.

**Line 5 – Real estate and depreciable property**

Use this section if the trust sold real estate or depreciable property.

The trust cannot have a capital loss on the disposition of depreciable property. However, it can have a terminal loss under the capital cost allowance rules. For more information, see “Real estate, depreciable property and other properties” in Guide T4037, *Capital Gains*.

**Line 6 – Personal-use property**

Use this section if the trust disposed of property used primarily for the personal use or enjoyment of a beneficiary under the trust, or any person related to the beneficiary. Personal-use property includes personal residences, cottages, automobiles, and other personal and household effects.

When you dispose of personal-use property, use both of the following rules to calculate the capital gain or loss:

- if the adjusted cost base (ACB) of the property is less than \$1,000, the ACB is considered to be \$1,000
- if the proceeds of disposition of the property are less than \$1,000, the proceeds are considered to be \$1,000

If the trust disposed of personal-use property that has an ACB or proceeds of disposition of more than \$1,000, there may be a capital gain or loss. Report the capital gain on Schedule 1. If there is a capital loss, you usually cannot deduct the loss in the year. For more information, see “Personal-use property” in Guide T4037, *Capital Gains*.

Calculate the capital gain or loss using the actual ACB and proceeds of disposition if the trust, or a person with whom the trust does not deal at arm’s length, meets all of the following conditions:

- personal-use property, including listed personal property (LPP), was acquired after February 27, 2000
- circumstances suggest that acquisition of the property relates to an arrangement, plan, or scheme promoted by another person or partnership
- the property will be donated to a qualified donee

**Principal residence**

If a personal trust acquires a principal residence, it will usually be exempt from tax on any capital gain on the disposition or deemed disposition of that residence. To be exempt, the residence has to qualify **and** be designated by the trust as its principal residence. Usually a residence can be designated if a specified beneficiary, or that beneficiary’s spouse or common-law partner, former spouse or common-law partner, or child, lives in it. A specified beneficiary is one who had a beneficial interest in the trust, and who ordinarily lived, or has a spouse or common-law partner, former spouse or common-law partner, or child, who lived in the residence.

A personal trust can only designate one property as a principal residence. Also, the specified beneficiary cannot designate any other property as a principal residence. For more information, see Form T1079, *Designation of a Property as a Principal Residence by a Personal Trust*.

Under proposed changes, the types of trusts that are eligible to designate a property as a principal residence in 2017 are limited unless the trust is:

- an alter ego trust, spousal or common-law partner trust, joint spousal or common-law partner trust, or certain trusts for the exclusive benefit of the settlor during the settlor's lifetime (collectively referred to as "life-time benefit trusts"), where the specified beneficiary of the trust for each tax year for which the trust is designating the property as its principal residence, is the settlor, spouse or common-law partner or former spouse or common-law partner of the settlor (as the case may be)
- a qualified disability trust, provided, the "electing beneficiary" of the trust for the year is:
  - resident in Canada during the year
  - the specified beneficiary of the trust during the year
  - a spouse, common-law partner, former spouse or common-law partner or child of the settlor
- a trust, the specified beneficiary of which for the year is an individual:
  - whose parents are not alive at the beginning of the year
  - one of whose parents is a settlor of the trust
  - who has not attained 18 years of age before the end of the year
  - who is resident in Canada during the year

In addition, where the trust acquires the property after October 2, 2016, the trust's terms must provide the specified beneficiary with a right to use and enjoyment of the property as a residence throughout the period in the year in which the trust owns the property.

Special transitional rules will apply to ensure that a trust that owned the property before 2017, which no longer qualifies to designate the property as its principal residence as a result of these new requirements, may continue to benefit from the principal residence deduction with respect to the gains accrued until December 31, 2016, where the trust meets all of the following conditions:

- was otherwise eligible to claim a principal residence deduction for a tax year that begins before 2017
- owned the property, jointly with another person or otherwise, at the end of 2016, and owns it continuously from January 1, 2017 until the disposition
- disposed of the property after 2016

For more information on these proposed changes, go to [canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2016-growing-middle-class/proposed-changes-claiming-principal-residence-exemption.html](http://canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2016-growing-middle-class/proposed-changes-claiming-principal-residence-exemption.html).

Make the trust's designation on Form T1079. You have to file this form with the trust's T3 return for the year in which the disposition or deemed disposition occurs.

When a personal trust's principal residence is distributed to a beneficiary, the trust can elect to have a deemed disposition of the principal residence at its fair market value (FMV). Make this election on the trust's return for the year of distribution. You can then apply the principal residence exemption to any gain on the trust's deemed

disposition. The beneficiary will acquire the property at its FMV.

For more information, see Form T1079 and Income Tax Folio S1-F3-C2, *Principal Residence*.

### Lines 7 to 9 – Listed personal property

Use this section to report dispositions of listed personal property (LPP), including all or part of any interest in, or any right to, all of the following properties:

- prints, etchings, drawings, paintings, sculptures, or other similar works of art
- jewellery
- rare folios, rare manuscripts, and rare books
- stamps
- coins

Because an LPP is a type of personal-use property, the capital gain or loss on the sale of the LPP item, or set of items, is calculated the same way as for personal-use property. For more information, see "Line 6 – Personal-use property" on page 37.

### Line 10 – Information slips

Use this line to report all of the following amounts:

- capital gains from box 21 of a T3 slip
- insurance segregated fund net capital losses from box 37 of a T3 slip
- capital gains dividends from box 18 of a T5 slip
- capital gains (or losses) from box 34 of a T4PS slip
- capital gains (or losses) from box 23 of a T5013 slip

#### Note

If the T3 slip has an amount in box 42, use the amount to calculate the adjusted cost base of the property. Follow the instructions on the back of the T3 slip. Do this for every year you own the property. For more information, see Information Sheet RC4169, *Tax Treatment of Mutual Funds for Individuals*.

If a slip identifies amounts for "qualified small business corporation shares" or "qualified farm or fishing property" in its footnote, details, or other information area, **do not** report these amounts on line 10. Enter them on line 1 or 2, whichever is applicable.

You can view your T3, T5, and other tax information slips online in My Account at [canada.ca/my-cra-account](http://canada.ca/my-cra-account).

### Line 12 – Capital losses from a reduction in business investment loss

Report a capital loss from a reduction in business investment loss on line 12. For more information, see "Reduction in business investment loss" on page 27.

### Line 15 – Capital gains (losses) from reserves

If the trust sold capital property, but did not receive the full payment at the time of the sale, you can claim a reserve for the unpaid amount. Generally, the minimum amount of the

trust's capital gain you have to report each year is 20% of the taxable capital gain. If you claimed a reserve in 2016, you have to bring it back into the trust's income in 2017. If any of the proceeds are to be paid after the end of the year, you may be able to claim a new reserve. If you are claiming a reserve on the trust's return, you have to complete Schedule 2. For more information about reserves, see Guide T4037, *Capital Gains*.

### Line 17 – Capital gains on gifts of certain capital property eligible for the 0% inclusion rate

Enter on this line the amount from line 3 of Schedule 1A. On line 18, enter the capital gains on gifts of capital property included in lines 1 and 2 of Schedule 1A, excluding amounts reported on line 17.

### Line 19 – Total capital losses transferred under subsection 164(6)

Enter on this line the amount of capital losses you transferred under subsection 164(6) to the deceased person's final T1 return. For more information, see "Graduated rate estate elections (losses)" on page 33.

### Line 22 – Non-qualified investments for TFSA, RRSP, RRIF, RDSP, and RESP trusts

Use this section if the tax-free savings account (TFSA) trust, registered retirement savings plan (RRSP), registered retirement income funds (RRIF), or registered disability savings plan (RDSP) trusts, held non-qualified investments during the tax year.

#### Changes to the tax treatment of RESPs

Under proposed changes, the 1% per month penalty tax imposed on an RESP trust that acquires a non-qualified investment will be repealed and the new anti-avoidance rules governing RRIFs, RRSPs and TFSAs will be extended to RESPs. This measure applies to investments acquired after March 22, 2017 (or investments acquired before March 23, 2017, that cease to be qualified investments after March 22, 2017). Under proposed amendments, these acquisitions will be subject to the trust Part I tax on the RESP trust's income (including capital gains subject to a 100% inclusion rate) from the investment. In addition, an RESP's registration would no longer become revocable as a result of the RESP trust's acquisition of a non-qualified investment.

### Line 23 – Total taxable capital gains (or net capital losses)

Transfer the total taxable capital gains to line 01 of the trust's return. If the amount on this line is negative, and is not used to reduce your deemed dispositions on Form T1055, *Summary of Deemed Dispositions (2002 and later tax years)*, you have a net capital loss. **Do not** enter it on line 01 of the return. For more information, see "Form T3A, *Request for Loss Carryback by a Trust*" on page 30.

#### Note

If the amount on line 23 is a capital gain and you calculate a net capital loss on Form T1055, see the

instructions on that form for a possible adjustment to line 23.

### Form T1055, Summary of Deemed Dispositions (2002 and later tax years)

Use Form T1055 to calculate the income, or the capital gain or loss, from deemed dispositions.

#### Deemed disposition

A trust is deemed to have disposed of its capital property (other than exempt property and certain excluded property), land inventory, and Canadian and foreign resource properties on specified dates called deemed disposition days. For more information about the dates, see "Deemed disposition day" on page 40.

For 2016 and subsequent years, where the primary beneficiary of an alter ego trust, spousal or common-law partner trust, or the last surviving beneficiary of a joint spousal or common-law partner trust dies, there is a deemed year end of the trust on the date of death of the beneficiary. The income that is deemed to be recognized upon the death of the beneficiary must be reported on the trust's T3 return filed for the deemed year end of the trust.

However, for 2016 and subsequent years, in the case of a testamentary spousal or common-law partner trust, a joint election between the trust and the deceased beneficiary's graduated rate estate can be filed to report the income of the trust for the year in the beneficiary's final T1 return. This income shall be reported on the T3 slip issued to the beneficiary. For the joint election to be valid all the following requirements must be met:

- Immediately before death, the beneficiary was a resident of Canada.
- The trust is a testamentary trust that is a post-1971 spousal or common-law partner trust and was created by the will of a taxpayer who died before 2017.
- A copy of the joint election is filed with both the final T1 return of the beneficiary and the T3 return for the deemed year end of the trust. To make the election, attach a letter to both the final T1 return and the trust's T3 return with all of the following information:
  - the T1 and T3 account numbers
  - the income amount that was allocated in the T3 slip and reported on the final T1 return filed for the deceased beneficiary
  - the signatures, names and addresses of both the trustee(s) of the trust and the executor(s) for the deceased beneficiary

The due date for both the trust return as well as any balance payable of the deemed taxation year will be 90 days after the end of the calendar year in which the deemed year end falls. For example, should the deemed year end fall on June 3, the return and any balance payable will be due 90 days after December 31.

In addition to the properties referred to above, if a post-1971 testamentary spousal or common-law partner trust holds an AgriInvest Fund 2 that was transferred to it on the death of the settlor, report a deemed payment out of

the fund on the day the beneficiary spouse or common-law partner dies.

If, after a deemed disposition that was to be reported on Form T1055, the trust actually disposed of the property in the same tax year, use Schedule 1 to report the gain or loss from the actual disposition. If the trust is a post-1971 spousal or common-law partner trust, a joint spousal or common-law partner trust, or an alter ego trust, the gain or loss should instead be reported on Form T1055.

If a deemed disposition occurs, the trust is considered to have done both of the following:

- disposed of its capital property (including depreciable property of a prescribed class), land inventory, and Canadian and foreign resource properties at the end of the deemed disposition day, at the fair market value (FMV)
- reacquired them immediately after, at a cost equal to the same FMV

For depreciable property, the trust has to report both capital gains and recapture of capital cost allowance.

Use Form T1055 to calculate:

- the adjustments to line 23 of Schedule 1
- the amount of tax on which the trust can elect to defer payment
- the amount of taxable and deemed taxable capital gains to which you can apply the trust's net capital losses of other years

### Deemed disposition day

This is the day we consider the trust to have disposed of its capital property, land inventory, and Canadian and foreign resource properties.

Generally, it is one of the following:

- For a spousal or common-law partner trust, the day the beneficiary spouse or common-law partner died.
- For a joint spousal or common-law partner trust, the day the settlor or the beneficiary spouse or common-law partner died, whichever is later.
- For an alter ego trust, the day the settlor died, unless the trust filed an election not to be considered an alter ego trust (see the definition of alter ego trust in "Chart 1 – Types of Trusts" on page 8). If the trust has filed an election, the deemed disposition date will be 21 years after the day the trust was created.
- For a trust to which property was transferred by an individual (other than a trust) where the transfer did not result in a change in beneficial ownership of that property and no person (other than the individual) or partnership has any absolute or contingent right as a beneficiary under the trust, on the day the individual dies.
- For other trusts, 21 years after the day the trust was created.

Subsequent deemed dispositions will occur every 21 years, on the anniversary of the day established above.

The following deemed disposition days will not result in another deemed disposition on the 21st anniversary of that deemed disposition day. Instead, the next deemed disposition for such trusts will occur 21 years after the day the trust was created or on the anniversary of a deemed disposition day otherwise established:

- where a trust distributes property after December 17, 1999, to a beneficiary in respect of the beneficiary's capital interest in the trust and it is reasonable to consider that the distribution was financed by a liability of the trust, and one of the reasons for incurring the liability was to avoid paying taxes because of the death of any individual, the day the property was distributed
- where an individual has transferred property (other than real property situated in Canada, Canadian resource property, or a timber resource property, property of a business carried on by the trust through a permanent establishment in Canada including capital property, eligible capital property, and property described in the inventory of the business, or certain pension or other similar rights or interests) after December 17, 1999, to a trust for the transferor's spouse or common-law partner, and it is reasonable to conclude that the property was transferred knowing that the individual planned to emigrate from Canada, the day the individual ceases to be resident in Canada

### Exemption from Form T1055 deemed dispositions

The following trusts are **excluded** from the deemed dispositions reported on Form T1055:

- A specified trust (as described in "Chart 1 – Types of Trusts" on page 8).
- A unit trust.
- A trust in which all interests have been permanently vested. This exception applies primarily to those commercial trusts (all trusts other than personal trusts) that do not qualify as unit trusts. This exception does not apply to any of the following:
  - a post 1971 spousal or common-law partner trust
  - a joint spousal or common-law partner trust or an alter ego trust
  - a trust to which property was transferred by an individual (other than a trust) where the transfer did not result in a change in beneficial ownership of that property and no person (other than the individual) or partnership has any absolute or contingent right as a beneficiary under the trust
  - a trust that elects on its return not to apply this provision
  - a trust resident in Canada that has non-resident beneficiaries, if the fair market value (FMV) of the non-resident beneficiaries' interests in the trust is more than 20% of the total FMV of all the interests in the trust
  - a trust that distributed property after December 17, 1999, to a beneficiary in respect of the beneficiary's capital interest in the trust and it is



reasonable to consider that the distribution was financed by a liability of the trust, and one of the reasons for incurring the liability was to avoid paying taxes because of the death of any individual

- a trust under the terms of which, all or part of any person's interest is to be terminated with reference to a

period of time otherwise than as a consequence of terms of the trust under which an interest in the trust is to be terminated as a result of a distribution to the person (or the person's estate) of property of the trust if the FMV of the property to be distributed is proportionate with the FMV of the person's interest immediately before the distribution.

Summary of Options Available for Deemed Dispositions Reported on Form T1055 (subject to the provisions of the will or trust document)				
Options	Post-1971 spousal or common-law partner trust	Pre-1972 spousal trust	Joint spousal or common-law partner and alter ego trust	Other trusts and spousal or common-law partner trusts 21 years after first deemed disposition
Gains or losses from the deemed dispositions taxed in the trust  New rules apply to spousal and common-law partner (and similar) trusts - see "Deemed disposition" on page 39.	yes	yes	yes	yes
Elect to defer tax (Form T2223)	yes	yes	yes	yes
Designate capital gains (box 21 of the T3 slip)	no	yes	no	yes
Preferred beneficiary election	no – for the deemed disposition occurring on the death of the spouse or common-law partner  yes – for subsequent dispositions	no – for the date the spouse died  yes – for subsequent dispositions	no	yes

**Form T2223, Election Under Subsection 159(6.1) of the Income Tax Act, by a Trust to Defer Payment of Income Tax**

The trust can elect to pay its income tax arising from the deemed dispositions reported on Form T1055 in up to 10 annual instalments. Interest at the prescribed rate will apply. Use Form T2223 to make this election, and send it to your tax services office no later than the day the return is due for the tax year the deemed disposition occurs. For more information, call 1-800-959-8281.

