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Tax Alert – Canada

Updated proposals to modify the enhanced trust reporting requirements

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 15 August 2025, as part of the release of several packages of draft legislative proposals, the Department of Finance confirmed and re-released the 12 August 2024 proposed amendments for enhanced trust reporting requirements (the original amendments), but with certain modifications and clarifications made (the updated amendments).¹

In this Tax Alert, we provide a brief overview of the updated amendments to the enhanced trust reporting requirements. The deadline to provide feedback to the Department of Finance on proposed amendments ends on 12 September 2025. As of the time of writing, none of the proposed amendments have been enacted as law.

For more information on the packages of draft legislative amendments released on 15 August 2025 to implement certain previously announced tax measures, refer to EY Tax Alert 2025 Issue No. 40, [Finance releases draft legislation for various previously announced measures and technical amendments](#).

For more information on the original amendments to the enhanced trust reporting requirements included in the 12 August 2024 draft legislation, refer to EY Tax Alert 2024 Issue No. 44, [Proposed modifications to the enhanced trust reporting requirements and post-mortem tax planning by a trust](#).

¹ On 12 August 2024, draft income tax technical legislative amendments were released that included measures to expand and clarify the relieving exceptions to the enhanced trust reporting requirements. With the dissolution of Parliament on 23 March 2025, any pending draft legislation at dissolution generally needs to be confirmed (or reannounced) in some manner by the newly elected government to ultimately become law.



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Overview

Legislative amendments enacted in 2022 imposed additional reporting requirements on many express trusts (i.e., trusts that are created with the settlor's express written or verbal intent, as opposed to other trusts arising by operation of law), including bare trusts and other informal trust and agency relationships, for taxation years ending after 30 December 2023.

Trusts that were required to file an annual T3 *Trust Income Tax and Information Return* return (T3 return) under subsection 150(1) of the *Income Tax Act* (the Act), but did not qualify for any of the exemptions under subsection 150(1.2), were subject to the additional reporting requirements on an annual basis as specified under section 204.2 of the *Income Tax Regulations*, as noted below.

The CRA provided administrative relief to bare trusts from the T3 return filing and additional reporting requirements for both the 2023 and 2024 taxation years.²

The original amendments expand and clarify the relieving exceptions to the additional reporting requirements and provide clarifications as to what constitutes a bare trust arrangement with the effect of reducing the number of bare trusts subject to the T3 return filing and additional reporting requirements. The updated amendments in certain cases modify, clarify or expand the relief from the T3 return filing obligations.

Exempted express trusts

The updated amendments expand the list of express trusts that are exempt from the enhanced reporting requirements in subsection 150(1.2) of the Act and also make certain changes, enhancements and clarifications in respect of the required conditions for the exceptions as noted below:

- ▶ **Trusts in existence for short time:** Clarification that the exception in paragraph 150(1.2)(a) for trusts that have been in existence for less than three months at the end of the year will be amended to apply to trusts that have been in existence for less than three months during the year.
- ▶ **Graduated rate estates:** The exception in paragraph 150(1.2)(j) for graduated rate estates will be modified to also include a trust that would be a graduated rate estate if the estate had filed a tax return for the year.³

² Unless the CRA made a direct request for those filings to certain trusts. This administrative relief was provided in recognition of the challenges taxpayers and their advisors faced in determining if certain arrangements constituted a bare trust – and therefore were subject to the T3 return filing requirement for the first time – and in compiling the required information for disclosure.

³ To qualify as a graduated rate estate, a return must be filed for that trust.

- ▶ **\$250,000 property exception:** The original amendments introduced paragraph 150(1.2)(b.1), which provides an exception for trusts holding only certain qualifying categories of property⁴ with a total fair market value of \$250,000 or less throughout the year, if each trustee and each beneficiary is an individual and each beneficiary is related to each trustee. The updated amendments include the following modifications:
 - ▶ Clarification that the beneficiaries of the trust may not themselves be trusts, and that a graduated rate estate of an individual may be a beneficiary of the trust provided that the deceased individual was a beneficiary of the trust in the year of their death;
 - ▶ Expansion of the definition of related individuals for purposes of these rules (and for all of section 150) under proposed new subsection 150(1.32), to include an aunt, uncle, niece and nephew, and to clarify that a person may be related to himself or herself; and
 - ▶ Clarification that money and guaranteed investment certificates (GICs) in the list of qualifying categories of property held by a trust in paragraph 150(1.2)(b.1) may include deposits in a Canadian bank, trust company or credit union incorporated under the laws of Canada or a province, and GICs issued by a credit union incorporated under the laws of Canada or a province (in addition to GICs issued by Canadian banks and trust companies).
- ▶ **Regulated trust account exception:** Paragraph 150(1.2)(c) provides an exception for trusts that are required to hold funds for the purposes of regulated activities where the account is for a particular client or clients (e.g., a lawyer's client trust account). The original amendments added a condition noting that this exception would apply if the only assets held by the trust throughout the year were money with a value not exceeding \$250,000 throughout the year. The updated amendments will expand the types of assets that may be held to include deposits in a Canadian bank, trust company or credit union and GICs issued by them, which should be considered welcome relief to law firms and other similar organizations.
- ▶ **Statutory trust exception:** The original amendments provide an exemption in paragraph 150(1.2)(q) for certain trusts required to be established by a Canadian or provincial law – e.g., statutorily created trust relationships of bankruptcy trustees or provincial guardians. The updated amendments provide that the relevant statutes do not need to require that property be held in trust to qualify for the exemption.
- ▶ **New exceptions:** Employee ownership trusts and a subset of retirement compensation arrangements that are commonly known as supplemental pension plans are added to the list of exceptions.

