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ACCOUNTING, AUDITING, TAXATION & BUSINESS ADVISORY SERVICES

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Advice



Bare Trust Information and Tax Compliance

Bare Trust Reporting – Trust Returns for the 2026 Taxation Year

What is New?

For 2026 on, Federal legislation requires bare trusts to file an annual T3 Trust Income Tax and Information Return together with Schedule 15, identifying trustees, settlors, beneficiaries, and controlling persons.

The requirement for bare trust reporting was first announced in 2018 and legislated in 2022. CRA postponed the filing obligation for the 2023, 2024, and 2025 taxation years. **The 2026 taxation year is the first live reporting year for Bare Trusts, with returns due March 31, 2027.**

What is a Bare Trust?

A bare trust exists where one person holds legal title to property but has no active duties, discretion, or control over the property, while another person is the true (beneficial) owner with absolute rights to the income and capital and can direct that title be transferred to them at any time. The legal owner is basically a nominee.

Importantly, a bare trust can exist without any written agreement and without either party intending to create a trust. Many ordinary family and business arrangements can potentially meet the definition.

Please read through the rest of this letter for further background.

Common Situations to Consider

Please consider the following situations which may apply to you, a family member, or an entity you control. These may create a bare trust engagement.

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- A parent, child, or other relative added to the title of a home, cottage, or other real property 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 (if for a minor, the arrangement may be an actual trust, not a bare trust, because the minor cannot direct the legal owner);

- An adult child added as a holder and a signatory on an elderly parent’s bank account to help pay bills or manage money (a power of attorney does not create a bare trust; adding a signatory generally does if the person is not on title);

- GICs, term deposits, or investment accounts held in one person’s name with the funds belonging to another;

- Shares held by an individual to satisfy director or governance requirements where the economic rights belong to someone else;

- Assets registered in the name of a general partner or some other person that belong to a partnership;

- A lease held by a nominee (typically a corporation) for some other entity.

- A corporation holding title to vehicles, equipment, or investments for the benefit of a shareholder or a related operating company;

- A vehicle, boat, or aircraft registered in one person’s name while another provides the funds, bears the risk, and the use;

- Collectibles or artwork registered in a custodian’s or agent’s name while someone else retains beneficial ownership;

- Any informal or unwritten understanding that a legal owner holds property, in whole or in part, for someone else;

- An escrow or holdback arrangement on sale of a business or real estate;

Even if a bare trust exists, there are many exceptions from the reporting.

Exemptions May Apply

Not every bare trust must be reported. Many exemptions are available, including these below.

- 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 (if still in existence in a later year);
- The total fair market value does not exceed $250,000, all trustees holding title and all beneficial owners are individuals and are related, and the property meets certain conditions. The property cannot include private investments, gold, silver, previous metals, commodities or crypto assets;
- All legal owners are also beneficiaries (for example, spouses on a joint account);
- The legal owners (i.e., more than one owner) of residential real estate are related family members (e.g., parent and child) and the property meets the conditions to be a principal residence of one or more of the title holders (the principal residence exemption need not actually be claimed);
- The legal owner is an individual and holds title to a real property for the use on benefit of the legal owner's spouse or common-law partner and the property meets the conditions to be a principal residence of the legal owner (e.g., a property owned 100% by one spouse and beneficially owned equally by both spouses);
- The property is held on behalf of a partnership by a partner (but not by a non-partner); and
- The legal owner holds the property by an order of a court.

Determining whether an exemption applies requires a review of the facts and possibly the value of the property throughout the year. Note that an arrangement may be exempt in one year and reportable in the next.

Penalties for Failing to File

Failure to file a return for a bare trust attracts a penalty with a maximum of $2,500. Where the failure is made deliberately (e.g., by ignoring the matter) or through gross negligence, the penalty can be increased to 5% of the fair market value of the property held by the trust. Penalties are assessed against the trustees – that is, the legal owners.

Our Process

Here is what we suggest.

1. **Identification:**
   If you believe you are a part of a bare trust, please contact us and we will review with you in a phone call, video call or meeting, any arrangements that may constitute a bare trust.

2. **Exemption Review:**
   We will review your information to assess whether an exemption applies and document our conclusions.

3. **Registration:**
   Where a filing is required, we will apply for a CRA trust account number.

4. **Preparation and Filing:**
   Prepare and file a trust tax return. A separate filing is needed for each bare trust.

Next Steps

To allow adequate time for review, registration, and filing well before the **March 31, 2027** deadline, please contact us as ***soon as possible*** to determine if your situation includes a bare trust.

If you have any questions, give us a call 613-834-3348 or info@npichard.ca