**Transfer of trust property to another trust**

If one trust (Trust A) transfers capital property (other than excluded property), land inventory, or resource property to another trust (Trust B), the deemed disposition day for Trust B becomes the **earliest** of the following dates:

- Trust A's deemed disposition day that would have occurred if the transfer had not been made
- Trust B's deemed disposition day that would have occurred if the transfer had not been made
- the day of the transfer if the original transfer to Trust A occurred on a rollover basis, for example, where Trust A is one of the following:
  - a spousal or common-law partner trust, and the beneficiary spouse or common-law partner is still alive at the time of the transfer

- a joint spousal or common-law partner trust, and the settlor or beneficiary spouse or common-law partner is still alive at the time of the transfer
- an alter ego trust, and the settlor is still alive at the time of the transfer

The last condition will not apply when the transfer is between two trusts of the same type. For example, from one alter ego trust to another alter ego trust.

**Schedule 8 – Investment Income, Carrying Charges, and Gross-up Amount of Dividends Retained by the Trust ▲**

**Lines 1 to 3 – Dividends from taxable Canadian corporations**

Attach a statement listing the actual amount of dividends the trust received from taxable Canadian corporations. In this statement, include actual and deemed taxable dividends. **Do not** include non-taxable dividends (see "Lines 7 to 12 – Other investment income" on this page), or capital gains dividends that you report on line 10 of Schedule 1. We consider dividends credited to the trust's account by a financial institution to have been received by the trust, even if the trust did not receive a T3 or T5 slip.

The gross-up amount of taxable dividends received from taxable Canadian corporations qualifies for the dividend tax credit. This may reduce the trust's tax payable. If the trust designated the taxable dividends to beneficiaries, the tax payable by the beneficiaries may be reduced.

The type of dividends the trust receives determines which dividend tax credit rate it will apply to the gross-up amount of the dividends. For **eligible dividends** received from qualifying taxable Canadian corporations, the rate is **15.0198%**. For **dividends other than eligible dividends** the rate is **10.5217%**.

Box 23 on a T3 slip and box 10 on a T5 slip show the actual amount of dividends other than eligible dividends. Enter these amounts on line 1 of Schedule 8. Box 49 on a T3 slip and box 24 on a T5 slip show the actual amount of eligible dividends. Enter these amounts on line 2 of Schedule 8.

### Lines 4 to 6 – Foreign investment income

Report investment income from foreign sources in Canadian dollars. Calculate how much to report by multiplying the foreign income by the exchange rate in effect on the day that the trust received the income. If the amount was paid at various times throughout the year, to get the applicable rate, go to [bankofcanada.ca/rates/exchange/](http://bankofcanada.ca/rates/exchange/), or call 1-800-959-8281. Report the full amount of the foreign income. **Do not** reduce it by the tax withheld by foreign authorities.

### Lines 7 to 12 – Other investment income

Report bond interest, bank interest, mortgage interest, and other dividends (including dividends under a dividend rental arrangement). We consider interest and dividends credited to the trust's account by a financial institution to have been received by the trust.

Report interest on tax refunds received in the year on line 11.

**Do not** include the following:

- dividends the trust received from taxable Canadian corporations reported on lines 1 and 2
- capital gains dividends reported on line 10 of Schedule 1
- non-taxable dividends (see “Non-taxable dividends received by a trust” on this page)

For more information on the method of reporting interest and other investment income, see the *General Income Tax and Benefit Guide*, and Interpretation Bulletin IT-396, *Interest Income*.

### Non-taxable dividends received by a trust

If the trust received a non-taxable dividend, **do not** include it in the trust's income. An example of a non-taxable dividend is a tax-free dividend that a Canadian private corporation pays from its capital dividend account.

Certain non-taxable dividends that the trust received, other than dividends paid out of the capital dividend account, may reduce the adjusted cost base of the shares on which the dividends were paid. Make this adjustment when calculating a capital gain or loss if the trust later disposes of the shares.

If the trust pays out non-taxable dividends to its beneficiaries, inform the beneficiaries that they should not include these dividends in income. You also have to file a statement with the return containing all of the following information:

- the name of the payer corporation
- the names of the beneficiaries, and the amount of non-taxable dividends that each beneficiary received

### Lines 13 to 17 – Carrying charges and interest expenses

Carrying charges and interest expenses include:

- interest on money borrowed to earn investment income
- fees for the management or safe custody of investments
- accounting fees for recording investment income
- investment counsel fees

#### Note

A deduction of an amount paid or payable in respect of the use of a safety deposit box of a financial institution is not allowed.

**Do not** include trustee fees paid by the trust or brokerage fees or commissions paid by the trust to buy or sell securities. If the trust paid these expenses to purchase a security, they are part of its cost. If the trust paid them to sell a security, claim them as “Outlays and expenses (from dispositions)” in column 4 of Schedule 1.

You can deduct interest expenses on a life insurance policy loan if the trust used the proceeds of the loan to earn income. If the trust elects to add the interest expense to the adjusted cost base of the policy, you cannot deduct it on line 21 of the return. If the trust is claiming interest paid on a policy loan during the year, the insurer has to complete Form T2210, *Verification of Policy Loan Interest by the Insurer*, no later than 90 days after the trust's tax year-end.

### Lines 18 to 32 – Calculating the gross-up amount of dividends retained or not designated by the trust

Use this section to calculate the gross-up amount of actual dividends from taxable Canadian corporations included on lines 1 and 2 that the trust retained.

The gross-up rate for **eligible dividends** received in the year is **38%** of the dividends received. This calculation is done on lines 18 to 24.

The gross-up rate for **dividends other than eligible dividends** received in 2017 is **17%**. This calculation is done on lines 25 to 31.

The gross-up does not apply to taxable Canadian dividends received by the trust if they are allocated to a non-resident beneficiary.

If you have allocated dividends by including them in the amount on line 926 of Schedule 9, the dividends are not designated. **Do not** include them on line 19 or line 26.

Claim the carrying charges that relate to dividends on line 16 of Schedule 8.

### Line 19 – Eligible dividends designated to beneficiaries

Enter the amount of net eligible dividends, after related expenses, that you designated to beneficiaries from line 949 of Schedule 9.

### Line 21 – Eligible dividends allocated, but not designated, to non-resident beneficiaries

Enter the amount of net eligible dividends, after related expenses, included in Column 2, line 926 of Schedule 9. If the dividends have been allocated to non-resident beneficiaries on line 949, **do not** include them on line 21.

### Line 24 – Gross-up amount of eligible dividends retained or not designated by the trust

Multiply the amount on line 22 by 38% to calculate the amount to enter on line 24. You have to apply the gross-up rate to actual eligible dividends that have been retained in the trust, other than those allocated but not designated to non-resident beneficiaries, before you deduct the related expenses.

Enter this amount in the calculation area for line 13 of Schedule 11.

### Line 26 – Dividends other than eligible dividends designated to beneficiaries

Enter the amount of net **dividends other than eligible dividends**, after related expenses, that you designated to beneficiaries from line 923 of Schedule 9.

### Line 28 – Dividends other than eligible dividends allocated, but **not** designated, to non-resident beneficiaries

Enter the amount of net dividends other than eligible dividends, after related expenses, included in Column 2, line 926, Part A of Schedule 9. If the dividends have been allocated to non-resident beneficiaries on line 923, **do not** include them on line 28.

### Line 31 – Gross-up amount of dividends other than eligible retained or not designated by the trust

Multiply the amount on line 29 by 17% for dividends other than eligible dividends, and enter the result on line 31. You have to apply the gross-up rate to actual dividends other than eligible dividends that have been retained in the trust, other than those allocated but not designated to non-resident beneficiaries, before you deduct the related expenses.

For dividends paid in 2017, the gross-up rate for **dividends other than eligible dividends** is 17%.

Enter this amount in the calculation area for line 14 of Schedule 11.

### Line 32 – Total gross-up amount of dividends other than eligible retained or not designated by the trust

Add the gross-up amount of both the **eligible dividends** and the **dividends other than eligible dividends** from lines 24 and 31.

Enter the result on line 49 of the return and on line 18 of Schedule 12, if applicable.

For more information, see Interpretation Bulletin IT-524, *Trusts – Flow-Through of Taxable Dividends to a Beneficiary – After 1987*.

## Schedule 9 – Income Allocations and Designations to Beneficiaries ▲

Complete this schedule if the trust is allocating income to its beneficiaries. You also have to complete T3 slips and a T3 Summary if you are allocating income to resident beneficiaries, and NR4 slips and an NR4 Summary if you are allocating income to non-resident beneficiaries.

### Allocations and designations ▲

Generally, you **allocate** income to the trust's beneficiaries according to the terms of the will or trust document. Depending on the type of income allocated, you may then **designate** all or part of the allocated amount. When you designate an amount to a beneficiary, the type of income keeps its identity. This may allow the beneficiary to take advantage of a deduction or credit that applies to that income (such as the capital gains deduction or the dividend tax credit).

We define “allocate, allocation” on page 5 and “designate, designation” on page 6.

You can choose to designate the following income amounts to a beneficiary:

- net taxable capital gains
- certain lump-sum pension income
- dividends from taxable Canadian corporations
- foreign business income
- foreign non-business income
- pension income that qualifies for the pension income amount
- pension income that qualifies for acquiring an eligible annuity for a minor beneficiary
- retiring allowances that qualify for a transfer to a registered pension plan (RPP) or a registered retirement savings plan (RRSP)

#### Note

An insurance segregated fund trust has to designate all of its capital gains and losses to its beneficiaries.

Use Part B of Schedule 9 to report designated amounts. This includes amounts such as foreign income tax paid, a retiring allowance qualifying for transfer to an RPP and an RRSP, a Part XII.2 tax credit, and other tax credits that flow through to the beneficiary.

Income allocated to a beneficiary that is not deductible should **not** be reported on Schedule 9.

For more information, see the following interpretation bulletins:

- IT-342, *Trusts – Income Payable to Beneficiaries*
- IT-381, *Trusts – Capital Gains and Losses and the Flow-Through of Taxable Capital Gains to Beneficiaries*
- IT-524, *Trusts – Flow-Through of Taxable Dividends to a Beneficiary – After 1987*

## Split income of a minor beneficiary

If a trust (other than a communal organization or a mutual fund trust as described in “Chart 1 – Types of Trusts” on pages 9 and 10 respectively) allocates certain types of income to a beneficiary during the beneficiary’s tax year and the beneficiary had not attained the age of 17 before the tax year, the beneficiary may have to pay a special tax.

The special tax applies to all of the following:

- taxable dividends allocated by the trust (other than dividends from shares of a class listed on a designated stock exchange and those of a mutual fund corporation)
- shareholder benefits allocated by the trust (other than from ownership of shares of a class listed on a designated stock exchange)
- income allocated by the trust that came from providing services or property to, or in support of, a business operated by any of the following:
  - a person who is related to the beneficiary at any time in the year
  - a corporation that has a specified shareholder who is related to the beneficiary at any time in the year
  - a professional corporation that has a shareholder who is related to the beneficiary at any time in the year
- for 2014 and later years, income allocated by the trust from a business or the rental of property by a partnership or trust, if a person who is related to the beneficiary at any time in the year is actively engaged on a regular basis in the activity of the partnership or trust of earning that income
- deemed dividends that result from capital gains of a trust from the disposition of shares (other than shares of a class listed on a designated stock exchange or those of a mutual fund corporation) that are transferred to a person who is not at arm’s length with the beneficiary

This does not apply if:

- the income is from property inherited by the beneficiary and, during the year, he or she either studies full time in a post-secondary educational institution or qualifies for the disability amount
- the income is from property the beneficiary inherits from a parent
- the beneficiary was a non-resident of Canada at any time in the year

- neither of the beneficiary’s parents lived in Canada at any time in the year

## How to report split income

If the trust is allocating “split income” to a beneficiary, you have to inform the beneficiary that he or she may have to pay the special tax. Follow the instructions for completing Schedule 9 on page 43 and the T3 slip on page 62. Attach a statement to the T3 slip showing the type and amount of the beneficiary’s share of the split income. Advise the beneficiary in writing that he or she must complete Form T1206, *Tax on Split Income*.

### Note

The attribution rules discussed in the next section “Transfers and loans of property” do not apply to property that is subject to split income rules.

## Transfers and loans of property

Special rules may apply to amounts from a property that, under certain conditions, is held by the trust or is transferred or loaned to the trust. We refer to a person who has loaned or transferred property as the “transferor.”

A transferor, who is alive and resident in Canada, may lend or transfer property to the trust for the benefit of:

- the transferor’s spouse or common-law partner, or a person who has since become the transferor’s spouse or common-law partner
- the transferor’s **related minor** (such as a child, grandchild, sister, brother, niece, or nephew under 18 years of age at the end of the year)

In either case, any income or loss from that property may have to be reported on the transferor’s return.

### Note

The transferor does not have to report the income of the trust if the related minor turns 18 years of age before the end of the year.

The transferor may also have to report taxable capital gains or allowable capital losses from the disposition of property loaned or transferred to a trust for the benefit of the transferor’s spouse or common-law partner, or a person who has since become the transferor’s spouse or common-law partner.

The property may have been sold to the trust at its fair market value, or loaned to the trust at a prescribed rate of interest, which was paid within 30 days of the tax year-end. If this is the case, any income or loss, or any taxable capital gain or allowable capital loss, from that property is generally income of the trust. For this income, issue the T3 slip to the beneficiary, **not** to the transferor.

An individual can receive a low-interest or interest-free loan from a trust to which another individual transfers property. If the two individuals do not deal at arm’s length, you will normally be required to report the income from that loaned property or any property substituted for it on the trust’s return. This is not the case if the income is attributable to another individual. This also applies to an arm’s length commercial loan that the individual uses to repay the original low-interest or interest-free loan.

If the trust's terms are such that the transferred property may revert to the transferor, or if the transferor keeps a certain degree of control over the property, see "Exceptions and limits to income allocations" on this page.

If the income from loaned or transferred property is to be included on the transferor's return, you generally have to report it on the trust's return. Issue a T3 slip reporting the income as that of the transferor.

For more information about transfers and loans of property, see Guide T4037, *Capital Gains*, and the following interpretation bulletins:

IT-286 *Trusts – Amount Payable*

IT-369 *Attribution of Trust Income to Settlor*, and its Special Release

IT-510 *Transfers and Loans of Property Made After May 22, 1985 to a Related Minor*

IT-511 *Interspousal and Certain Other Transfers and Loans of Property*

## Exceptions and limits to income allocations

Generally, trust income is allocated to beneficiaries, or taxed in the trust, according to the provisions of the will or trust document, with the following exceptions and limits:

- A post-1971 spousal or common-law partner trust (other than one created before December 21, 1991), joint spousal or common-law partner trust, or alter ego trust cannot deduct amounts payable in a tax year to anyone except one of the following:
  - for a trust that was a post-1971 spousal or common-law partner trust on December 20, 1991, or a spousal or common-law partner trust created after December 20, 1991, the beneficiary spouse or common-law partner, while the beneficiary spouse or common-law partner is alive
  - for a joint spousal or common-law partner trust, the settlor or the beneficiary spouse or common-law partner while either one of them is alive
  - for an alter ego trust, the settlor while the settlor is alive
- A post-1971 spousal or common-law partner trust, joint spousal or common-law partner trust, or alter ego trust cannot deduct the allocation of any income realized from deemed dispositions of capital property, land inventory of the trust's business, and Canadian and foreign resource property that arose on the death of one of the following:
  - for a post-1971 spousal or common-law partner trust, the beneficiary spouse or common-law partner
  - for a joint spousal or common-law partner trust, the settlor or the beneficiary spouse or common-law partner, whichever is later
  - for an alter ego trust, or a trust to which property was transferred by an individual (other than a trust) where the transfer did not result in a change in beneficial ownership of that property and no person (other than the individual) has any absolute or contingent right

as a beneficiary under the trust, the day on which the death of the individual occurs

- for the deemed payment from an AgriInvest Fund 2, the beneficiary spouse or common-law partner
- The trust cannot deduct income from payments out of an AgriInvest Fund 2 unless one of the following conditions are met:
  - the trust is a testamentary spousal or common-law partner trust and this income was received while the beneficiary spouse or common-law partner was alive
  - the trust is a communal organization
- Under subsection 75(2) of the Act, certain inter vivos trusts resident in Canada and which were created after 1934 may have property (or property substituted for it) that:
  - may revert to the contributor
  - may be distributed to beneficiaries determined by the contributor at a time after the trust was created
  - may only be disposed of with the consent of, or at the direction of, the contributor while the contributor is alive or exists

Certain related amounts, including taxable capital gains and allowable capital losses from that property or the substituted property, are considered to belong to the contributor during the contributor's life or existence while a resident of Canada. The trust must still report the amount on the trust's T3 return and issue a T3 slip reporting the amount as that of the contributor of the property. For more information, see Interpretation Bulletin IT-369, *Attribution of Trust Income to Settlor*, and its Special Release.

The attribution rules in subsection 75(2) apply only in respect of property held by a trust that is factually resident in Canada. However, similar provisions exist in section 94 to apply to trusts that are deemed resident. Contact the Winnipeg Tax Centre at one of the numbers listed at page 19 for more information on how these rules apply.