The above proposed updated amendments will generally apply to taxation years ending after 30 December 2025, except that the proposed changes to paragraphs 150(1.2)(a), (j) and (q) noted above will apply to taxation years ending after 30 December 2024.

⁴ Examples of property that qualifies for this \$250,000 *de minimis* exemption include money, GICs, certain debt obligations, securities listed on a designated stock exchange, mutual fund trust units, interests in segregated fund trusts and personal-use property of the trust.

Bare trusts

As discussed in detail in EY Tax Alert 2024 Issue No. 44, the original amendments repeal the existing reporting requirements for bare trust arrangements in subsection 150(1.3) of the Act for taxation years ended after 30 December 2024 and, instead, introduce new proposed subsections 150(1.3) and (1.31) for taxation years ending after 30 December 2025. As a result of these proposed changes, bare trusts are exempt from the enhanced reporting requirements for the 2024 taxation year, and the number of bare trusts that will be subject to the filing requirements for 2025 and later taxation years will be reduced.

Proposed subsection 150(1.3) includes the types of bare trust arrangements that would still be subject to the reporting requirements, while proposed subsection 150(1.31) provides exceptions from the enhanced reporting rules to certain bare trust arrangements if certain conditions are met.⁵

The updated amendments, in paragraph 150(1.31)(d), would extend the exception for bare trust arrangements under which property is held for the use or benefit of a partnership by general partners of a partnership, so that it also applies if the property is held by limited partners.

The exception provided in paragraph 150(1.31)(f) in respect of bare trust arrangements used by public companies, or their subsidiary corporations/partnerships, to hold Canadian resource properties would be broadened under an updated amendment by allowing the requirements to be met if all or substantially all of the property (generally meaning at least 90% of the property, instead of all the property) held by the trust is Canadian resource property.

These updated amendments are also effective for taxation years ending after 30 December 2025.

While the original amendments confirmed the exclusion from reporting for certain joint account and jointly held real estate arrangements, the updated amendments did not expand these exclusions for the commonly used corporate bare trustee arrangements. For greater certainty, unless meeting another exclusion in subsection 150(1.31), the use of a corporate bare trustee arrangement for real estate or other assets is likely to require a trust tax return for 2025 along with the expanded reporting disclosure information.

⁵ Examples of excepted trusts include a trust where the legal owners and deemed beneficiaries of the trust property are the same persons (and no other legal owners are not considered to be beneficiaries) and a trust that holds real property whose legal owners are individuals who are related persons and who would be eligible to designate the property as their principal residence for the year.

Additional reporting for trusts

Regulation 204.2 requires a trust to report the identity of, and include certain prescribed information for, all trustees, beneficiaries and settlors of the trust, as well as any person who has the ability, as a result of the trust terms or a related agreement, to exert influence over trustee decisions regarding the allocation of trust income or capital in a year (e.g., a protector of the trust). The required information is provided in T3 Schedule 15, *Beneficial Ownership Information of a Trust*, and includes the name, address, date of birth (in the case of an individual other than a trust), jurisdiction of residence and taxpayer identification number in respect of these persons.

The updated amendments clarify that the additional reporting requirements for an alter-ego trust or a joint spousal or common-law partner trust are met if the required information is provided regarding the beneficiaries of the trust, other than contingent beneficiaries. This new amendment, effective for taxation years ending after 30 December 2025, is intended to recognize that such trusts may essentially function as will substitutes and the contingent beneficiaries of the trust may not know that they are beneficiaries.

Learn more

For more information on the proposed updated legislative amendments, please contact your EY or EY Law tax advisor or one of the following professionals:

Jin Wen

+1 416 943 5241 | jin.wen@ca.ey.com

Ameer Abdulla

+1 519 571 3349 | ameer.abdulla@ca.ey.com

Nima Afshani

+1 416 932 6174 | nima.afshani@ca.ey.com

Gabriel Baron

+1 416 932 6011 | gabriel.baron@ca.ey.com

Sharron Coombs

+1 416 932 5865 | sharron.coombs@ca.ey.com

Elena Doucette

+1 416 943 3193 | elena.doucette@ca.ey.com

Teresa Gombita

+1 416 943 3272 | teresa.gombita@ca.ey.com

Wesley Isaacs

+1 416 932 6003 | wesley.isaacs@ca.ey.com

Hayat Kirameddine

+1 780 412 2383 | hayat.kirameddine@ca.ey.com

Ken Kyriacou

+1 416 943 2703 | ken.kyriacou@ca.ey.com

Stéphane Leblanc

+1 514 879 2660 | stephane.leblanc@ca.ey.com

Benoît Millette

+1 514 879 3562 | benoit.millette@ca.ey.com

Jeremy Shnaider

+1 416 943 2657 | jeremy.shnaider@ca.ey.com

Marlène Vigneau

+1 514 228 3699 | marlene.vigneau@ca.ey.com

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