RBC Wealth Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

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Family trust: Key dates to remember

A family trust can be used to carry out a prescribed rate loan income-splitting strategy to help reduce a family's tax burden. If you've implemented this strategy, there are a number of tasks that may need to be completed by a certain date. This article outlines some of the key dates you should be aware of.

Key dates

Please note that the following information is for your reference only; your specific family trust and/or loan agreement may specify other dates and terms. Be sure to review your specific family trust arrangement with a qualified legal advisor.

Date	Task
January 30	**Prescribed rate loan interest payment** – The interest on the prescribed rate loan should be paid annually by the trustee(s) using the trust funds. To ensure that the income-splitting benefit of this strategy is not lost, the annual interest on the loan must be paid by January 30 of the following year (and by January 30 of every subsequent year the loan is in place.) Please note that the interest is pro-rated based on the number of days the loan is outstanding during the year. As such, in the year the loan was initially made or in the year the loan is repaid, the trustee will need to calculate the pro-rated interest amount.
February 28 (29 if it's a leap year)	**T5 slip and information return** – The trustee(s) of the family trust may need to report the interest paid to the lender by providing the lender with a T5 slip. The trustee(s) may also need to file a T5 information return with the Canada Revenue Agency (CRA) by the end of February following the calendar year to which the information return applies.

Date	Task
March 31 (30 if it's a leap year)	**T3 Trust Income and Information Return** – The trustee(s) of the family trust may need to file a trust tax return with the CRA by March 31 (30 if it's a leap year) following the calendar year to which the tax return applies. If applicable, a Quebec trust tax return may also need to be filed by this date. The trustee(s) must also send a T3 slip, Statement of Trust Income Allocations and Designations to any resident beneficiary to whom the trust allocated income.
April 30	**Income Tax and Benefit Return** – Beneficiaries of the family trust may need to file a personal income tax return with the CRA, which may include any income allocated to them from the trust. The return and any associated tax liability is due by April 30 following the calendar year to which the tax return applies. The lender may also need to file a personal income tax return with the CRA, which may include any interest paid to them on the prescribed rate loan. Where applicable, the beneficiaries and lender may need to include income associated with the family trust on their Quebec personal tax returns.
Trust year-end (generally December 31)	**Resolution to make income payable** – Prior to the trust's year-end, the trustee(s) of the family trust may want to consider making an irrevocable decision to pay net income that's been earned in the trust to the trust beneficiaries. This decision can be evidenced by a signed resolution by the trustee(s). Typically, only the percentage income allocation needs to be determined; the exact dollar allocation can be confirmed after the trust tax return has been completed.

Beneficiaries of the family trust may need to file a personal income tax return with the CRA, which may include any income allocated to them from the trust. The return and any associated tax liability is due by April 30 following the calendar year to which the tax return applies.

In addition to the dates mentioned, there are other key dates and tasks you may want to consider. For example, you may want to make a cash distribution to the beneficiaries or reimburse the parents of the beneficiaries for expenses paid throughout the year. This is typically done after the trust tax return is completed because the net income of the trust will be known. It's also important to continually monitor and evaluate your family trust to ensure it's meeting the needs of you and your family.

This article may contain strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.



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