- A trust cannot allocate capital losses and non-capital losses to beneficiaries of a trust except:
  - capital losses, if it is an insurance-related segregated fund trust
  - losses of revocable trusts and from blind trusts. Report these losses in brackets in the appropriate box on a separate T3 slip for the beneficiary. Clearly indicate the type of loss in the footnote area below box 26 on the T3 slip
- We consider income that was not paid or payable to a beneficiary to be allocated (as defined on page 5) to a beneficiary if he or she has a vested right to its income, and:
  - the trust is resident in Canada throughout the year
  - the beneficiary is under 21 years of age at the end of the year

- the beneficiary’s right to income is vested by the end of the year, it did not become vested due to the exercise or non-exercise of a discretionary power by any person, and it is not subject to any future condition other than the condition that the beneficiary survive to an age of not more than 40 years

■ The amount of income that can be allocated to a beneficiary may be limited if:

- a beneficiary’s share of the income of the trust is less than his or her capital interest in the trust
- the beneficiary is a designated beneficiary as described on page 52 and the trust was not resident in Canada throughout the tax year

■ When a trust resident in Canada distributes property to a beneficiary and the trust realizes a capital gain, the trust can elect to treat the income as taxable in the trust. That is, the taxable capital gain will not be considered payable to the beneficiary if the trust:

- was resident in Canada when it distributed the property
- filed an election with its T3 return for the year, or a preceding tax year, in which the property was distributed

The election can be made for distributions to all beneficiaries or only for distributions to non-resident beneficiaries. The trust may have filed such an election in the current year or any preceding year. If this is the case, calculate the trust’s income available for allocation to a beneficiary without taking into consideration any gains realized on the distribution of property to beneficiaries covered by the election while the trust was resident in Canada.

- A deemed resident trust is limited in the amounts that it can allocate to non-resident beneficiaries. For more information, contact the Winnipeg Tax Centre at one of the numbers listed on page 19.
- For tax years that end after March 4, 2010, a resident contributor to a deemed resident trust may elect to include in computing their income, a portion of the income earned by the trust. Generally, this portion is equal to the amount of the resident contributor’s contribution to the trust as a percentage of all contributions made by all resident and connected contributors. The amount included in the electing contributor’s income will be deemed to be income from property from a source in Canada, unless the amount is designated by the trust under paragraph 94(16)(c).

A valid election must be filed in writing, on or before the contributor’s filing due date for the first tax year for which the election is to take effect. A valid election must also include the trust’s Canadian tax account number, and proof that the contributor has notified the trust of the contributor’s intention to become an electing contributor no later than 30-days after the trust’s tax year that ends in the initial year. This is an irrevocable election. Once a resident contributor has chosen to become an electing contributor, they will continue to be an electing contributor for all subsequent tax years.

The trust may deduct, from its income for the tax year, an amount equal to the amount included in calculating the electing contributor’s income as a result of this election. The trust must still report the amount on the trust’s T3 return and issue a T3 slip reporting the amount as that of the electing contributor of the property. For more information, contact the Winnipeg Tax Centre at one of the numbers listed on page 19.

## Income to be taxed in the trust ▲

You can choose to report income on the trust return, rather than report it in the hands of the beneficiaries, as long as the trust is:

- resident in Canada throughout the year
- not exempt from tax
- not a specified trust (as defined in “Chart 1 – Types of Trusts” on page 8)

This applies to income paid or payable to beneficiaries.

You make this choice by indicating on line 472 of the return for the year that you are making a **designation under subsection 104(13.1)**. Once you make this choice, you cannot deduct on line 47 the income designated in the election. An example of when you might use this designation is in a year when a trust has taxable income and a non-capital loss carryforward.

Once you make the choice, you have to make it for each beneficiary. It reduces a beneficiary’s income from the trust by that beneficiary’s proportionate share of the income reported on the trust’s return. We show you how to calculate the proportionate share in the following section.

You can make a similar **designation under subsection 104(13.2)** if taxable capital gains are included in the income reported on the trust’s return. This will reduce the beneficiary’s taxable capital gains from the trust by that beneficiary’s proportionate share of taxable capital gains reported on the trust’s return.

An example of when you might want to make the subsection 104(13.2) designation is when you are able to use the trust’s non-capital loss or net capital loss carryforward to absorb the current-year taxable capital gain.

Generally, amounts designated under subsections 104(13.1) and 104(13.2) will reduce the adjusted cost base of a beneficiary’s capital interest in the trust unless the interest was acquired for no consideration and the trust is a personal trust.

If you choose to designate any portion of the beneficiary’s income to be reported on the trust return:

- enter the amount on line 472 of the return
- attach a statement to the return showing the income you are designating and the amounts you are designating for each beneficiary

Designations under subsections 104(13.1) and (13.2) to retain and tax income or capital gains in the trust are restricted after 2015 as a result of subsection 104(13.3). Subsection 104(13.3) ensures that these designations are

made only to the extent that the trust has a nil taxable income for the year in which the designation is made.

### Proportionate share formulas

Use the following formulas to calculate designations under subsections 104(13.1) and 104(13.2). You have to apply these formulas to each beneficiary. A trust cannot use these designations to tax one beneficiary's share in the trust and allocate another share to a beneficiary unless the trust agreement entitles one beneficiary to the trust's income and another beneficiary to the trust's capital.

#### Subsection 104(13.1)

$$A \div B \times C$$

where:

**A** = beneficiary's share of trust income (calculated without reference to the Act)

**B** = total of amount A for all beneficiaries

**C** = trust income designated under subsection 104(13.1)

#### Subsection 104(13.2)

$$A \div B \times C$$

where:

**A** = beneficiary's share of the taxable capital gains of the trust calculated under the Act

**B** = total of amount A for all beneficiaries

**C** = net taxable capital gains designated under subsection 104(13.2)

### Example

A trust's income is \$9,000: investment income of \$6,000 and taxable capital gains of \$3,000. Both are shared equally between the trust's two beneficiaries, Josh and Ashley. The trust has \$6,000 in losses from prior years to apply: a non-capital loss of \$5,000 and a net capital loss of \$1,000. Therefore, the trustee decides to report \$6,000 of income on the trust return by designating \$5,000 under subsection 104(13.1) and \$1,000 of taxable capital gains under subsection 104(13.2), against which the losses are applied.

Determine the amount designated under subsection 104(13.1) for Josh as follows:

$$A \div B \times C$$

$$\$3,000 \div \$6,000 \times \$5,000 = \$2,500$$

Therefore, the amount designated for Josh is \$2,500. Because Ashley shares equally, her calculation is the same.

Determine the amount designated under subsection 104(13.2) for Josh as follows:

$$A \div B \times C$$

$$\$1,500 \div \$3,000 \times \$1,000 = \$500$$

Therefore, the amount designated for Josh is \$500. Because Ashley shares equally, her calculation is the same.

### Preferred beneficiary election

A trust and a preferred beneficiary can jointly elect, in the year, to include in a preferred beneficiary's income for that year, all or part of the trust's accumulating income for the year. You can deduct the elected amount from the trust's income, up to the amount of the accumulating income. The elected amount for a preferred beneficiary must not be more than the allocable amount of the trust's total accumulating income. We define "preferred beneficiary" on page 6.

The preferred beneficiary election cannot be made by the trusts listed under "Exemption from Form T1055 deemed dispositions" on page 39.

For the trusts listed below, you can only make the election for the following:

- a spousal or common-law partner trust, in respect of the beneficiary spouse or common-law partner while the beneficiary spouse or common-law partner is alive
- a joint spousal or common-law partner trust, in respect of the settlor or the beneficiary spouse or common-law partner while either of them is alive
- an alter ego trust, in respect of the settlor while the settlor is still alive

A trust's accumulating income for the year is generally its income for the year after deductions, but without regard to amounts allocated under preferred beneficiary elections.

Accumulating income **does not** include the income from the deemed disposition of capital property, land inventory, or resource property on the death of:

- the beneficiary spouse or common-law partner, for a spousal or common-law partner trust
- the settlor or the beneficiary spouse or common-law partner, whichever is later, for a joint spousal or common-law partner trust
- the settlor, for an alter ego trust

Accumulating income also **does not** include income arising from the deemed disposition of property to a beneficiary that results in a disposition of all or part of the beneficiary's capital interest in the trust, when the property is distributed to a beneficiary other than all of the following:

- the beneficiary spouse or common-law partner for a post-1971 spousal or common-law partner trust if the beneficiary spouse or common-law partner is alive
- the settlor or the beneficiary spouse or common-law partner, for a joint spousal or common-law partner trust if either of them is alive
- the settlor, for an alter ego trust, if the settlor is alive

Accumulating income of a trust **does not** include amounts paid or deemed to have been paid from an AgriInvest Fund 2. However, a preferred beneficiary election can include these amounts paid to a testamentary spousal or common-law partner trust while the beneficiary spouse or common-law partner was still alive.

## Note

Accumulating income is calculated as if you have deducted the maximum amount of income that became payable in the year to the beneficiaries.

You can make a preferred beneficiary election for a tax year by filing the following:

- a statement making the election for the year, stating the part of the accumulating income on which you are making the election, and signed by both the preferred beneficiary (or guardian) and the trustee with the authority to make the election
- a statement signed by the trustee showing the calculation of the amount of the beneficiary's share of the accumulating income, and indicating the beneficiary's social insurance number, his or her relationship to the settlor of the trust, and whether one of the following conditions is met:
  - the beneficiary is claiming a disability amount
  - a supporting individual is claiming a disability amount for that beneficiary (if **yes**, provide the name, address, and social insurance number of the supporting individual)
  - the beneficiary is 18 years of age or older, and in the beneficiary's tax year that ends in the trust's tax year, another individual can claim an amount for an infirm dependant age 18 or older for that beneficiary, or could claim the amount if the beneficiary's income is calculated before including the income from the preferred beneficiary election. If this is the case, provide a statement from the medical practitioner confirming the beneficiary's impairment in the first year the claim is made

File the election with the return or separately, no later than 90 days after the end of the trust's tax year for which the election was made. For a preferred beneficiary election to be valid, you have to file it on time. If you file the election late, we will tax the accumulating income in the trust. For more information regarding late-filed or amended elections, see "Elections" on page 21.

If you are making a preferred beneficiary election, see Interpretation Bulletin IT-394, *Preferred Beneficiary Election*.

## Preferred beneficiary election and the qualified disability trust election

The introduction of the qualified disability trust (QDT) provisions has not restricted the availability of the preferred beneficiary election, nor have there been any changes to the method in which a preferred beneficiary election is made. Many of the requisite conditions for making a preferred beneficiary election differ from those required for a trust to be a QDT. Accordingly, where the respective conditions of each election are met, the trust has the ability to choose whether to make a preferred beneficiary election or a QDT election. It is also possible for a trust which elects to be a QDT to also make a preferred beneficiary election (jointly with the beneficiary) in a given tax year.

## How to complete Schedule 9 ▲

Report allocated income using the columns provided:

Column 1 – income paid or payable to **resident** beneficiaries

Column 2 – income paid or payable to **non-resident** beneficiaries

Column 3 – income allocated by a **preferred beneficiary election**

For more information, see the appropriate column heading in the following sections. Any amounts allocated to a beneficiary on lines 921 to 926 and on line 949 are generally deducted from the trust's income.

Before allocating income to the beneficiaries, you must first take into consideration the trust's expenses. If the trust claimed expenses on line 41 of the return, deduct them from the specific source of income to which the expense relates. If the expense relates to more than one source of income, you must divide it between the applicable sources of income. The trust can then allocate the remaining income to the beneficiaries.

### Column 1 – Resident ▲

Include in this column, allocations and designations of income paid or payable to resident beneficiaries. If the income is allocated, but no amounts are designated, enter the total amount on line 926. If you are designating the income, enter the amounts on the appropriate lines. In addition, use Part B for other amounts you are designating to the beneficiaries.

For more information, see:

- "Allocations and designations" on page 43
- Interpretation Bulletin IT-286, *Trusts – Amount Payable*
- Interpretation Bulletin IT-342, *Trusts – Income Payable to Beneficiaries*

### Column 2 – Non-resident ▲

Include in this column, allocations and designations of income paid or payable to non-resident beneficiaries. If the income is allocated, but no amounts are designated, enter the total amount on line 926. Report the total of the amounts in column 2 as estate or trust income on an NR4 slip, not on a T3 slip.

Most amounts paid or payable to non-resident beneficiaries are subject to a Part XIII withholding tax. For more information, see "Part B – Calculating Part XIII non-resident withholding tax" on page 53. Enter the total of column 2 on line 15 of Schedule 10.

If you allocate certain income to non-resident beneficiaries, the trust may also be subject to Part XII.2 tax. When allocating such income, include the full amount before deducting Part XII.2 tax. For more information, see "Schedule 10 – Part XII.2 Tax and Part XIII Non-Resident Withholding Tax" on page 51.



### Column 3 – By preferred beneficiary election ▲

A trust and a preferred beneficiary can jointly elect to have the trust's accumulating income taxed in the hands of the preferred beneficiary. Use column 3 to allocate and designate the elected accumulating income. Complete a separate T3 slip for this income.

You can designate all of the following types of income under a preferred beneficiary election:

- taxable capital gains (line 921)
- actual amount of dividends from taxable Canadian corporations, both eligible dividends (line 949) and dividends other than eligible dividends (line 923)
- foreign business income (line 924)
- foreign non-business income (line 925)

You have to make the designations on the trust's return for the year in which you include the relevant amounts in the trust's income. If the income is allocated but no amounts are designated, enter the total amount on line 926. If you are designating the income, enter the amounts on the appropriate lines. In addition, use Part B for other amounts you are designating to the beneficiaries.

### Part A – Total income allocations and designations to beneficiaries Lines 921 to 928 and 949 ▲

Answer all six questions, and attach any necessary statements. For information about income attributed to the transferor, see "Transfers and loans of property" on page 44.

#### Line 921 – Taxable capital gains ▲

You can allocate all or part of a Canadian resident trust's net taxable capital gains to a beneficiary. If you designate this amount, we consider it to be the beneficiary's taxable capital gain.

A trust's **net taxable capital gain** is the amount by which the total of the trust's taxable capital gains for a tax year (which includes, amounts that are deemed to be taxable capital gains to the trust for the year), is **more** than the total of:

- the trust's allowable capital losses for the tax year (except, allowable business investment losses)
- net capital losses of other years deducted in calculating the trust's taxable income for the tax year

When calculating the maximum net taxable capital gains available for designation in the current year, you have to reduce the net taxable capital gains (as calculated above) by both of the following:

- Any expenses the trust incurred to earn income included on line 01 of the return.
- Amounts designated under subsection 104(13.2) to be taxed in the trust, other than amounts for which a deduction has been claimed on line 52. For more

information, see "Income to be taxed in the trust" on page 46.

#### Note

If the amount on line 01 includes any deemed taxable capital gains (including gifts of capital property), call **1-800-959-8281** for more information.

You have to include both of the following in the amounts you enter on line 921:

- capital gains distributions designated as payable by a mutual fund trust to a non-resident beneficiary
- net taxable capital gains allocated by a trust governed by an employee benefit plan

If you complete line 921 and you are allocating capital gains eligible for the capital gains deduction, you also have to complete line 930. The only taxable capital gains eligible for this deduction are from the disposition of qualified farm or fishing property made after May 1, 2006, and qualified small business corporation shares.

#### Line 922 – Lump-sum pension income ▲

In a year throughout which a testamentary trust was a resident of Canada, it can designate to a beneficiary all of the following:

- certain pension income
- superannuation benefits
- amounts received from a deferred profit sharing plan

Complete Schedule 7, *Pension Income Allocations and Designations*. Enter on line 922, those amounts from Schedule 7 that qualify for a transfer to a registered pension plan or a registered retirement savings plan.

#### Line 923 – Actual amount of dividends other than eligible dividends ▲

Enter on this line the trust's actual amount of dividends other than eligible dividends designated to beneficiaries of the trust in the year.

#### Line 924 – Foreign business income ▲

Enter on line 924 the trust's foreign business income designated to the beneficiaries in the year.

#### Line 925 – Foreign non-business income

Enter all foreign non-business income designated to beneficiaries. This may include income from a foreign pension or interest from foreign sources.

#### Line 926 – Other income ▲

Enter on this line all income allocated to beneficiaries that is not shown on lines 921 to 925 or line 949. This includes business, farming, fishing, or rental income, interest or pension income (other than from foreign sources and lump-sum pension income included on line 922), death benefits, retiring allowances, and dividends under a dividend rental arrangement. Include the amount of any taxable benefits to resident beneficiaries under the trust, unless the amounts are included on lines 921, 923 or 949.

#### Note

The total of the taxable benefits included on lines 921, 923, 926 and 949 should be the same as the total taxable benefits reported on line 45 of the T3 return.

A graduated rate estate may be able to designate, in a year throughout which it was a resident in Canada, a lump-sum payment out of a registered pension plan to a beneficiary to acquire an annuity. Include these amounts from Schedule 7, *Pension Income Allocations and Designations*, on line 926. Show on line 946 the amount that qualifies for a transfer.

