

Department of Finance Announces Relief from Bare Trust Reporting for the 2024 Taxation Year

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The Canada Revenue Agency ("CRA") made headlines in March over its infamous handling of new compliance and reporting requirements for trusts. Bill C-32, which came into effect on December 15, 2022, introduced a new requirement to file a T3 tax return for bare trusts (the "**Trust Reporting Rules**"), which were previously ignored for tax purposes. The first filing deadline for bare trust T3 tax returns was on April 2, 2024 (for the 2023 taxation year).

On the eve of the reporting deadline, March 28, 2024, CRA announced temporary relief from the Trust Reporting Rules for bare trusts, seemingly in response to harsh criticism from industry groups and the media. The relief, however, is to be short lived.

On Monday, August 12, 2024 the Department of Finance announced draft legislation revising the Trust Reporting Rules. The revised trust reporting rules (the "**Revised Rules**"), if enacted, extend relief for another year. This means bare trusts will begin filing T3 tax returns in 2026 (for the 2025 taxation year). Relief from the Revised Rules may be granted, but only in specific narrow circumstances.

Although the announcement is welcome news, private companies – in particular those in the oil and gas sector which may have a significant number of bare trust arrangements – may find that the Revised Rules fail to alleviate the administrative burden of compliance.

Overview of the Changes

Bare trusts will not have to file tax returns in 2025 (for the 2024 taxation year). This should come as a welcome relief – especially to taxpayers who scrambled to comply with the Trust Reporting Rules this spring, only for CRA to administratively waive the rules at the last minute.

Assuming the Revised Rules are adopted in their current form, bare trust reporting will be required in 2026 (for the 2025 taxation year). However, new exceptions will apply which are meant reduce the administrative burden of these rules. Perhaps most relevant for the Canadian oil and gas sector, the Revised Rules introduce exceptions to the Trust Reporting Rules for the following types of bare trusts:

- partnerships where a general partner holds title to property on behalf of the partnership; and
- trusts that hold Canadian resource properties if the beneficial owners are public corporations or corporations controlled by public corporations.

Notably, most bare trust relationships where the beneficiaries are private companies, other than partnerships, will still have a filing requirement, if the Revised Rules are enacted.

Key Takeaways

Assuming the Revised Rules are enacted, taxpayers will be relieved from filing trust returns for bare trusts for the 2024 taxation year.

Taxpayers will, however, need to file tax returns for bare trusts beginning in the 2025 taxation year, with a filing deadline in 2026. New exceptions to that reporting requirement will apply, however such exceptions primarily target partnerships and public corporations and provide very limited relief for private companies.

Stay tuned for further updates in case the Department of Finance announces further changes. If you would like more information and guidance about how these revised rules may affect your business, please contact any member of our [Tax Group](#) or our [Business Law Group](#).