Blaney McMurtry LLP

PUBLICATION

2025 Proposed Bare Trust Legislation: Changes, Stakeholder Feedback, and Implications

Date: November 21, 2025

Most nominee corporations, which are widely used in real estate and infrastructure projects, will now be required to file T3 trust returns and disclose detailed information about all beneficiaries and settlors. Similarly, joint ventures that are not partnerships for tax purposes, or where a limited partner holds title, remain subject to the reporting rules.

Background and Overview of Proposed Legislation

A bare trust is a legal arrangement in which a trustee holds legal title to property but acts solely on the instructions of beneficiaries, who retain all rights to the property's income and capital. No independent power or discretion is given to the trustee, and the beneficial owners are responsible for reporting income for tax purposes.

In August 2025, Canada's Department of Finance released updated draft legislation refining bare trust reporting rules, aiming to clarify exemptions and reduce compliance costs after confusion from earlier reforms. However, the core framework from proposed legislation in 2024 remains. Most businesses, particularly in commercial real estate, joint ventures, and internal corporate structures, will still deal with broad disclosure requirements and a high compliance burden, as exceptions remain narrow. The government's aggressive push for expanded trust reporting is driven by international commitments to combat tax evasion and money laundering. However, organizations like the Tax Executives Institute (TEI) argue that, for many business arrangements, the new rules add cost and complexity without meaningfully improving transparency, since ownership and income are already reported through other tax filings and audits.

John Brunt, a Partner at Blaney McMurtry LLP had this to say about the reporting requirements: "the requirement for every nominee that holds title to real estate, particularly for Canadian beneficial owners, creates a redundancy in tax filings that become very onerous where there are multiple beneficiaries that are already filing Canadian tax returns reporting this information."

In order to alleviate these issues, Brunt suggests that “perhaps the exemption should be expanded to require T3 filing and disclosure only where direct beneficiaries are not filing Canadian tax return returns.”

How the 2025 Proposal Responds to Stakeholder Concerns

TEI and other stakeholders raised concerns about the administrative and compliance burden of the 2024 rules, especially for larger corporations. TEI recommended expanding exemptions, streamlining reporting, and aligning requirements with existing tax filings. Despite targeted amendments in the 2025 proposed legislation, these changes have done little to follow TEI recommendations and relieve most businesses from the new disclosure requirements for bare trusts. Narrow exceptions remain, and the government continues to focus on anti-money laundering and beneficial ownership, capturing a wide range of common business structures. Several TEI recommendations are compared to the proposed changes below.

Low Thresholds and Narrow Carve-Outs

The general de minimis threshold for an exemption remains at $50,000 in assets. This is far below the value of assets typically held in commercial real estate, joint ventures, or corporate arrangements. TEI’s request to raise this threshold to $1,000,000 or more for public companies was not adopted. The remaining exception of $250,000 for simple family trusts is limited to arrangements involving only individuals and low-risk financial assets and does not apply to most business or commercial relationships.

No Broad Exemptions for Common Business Arrangements

The legislation does not provide a general exemption for nominee corporations holding real estate, joint venture operators, or internal administrative arrangements. Most nominee corporations, which are widely used in real estate and infrastructure projects, will now be required to file T3 trust returns and disclose detailed information about all beneficiaries and settlors. Similarly, joint ventures that are not partnerships for tax purposes, or where a limited partner holds title, remain subject to the reporting rules.

Duplicative Reporting Remains

TEI highlighted that income and beneficial ownership information for these arrangements is already reported in other tax filings (such as T2, T5013 returns) and is subject to mandatory disclosure and audit by the CRA. The proposed rules do not provide relief to TEI’s recommended duplicative reporting. Businesses must create and maintain additional compliance processes, even where the government already has access to the relevant information.

Limited Relief for Resource and Partnership Structures

While there is a new exception for arrangements where all or mostly all property is Canadian resource property (CRP) held for the benefit of public companies and their affiliates, this does not extend to depreciable property commonly associated with resource operations. The partnership exception is also limited, applying only where each legal owner is a partner (other than a limited partner), and a partnership return is required. Many oil and gas and mining operators mixing CRP and depreciable property remain in scope of the reporting requirements.

Administrative Burden and Compliance Costs

Businesses with complex structures, such as real estate groups, energy companies, and large corporate groups, face having to identify, track, and report hundreds or thousands of bare trust arrangements. Each arrangement requires collecting and maintaining detailed personal and tax information for all parties, setting up new CRA accounts, and monitoring compliance. This adds significant cost and complexity, with little practical benefit in terms of transparency for arrangements already subject to tax reporting and audit.

Real Estate Industry Perspective and Business Implications

Bare trusts are commonly used in the real estate industry for holding legal title on behalf of beneficial owners, facilitating joint ventures, and managing complex ownership structures. The 2025 draft legislation provides some relief for family and succession-related real estate arrangements, such as joint title with related individuals or short-term holding for estate planning. However, commercial real estate structures such as nominee corporations, joint ventures with unrelated parties, and agency arrangements, continue to be subjected to full disclosure and compliance.

Businesses in real estate must continue to map beneficial ownership, collect detailed information for T3 filings, and update transaction documents and onboarding processes. The expanded exemptions reduce filings for some, but the need for transparency and anti-money laundering compliance means that privacy is reduced, and administrative diligence is essential.

Conclusion

While the 2025 bare trust reporting rules include some targeted relief, it provides little help for most businesses to avoid new disclosure requirements. TEI's call for broader exemptions for public companies, joint ventures, and nominee arrangements in commercial real estate was only partially addressed. Many commercial real estate, joint ventures, and internal corporate arrangements remain subject to full reporting. While this legislation is still proposed, broad rules, narrow exceptions, and high compliance would make it burdensome for impacted parties if enacted.

About the Author: Konstantinos Tsatsos, Articling Student

Konstantinos is currently completing his articles at Blaney McMurtry. He obtained his J.D. from the University of Windsor Faculty of Law. Prior to law school, he attended the University of Toronto, Trinity College, where he received an Honours Bachelor of Arts Degree in International Relations with High Distinction.