#### Line 949 – Actual amount of eligible dividends ▲

Enter the actual amount of net eligible dividends, after related expenses, designated to beneficiaries in the year.

#### Line 928 – Totals ▲

The total of lines 921 to 926, plus line 949 is the income allocated to the beneficiaries. The amount cannot be more than “Income before allocations” on line 46 of the return.

#### Part B – Summary of other amounts designated to beneficiaries

##### Lines 930 to 951 ▲

Complete this area only when there are designations, such as dividends from taxable Canadian corporations, foreign taxes paid for credit purposes, and pension income or retiring allowances qualifying for a transfer.

#### Line 930 – Taxable capital gains eligible for deduction

A personal trust that makes a designation on line 921 and has eligible taxable capital gains, also has to designate a portion of the trust’s eligible taxable capital gains to the beneficiary for the beneficiary’s capital gains deduction.

Calculate the trust’s eligible taxable capital gains on Schedule 3. Enter on line 930, the **lesser** of the following amounts:

- the amount on line 921
- the amount on line 34 of Schedule 3 **minus** the amount of business income allocated at line 926 from the disposition of eligible capital property that is qualified farm or fishing property eligible for the capital gains deduction

#### Line 931 – Qualifying pension income ▲

Enter those amounts from Schedule 7, *Pension Income Allocations and Designations*, that qualify for the pension income amount. You can make this designation only if the beneficiary was the spouse or common-law partner of the deceased, and if the trust received the benefits of a life annuity from a superannuation or pension plan.

#### Line 932 – Taxable amount of dividends other than eligible dividends ▲

If you are designating dividends other than eligible dividends to a beneficiary who is either an individual or a trust (other than a registered charity), enter the result of the amount from line 923 multiplied by 1.17.

#### Line 933 – Foreign business income tax paid

Enter the trust’s foreign business income tax paid and designated to the beneficiaries of the trust in the year on line 933.

#### Line 934 – Foreign non-business income tax paid

If you are designating a foreign tax credit to a beneficiary, you have to submit an official receipt or information slip from the foreign country. This is necessary to support the claim that the trust paid foreign non-business income tax, or that it was withheld from foreign non-business income the trust earned.

The portion of foreign taxes you designate to a beneficiary has to be in proportion to the foreign income you designate to that beneficiary. You have to convert any foreign taxes paid in foreign currency to Canadian funds.

For more information, see Income Tax Folio S5-F2-C1, *Foreign Tax Credit*, Interpretation Bulletin IT-201, *Foreign Tax Credit – Trusts and Beneficiaries*, and see “Line 23 – Federal foreign tax credit” on page 55.

#### Line 935 – Eligible death benefits ▲

A testamentary trust may receive a payment as a result of the employee’s death to recognize the employee’s service in an office or employment. Such a payment is usually from the deceased person’s employer or from a trust fund the employer established. This payment may qualify as a **death benefit**, and the trust may be able to exclude up to \$10,000 of the amount from income.

If you allocate the total death benefit to a single beneficiary according to the provisions of the will, the beneficiary may be able to exclude up to \$10,000 of the payment from income. Enter on line 935, the amount from line 926 eligible for this exclusion.

If you allocate the total death benefit to more than one beneficiary, apportion the amount eligible for this exclusion among those beneficiaries. The total eligible amount apportioned cannot exceed \$10,000. The beneficiaries can use this information to calculate the taxable portion that they have to report on their T1 returns.

If you exclude the eligible death benefit from the trust’s income, only the taxable portion flows out to the beneficiary. Report only the taxable portion of the death benefit on line 19 of the T3 return. For more information, see “Line 19 – Other income” on page 26.

#### Line 937 – Insurance segregated fund net capital losses

Enter the designated portion of net capital losses from the disposition of property by an insurance segregated fund.

#### Line 938 – Part XII.2 tax credit

Calculate the amount for line 14 of Schedule 10, and enter it here. Generally, you can designate the Part XII.2 tax credit only to those resident beneficiaries to whom you allocated income in column 1 of line 928, Schedule 9.

**Line 939 – Dividend tax credit for dividends other than eligible dividends** ▲

Enter the result of the amount from line 932 multiplied by 10.5217%.

**Lines 940 and 941 – Investment tax credit (ITC)**

For 2016 and subsequent years, only graduated rate estates and communal organizations that are deemed to be inter vivos trusts can designate an ITC to their beneficiaries.

Complete Part A of Form T2038(IND), *Investment Tax Credit (Individuals)*, to calculate the amount of the investment cost or expenditure and the ITC available. You will need the eligible amounts the trust invested to acquire property and the eligible expenditures for this part of the form.

You have to reduce the trust's ITC by any amount allocated to beneficiaries.

Enter the beneficiaries' share of the trust's investment cost or expenditures on line 940. You need this amount to determine the amount of the ITC you can designate to each beneficiary.

Enter on line 941, the amount of the trust's ITC from Form T2038(IND) that you designated to a beneficiary and did not deduct on line 26 of the trust's Schedule 11.

**Line 942 – Amount resulting in cost base adjustment**

Enter the amount by which the cost base of a beneficiary's interest in the trust may be reduced or increased.

**Note**

If you issued new units to a beneficiary in satisfaction of a distribution of income, **do not** include that amount here. Instead, advise the beneficiary that you have issued these units, as well as the number of units and their value.

**Line 945 – Other credits**

**Research and development tax credit**

This credit is available to a trust resident in Newfoundland and Labrador, or Yukon. Enter the amount of this credit that you designated to a beneficiary and did not deduct on page 4 of the return. For more information, see "Line 91 – Other credits" on page 31.

**Line 946 – Pension income qualifying for an eligible annuity for a minor** ▲

Enter those amounts from Column D of Schedule 7, *Pension Income Allocations and Designations*, that qualify for an eligible annuity for a minor on line 946.

**Line 947 – Retiring allowance qualifying for transfer to an RPP or an RRSP**

Enter any retiring allowance eligible for a transfer to an RPP or an RRSP on line 947.

**Line 948 – Eligible amount of charitable donations**

Enter charitable donations designated to the beneficiaries of a communal organization on line 948.

**Line 950 – Taxable amount of eligible dividends** ▲

If you are designating eligible dividends to a beneficiary who is either an individual or a trust (other than a registered charity), enter the result of the amount from line 949 multiplied by 1.38.

**Line 951 – Dividend tax credit for eligible dividends** ▲

Enter the result of the amount from line 950 multiplied by 15.0198%.

**Schedule 10 – Part XII.2 Tax and Part XIII Non-Resident Withholding Tax**

Complete Schedule 10 if the trust is allocating income to designated beneficiaries where the trust has specified income (see the next section for details). The total of Part XII.2 and Part XIII tax is approximately equal to the Part I tax, plus provincial or territorial taxes, that would apply to the income if the beneficiaries were resident in Canada.

**Tax tip**

If the trust is a non-resident trust with investments in Canadian mutual funds, it may have paid Part XIII.2 tax during the tax year. The trust may be eligible to claim a refund of this tax. The trust may also qualify if it realized a Canadian mutual fund loss during the tax year. If this applies to you, see Form T1262, *Part XIII.2 Tax Return for Non-Resident's Investments in Canadian Mutual Funds*.

**Part A – Calculating Part XII.2 tax and the refundable Part XII.2 tax credit**  
Lines 1 to 14

Pay any Part XII.2 tax no later than 90 days after the trust's tax year-end.

Part XII.2 tax **applies** when a trust meets all of the following conditions:

- has specified income as described on this page
- has a designated beneficiary as described on this page
- allocates or designates any of its income

Part XII.2 tax **does not** apply to a trust that was one of the following throughout the year:

- a graduated rate estate
- a mutual fund trust
- a specified trust (as defined in "Chart 1 – Types of Trusts" on page 8), unless the trust is a related segregated fund trust, a retirement compensation arrangement trust, a trust whose direct beneficiaries are specified trusts, a trust governed by an eligible funeral arrangement, a cemetery trust and, in certain circumstances, an amateur athlete trust

- a trust that was exempt from Part I tax under subsection 149(1)
- a non-resident trust
- a deemed resident trust

### Specified income

Specified income of a trust generally means its taxable capital gains or allowable capital losses from the disposition of taxable Canadian property, certain property transferred to a trust in contemplation of a person beneficially interested in the trust ceasing to be resident in Canada, **and** the total income (or loss) from all of the following sources:

- businesses carried on in Canada
- real properties located in Canada, such as land or buildings
- timber resource properties
- Canadian resource properties the trust acquired after 1971

#### Note

Although the term **designated income** is used in Part XII.2 of the Act, we use specified income in this guide and on Schedule 10 to avoid confusion with the term “designated income” used in other parts of this guide.

### Designated beneficiary

Subject to all of the exclusions listed below, a designated beneficiary for the purpose of Part XII.2 tax includes:

- a non-resident person or a non-resident owned investment corporation
- an entity that is exempt from Part I tax under subsection 149(1), if the interest was ever previously held by a taxable entity
- a trust if any of its beneficiaries is either a trust or a designated beneficiary
- a partnership if any of its members is either a partnership or would be a designated beneficiary if that member held an interest in a trust

A designated beneficiary **does not** include any of the following:

- a mutual fund trust resident in Canada
- a graduated rate estate
- an RRSP or RRIF that acquired its interest directly or indirectly from its beneficiary, the beneficiary’s spouse or common-law partner, or former spouse or common-law partner
- an entity that is exempt from Part I tax if its interest in the trust has been owned continuously since October 1, 1987, or the date on which the trust was created, by one or more entities that are exempt from Part I tax under subsection 149(1)
- a partnership, which would otherwise be a designated beneficiary, where no members of the partnership are designated beneficiaries and the partnership’s interest

in the trust has never been held by anyone other than the partnership or an entity that is exempt from Part I tax under subsection 149(1)

- a trust, the beneficiaries of which are all either trusts that have no designated beneficiaries, or persons who are not designated beneficiaries

A designated beneficiary is usually not entitled to the refundable tax credit for Part XII.2 tax that the trust paid. This means that you will generally not complete box 38 on the T3 slip for a designated beneficiary who is a Canadian resident. Also, before you calculate Part XIII non-resident withholding tax, you have to reduce the income payable to a non-resident beneficiary by the non-resident’s share of the Part XII.2 tax. For more information, see “Line 13 – (Adjustment for Part XIII tax purposes)” on the previous page.

### Eligible beneficiary

This term is used for a beneficiary who is not a designated beneficiary as described on this page. An eligible beneficiary is generally a Canadian resident who is entitled to a refundable Part XII.2 tax credit in proportion to the share of allocated or designated trust income. You have to include an amount equal to the Part XII.2 tax credit in the income allocated to the beneficiary. In effect, this credit replaces the income that the beneficiary would have received if the trust did not have to pay Part XII.2 tax.

### Line 6 – Total specified income

This is the total of lines 1 to 5, which represents the specified income of the trust. Part XII.2 tax does not apply if the amount on line 6 is negative.

### Lines 7, 8, 10, and 11 – Adjusted amounts allocated and designated to beneficiaries

Enter on line 7, the amount from column 1 of line 928, Schedule 9. Enter on line 8, the amount from column 2 of line 928, Schedule 9. Enter on line 10, the taxable benefits you reported on line 44 of the return.

Line 11 represents both of the following amounts:

- the deduction from trust income for the portion of the trust’s income you allocated to resident and non-resident beneficiaries, to be included in their income
- the deduction from trust income for the Part XII.2 tax the trust paid for the year

Withhold the Part XII.2 tax from income you distribute to the beneficiaries.

### Line 12 – Part XII.2 tax payable

Multiply by 40%, the **lesser** of the amount on line 6 and the amount on line 11. Enter the result on line 83 of the return.

### Line 13 – (Adjustment for Part XIII tax purposes)

Calculate the amount of Part XII.2 tax that you attribute to non-resident beneficiaries. Transfer the amount from line 13 to line 21 to reduce the income subject to Part XIII tax.

## Line 14 – Part XII.2 refundable tax credit for eligible beneficiaries

This is the amount of Part XII.2 tax attributable to eligible beneficiaries. It is also the amount eligible for the Part XII.2 refundable tax credit for these beneficiaries.

If there is more than one eligible beneficiary, use the formula below to determine the amount of refundable tax credit to report in box 38 of the T3 slip for each eligible beneficiary:

$$A \times B \div C$$

where:

- A** = Part XII.2 tax paid by the trust (line 12)
- B** = each eligible beneficiary's share of the amount from line 11 (the trust income you allocated to the eligible beneficiaries)
- C** = adjusted allocations or designations for the year (line 11)

## Part B – Calculating Part XIII non-resident withholding tax

### Lines 15 to 27

Complete this part if the trust allocated income to non-resident beneficiaries.

## Line 18 – Taxable capital gains distributions designated as payable by a mutual fund trust

After March 22, 2004, a mutual fund trust that designates more than 5% of its capital gains distributions to non-resident beneficiaries (including any partnership that is not a Canadian partnership) must do an additional calculation for line 18. If this applies to the trust, complete lines 28 to 47 at the bottom of Part B. Enter the amount from line 43 of Schedule 10 on line 18.

## Line 20 – Amounts not subject to Part XIII tax: Other

One example of an amount to enter on this line is an amount you paid or credited to a beneficiary resident in the United States, when the amount is derived from income sources outside Canada and it is not subject to withholding tax under the *Canada – U.S. Tax Convention*.

## Line 21 – (Part XII.2 tax amount)

On this line, enter the amount from line 13, which is the amount of Part XII.2 tax you attribute to designated beneficiaries.

## Line 23 – Taxable Canadian property gains distributions for non-resident beneficiaries

A mutual fund trust that designates more than 5% of its capital gains distributions to non-resident beneficiaries (including any partnership that is not a Canadian partnership) must include a portion of the distributions when calculating Part XIII tax. Enter the amount calculated at line 42 of Schedule 10 on line 23.

## Lines 25 to 27 – Non-resident tax payable

Complete the rest of this schedule by referring to the NR4 return for the trust.

Every non-resident person has to pay Canadian income tax of 25% under Part XIII of the Act, unless a tax treaty or convention provides a lower rate. Part XIII tax is paid on amounts that a Canadian trust paid or credited, or is considered to have paid or credited, to non-residents. You have to withhold and remit tax on these amounts. This tax has to be received by the Canada Revenue Agency or a Canadian financial institution on or before the 15th day of the month after the month during which the tax was withheld.

Calculate the amount of non-resident tax payable and any balance due by following the steps in Part B of Schedule 10. Send any balance due to us, with Form NR76, *Non-Resident Tax – Statement of Account*, which is a combined remittance statement and receipt.

If you are remitting Part XIII tax for the first time, send us a statement with the trust's name and address, the type of payment (Part XIII tax), and the month during which you withheld the tax. When we receive the payment, we will issue Form NR76. You can use the bottom portion for remitting future payments.

You also have to complete an NR4 Summary, *Summary of Amounts Paid or Credited to Non-Residents of Canada*, and an NR4 slip, *Statement of Amounts Paid or Credited to Non-Residents of Canada*.

For more information on non-resident income tax, see:

- Information Circular IC76-12, *Applicable rate of part XIII tax on amounts paid or credited to persons in countries with which Canada has a tax convention*
- Information Circular IC77-16, *Non-Resident Income Tax*
- Interpretation Bulletin IT-465, *Non-Resident Beneficiaries of Trusts*

### Example

An inter vivos trust resident in Canada has two beneficiaries: Karson, a resident of Canada who is an **eligible** beneficiary, and Teagan, a non-resident who is a **designated** beneficiary. Each beneficiary is entitled to receive an equal share of the trust income that is distributed annually.

The trust has \$1,400 net income for the year, which includes net business income (from a business carried on in Canada) of \$1,000, and net interest income of \$400.

On Schedule 10, the trustee would do all of the following:

- enter \$1,000 on lines 1 and 6, since there are no other sources of specified income (the \$400 interest is not specified income)
- enter \$1,400 on line 11, since this is the total amount from columns 1 and 2 of line 928 of Schedule 9
- enter the **lesser** of lines 6 (\$1,000) and 11 (\$1,400) in the calculation area for line 12
- multiply \$1,000 by 40%, and enter the result (\$400) on line 12
- calculate the amount that is not subject to Part XIII non-resident tax by completing the calculation area for line 13 (divide \$700 by \$1,400 and multiply by \$400). Enter the result (\$200) on line 13 and on line 21

- calculate the amount of refundable Part XII.2 tax credit on line 14 by subtracting line 13 (\$200) from line 12 (\$400). Enter the result (\$200) in box 38 on the T3 slip

Karson received \$500, but he will include \$700 (\$500 + \$200) in his income for the year. This amount, which is entered in box 26 on the T3 slip, is the 50% portion of the trust income distributed to him under the terms of the trust agreement. On his T1 return he will claim a refundable Part XII.2 tax credit of \$200.

