

## TABLE OF CONTENTS

<i>Acknowledgements</i> . . . . .	iii
<b>Chapter 1 — Filing Requirements and Administration</b>	
¶1.1 Who Should File? . . . . .	1
¶1.2 How to File . . . . .	3
¶1.2.1 Electronic Filing . . . . .	3
¶1.2.2 Paper Return, Summary and Slips . . . . .	4
¶1.3 Where to File . . . . .	4
¶1.4 Filing Requirements and Deadlines . . . . .	4
¶1.5 New Trust Reporting Requirements . . . . .	5
¶1.6 Interest and Penalties . . . . .	5
¶1.7 Liability of Trustees and Personal Representatives . . . . .	6
¶1.8 Clearance Certificates . . . . .	8
¶1.9 Notifiable Transactions . . . . .	8
¶1.10 Assessments and Reassessments . . . . .	9
¶1.11 Notice of Objection . . . . .	13
<i>Think About</i> . . . . .	14
<b>Chapter 2 — Completing the T3 Application for Trust Account Number</b>	
¶2.1 Application for Trust Account Number . . . . .	15
¶2.2 Trust Information . . . . .	16
¶2.2.1 Name of Trust . . . . .	16
¶2.3 Primary Trustee Information . . . . .	16
¶2.4 Mailing Address . . . . .	16
¶2.5 Additional Trust Information . . . . .	16
¶2.6 Signature and Date . . . . .	17
<b>Chapter 3 — Completing the Information Return</b>	
¶3.1 Trust Account Number and Fiscal Period . . . . .	21
¶3.2 Name of Trust . . . . .	21
¶3.3 Residence of Trust . . . . .	21
¶3.4 Trustee Information . . . . .	21
¶3.5 Trust Information . . . . .	22
¶3.6 Type of Trust . . . . .	22
¶3.6.1 Graduated Rate Estate (GRE) or Qualified Disability Trust (QDT) . . . . .	22
¶3.6.2 Other Types of Trust . . . . .	22
¶3.7 Information about the Return . . . . .	23
¶3.8 Reporting Foreign Income and Property . . . . .	24
¶3.9 Other Information Required . . . . .	24
¶3.9.1 Electing Trust . . . . .	24
¶3.9.2 Income Payable to Beneficiaries . . . . .	25
¶3.9.3 Distribution to Beneficiary . . . . .	25
¶3.9.4 Change of Beneficiaries . . . . .	26

## Table of Contents

¶3.9.5 Death of Lifetime Beneficiary .....	26
¶3.9.6 Incurred a Non-Arm's Length Debt .....	26
¶3.9.7 Change in Beneficial Ownership .....	26
¶3.9.8 Shares in a Private Corporation .....	27
¶3.9.9 Additional Contribution of Property .....	27
¶3.9.10 Public Trusts .....	27
¶3.9.11 International Financial Reporting Standards .....	28
¶3.9.12 Loss Restriction Event .....	28
¶3.9.13 Listed Trusts .....	28
¶3.9.14 Excessive Interest and Financing Expenses Limitation (EIFEL) .....	29
¶3.9.15 Minimum Tax Exception .....	29
¶3.9.16 Special Types of Trusts .....	29
<i>Think About</i> .....	36
 <b>Chapter 4 — Calculating Total Income</b>	
¶4.1 Line 1 — Taxable Capital Gains .....	37
¶4.1.1 General Rules .....	37
¶4.1.2 Reserve for Proceeds Not Due .....	38
¶4.1.3 Utilizing Capital Losses .....	39
¶4.1.4 Characterization of Capital Gain for Trust Law vs. Tax Purposes .....	40
¶4.2 Line 2 — Pension Income .....	41
¶4.3 Line 3 — Total of Actual Amount of Dividends from Taxable Canadian Corporations .....	41
¶4.3.1 Deemed Dividend .....	42
¶4.3.2 Capital Dividend .....	43
¶4.4 Line 4 — Foreign Investment Income .....	44
¶4.5 Line 5 — Other Investment Income .....	44
¶4.6 Line 6 — Business Income .....	45
¶4.7 Line 7 — Farming or Fishing Income .....	46
¶4.8 Line 8 — Rental Income .....	46
¶4.9 Line 9 — AgriInvest Fund 2 .....	47
¶4.10 Line 10 — Deemed Disposition, Income or Losses .....	47
¶4.11 Line 11 — Non-deductible or add-back of Amounts of Interest and Financing Expenses .....	48
¶4.12 — Line 12 — Other Income .....	49
¶4.12.1 — Death Benefit — Other than CPP or QPP .....	49
¶4.12.2 — Registered Retirement Savings Plan (RRSP) .....	49
¶4.13 — Line 13 — Trust's Total Income .....	49
<i>Think About</i> .....	50
 <b>Chapter 5 — Calculating Net Income</b>	
¶5.1 Line 15 — Carrying Charges and Interest Expenses .....	51
¶5.1.1 Interest Expenses .....	51
¶5.1.2 Other Carrying Charges and Expenses .....	52
¶5.1.3 Accounting Fees .....	52
¶5.1.4 Legal Fees .....	53
¶5.2 Line 18 — Trustee Fees Deductible from Income .....	53
¶5.3 Line 19 — Allowable Business Investment Losses (ABIL) .....	55
¶5.4 Line 20 — Other Deductions from Total Income .....	56

