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Not-So-Cheap Thrills: The Bare Trust Reporting Rollercoaster

By Ian Spiegel and Mitchell Hajnal

Founded in the 1920s, Gardiner Roberts LLP has grown to become a strategically placed mid-sized business law firm with a diverse client base which includes several of Canada's largest banks, public companies including mining, high tech and software companies, real estate enterprises, lenders and investors.

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In our previous blogs, we discussed the expanded trust filing and reporting requirements for trusts with tax years ending on or after December 31, 2023¹, and the Canada Revenue Agency's (the "CRA") last minute decision to no longer "require bare trusts to file a T3 Income Tax and Information Return (T3 Return), including Schedule 15 (Beneficial Ownership Information of a Trust), for the 2023 tax year, unless the CRA makes a direct request for these filings."^{2, 3}

While the CRA's decision to not enforce the new requirements for bare trusts came as a relief for many, it left both taxpayers and accountants grappling with the costly aftermath of their compliance efforts. An online survey of 118 Canadian accounting firms done by Joseph Devaney, the director of tax

education and development at Video Tax News, (the "Survey") estimated that \$905 million was spent by accountants and their clients in an attempt to comply with the CRA's bare trust reporting requirements.⁴

The nearly \$1 billion estimate represents the national total for the cost of compliance with the CRA's bare trust reporting requirements and was derived from a combination of sources. The Survey obtained the total number of accounting businesses in Canada from the market research firm IBISWorld, as well as, a previous survey by Video Tax News.⁵ The previous survey by Video Tax News found that 12% of the respondents did not plan to handle bare trust returns.⁶ Furthermore, the Survey noted that

¹ <https://grllp.com/blog/Trust-Reporting-Season-is-Here-Your-Primer-on-the-New-Requirements-for-2023-616>

² [New – Bare trusts are exempt from trust reporting requirements for 2023 - Canada.ca](https://www.cra.ca/News/2023/04/12/new-bare-trusts-exempt-from-trust-reporting-requirements-for-2023-Canada.ca)

³ <https://www.grllp.com/blog/Update-Bare-Trusts-No-Longer-Required-To-File-T3>Returns-For-2023-633>

⁴ [Costs for CRA's bare trusts rules neared \\$1-billion, survey of accounting firms suggests - The Globe and Mail](https://www.theglobeandmail.com/business/article-costs-for-cra-s-bare-trusts-rules-neared-1-billion-survey-of-accounting-firms-suggests/)

⁵ [Costs for CRA's bare trusts rules neared \\$1-billion, survey of accounting firms suggests - The Globe and Mail](https://www.theglobeandmail.com/business/article-costs-for-cra-s-bare-trusts-rules-neared-1-billion-survey-of-accounting-firms-suggests/)

⁶ [Costs for CRA's bare trusts rules neared \\$1-billion, survey of accounting firms suggests - The Globe and Mail](https://www.theglobeandmail.com/business/article-costs-for-cra-s-bare-trusts-rules-neared-1-billion-survey-of-accounting-firms-suggests/)

“the companies each spent just under \$13,000 on average to train staff on the new bare trust reporting rules, and charged their clients an average total of \$11,000 for preparing bare trust files that had already been submitted.”⁷

The Survey further reported that, on average, \$12,000 was incurred for preparing bare trust returns that have yet to be submitted or billed to the client. As a result, the total cost of compliance for each firm and its clients was estimated to be around \$36,000. Evidently, these figures represent the significant financial burden required by accountants and their clients to ensure compliance with the CRA's bare trust filing and reporting obligations.

In short, the CRA's sudden reversal highlights the significant financial burden on taxpayers and accountants, and underscores the importance of careful consideration prior to implementing tax legislation. The future of T3 Return filings for bare trusts is still uncertain – hopefully the CRA will provide additional guidance sooner rather than later.

If you have any questions about the above information, please contact a member of the Gardiner Roberts LLP's experienced Tax and Estates Planning Group. A PDF of this blog is available for download [here](#).

(This blog is provided for educational purposes only, and does not necessarily reflect the views of Gardiner Roberts LLP) .

⁷ [Costs for CRA's bare trusts rules neared \\$1-billion, survey of accounting firms suggests - The Globe and Mail](#)