Teagan received \$500. This amount, which is entered on the NR4 slip, is the 50% of the trust income distributed to her under the terms of the trust agreement. On Schedule 10, the trustee reduces the total income paid or payable to non-resident beneficiaries (line 15) by the Part XII.2 tax (line 21). Line 24 (\$700 – \$200 = \$500) is the amount subject to non-resident tax.

## Completing the NR4 return

Guide T4061, *NR4 – Non-Resident Tax Withholding, Remitting, and Reporting*, explains how to report amounts the trust paid or credited to non-residents of Canada and how to complete and distribute the NR4 return.

Report the total trust income you allocated to a non-resident beneficiary as estate and trust income on the NR4 return. Types of income, except for taxable capital gains from a mutual fund trust, lose their identity when allocated to a non-resident beneficiary. Therefore, you have to total and report them as “Gross income” in box 16 of the NR4 slip. In box 14 or 24, enter an income code of “11” for estate or trust income. Enter a code of “58” if there were taxable Canadian property gains distributions to the non-resident.

File this return no later than 90 days after the end of the trust’s tax year.

## Schedule 11 – Federal Income Tax

Use Schedule 11 to determine the federal income tax payable by the trust.

### Note

The trust may be subject to minimum tax. For more information, see “Schedule 12 – Minimum Tax” on page 58.

## Lines 8 and 9 – Federal tax on taxable income Graduated Rate Estates (GRE) or Qualified Disability Trusts (QDT) ▲

A graduated rate estate or a qualified disability trust is taxed on its taxable income for the year at the federal tax rates for individuals. For more information on these types of trusts, see the description in “Chart 1 – Types of Trusts” on page 14.

### Trusts other than GRE and QDT

Trusts other than a GRE or a QDT are taxed on their taxable income for the year at the highest individual rate of 33%.

In addition, include any tax payable by a specified investment flow-through (SIFT) trust. For more information on SIFT trusts and their tax calculation, go to [canada.ca/cra-sift-trust](http://canada.ca/cra-sift-trust).

## Line 11 – Federal recovery tax ▲

Use this line to enter the result from the calculation on Form T3QDT-WS, *Recovery Tax Worksheet*.

### Recovery Tax

A trust that was a qualified disability trust in a previous tax year is subject to the new recovery tax in a year if one of the following conditions is met:

- The trust ceases during the year to have among its beneficiaries any individuals who in one or more earlier tax years of the trust were electing beneficiaries of the trust. This will include the year in which the electing beneficiary of the trust (or if the trust had more than one electing beneficiary, the last of them) dies.
- The year is the tax year deemed to have ended because the trust ceased to be resident in Canada.
- The trust distributes capital to a beneficiary other than an individual who is an electing beneficiary for a particular year or was an electing beneficiary of the trust in an earlier tax year. The making by the trust of an amount payable out of the trust’s income for a year (i.e., the flowing out of its current income), or the subsequent satisfaction of a beneficiary’s right to enforce such an amount, does not trigger the application of the recovery tax. A payment to a beneficiary in the beneficiary’s capacity as a creditor of the trust also does not trigger the application of the recovery tax.

## Lines 13 to 15 – Federal dividend tax credit ▲

Complete these lines if the trust reported a gross-up amount on line 24 or line 31 of Schedule 8 for dividends received from a taxable Canadian corporation in the tax year.

Calculate the dividend tax credit for eligible dividends by multiplying the gross-up amount from line 24 of Schedule 8 by 54.5455%. Calculate the dividend tax credit for dividends other than eligible dividends by multiplying the gross-up amount from line 31 of Schedule 8 by 72.4138%. Enter the total of these amounts on line 15.

### Note

Foreign dividends do not qualify for this credit.

## Line 16 – Donations and gifts tax credit ▲

Enter the amount from line 31 of Schedule 11A. Attach official receipts for all claims to the return.

## Line 19 – Minimum tax carryover from previous years

If the trust paid minimum tax in the 2010 to 2016 tax years, and does not have to pay minimum tax for the 2017 tax year, you may be able to claim a credit against the trust’s 2017 taxes payable. Use Part 7 of Schedule 12, *Minimum Tax*, to calculate the total minimum tax carryover.

**Tax tip**

You can carry over minimum tax from the seven previous tax years.

**Line 21 – Surtax on income not subject to provincial or territorial tax**

A resident trust that carries on business through a permanent establishment in a foreign country has to pay a federal surtax of 48% of its basic federal tax attributable to the income earned in the foreign country.

A non-resident trust, or a deemed resident trust, pays this tax instead of provincial or territorial tax. However, business income that the trust earned in a province or territory through a permanent establishment in that province or territory is subject to the provincial or territorial tax instead of this 48% surtax.

For more information, see Form T3MJ, *T3 Provincial and Territorial Taxes for 2017 – Multiple Jurisdictions*.

**Line 23 – Federal foreign tax credit**

This credit is available to a resident trust only for foreign income or profit taxes the trust paid on income it received from sources outside Canada. When you calculate the foreign tax credit, convert all amounts to Canadian currency. If the amount was paid at various times throughout the year, to get the applicable rate, go to [canada.ca/cra-exchange-rates](http://canada.ca/cra-exchange-rates) or call 1-800-959-8281.

In general, the foreign tax credit you can claim for each foreign country is the **lesser** of:

- the tax the trust paid to a foreign country
- the tax payable to Canada on the portion of the income the trust earned in the foreign country

Use Form T3 FFT, *T3 Federal Foreign Tax Credits*, to calculate the trust's foreign tax credit. When you complete Form T3 FFT, base the calculation of the credit on foreign income amounts that have been retained by the trust and not allocated to a beneficiary. **Do not** include any amounts relating to the designation of foreign income and foreign tax credits to the beneficiaries. Enter on line 24, the amount from line 10 of Form T3 FFT.

The trust's federal foreign tax credit may be less than the tax paid to a foreign country. The trust can carry unclaimed foreign tax paid on **business income** back 3 years and forward 10 years.

The trust cannot carry forward or carry back excess amounts of any foreign **non-business** income tax. You may be able to claim some or all of the excess as one of the following:

- a provincial or territorial foreign tax credit on Form T3 PFT, *T3 Provincial or Territorial Foreign Tax Credit* (a trust resident in Quebec should contact Revenu Québec about its entitlement to this credit)
- a deduction on line 40 of the return (see Interpretation Bulletin IT-506, *Foreign Income Taxes as a Deduction from Income*)

Attach proof of the tax the trust paid to a foreign country.

For more information, see Income Tax Folio S5-F2-C1, *Foreign Tax Credit*, and Interpretation Bulletin IT-201, *Foreign Tax Credit – Trusts and Beneficiaries*.

**Line 25 – Allowable federal political contribution tax credit**

Claim this credit if the trust contributed to a registered federal political party or to a candidate for election to the House of Commons. Use the chart below to calculate the credit.

For political contributions made after December 20, 2002, you have to deduct any advantage the trust receives as a result of a contribution. This includes the total value at the time the political contribution was made, of all property, services, compensation, or other benefits to which the trust, or a person not dealing at arm's length with the trust, is entitled as partial consideration for, or in gratitude for, the political contribution.

**Note**

After February 27, 2004, if a political contribution is made in the form of a non-cash contribution, the amount to be used as the proceeds of disposition in respect of the property contributed and the amount of the eligible contribution are considered to be the lesser of the property's fair market value and its adjusted cost base.

Enter the total allowable credit on line 25. If the trust's total eligible federal political contributions are \$1,275 or more, enter \$650 on line 25. Attach an official receipt to the return as proof of the contribution. You do not have to attach a receipt for an amount shown in box 36 of a T5013 slip, or in a financial statement showing an amount a partnership allocated to the trust. For more information, see Information Circular IC75-2, *Contributions to a Registered Party, a Registered Association or to a Candidate at a Federal Election*.

### Federal Political Contribution Tax Credit

If your total federal political contributions (line 24 of your Schedule 11) were \$1,275 or more, enter \$650 on line 25 of your Schedule 11.

Otherwise, complete the appropriate column depending on the amount on line 409.

Line 409 is  
**\$400** or less

Line 409 is  
more than **\$400** but  
not more than **\$750**

Line 409 is  
more than **\$750**

Enter your total contributions.

	-	0 00	-	400 00	-	750 00	1
Line 1 minus line 2 (cannot be negative)	=		=		=		2
	×	75%	×	50%	×	33.33%	3
Multiply line 3 by line 4.	=		=		=		4
	+	0 00	+	300 00	+	475 00	5
Add lines 5 and 6 Enter this amount on line 25 of your Schedule 11.	=		=		=		6
							7

### Line 26 – Investment tax credit

A trust can claim an investment tax credit (ITC) on eligible investments and qualified expenditures that are listed on Form T2038(IND), *Investment Tax Credit (Individuals)*. For example, a trust can claim an ITC on certain buildings, machinery, or equipment to be used in certain areas of Canada in qualified activities such as farming, fishing, logging, or manufacturing.

To claim an ITC, you have to send us the completed Form T2038(IND) no later than 12 months after the due date of the return for the year the expenditure occurred.

Attach a completed copy of Form T2038(IND) to the T3 return if the trust:

- earned an ITC in the tax year
- is carrying forward a credit
- had an ITC recapture
- is claiming refundable ITC in the tax year (on line 88 of the T3 return)

Reduce the cost of eligible investments and qualified expenditures by the portion of the credit deducted or refunded. Reduce these costs in the year after the trust:

- claims the credit
- acquired the asset if it:
  - made the claim or refund in the year of acquisition
  - applied the claim to a previous year

For example, the capital cost of property is reduced in 2017 by any ITC that the trust earned in 2016, and that was claimed or refunded on the 2016 return or applied to a previous year.

You will have to report an ITC recapture for the trust if the trust meets the following conditions:

- acquired the property in this or any of the previous 11 tax years

- claimed the cost, or a portion of the cost, of the property as a qualified expenditure for scientific research and experimental development
- included the cost, or a portion of the cost, of the property in calculating the trust's ITC, or was the subject of an agreement to transfer qualified expenditures
- disposed of the property or converted it to commercial use after February 23, 1998

#### Note

An ITC recapture on a portion of the cost of property as described above applies only to dispositions that occur after December 20, 2002.

For 2016 and subsequent tax years, **only** a graduated rate estate and a communal organization that is treated as a trust can designate all or part of its deductible ITC amount to one or more of its beneficiaries, taking into consideration the terms of the trust. For these trusts, when calculating their ITC to be claimed in the year, **do not** include the amount designated on line 941 of Schedule 9. Reduce the cost of the qualified property acquisitions or expenditures by the amount of any ITC that you designated to the beneficiaries in the tax year.

For more information, see Form T2038(IND).

### Line 32 – Additional tax on RESP accumulated income payments

If you received an accumulated income payment from a registered education savings plan (RESP) in the year, you may have to pay an additional tax on all or part of the amount in box 40 of your T4A slip. If this is the case, complete Form T1172, *Additional Tax on Accumulated Income Payments from RESPs*. Enter the amount from line 10 or line 13 (whichever applies) on line 32 of Schedule 11. For more information, see Information Sheet RC4092, *Registered Education Savings Plans*.



## Line 34 – Refundable Quebec abatement ▲

A trust may be entitled to an abatement of 16.5% of its basic federal tax.

If the trust was resident in Quebec on the last day of its tax year and it did not have income from a business with a permanent establishment outside Quebec, complete line 34.

Use Form T3MJ, *T3 Provincial and Territorial Taxes for 2017 – Multiple Jurisdictions*, to calculate the refundable Quebec abatement if one of the following situations applies to the trust:

- the trust was a resident in Quebec and had income from a business with a permanent establishment outside Quebec
- the trust resided outside Quebec and had income from a business with a permanent establishment in Quebec

Enter the result on line 34 of Schedule 11.

## Schedule 11A – Donations and gifts tax credit calculation

Use Schedule 11A to calculate the total donations and gifts tax credit.

### Testamentary trust

#### Estate donations – for deaths that occur after 2015

For deaths that occur after 2015, donations made by will and designation donations are no longer deemed to be made by an individual immediately before the individual's death. Instead, these donations are deemed to be made by the individual's estate and where certain conditions are met, these donations are deemed to be made by the individual's graduated rate estate (GRE). See GRE donations below.

An estate can claim the donations and gifts tax credit in respect of a donation that is not a GRE donation or former GRE donation in the year in which the donation is made or in any of the five following years (or ten years for a gift of ecologically sensitive land made after February 14, 2014). However, the donation cannot be allocated to a tax year of the individual or an earlier year of the estate.

For more information about estate donations for deaths that occur after 2015, go to [canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2014-road-balance-creating-jobs-opportunities/estate-donations-deaths-after-2015.html](http://canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2014-road-balance-creating-jobs-opportunities/estate-donations-deaths-after-2015.html).

#### GRE donations

GRE donations are donations by a GRE to a qualified donee. The donated property must be property that was acquired by the estate on and as a consequence of the death (or property that was substituted for such property). GRE donations also include designation donations.

You can allocate a GRE donation among any of:

- the tax year of the GRE in which the donation is made
- an earlier tax year of the GRE

- the last two tax years of the deceased individual (the final return and the return for the preceding year)

In addition, for 2016 and future tax years, a gift made after the 36 month period but within 60 months after the date of death by a former GRE that continues to meet all of the requirements of a GRE except for the 36 month time limit, can be allocated among any of:

- the tax year of the estate in which the donation is made
- the last two tax years of the deceased individual (the final return and the return for the preceding year)

For more information about estate donations by former GREs, go to [canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2016-growing-middle-class/estate-donations-former-graduated-rate-estates.html](http://canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2016-growing-middle-class/estate-donations-former-graduated-rate-estates.html).

If the donation is not a one-time payment (for example, a donation that will continue to be made according to the terms of the will), treat the recipient as an income beneficiary and deduct the donation as an allocation of trust income on line 47 of the return. You also have to include the donation on the appropriate line of Schedule 9.

#### Estate Donations – for deaths that occur before 2016

For deaths that occur before 2016, donations made by will and designation donations are deemed to have been made by the deceased individual immediately before death. If the donation is a one-time payment provided for in the deceased person's will, do not claim it on the T3 return. Claim the donation on the deceased person's T1 return, either in the year of death or in the year before the year of death, or claim part of the donation on each return.

If the will provides that a donation can be made at the discretion of the trustee, you can do the following:

- choose to treat the recipient as an income beneficiary and deduct the amount on line 47 of the return
- complete Schedule 11A and claim a donations and gifts tax credit on line 16 of Schedule 11

#### Inter vivos trust

If the recipient is an income beneficiary according to the terms of the trust agreement, deduct the donation on line 47 of the return, and include it on the appropriate line of Schedule 9.

#### Note

In limited situations, a distribution by an inter vivos trust to a registered charity may instead qualify for a donations and gifts tax credit on line 16 of Schedule 11; for example, where an alter ego trust makes a distribution to a registered charity following the death of the settlor of the trust, and the trustee had discretion under the terms of the trust indenture to distribute the property either to the qualified donee or to someone else.

If the trust donates an obligation of the trust or of a related person, a share issued by a corporation related to the trust, or any other security issued by a person related to the trust, call 1-800-959-8281.

A communal organization that made charitable donations can choose not to claim them and can elect to designate the donations to beneficiaries. For more information, see Information Circular IC78-5, *Communal Organizations*.

### **Lines 1 to 3 – Donations to registered charities and other qualified donees**

These lines include the eligible amount of all donations made to registered charities and other qualified donees in 2017 plus donations and gifts made in any of the previous five years that have not been claimed before. For a list of qualified donees, see Pamphlet P113, *Gifts and Income Tax*.

### **Line 4 – Donations applied to the last two years of the deceased individual (GREs and former GREs only)**

Use this line to indicate the amount of previously unclaimed donations that you are currently applying to the last two tax years of the deceased individual (the final return and the return for the preceding year).

### **Line 5 – Total eligible amount of charitable donations (total of lines 1, 2, and 3 minus line 4)**

This is the eligible amount of all donations made after 2011, which has not been claimed in any previous year and is not included on line 12.

The eligible amount is the amount by which the fair market value of your gift exceeds any advantage in respect of the gift. There may be situations where the eligible amount may be deemed to be nil or the fair market value may be deemed to be less than the actual fair market value of the property. For more information, see Pamphlet P113, *Gifts and Income Tax*.

### **Line 6 – Donations limit**

For donations of cash or other property to a registered charity or other qualified donee in the tax year, a trust's total donations limit will generally be 75% of its net income for the year.

### **Lines 7 and 8 – Gifts of capital property (including depreciable property)**

A trust can increase its total donations limit if it donates capital property in the year. For more information and how to calculate the amount to be entered on lines 7 and 8, see Pamphlet P113, *Gifts and Income Tax*.

### **Line 11 – Eligible amount of cultural and ecological gifts**

Unlike other donations, your total eligible amount claimed for these types of gifts is not limited to a percentage of net income. You can choose the part you claim in 2017 and carry forward any unused part for up to **five** years.