## Table of Contents

¶5.5 Line 23 — Upkeep, Maintenance and Taxes of a Property Used or Occupied by a Beneficiary . . . . .	56
¶5.6 Line 24 — Value of Other Benefits to a Beneficiary . . . . .	56
¶5.7 Line 25 — Total Taxable Benefits . . . . .	57
¶5.8 Line 29 — Total Deductible Income Allocations . . . . .	57
¶5.9 Line 31 — Total Gross-Up Amount of Dividends Retained or Not Designated by the Trust . . . . .	58
¶5.10 Line 33 — Trust’s Net Income . . . . .	58
<i>Think About</i> . . . . .	59
<b>Chapter 6 — Calculating Taxable Income</b>	
¶6.1 Line 34 — Non-Capital Losses of Other Years . . . . .	61
¶6.2 Line 35 — Net Capital Losses of Other Years . . . . .	61
¶6.3 Form T3A — Request for Loss Carryback by a Trust . . . . .	62
¶6.4 Line 40 — Limited Partnership Losses of Other Years . . . . .	63
¶6.5 Line 41 — Restricted Interest and Financing Expenses of Other Years . . . . .	63
¶6.6 Line 42 — Other Deductions . . . . .	63
¶6.7 Line 45 — Trust’s Taxable Income . . . . .	63
<i>Think About</i> . . . . .	64
<b>Chapter 7 — Summary of Tax And Credits</b>	
¶7.1 Line 47 — Total Federal Tax Payable . . . . .	65
¶7.2 Line 48 — Provincial or Territorial Tax Payable . . . . .	65
¶7.3 Line 49 — Part XII.2 Tax Payable . . . . .	66
¶7.3.1 Designated Income . . . . .	66
¶7.3.2 Designated Beneficiary . . . . .	66
¶7.4 Line 51 — Tax Paid by Installments . . . . .	67
¶7.5 Line 52 — Net Tax Deducted . . . . .	67
¶7.6 Line 53 — Refundable Quebec Abatement . . . . .	67
¶7.7 Line 54 — Refundable Investment Tax Credit . . . . .	67
¶7.8 Line 55 — Clean Technology Investment Tax Credit . . . . .	67
¶7.9 Line 56 — Capital Gains Refund . . . . .	68
¶7.10 Line 57 — Part XII.2 Tax Credit . . . . .	68
¶7.11 Lines 59 to 75 — Other Credits . . . . .	68
¶7.11.1 Line 59 — Newfoundland and Labrador Research and Development Tax Credit . . . . .	68
¶7.11.2 Line 60 — British Columbia Mining Exploration Tax Credit . . . . .	68
¶7.11.3 Line 65 — Yukon Research and Development Tax Credit . . . . .	68
¶7.12 Line 78 — Refund or Balance Owing . . . . .	69
¶7.13 Line 79 — Amount Enclosed . . . . .	69
¶7.14 Line 80 — Refund Code . . . . .	69
¶7.15 Name and Address of Person or Company (Other than Trustee, Executor, Liquidator or Administrator) Who Prepared This Return . . . . .	69
¶7.16 Certification . . . . .	70
<i>Think About</i> . . . . .	70
<b>Chapter 8 — Trust Schedules and Forms</b>	
¶8.1 Schedule 1 — Dispositions of Capital Property . . . . .	71

