wls LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

BARE TRUST REPORTING: It's Here!

New rules aimed at increasing transparency regarding the beneficial ownership of assets held through bare trust arrangements have been enacted and will apply to taxation years ending on and after December 31, 2026. These changes may catch **many individuals and businesses** that **are unaware** of their trust-like relationships, exposing them to potential **penalties** and other consequences for non-compliance.

A trust arrangement generally exists where the registered owner of an asset holds **legal title on behalf of** another person or entity that is the **true beneficial owner.** Where the **trustee** has **no independent power or discretion** over the property, the arrangement will typically be considered a **bare trust arrangement.** Historically, bare trust arrangements were not subject to T3 filing requirements. However, starting **2026**, if a bare trust **exists at any time during the year**, the bare trustee may be required to file T3 return and Schedule 15. While certain exceptions may apply, many arrangements that were previously outside of the trust reporting requirements will now be required to file. Does a bare trust arrangement exist?

To determine if a bare trust arrangement exists, the following question should be asked:

- **Who is the legal owner of the property/asset?** Typically, this is the person who is on legal title of the asset or who holds the asset.
- **Who is the beneficial owner of the property/asset?** This is the person who has the rights and obligations of the property/asset. For example, in the case of real estate, who has the right to use, collect rent and direct its disposition? Who has the obligation to maintain the property and pay the associated costs, such as taxes? Who is entitled to the proceeds on a sale of the property and who funded its acquisition?

If the legal owner differs from the beneficial owner, then a bare trust arrangement likely exists.

There are **several reasons** why an **individual, business or organization** may use a **bare trust arrangement.** Many parties involved in a bare trust arrangement may **not realize** that they are, much less that there may be a filing requirement with CRA. **No lawyer** may ever have been involved, and no written agreement may ever have been drafted. However, **failure to comply** with the trust reporting requirements could result in **significant penalties.**

While there are **countless possibilities of bare trust arrangements**, the following are **some** common **examples.** Certain exceptions may apply to the scenarios described below; these are fact-specific and should be discussed with us to determine their applicability.

Common situations to consider

- A parent, child, or other relative added to the title of a home, cabin, or other real property (including agricultural land) for mortgage, probate, or convenience reasons.
- Real property or land held by a nominee individual or corporation on behalf of the true purchaser (owner), a joint venture, syndicate, or partnership.
- "In trust for" bank or brokerage accounts opened for a minor child or grandchild.

- An adult child added as a signer on a parent's bank account to help pay bills. (A power of attorney alone does not create a bare trust; adding a signatory generally does.)
- Investment accounts, including GIC's and term deposits held in one person's name with the funds belonging to another.
- A bank account or other assets registered in the name of a general partner or some other person that belong to a partnership.
- Any informal or unwritten understanding that a legal owner holds property for someone else.
- A lease held by a nominee (typically a corporation) for someone else.
- A corporation holding title to equipment, vehicles, or investments for the benefit of a shareholder or related operating company.
- A cost sharing arrangement where a person holds a business bank account, or other assets, to facilitate the arrangement while having no, or only partial, beneficial interest in these shared assets.
- A property management company holding operational bank accounts in trust for its clients, or individuals managing properties for other corporations holding bank accounts for those other corporations.
- An escrow or holdback arrangement on sale of a business or real estate.
- Trust account, typically held by a lawyer for a client.

Exemptions that may apply

The following exemptions are available which may relieve you of your filing requirement.

- The total fair market value of the property held does not exceed $50,000 at any time in the year.
- The arrangement existed for less than three months in that year and in total.
- The total fair market value does not exceed $250,000, all legal and beneficial owners are individuals and are related, and the property meets certain conditions. The property cannot include private investments, gold, silver, precious metals, commodities or crypto assets.
- The legal owners of residential real estate are related, and a legal owner could claim the property as a principal residence (the exemption does not actually need to be claimed).
- All legal owners are also beneficiaries, such as spouses on joint accounts.
- The property is held in a registered plan including TFSA, RRSP, RRIF, FHSA, RESP, RDSP.
- The property is a regulated pooled professional trust account (usually of a lawyer), or a specific client account of $250,000 or less holding only cash.
- The property is held on behalf of a partnership by a partner, and the partnership is required to file a T5013.

Penalties for late filing

Failure to file a required return attracts a penalty of $25 per day, with a minimum of $100 and a maximum of $2,500. Where the failure is made knowingly or through gross negligence, the penalty is the greater of $2,500 and 5% of the fair market value of the property held by the trust. Penalties are assessed against the trustees (the legal owners).

What to do now

If you think you have a bare trust filing obligation or if you are uncertain whether a particular arrangement constitutes a bare trust and would like to discuss your circumstances further, please contact us by **December 15, 2026 at the latest** to allow adequate time for review, registration, and filing well before the **March 31, 2027 deadline.**

We have assigned team member **Victoria Lauzon** to gather the necessary information for the 2026 filing requirements. Please contact her by calling 780.875.9144 or by email to vlauzon@wlscpa.com.