For donations of ecologically sensitive lands made after February 10, 2014, the carry-forward period is up to **ten** years.

Under proposed changes, a gift of ecologically sensitive lands cannot be made to a private foundation after March 21, 2017.

For donations of certified cultural property made after February 10, 2014, special rules apply when the property was acquired through a gifting arrangement that is a tax shelter.

For more information about these gifts and the amounts you can claim, see Pamphlet P113, *Gifts and Income Tax*.

### **Line 12 – Amount of cultural and ecological gifts applied to the last two years of the deceased individual (GREs and former GREs only)**

Use this line to indicate the amount of previously unclaimed cultural and ecological gifts that you are currently applying to the last two tax years of the deceased individual (the final return and the return for the preceding year).

### **Lines 15 to 31 – Donations and gifts tax credit calculation**

For donations made in 2017, the tax credit rate is 33%. The calculation rate of 33% applies to the eligible amount of gifts greater than \$200. For a graduated rate estate (GRE) and a qualified disability trust (QDT), the tax credit rate of 33% applies to the eligible amount of gifts greater than \$200 to the extent that a GRE and QDT has taxable income in excess of \$202,800 for the tax year.

For donations made before 2015, the previous tax credit rate of 29% will continue to apply to the eligible amount of gifts greater than \$200. This applies to all trusts; GRE, QDT or otherwise.

### **Schedule 12 – Minimum Tax**

If the trust is subject to a minimum tax, it may have to pay minimum tax in the year. The following types of trusts are **not** subject to minimum tax and **do not** need to complete Schedule 12:

- A spousal or common-law partner trust, a joint spousal or common-law partner trust, or an alter ego trust if it reports in the year its first deemed disposition on Form T1055, *Summary of Deemed Dispositions (2002 and later tax years)*.
- If the trust was one of the following throughout the tax year:
  - a mutual fund trust
  - a related segregated fund trust
  - a master trust
  - an employee life and health trust

Minimum tax limits the tax advantage a trust can receive in a year from certain incentives. The most common situations that may make a trust liable to minimum tax are if it:

- reports taxable capital gains (line 01 of the return)
- reports taxable dividends (line 03 of the return)

- claims a loss resulting from, or increased by, resource expenditures, or claims resource and depletion allowances on resource properties (line 06 or line 19 of the return)
- claims a loss resulting from, or increased by, capital cost allowance (CCA) or carrying charges claimed on a rental or leasing property (line 09 of the return), or certified films or videotapes (line 06 of the return)
- has certain losses that limited partners, specified members of a partnership, or partners of a registered tax shelter deduct for their partnership interest (for this purpose, losses allocated from a partnership are applied against gains from the same partnership source)

**Note**

For tax years ending after December 31, 2011, a trust's limited partnership loss is restricted only if the trust's interest in the partnership is a registered tax shelter. This treatment may also apply to the trust's 2006 to 2011 tax years, where the trust filed an election by March 11, 2014.

- has losses from an investment in a registered tax shelter
- has carrying charges for interests in limited partnerships, tax shelters, rental or leasing properties, or film or resource properties, that increase or create a loss from these sources

**Note**

Net income from rental, leasing, and film property includes income from these investments (before CCA and related carrying charges) plus any net taxable capital gains from the disposition of these investments minus any losses from these investments (before CCA and related carrying charges). You also have to subtract allocated partnership losses from gains from the same partnership source.

The trust has to pay minimum tax if it is more than the federal tax calculated in the usual manner.

**Alternative Minimum Tax**

For 2016 and subsequent tax years, the \$40,000 basic exemption is applicable to graduated rate estate only.

**Provincial and territorial income tax ▲**

**Resident trusts**

A trust is liable for provincial or territorial tax at the rate that applies for the province or territory of residence if it was a resident of a province or territory on the last day of its tax year. Use the applicable provincial or territorial tax form to calculate the provincial or territorial tax.

If the trust was resident in the province of Quebec on the last day of its tax year, see the note in the section called "Which tax package should you use?" on page 5.

A resident trust may carry on a business with a permanent establishment in one of the following:

- a province or territory other than the province or territory of residence
- a foreign country

In these cases, you have to calculate the trust's income from each source to determine the liability for one of the following:

- provincial or territorial income tax
- federal surtax for income not subject to provincial or territorial tax

Report income from a business for each province, territory, or foreign country in which the business had a permanent establishment during the tax year. Attach a copy of this list to the return. In general, you should allocate all other income to the province or territory of residence. Use Form T3MJ, *T3 Provincial and Territorial Taxes for 2017 – Multiple Jurisdictions*, to report this income. To get this form, go to [canada.ca/cra-forms](http://canada.ca/cra-forms), or call 1-800-959-8281.

A trust resident in a province other than Quebec, or in a territory, on the last day of its tax year may have a federal foreign tax credit that is less than the non-business income tax the trust paid to a foreign country. If this is the case, the trust can apply the excess of foreign non-business income tax paid against provincial and territorial tax.

For more information, see "Line 23 – Federal foreign tax credit" on page 55.

**Non-resident trusts and deemed resident trusts**

A non-resident trust or a deemed resident trust that carries on a business with a permanent establishment in a province or territory is subject to provincial or territorial tax on the business income it earned in that province or territory.

A non-resident trust or a deemed resident trust may carry on a business in Canada without a permanent establishment in Canada. In this case, it may be subject to the federal surtax. For more information, see "Line 21 – Surtax on income not subject to provincial or territorial tax" on page 55.

**Chapter 4 – T3 slip and summary**

As trustee, you have to complete a T3 slip, *Statement of Trust Income Allocations and Designations*, for each resident beneficiary, including a preferred beneficiary, to whom the trust allocated income in the year. You must also do this for a trust that made any distributions of capital that would result in an adjustment to the adjusted cost base of the beneficiary's interest in the trust. If you allocated income to a non-resident beneficiary, see "Column 2 – Non-resident," on page 48.

This chapter provides information on how to complete the T3 slip. The T3 slip has three individual slips printed on each sheet. These are intended to be used for laser or ink jet printers, for typing, or to be completed by hand.

The T3 slip shows only the high-use boxes (boxes 12, 14, 16, 18, 21, 23, 26, 30, 32, 39, 49, 50, and 51). There are also six generic boxes with blank codes for less common amounts. If you have to use a generic box, enter the box number **and** the amount in the other information area.

If you need more than six boxes for the same beneficiary, use an additional T3 slip.

You can find a sample of the slip on page 66.

You do not have to complete a T3 slip for a beneficiary if the income allocated in the year to that beneficiary is less than \$100. However, you have to notify the beneficiary of the allocated income since it still has to be reported on the beneficiary's return.

You have to complete a T3 Summary, *Summary of Trust Income Allocations and Designations*, even if you only prepare one T3 slip. This is the form you use to record the total of the more common amounts you reported on all related slips. File only one summary for the trust, unless it is a mutual fund trust.

See the back of the T3 Summary for information on how to complete it. You can find a sample of the form on pages 66 and 67.

## How to file the T3 slip and summary ▲

### Electronic filing methods

Internet filing will be available from January 8, 2018.

You **must** file by Internet if you file more than 50 trust-related information returns (slips) for a calendar year.

### Filing by Web Forms

Our Web Forms application is free and secure. To use it, all you need is access to the Internet. With Web Forms you can complete a trust-related information return easily, following the step-by-step instructions.

Web Forms lets you:

- file up to 100 slips (original, additional, amended, or cancelled) from our website
- calculate all of the totals for the summary
- create a digital trust-related information return containing slips and summary, which can be saved and imported at a later date
- print all your slips and your summary
- validate data in real time

After you submit your trust-related information return, you will receive a confirmation number that will be your proof that we received it.

To use the Web Forms application, you must have a web access code. If you do not have a web access code, you can easily get one online or by calling us. For more information, see "Web access code" on page 60.

To start using this application or to get more information about Web Forms, go to [canada.ca/taxes-iref](http://canada.ca/taxes-iref).

### Filing by Internet file transfer

Internet file transfer allows you to transmit an original or amended T3 return with a maximum file size of 150 MB. All you need is a web browser to connect to the Internet, and your software will create, print, and save your digital trust-related information return in XML format. For information about this filing method, contact your software publisher or go to [canada.ca/taxes-iref](http://canada.ca/taxes-iref).

### Web access code

To file your return over the Internet using the Internet file transfer or Web Forms service, you will need a web access code (WAC). The CRA is no longer mailing WAC letters. As a result, you can use the WAC that was issued for the 2012 tax year to file your trust-related information returns. If you have misplaced or do not have a WAC, go to [canada.ca/taxes-iref](http://canada.ca/taxes-iref) to access our web access code online service. If you cannot get your WAC online or would like to change it, call the Business Enquiries line at 1-800-959-5525.

### Filing on paper

If you file 1 to 50 slips, we strongly encourage you to file over the Internet using Internet file transfer or Web Forms. However, you can still file up to 50 slips on paper.

If you need more paper copies, you can order a maximum of 9 single-page slips at [canada.ca/cra-forms](http://canada.ca/cra-forms) or by calling 1-800-959-5525.

If you choose to file your return on paper, mail it to the following address:

**Jonquière Taxation Centre  
T3 Program**  
Post Office Box LCD 1300  
Jonquière QC G7S 0L5

Complete **one copy** of the trust-related information slip for each recipient and send them with your T3 Summary. Enter the information for two different recipients on one sheet. This will let us process your information return faster. You must keep a copy of the trust-related slips and the T3 Summary for your files.

### Filing using computer-printed (customized) forms

For those who fill out a large number of T3 slips, we accept certain slips other than our own. For help on how to fill out the slips accurately, consult the guidelines for the production of customized forms at [canada.ca/cra-customized-forms](http://canada.ca/cra-customized-forms) or see the current version of Information Circular IC97-2, *Customized Forms*.

If you are a mutual fund trust that files T3 slips by Internet, you can combine the income and capital gains from several funds onto one T3 slip for each unit holder. However, when you combine the slips, you have to do all of the following:

- submit a sample of the combined information slip requesting an approval number

#### Notes

Send your digital submission in either \*.pdf or \*.jpg format to [customized-hors-series@cra.gc.ca](mailto:customized-hors-series@cra.gc.ca).

Send your paper submission to the following address:

**Individual Returns Directorate**  
Information Returns Filers Services Section  
750 Heron Road, 7th floor  
Ottawa ON K1A 0L5

- prepare the Internet submission of summary forms and slips, which you submit to us at the individual fund level

- write “Combined information slip” clearly on the T3 slip under the recipient name and address, and provide the unit holders with statements that allow them to reconcile the amounts reported on the combined information slips
- maintain an audit trail so the combined information slips can be verified if we audit these funds later

## Distributing the T3 slip ▲

Send us the T3 slip along with the T3 Summary no later than 90 days after the end of the trust’s tax year.

**Do not** staple the summary and slips to the T3 return.

Send two copies of the T3 slip to the beneficiary. You do not have to keep a copy of the T3 slips. However, when you file online, you have to keep the information from which you prepared the slips in an accessible and readable format.

You can provide recipients with a digital copy of their T3 slips only if the recipient gives you their consent in writing or by email.

If you fail to distribute the T3 slip or any other trust-related information slip to a recipient by the due date, you will be liable to a penalty. For more information, see “Penalties and interest” on page 19.

## Amending, cancelling, adding, or replacing T3 slips

After filing your trust-related information slip, you may notice an error on a trust-related slip. If so, you will have to prepare an amended slip to correct the information. Provide copies to the recipient. **Do not** include slips that have no changes.

If you prepare and issue an amended T3 slip after you have filed the original slip with us, you may have to file an amended T3 Summary. If there is a change to the amounts in the boxes shown on the front of the summary, file an amended T3 Summary. If the amended T3 slip affects the amounts shown on the T3 Trust Income Tax and information Return, or on Schedule 9, *Income Allocations and Designations to Beneficiaries*, **do not** file another T3 return. Instead, send us a completed Form T3-ADJ, *T3 Adjustment Request*, or a letter providing the details of the change. Indicate the tax year you want us to change and attach any supporting documents. Include the trust’s account number on the letter.

## Amending or cancelling slips over the Internet

To amend a slip over the Internet, change only the information that is incorrect and retain all of the remaining information that was originally submitted. Use summary report type code “A” and slip report type code “A.”

To cancel a slip, do not change any information that was contained on the original slip. Use summary report type code “A” and slip report type code “C.”

For more information about amending or cancelling trust-related information slips using the Internet, go to [canada.ca/taxes-iref](http://canada.ca/taxes-iref).

## Amending or cancelling slips on paper

If you choose to file your amended return on paper, clearly identify the slips as amended or cancelled by writing “AMENDED” or “CANCELLED” at the top of each slip. Make sure you fill in all the necessary boxes, including the information that was correct on the original slip. Send two copies of the slips to the recipient. Send one copy of the amended/cancelled slips to us with a letter explaining the reason for the amendment/cancellation.

### Note

If you notice errors on the trust-related slips before you file them with us, you can correct them by preparing new information slips and removing any incorrect copies from the return. If you do not prepare a new slip, initial any changes you make on the slip. Be sure to also correct the T3 Summary.

## Adding slips

After you file your trust-related information return, you may discover that you need to send us additional trust-related slips. If you have original slips that were not filed with your information return, file them separately either online or on paper.

To file additional slips online, see “Electronic filing methods” on page 60.

If you file additional slips on paper, clearly identify the new slips by writing “ADDITIONAL” at the top of each slip. Send one copy of the additional slips to any tax centre. See “Electronic filing methods” on page 60 for more information on adding slips over the Internet or go to [canada.ca/taxes-iref](http://canada.ca/taxes-iref).

### Notes

If the total number of trust-related slips (including any additional slips) you file is more than 50 for the same calendar year, you have to file the additional slips over the Internet.

Any additional trust-related slips that are filed after the due date may result in a penalty. For more information, see “Penalty for failure to file an information return by the due date” at [canada.ca/penalty-information-returns](http://canada.ca/penalty-information-returns).

## Recipient identification number ▲

The recipient identification number is one of the following:

- the social insurance number (SIN), if the beneficiary is an individual (other than a trust)
- the business number (BN), if the beneficiary is a corporation or partnership
- the trust account number, if the beneficiary is a trust

This section explains the special rules and penalties that apply to the use of the SIN and the BN.

**Trustee** – Anyone who prepares an information slip has to make a reasonable effort to get the SIN or BN from the person or partnership who will receive the slip. Unless you make a reasonable effort to get this information, you will be liable to a \$100 penalty each time you do not provide the SIN or BN on the information slip. This penalty does not apply if the person or partnership has applied for, but

has not yet received, a SIN or BN when the return was filed.

**Beneficiary** – Persons or partnerships (other than trusts) have to give their SIN or BN on request to anyone who has to prepare an information slip for them.

If the person or partnership does not have a SIN or BN, both of the following rules apply:

- the person or partnership must apply for the number within 15 days of your request (the SIN from any Service Canada Centre, the BN from us)
- once the person or partnership has received the number, they have 15 days to give it to you

Persons or partnerships who, for any reason, do not comply with these requirements are liable to a penalty of \$100 for each failure to give their SIN or BN.

A beneficiary may indicate that a SIN or BN has been applied for, but has not yet been received, or the beneficiary may refuse to give you the number. In these cases, **do not** delay completing the information slip beyond the filing due date. If you have not received the SIN or BN by the time you prepare the T3 slip, enter “nil” in box 12.

If you have to prepare an information slip, you, or your employees, officers, or agents, cannot knowingly use, communicate, or allow a SIN or BN to be communicated, other than as required or authorized by law, without the written consent of the person or partnership. Any person who does so is guilty of an offence, and liable on summary conviction to a fine, imprisonment, or both.

For more information, see Information Circular IC82-2, *Social Insurance Number Legislation That Relates to the Preparation of Information Slips*.

## How to complete the T3 slip ▲

Type or print the information on the slip. **Report all amounts in Canadian dollars.** If the amount was paid at various times throughout the year, to get the applicable rate, go to [canada.ca/cra-exchange-rates](http://canada.ca/cra-exchange-rates) or call 1-800-959-8281.

If there is a preferred beneficiary election and other income is also allocated to the same beneficiary, complete one T3 slip for the elected income and a separate slip for all other allocated income.

You can get the information needed to complete boxes 21 to 51 from Schedule 9, *Income Allocations and Designations to Beneficiaries*.

**Recipient’s name and address** – Enter the information in the white area provided. If the payment is to an individual, enter the beneficiary’s name. If the payment is to a joint beneficiary, enter both names. If the payment is made to a trust, enter the name of the trust and not the names of the

individual beneficiaries of that trust. If the payment is made to an association, organization, or institution, enter that name. Following the beneficiary’s name, enter the beneficiary’s full address including city and province or territory. Also include the postal code.

**Year** – Enter the applicable tax year at the top of the slip.

**Trust year end** – Use a four-digit number to indicate the year, and a two-digit number to indicate the month of the trust’s tax year-end.