## Table of Contents

¶8.1.1 Meaning of “Disposition”	77
¶8.1.2 Qualified Small Business Corporation Shares (QSBCS)	78
¶8.1.3 Qualified Farm or Fishing Property (QFFP)	78
¶8.1.4 Publicly Traded Shares, Mutual Fund Units and Other Shares	80
¶8.1.5 Bonds, Debentures, Promissory Notes, Crypto-assets and Other Similar Properties	80
¶8.1.6 Real Estate, Depreciable Property and Other Properties	81
(a) General Comments	81
(b) Non-Arm’s Length Transfers	81
(c) Land	82
¶8.1.7 Principal Residence	82
¶8.1.8 Valuation Day (V-Day) Considerations	82
¶8.1.9 Personal-Use Property	83
¶8.1.10 Listed Personal Property (LPP)	83
¶8.1.11 Information Slips	84
¶8.1.12 Capital Gains (or Losses) from Reserves	84
¶8.1.13 Capital Gains from Gifts of Other Capital Property	84
¶8.1.14 Total Capital Losses Transferred Under 164(6)	85
¶8.2 Schedule 2 — Reserves on Dispositions of Capital Property	85
¶8.3 Schedule 3 — Eligible Taxable Capital Gains	87
¶8.4 Schedule 4 — Cumulative Net Investment Loss	91
¶8.5 Schedule 7 — Pension Income Allocations and Designations	93
¶8.6 Schedule 8 — Investment Income, Carrying Charges, and Gross-Up Amount of Dividends	
Retained by the Trust	96
¶8.6.1 Dividends from Taxable Canadian Corporations	96
¶8.6.2 Foreign Investment Income	96
¶8.6.3 Other Investment Income	96
¶8.6.4 Carrying Charges and Interest Expenses	96
¶8.6.5 Calculating the Gross-Up Amount of Dividends Retained or Not Designated by the Trust	96
¶8.7 Schedule 9 — Income Allocations and Designations to Beneficiaries	99
¶8.8 Schedule 10 — Part XII.2 Tax, Part XIII Non-Resident Withholding Tax, and Part II.2 Tax on Repurchases of Equity	103
¶8.9 Schedule 11 — Federal Income Tax	107
¶8.10 Schedule 12 — Minimum Tax	112
¶8.11 Schedule 15 — Beneficial Ownership Information of a Trust	119
¶8.11.1 Part A — Annual Beneficial Ownership Information	119
¶8.11.2 Part B — Identification of Reportable Entities	119
¶8.11.3 Part C — Beneficiaries Unable to Be Listed	119
¶8.12 Schedule 130 — Excessive Interest and Financing Expenses Limitation	122
<i>Think About</i>	134
 <b>Chapter 9 — Completing the T3 Summary and T3 Slips</b>	
¶9.1 General	135
¶9.2 Completing the T3 Summary	135
¶9.3 Completing the T3 Slips	138
¶9.3.1 Dividends	138

## Table of Contents

¶9.3.2 Taxable Capital Gains .....	139
¶9.3.3 Other Income Allocations and Designations .....	139
¶9.3.4 Tax and Other Credits .....	140
¶9.4 Filing the T3 Summary and T3 Slips .....	145
¶9.4.1 Filing .....	145
¶9.4.2 Distributing the T3 Slip .....	145
(a) Paper Filing .....	145
(b) Digital Copy .....	145
¶9.5 Amending, Cancelling or Issuing Duplicate T3 Slips .....	145
¶9.5.1 Amended Slips .....	145
¶9.5.2 Cancelled Slips .....	145
¶9.5.3 Duplicate Slips .....	145
¶9.6 Amending the T3 Summary .....	145
<i>Think About</i> .....	146
 <b>Chapter 10 — Filing Requirements for Non-Resident Trusts</b>	
¶10.1 Introduction .....	147
¶10.2 Deemed Resident Trust .....	147
¶10.2.1 General Computation Rules .....	147
¶10.2.2 Distributions to Non-Residents and Subsection 104(7.01) .....	147
¶10.2.3 Part I Tax Calculation .....	147
¶10.2.4 Foreign Tax Credit .....	147
¶10.2.5 Part XII.2 Tax .....	148
¶10.2.6 Part XIII Tax .....	148
(a) Receiving Income .....	148
(b) Payments by the Trust .....	148
¶10.2.7 21-Year Rule Deemed Realizations .....	148
¶10.3 Non-Resident Trust .....	148
¶10.3.1 Basis of Taxation .....	148
¶10.3.2 Treaty Exemptions .....	148
¶10.3.3 No Deduction on Distribution .....	149
¶10.3.4 Part I Tax Calculation .....	149
¶10.3.5 Part XII.2 Tax .....	149
¶10.3.6 No Part XIII Tax .....	149
¶10.3.7 Section 216 .....	149
¶10.3.8 21-Year Rule Deemed Realizations .....	149
¶10.4 Disposition of Taxable Canadian Property .....	149
¶10.4.1 Section 116 Requirement .....	149
(a) Deemed Resident Trust .....	149
(b) Non-Resident Trust .....	150
¶10.4.2 Liability of Purchaser .....	150
¶10.4.3 Penalty .....	150
¶10.5 Reporting by Contributor .....	150
¶10.6 Reporting by Beneficiaries .....	151
¶10.7 Reporting by Trust .....	151
¶10.7.1 Foreign Affiliates .....	151

Table of Contents

¶10.7.2 Foreign Property ..... 152  
¶10.8 Penalties ..... 154  
¶10.9 Summary Table ..... 156  
  
Appendix A: CRA Publications, Forms and Schedules for Trusts ..... 157  
  
*Index* ..... 159