



Wealth Management  
Dominion Securities

# the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES

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## CRA tax ID number for trusts – frequently asked questions

### Why does RBC have to collect this information?

The Income Tax Act (ITA) requires all financial institutions to include CRA tax ID numbers on tax slips (T5/T3 and T5008) issued to clients, including trusts (estates are also trusts for tax purposes). RBC is required to make reasonable efforts to obtain the CRA tax ID number from clients.

We will refer to the CRA tax ID number for trusts (and estates) as the “trust number”.

### What is the trustee(s) requirement under the ITA?

If the trustee(s) fails to provide RBC with the trust number for the trust upon request, and RBC has to issue tax slips for the trust (including for closed accounts), the trust would be liable to a penalty of \$100 for each such failure, if assessed by the CRA, unless:

- (a) an application for the trust number is made within 15 days after the request was received; and
- (b) the trust number is provided to RBC within 15 days after the trustee(s) received it.

### What is the latest date that the trust number must be provided to RBC?

If RBC has to issue any tax slips for the trust for the 2021 taxation year (including for closed accounts), the trust number is required in RBC’s system (ClientSource) by December 31, 2021 for it to be included on the tax slips.

### Who assesses the penalty?

The CRA determines whether the penalty should be assessed, and if so, will assess the penalty directly to the trust. RBC does not assess or collect the penalty.

### Who has to pay the penalty, if the CRA assesses penalties?

If RBC issues tax slips for the trust for 2021 without a trust number, the CRA may assess a penalty of \$100 per tax slip. Where the CRA decides to assess a penalty, for clients who RBC has contacted requesting their trust number (either directly or by messaging included in the client account statement), the CRA may reach out to the client directly concerning the penalty.

### What happens if it is the first year of the trust and the trust does not have a trust number?

If it is the first year of the trust and the trustee(s) is planning on filing a paper T3 Trust Income Tax and Information Return, they do not necessarily need to apply for a trust number in advance. In this case, it may be acceptable to wait for the trust number to be issued by the CRA when they receive the Notice of Assessment for the first year’s tax return. Once they receive their trust number, they should provide it to RBC as soon as possible.

Alternatively, they can apply for a trust number before filing the tax return for the first year. The trustee(s) can apply online for a trust number using the new Trust Account Registration service within My Account, My Business Account, and Represent a Client on CRA’s

website, or by mail by completing Form T3APP, T3 Application for Trust Account Number.

The trustee(s) does need to apply for a trust number before filing the tax return, if they intend to file electronically.

Although under the ITA, to avoid potential penalties, there is a requirement to apply for a trust number within 15 days of a request to provide it, and then provide it to RBC within 15 days of receiving the trust number, the Minister of National Revenue has the ability to waive or cancel all or any portion of the penalty otherwise payable under the ITA.

The trustee(s) may want to discuss their obligations under the ITA with their qualified tax advisor.

**An existing DS Formal Trust established using an RBC declaration of trust agreement (DOT) has never filed a T3 return for the trust and does not have a trust number. Are these accounts required to provide a trust number?**

Yes.

By signing the DOT, the settlor created a formal legal trust which is treated as a separate taxpayer for tax purposes. The trust is subject to tax reporting and the trustee(s) has legal obligations based on the DOT. It is important that the trustee(s) review the DOT with a qualified tax and legal advisor to understand the terms of the trust and the implications of entering this arrangement, including the requirement to provide RBC with the trust number.

The DS Formal Trust is not a bare trust, which is generally ignored for tax purposes. The CRA has commented that a bare trust is different from a formal or true trust in that the trustee(s) has no discretionary powers or

responsibilities with the property, other than to convey it to or at the direction of the true owner. The wording in the DOT gives the trustee(s) some discretionary powers, therefore it is not a bare trust.

Where the trustee(s) has never filed a return for the trust, it is essential that they first seek professional tax advice, since simply applying for a trust number may trigger adverse tax consequences, which the trustee(s) should be prepared for.

If this is the first year of the trust, please refer to the question immediately above that discusses the trust number in the first year a trust is created.

**What happens if the trust is not required to have a trust number?**

The trustee(s) can notify RBC that the trust is not required to have a trust number and the reason why.

If this changes, and they find that the trust is required to have one, they should provide it to RBC as soon as they receive it.

As noted above, a DS Formal Trust is required to have a trust number. It may not have a trust number yet if this is the first year of the trust. In this case, refer to the question that discusses the trust number in the first year a trust is created.

It is important that the trustee(s) discuss the requirement to have a trust number with their qualified tax advisors.

For more information on operational issues and documentation requirements please refer to the FAQ that can be found on this page:

[Tax Reporting \(rbc.com\)](http://rbc.com)



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