### Note

For your convenience, we have put the instructions for the following boxes in numeric order, even though the order on the slip may be different. The high-use boxes appear first, followed by the generic boxes.

### Box 12 – Recipient identification number ▲

You have to enter the beneficiary’s social insurance number, business number, or trust account number. If you do not have the number, see the section titled “Recipient identification number” on this page. **Do not** leave this box blank.

### Box 14 – Account number

You have to enter the trust’s account number, if we have assigned one. **Do not** leave this box blank. For security purposes, **do not** include the trust account number on the copies you provide to the beneficiary.

1 alpha, 8 numeric:

- T3 slip, box 14, example: T00000000
- trust account number assigned by the CRA
- must correspond to the “Trust account number” on the related T3 Summary record
- if you have not been assigned such a number, enter T00000000 in the field

### Box 16 – Report code ▲

Enter one of the following codes:

#### Code    Type of slip

1 alpha

- O    Originals
- A    Amendments
- C    Cancel

### Note

An amended return cannot contain an original T3 slip.

If you use code A or C, see “Amending, cancelling, adding, or replacing T3 slips” on page 61 for more information.

**Box 18 – Beneficiary code** ▲  
You have to enter one of the following codes to identify the type of beneficiary (**do not** leave this box blank):

**Code    Type of beneficiary**

1 numeric

- 1    if the beneficiary is an individual
- 2    if the beneficiary is a joint beneficiary
- 3    if the beneficiary is a corporation
- 4    if the beneficiary is an association, a trust (fiduciary, trustee, nominee, or estate), a club, or a partnership
- 5    if the beneficiary is a government, a government enterprise, an international organization, a charity, a non-profit organization or other tax-exempt entity, or a deferred income plan that is exempt from tax

**Note**

In some cases, you may have to enter information in the footnote area below box 26 on the T3 slip. If you need more room to include an explanation in this area, prepare a separate statement and attach a copy to each copy of the slip.

**Box 21 – Capital gains**

Enter the result of the beneficiary's share of the amount from line 921 of Schedule 9, multiplied by 2.

**Note**

If box 21 includes capital gains from foreign property, enter an asterisk (\*) beside the amount in box 21. In the footnote area, identify each country, enter "non-business income for foreign tax credit" and the taxable portion of the amount included in box 21 that relates to the disposition of foreign property.

For more information, see "Line 921 – Taxable capital gains" on page 49.

**Box 23 – Actual amount of dividends other than eligible dividends** ▲

Enter the beneficiary's share of the amount from line 923 of Schedule 9.

If the beneficiary is an individual or a trust (other than a registered charity), see box 32 and box 39 for more instructions.

**Note**

If the beneficiary is a resident of Newfoundland and Labrador, in the footnote area, enter "NLDIV pre-July 1, 2016," and the taxable amount of other than eligible dividends paid before July 1, 2016. On the **recipient copy** enter an asterisk (\*) beside the amount in box 23. **Do not** enter an asterisk on the copy you send to us.

**Box 26 – Other income** ▲

Enter the beneficiary's share of the amount from line 926 of Schedule 9. Include amounts such as the following in this box:

- death benefits
- retiring allowances

- pension income other than lump-sum pension benefits already included in box 22
- net rental income
- net business, farming, and fishing income
- interest income

**Notes**

Enter an asterisk (\*) beside the amount in box 26 if it includes any farming or fishing income from the disposition of eligible capital property that is qualified farm or fishing property. In the footnote area, enter "eligible capital property – qualified farm or fishing property" or "eligible capital property," and the amount of the beneficiary's share.

Enter an asterisk (\*) beside the amount in box 26 if it includes business, farming, or fishing income from a communal organization. In the footnote area, enter "self-employment earnings for CPP purposes," and indicate the type of income—business, farming, or fishing—and the amount of the beneficiary's share.

Enter an asterisk (\*) beside the amount in box 26 if it includes any net rental income from real or immovable rental property transferred to the trust. In the footnote area, enter "Net rental income" included in "earned income" -ITA 75(2), and indicate the amount of the beneficiary's share.

No other footnotes are required for box 26.

**Box 30 – Capital gains eligible for deduction**

Only personal trusts complete box 30.

Multiply the beneficiary's share by 2, and enter the result on line 930 of Schedule 9. **Do not** include farming or fishing income from the disposition of eligible capital property identified in the footnote to box 26.

**Note**

Enter an asterisk (\*) beside the amount in box 30. In the footnote area, enter either "qualified farm or fishing property", or "qualified small business corporation shares," whichever applies.

For more information, see "Line 930 – Taxable capital gains eligible for deduction" on page 50.

**Box 32 – Taxable amount of dividends other than eligible dividends** ▲

If the beneficiary is an individual or a trust (other than a registered charity), enter the result of the amount of dividends other than eligible dividends from taxable Canadian corporations reported in box 23, multiplied by 1.17.

Do not include negative amounts when completing box 32 of the T3 slip.

**Box 39 – Dividend tax credit for dividends other than eligible dividends** ▲

If the beneficiary is an individual or a trust (other than a registered charity), enter 10.5217% of the amount in box 32.

**Box 49** – Actual amount of eligible dividends ▲  
Enter the beneficiary's share of the amount from line 949 of Schedule 9.

**Box 50** – Taxable amount of eligible dividends ▲  
If the beneficiary is an individual or a trust (other than a registered charity), enter the result of the amount of eligible dividends from taxable Canadian corporations reported in box 49, multiplied by 1.38.

**Note**

If the beneficiary is a resident of Newfoundland and Labrador, in the footnote area, enter "NLDIV pre-July 1, 2016," and the taxable amount of eligible dividends paid before July 1, 2016. On the **recipient copy** enter an asterisk (\*) beside the amount in box 50. **Do not** enter an asterisk on the copy you send to us.

**Box 51** – Dividend tax credit for eligible dividends ▲  
If the beneficiary is an individual or a trust (other than a registered charity), enter 15.0198% of the amount in box 50.

**"Other information" area**

This area on the T3 slip has boxes for you to enter codes and amounts for less common amounts, such as foreign business income, eligible death benefits, investment tax credits, and others.

The boxes are not pre-numbered as in the top part of the slip. Therefore, enter the codes that apply to the beneficiary.

If more than six codes apply to the same beneficiary, use an additional T3 slip. **Do not** repeat all the data on the additional slip. Enter only the beneficiary's identification number and name, as well as the trust's name and account number, and complete the required boxes in the "Other information" area.

Although the CRA's position at this time is that we will not require the breakdown by country on the T3 slip, nor require the filing of multiple T3 slips, it is your obligation and responsibility to provide us with such information on request. Your records have to provide enough details to identify each foreign country and the amount of business income, in Canadian dollars, from each country.

**Box 22** – Lump-sum pension income ▲  
Enter the beneficiary spouse's or common-law partner's share of the amount from line 922 of Schedule 9.

**Box 24** – Foreign business income  
Enter the beneficiary's share of the amount from line 924 of Schedule 9 (before withholding taxes).

**Box 25** – Foreign non-business income  
Enter the beneficiary's share of the amount from line 925 of Schedule 9 (before withholding taxes).

**Box 31** – Qualifying pension income ▲  
Enter the beneficiary spouse's or common-law partner's share of the amount from line 931 of Schedule 9. This amount is included in box 26.

**Box 33** – Foreign business income tax paid  
Enter the beneficiary's share of the amount from line 933 of Schedule 9.

**Box 34** – Foreign non-business income tax paid  
Enter the beneficiary's share of the amount from line 934 of Schedule 9.

**Box 35** – Eligible death benefits ▲  
Enter the beneficiary's share of the amount from line 935 of Schedule 9. This amount is included in box 26.

For more information, see "Line 935 – Eligible death benefits" on page 50.

**Box 37** – Insurance segregated fund net capital losses  
Enter the result of the beneficiary's share of the amount from line 937 of Schedule 9, multiplied by 2.

**Box 38** – Part XII.2 tax credit  
Enter the beneficiary's share of the amount from line 938 of Schedule 9.

For more information, see "Schedule 10 – Part XII.2 Tax and Part XIII Non-Resident Withholding Tax" on page 51.

**Boxes 40, 41 and 43** – Investment tax credit  
Effective for 2016 and subsequent years, only a graduated rate estate or a communal organization that is deemed to be an inter vivos trust can complete boxes 40, 41 and 43.

For each type of property or expenditure made by the trust in the year that is eligible for the investment tax credits (ITC), prepare a separate T3 slip for each designation to beneficiaries.

**Box 40** – Investment cost or expenditures  
Enter the beneficiary's share of the amount from line 940 of Schedule 9.

**Box 41** – Investment tax credit  
Enter the beneficiary's share of the amount from line 941 of Schedule 9.

For more information, see "Lines 940 and 941 – Investment tax credit (ITC)" on page 51.

**Box 42** – Amount resulting in cost base adjustment  
Enter the beneficiary's share of the amount from line 942 of Schedule 9. If this is a negative amount, put it in brackets.

**Note**

Enter an asterisk (\*) beside any amount entered in box 42. In the footnote area, indicate whether the amount should be added to the adjusted cost base (ACB) of the property (for a negative amount), or subtracted from the ACB (for a positive amount).

**Do not** include new units issued to a beneficiary in satisfaction of a distribution of income. Instead, advise the beneficiary that you have issued these units, as well as the number of units and their value.



**Box 43 – Investment tax credit – Code number**

Enter the applicable investment tax credit code number (4B, 12, 6 or 7) and provide a statement to each beneficiary with the following description, as applicable, of the code number:

**■ Code 4B – Qualified expenditures for scientific research and experimental development (SR&ED)**

– Enter the Box 41 amount on line 6712 of Form T2038(IND), *Investment Tax Credit (Individuals)*.

**■ Code 12 – Qualified property, or qualified resource property acquired after 2013 and before 2017 that is eligible for the transitional relief rate**

– Enter the Box 41 amount on line 6714 of Form T2038(IND).

For more information, go to [canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-412-investment-tax-credit/atlantic-investment-tax-credit.html](http://canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-412-investment-tax-credit/atlantic-investment-tax-credit.html).

**■ Code 12 – Qualified resource property acquired in 2015 that is not eligible for the transitional relief rate**

– Enter the Box 41 amount on line 6723 of the 2015 version of Form T2038(IND) and file it with your 2016 return.

**■ Code 6 – Apprenticeship job creation tax credit**

– Enter the Box 41 amount on the appropriate line of Part B of Form T2038(IND).

**■ Code 7 – Child care spaces expenditures**

– Enter the Box 41 amount on the appropriate line of Part B of Form T2038(IND).

For 2016 and subsequent tax years, testamentary trusts (other than a graduated rate estate) will no longer be able to designate the ITC to their beneficiaries.

**Box 45 – Other credits****Research and development tax credit**

Enter the beneficiary's share of the amount from line 945 of Schedule 9.

**Note**

Enter an asterisk (\*) beside the amount in box 45. In the footnote area, enter "Newfoundland and Labrador R&D" or "Yukon R&D," whichever applies, and the amount of this credit from box 45.

**Box 46 – Pension income qualifying for an eligible annuity for a minor ▲**

Enter the beneficiary's share of the pension income that is eligible for a transfer to an eligible annuity for certain minors, from line 946 of Schedule 9 (also included in box 26).

**Box 47 – Retiring allowance qualifying for transfer to an RPP or RRSP**

Enter the beneficiary's share of the retiring allowance, which qualifies for a transfer to a registered pension plan or registered retirement savings plan, from line 947 of Schedule 9 (also included in box 26).

**Box 48 – Eligible amount of charitable donations**

Enter the beneficiary's share of the charitable donations or gifts of a communal organization, from line 948 of Schedule 9. For more information, see Information Circular IC78-5, *Communal Organizations*.

# Appendix A – T3 slip and summary ▲



Canada Revenue Agency / Agence du revenu du Canada

Year / Année

## Statement of Trust Income Allocations and Designations / État des revenus de fiducie (répartitions et attributions) T3

	Actual amount of eligible dividends Montant réel des dividendes déterminés 49 <input type="text"/>	Taxable amount of eligible dividends Montant imposable des dividendes déterminés 50 <input type="text"/>	Dividend tax credit for eligible dividends Crédit d'impôt pour dividendes déterminés 51 <input type="text"/>	Capital gains Gains en capital 21 <input type="text"/>	Capital gains eligible for deduction Gains en capital admissibles pour déduction 30 <input type="text"/>			
	Actual amount of dividends other than eligible dividends Montant réel des dividendes autres que des dividendes déterminés 23 <input type="text"/>	Taxable amount of dividends other than eligible dividends Montant imposable des dividendes autres que des dividendes déterminés 32 <input type="text"/>	Dividend tax credit for dividends other than eligible dividends Crédit d'impôt pour dividendes autres que des dividendes déterminés 39 <input type="text"/>	Other income Autres revenus 26 <input type="text"/>	Trust year end Fin d'année de la fiducie Year / Année <input type="text"/> / Month / Mois <input type="text"/>			
Protected B when completed / Protégé B une fois rempli	Other information (see the back) / Autres renseignements (lisez le verso)		Box / Case <input type="text"/>	Amount / Montant <input type="text"/>	Box / Case <input type="text"/>	Amount / Montant <input type="text"/>	Footnotes – Notes	
			<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>		
	Recipient's name (last name first) and address – Nom, prénom et adresse du bénéficiaire						Trust's name and address – Nom et adresse de la fiducie	
Recipient identification number / Numéro d'identification du bénéficiaire 12 <input type="text"/>		Account number / Numéro de compte 14 <input type="text"/> T		Report code / Code du genre de feuillet 16 <input type="text"/>		Beneficiary code / Code du bénéficiaire 18 <input type="text"/>		For information, see the back. Pour obtenir des renseignements, lisez le verso.

T3 (17)



**Summary of Trust Income Allocations and Designations**  
**Sommaire des répartitions et attributions des revenus de la fiducie**

1717 **T3** Summary / Sommaire

Complete this summary if the trust allocated income to a resident beneficiary, including a preferred beneficiary, in the year. Also complete it if the trust made any distribution of capital that would result in an adjustment to the adjusted cost base (ACB) of the beneficiary's interest in the trust.

If you are filing your T3 slips electronically, see Chapter 4 of Guide T4013, *T3 – Trust Guide*.

File this summary with one copy of the related T3 slips. See Guide T4013, *T3 – Trust Guide* for filing due dates and for the filing requirements for the *T3 Trust Income Tax and Information Return*. Do not staple the summary and slips to the return.

See the back of this summary for instructions.

Remplissez ce sommaire si, dans l'année, la fiducie a réparti des revenus au profit d'un bénéficiaire résident, y compris un bénéficiaire privilégié. Remplissez-le aussi si la fiducie a fait une distribution de capital nécessitant un rajustement du prix de base rajusté (PBR) de la participation du bénéficiaire dans la fiducie.

Si vous produisez vos feuillets T3 par voie électronique, lisez le chapitre 4 du guide T4013, *T3 – Guide des fiducies*.

Envoyez ce sommaire et une copie de tous les feuillets T3 qui s'y rapportent. Consultez le guide T4013, *T3 – Guide des fiducies*, pour connaître les dates limites de production et les exigences concernant la production de la *Déclaration de renseignements et de revenus des fiducies – T3*. N'agrafez pas le sommaire ni les feuillets à la déclaration.

Lisez le verso de ce formulaire pour obtenir des instructions.

**Identification**

Name of trust – Nom de la fiducie		Name and mailing address of trustee, executor, liquidator, or administrator – Nom et adresse postale du fiduciaire, de l'exécuteur, du liquidateur ou de l'administrateur	
Account number – Numéro de compte T		Telephone number – Numéro de téléphone	
Summary for tax year – Sommaire pour l'année d'imposition From: Du:   Year Année   Month Mois   Day Jour   Year Année   Month Mois   Day Jour		Name and mailing address of the person to contact, if different from above – Nom et adresse postale de la personne-ressource, s'ils sont différents de ceux qui précèdent	
Complete this area if you do not have an account number and you are submitting a paper return. If this is a testamentary trust, enter the social insurance number of the deceased. S'il s'agit d'une fiducie testamentaire, inscrivez le numéro d'assurance sociale de la personne décédée.		Remplissez cette section si vous n'avez pas de numéro de compte et que vous produisez une déclaration sur papier. Is this the first year for which the trust is filing a T3 return? Est-ce la première année pour laquelle une déclaration T3 est produite? Yes Oui <input type="checkbox"/> No Non <input type="checkbox"/>	

**T3 slip totals – Totaux des feuillets T3**

**Summary of amounts allocated and designated to resident beneficiaries (including preferred beneficiaries)**  
**Sommaire des revenus répartis et attribués aux bénéficiaires résidents (y compris les bénéficiaires privilégiés)**

Do not use this area – N'inscrivez rien ici	Total number of T3 slips filed – Nombre de feuillets T3 produits 10	Capital gains – Gains en capital 21
	Actual amount of dividends other than eligible dividends – Montant réel des dividendes autres que des dividendes déterminés 23	Capital gains eligible for deduction – Gains en capital admissibles pour déduction 30
	Taxable amount of dividends other than eligible dividends – Montant imposable des dividendes autres que des dividendes déterminés 32	Actual amount of eligible dividends – Montant réel des dividendes déterminés 49
	Dividend tax credit for dividends other than eligible dividends – Crédit d'impôt pour dividendes autres que des dividendes déterminés 39	Taxable amount of eligible dividends – Montant imposable des dividendes déterminés 50
	Other income – Autres revenus 26	Dividend tax credit for eligible dividends – Crédit d'impôt pour dividendes déterminés 51
	Date received – Date reçue 093	

**Certification – Attestation**

I certify that the information given on this T3 Summary and the related T3 slips is correct and complete.  
 J'atteste que les renseignements fournis dans ce formulaire T3 *Sommaire* et les feuillets T3 qui s'y rapportent sont exacts et complets.

_____	_____	_____
Date	Signature of authorized person – Signature d'une personne autorisée	Position or title – Poste ou titre

See the privacy notice on the next page. – Consultez l'avis de confidentialité à la page suivante.



## Completing this T3 Summary

### Identification

Complete this area using the same information that you entered in the identification area on the *T3 Trust Income Tax and Information Return*.

### T3 slip totals

**Line 10** – Enter the total number of T3 slips that you have included with this summary.

The other line numbers in this area are the same as the box numbers shown on a T3 slip. For each box number, add the amounts from all of the T3 slips filed with this summary, and enter the total on the corresponding line of this summary.

### Certification

Ensure that you date and sign this area before sending us the summary.

Keep a copy of the T3 Summary with the trust records.

## Where to file this summary

Jonquière Tax Centre  
Canada Revenue Agency  
T3 Program  
P.O. Box 1300, LCD Jonquière  
Jonquière QC G7S 0L5

## Mandatory electronic filing

If you file more than 50 T3 slips for a calendar year, you **must** file the slips over the Internet.

You may choose one of the following electronic filing formats:

- Internet file transfer (XML); or
- Web Forms.

For more information about filing electronically, go to [cra.gc.ca/iref/](http://cra.gc.ca/iref/). You can also file T3 slips online using the "File a return" service and selecting the "Internet file transfer (XML)" option at:

- [cra.gc.ca/representatives](http://cra.gc.ca/representatives), if you are an authorized employee or representative; or
- [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount), if you are the business owner.

## Web Forms

You can electronically file up to 100 T3 slips in a single submission using the Canada Revenue Agency Web forms application. This service allows you to:

- create electronic T3 slips;
- validate data in real time, with prompts to correct errors before filing;
- calculate the totals for the T3 Summary;
- print T3 slips;
- securely submit encrypted T3 slips over the Internet; and
- save and import data to be retrieved at a later date.

For more information about Web Forms, go to [cra.gc.ca/webforms](http://cra.gc.ca/webforms).

## Amending this T3 Summary

If you prepare and issue an amended T3 slip after you have filed the original slip with us, you may have to file an amended T3 Summary. If there is a change to the amounts in the boxes shown on the front of this summary, file an amended T3 Summary. If the amended T3 slip affects the amounts shown on the *T3 Trust Income Tax and Information Return*, or on Schedule 9, *Income Allocations and Designations to Beneficiaries*, **do not** file another T3 return. Instead, send us a completed Form T3-ADJ, *T3 Adjustment Request*, or a letter providing the details of the change. Indicate the tax year you want us to change and attach any supporting documents. Include the trust's account number on the letter.

Personal information is collected under the *Income Tax Act* to administer tax, benefits, and related programs. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source [cra-arc.gc.ca/gncy/tp/nfsrc/nfsrc-eng.html](http://cra-arc.gc.ca/gncy/tp/nfsrc/nfsrc-eng.html), personal information bank CRA PPU 015.

## Comment remplir ce T3 Sommaire

### Identification

Fournissez dans cette section les mêmes renseignements que vous avez indiqués dans la section d'identification de la *Déclaration de renseignements et de revenus des fiducies – T3*.

### Totaux des feuillets T3

**Ligne 10** – Inscrivez le nombre total de feuillets T3 que vous joignez à ce sommaire.

Les autres numéros de ligne dans cette section correspondent aux numéros de case du feuillet T3. Pour chaque numéro de case, additionnez les montants de tous les feuillets T3 joints à ce sommaire et inscrivez le total à la ligne correspondante.

### Attestation

Assurez-vous d'indiquer la date et de signer cette section avant de nous envoyer le sommaire.

Conservez une copie du T3 *Sommaire* dans les dossiers de la fiducie.

## Où devez-vous envoyer ce sommaire

Centre fiscal de Jonquière  
Agence du revenu du Canada  
Programme T3  
C.P. 1300, PDF Jonquière  
Jonquière QC G7S 0L5

## Production obligatoire par voie électronique

Si vous produisez plus de 50 feuillets T3 pour une année civile, vous **devez** les transmettre par Internet. Vous pouvez choisir une des méthodes de transmission électronique suivantes :

- Transfert de fichiers par Internet (XML);
- Formulaires Web.

Pour en savoir plus sur la façon de produire sur format électronique, allez à [arc.gc.ca/tedrf/](http://arc.gc.ca/tedrf/). Vous pouvez aussi produire vos feuillets T3 au moyen du service « Produire une déclaration », en sélectionnant l'option « Transfert de fichiers par Internet (XML) », à l'une des adresses suivantes :

- [arc.gc.ca/representants](http://arc.gc.ca/representants), si vous êtes un employé ou un représentant autorisé;
- [arc.gc.ca/mondossierentreprise](http://arc.gc.ca/mondossierentreprise), si vous êtes le propriétaire de l'entreprise.

## Formulaires Web

Vous pouvez transmettre par voie électronique jusqu'à 100 feuillets T3 en une seule fois à l'aide de l'application Formulaires Web de l'Agence du revenu du Canada. Ce service vous permet, entre autres, de faire ce qui suit :

- créer des feuillets T3 électroniques;
- valider les données en temps réel, avec des messages-guides vous avertissant des erreurs à corriger avant la transmission;
- calculer les totaux du T3 *Sommaire*;
- imprimer les feuillets T3;
- transmettre en toute sécurité vos feuillets T3 sous forme chiffrée par Internet;
- sauvegarder et importer les données pour récupération à une date ultérieure.

Pour en savoir plus sur les formulaires Web, allez à [arc.gc.ca/formulairesweb](http://arc.gc.ca/formulairesweb).

## Comment modifier ce T3 Sommaire

Si vous devez modifier un feuillet T3 après nous avoir fourni le feuillet original, vous devrez peut-être produire un T3 *Sommaire* modifié. Si vous devez modifier les montants inscrits dans les cases au recto de ce sommaire, produisez un T3 *Sommaire* modifié. Si le feuillet T3 modifié entraîne des changements des montants inscrits dans la *Déclaration de renseignements et de revenus des fiducies – T3*, ou dans l'annexe 9, *Revenus répartis et attribués aux bénéficiaires*, **ne produisez pas** une autre déclaration T3. Envoyez-nous plutôt le formulaire T3-ADJ, *Demande de redressement d'une T3*, dûment rempli, ou une lettre fournissant les détails de la modification. Indiquez l'année d'imposition visée par la modification et joignez toutes les pièces justificatives. Indiquez aussi le numéro de compte de la fiducie.

Les renseignements personnels sont recueillis selon la *Loi de l'impôt sur le revenu* afin d'administrer les programmes fiscaux, de prestations et autres. Ils peuvent également être utilisés pour toute fin liée à l'application ou à l'exécution de la *Loi* telle que la vérification, l'observation et le recouvrement des sommes dues à l'État. Les renseignements peuvent être transmis à une autre institution gouvernementale fédérale, provinciale ou territoriale, ou vérifiés auprès de celles-ci, dans la mesure où la loi l'autorise. Cependant, le défaut de fournir ces renseignements pourrait entraîner des intérêts à payer, des pénalités ou d'autres mesures. Les particuliers ont le droit, selon la *Loi sur la protection des renseignements personnels*, d'accéder à leurs renseignements personnels et de demander une modification, s'il y a des erreurs ou omissions. Consultez Info Source en allant à [arc.gc.ca/gncy/tp/nfsrc/nfsrc-fra.html](http://arc.gc.ca/gncy/tp/nfsrc/nfsrc-fra.html) et le Fichier de renseignements personnels ARC PPU 015.

## Online services

### My Account

The CRA's My Account service is fast, easy, and secure.

#### Use My Account to:

- view your benefit and credit payment amounts and dates
- view your notice of assessment
- change your address, direct deposit information, and marital status
- sign up for account alerts
- check your TFSA contribution room and RRSP deduction limit
- check the status of your tax return
- request your proof of income statement (option 'C' print)
- link between your CRA My Account and My Service Canada Account

#### How to register

For information, go to [canada.ca/my-cra-account](https://canada.ca/my-cra-account).

#### Sign up for online mail

Sign up for the CRA's online mail service to get most of your CRA mail, like your notice of assessment online.

For more information, go to [canada.ca/guide-taxes-online-mail](https://canada.ca/guide-taxes-online-mail).

### Submitting and filing electronic documents to the T3 Estate and Trust Return programs

Trust administrators and tax preparers can submit documents electronically for the T3 Estate and Trust Return programs for residents, non-residents and T3 retirement compensation arrangements (T3 RCA). Sending documents through the Submit documents online service is secure and reliable, and it makes sending documents easier and more efficient.

#### Documents you can submit online

The following documents can be submitted electronically for the T3 Estate and Trust Return programs:

- Form T3APP T3, *Application for Trust Account Number*
- Form T3-ADJ T3, *Adjustment Request*
- supporting documents requested by the T3 Estate and Trust Return programs in order to complete the T3 tax assessment or reassessment

#### How to submit your document(s) online

You can submit electronic documents for the T3 Estate and Trust Return programs through two of the CRA's secure portals: My Account and Represent a Client. To access the Submit Documents feature, trust administrators must log into My Account using their social insurance number. Tax

preparers and trust administrators' authorized representatives can also access the Submit Documents feature by logging into Represent a Client.

Once in My Account or Represent a Client, select "Submit Documents" from the menu bar. Then enter your reference number or select "I do not have a case or reference number." The service will then take you to a picklist page. From the picklist, you will select either the task or the program area you want to submit your electronic document to.

#### After you submit your documents

After submitting documents, you will receive a reference number for future communication regarding the documents. You will also receive a confirmation number. These numbers will both be generated on the confirmation page.

All electronically submitted documents will be scanned for malware and viruses according to Shared Services Canada and/or Canada Revenue Agency policies and standards.

Successfully scanned valid documents will be distributed to the applicable T3 Estate and Trust Return programs for action.

#### Reference or case numbers

You do not need a reference or case number to submit documents electronically. The service will allow you to select a task from a general picklist to create your electronic submission.

Taxpayers can include additional documents to their original submission at any time.

If you do have a reference number provided to you from your initial submission, you should use this number when submitting any related additional documents.

#### Documents you can file online

You can file certain trust returns electronically using the Canada Revenue Agency's secure Internet file transfer service. In addition to Form T3SUM, *Summary of Trust Income Allocations and Designations*, and Form T3, *Statement of Trust Income Allocations and Designations*, you can file the following forms in XML format:

- T3D, *Income Tax Return for Deferred Profit Sharing Plan (DPSP) or Revoked DPSP*
- T3P, *Employees' Pension Plan Income Tax Return*
- T3S, *Supplementary Unemployment Benefit Plan Income Tax Return*
- T3RI, *Registered Investment Income Tax Return*
- T3ATH-IND, *Amateur Athlete Trust Income Tax Return*
- T3M, *Environmental Trust Income Tax Return*
- T3GR, *Group Income Tax and Information Return for RRSP, RRIF, RESP, or RDSP Trusts*

- T1061, *Canadian Amateur Athletic Trust Group Information Return*
- T3PRP, *T3 Pooled Registered Pension Plan Tax Return*
- T2000, *Calculation of Tax on Agreements to Acquire Shares (Section 207.1(5) of the Income Tax Act)*

For more information, see “How to file the T3 slip and summary” on page 60.

Effective on January 8, 2018, if the trust’s taxable income, tax payable and refundable credits are \$0.00, the following product will be accepted:

- T3RET, *T3 Trust Income Tax and Information Return*

For more information, see “How to file the T3 return” on page 18.

## For more information

### Taxpayer Bill of Rights

The Taxpayer Bill of Rights (TBR) describes and defines 16 rights and builds upon the CRA's corporate values of professionalism, respect, integrity, and cooperation. It describes the treatment you are entitled to when you deal with the CRA. The TBR also sets out the CRA Commitment to Small Business to ensure their interactions with the CRA are conducted as efficiently and effectively as possible.

For more information about your rights and what you can expect when you deal with the CRA, go to [canada.ca/taxpayer-rights](http://canada.ca/taxpayer-rights).

### What if you need help?

If you need more information after reading this guide, visit [canada.gc.ca/taxes](http://canada.gc.ca/taxes) or call 1-800-959-8281.

Once a trust return is filed, the information on it becomes confidential. For this reason, we follow certain procedures before giving out information about the trust. Information can be given only to the trustee (or other legal representative, such as an executor, administrator, assignee, receiver, or liquidator) or an authorized representative. The authorized representative could be an accountant, lawyer, or tax preparer acting for the trustee. You can authorize this representative by completing and signing Form T1013, *Authorizing or Cancelling a Representative*. Although beneficiaries are entitled to information related to their personal tax situation, they are not entitled to information from us about the tax affairs of the trust.

### Direct deposit

Direct deposit is a fast, convenient, reliable, and secure way to get your CRA payments directly into your account at a financial institution in Canada. To enrol for direct deposit or to update your banking information, go to [canada.ca/cra-direct-deposit](http://canada.ca/cra-direct-deposit).

### Forms and publications

To get our forms and publications, go to [canada.ca/cra-forms](http://canada.ca/cra-forms) or call 1-800-959-8281.

### Getting information by telephone

If you or your representative calls us, we will ask:

- for your name and address, and the date you were appointed as trustee
- whether a copy of the will, trust agreement, or letters of administration has been filed with us. If not filed, we will ask for a copy or for some other form of proof that will allow us to give you the information you need. If you have questions about the assessment of the trust's return, we may also ask you for information about the return
- for the date that your company was appointed as trustee, if you are an employee of a corporate trustee

### Teletypewriter (TTY) users

If you have a hearing or speech impairment and use a TTY, call 1-800-665-0354.

If you use an operator-assisted relay service, call our regular telephone numbers instead of the TTY number.

### Giving or cancelling an authorization

You can authorize a representative or cancel an authorization already given by writing to us, or by sending a completed and signed Form T1013, *Authorizing or Cancelling a Representative*. You can include this form with a completed and signed T3 Application for Trust Account Number or the trust's T3 return, but **do not** staple it to the return.

The authorization, or cancellation of an authorization, should include all of the following:

- the name, address, and account number of the trust
- your representative's name (only the business name of a firm or partnership need appear, unless authorization is to be restricted to a certain member) and telephone number
- the tax year or years to which the authorization, or cancellation of the authorization, applies
- your signature and title as the authorized signing person (trustee, executor, administrator, or liquidator), your telephone number, and the date

You have to complete a separate written authorization or consent form for each representative appointed or cancelled for a tax year or years. Note that authorizing a new representative will **not** cancel your existing authorizations unless you ask us to cancel existing authorizations.

### Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the *Taxpayer Bill of Rights*.

You can file a service complaint if you are not satisfied with the service you get from the CRA.

There are three steps to resolve your service-related complaint.

#### Step 1 – Talk to us first

If you are not satisfied with the service you received, you can file a service complaint. Before you do this, we recommend that you try to resolve the matter with the employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to [canada.ca/cra-contact](http://canada.ca/cra-contact).

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

## **Step 2 – Contact the CRA Service Complaints Program**

The CRA Service Complaints Program is for individuals and businesses. The program provides another level of review if you are not satisfied with the results from step 1 in the service complaint process. Generally, service-related complaints refer to the quality and timeliness of our work.

To file a complaint with the CRA Service Complaints Program, fill out Form RC193, *Service-Related Complaint*.

For more information on the CRA Service Complaints Program and how to file a complaint, go to [canada.ca/cra-service-complaints](http://canada.ca/cra-service-complaints).

## **Step 3 – Contact the Office of the Taxpayers' Ombudsman**

If, after following steps 1 and 2, your service-related complaint is still not resolved, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

For information about the Office of the Taxpayers' Ombudsman and how to submit a complaint, go to [oto-boc.gc.ca](http://oto-boc.gc.ca).

### **Reprisal complaint**

If you believe that you have experienced reprisal, fill out Form RC459, *Reprisal Complaint*.

For more information about reprisal complaints, go to [canada.ca/cra-reprisal-complaints](http://canada.ca/cra-reprisal-complaints).



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