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## 2024 Tax Filing Requirements Farmers Should Know About

In 2024 there are three changes to federal tax filing requirements that OFA members should be aware of.

1. Filing 2022 Underused Housing Tax Returns
2. New federal trust reporting rules
3. Mandatory electronic HST filing requirements

### Changes to the Underused Housing Tax

In June 2022, the Underused Housing Tax (UHT) Act received Royal Assent. It is a 1% tax on the value of vacant and underused residential properties directly or indirectly owned by those who are not permanent residents or Canadian citizens.

Since most farm businesses in Ontario are owned by Canadian citizens, the primary concern with the UHT has not been the tax itself, but the filing requirements and steep penalties for non-compliance, which ranged from \$5,000-\$10,000 for failing to file a UHT return.

OFA and others lobbied to have the UHT filing requirements and penalties amended.

### UHT changes in the 2023 Fall Economic Statement

First, the government is proposing to reduce the minimum penalties for failing to file a UHT return to \$1,000 for individuals and \$2,000 for corporations for each UHT return not submitted.

What's been referred to as "specified Canadian corporations" and partners of "specified Canadian partnerships" will now be considered to be "excluded owners":

Put simply, this proposed change would mean that farmers will be exempt from filing the UHT for the 2023 tax year and beyond, so long as they are "Canadian owned" (90%+ of farm owned by Canadians).

It should be noted that the federal government still needs to introduce a Government Bill in the House of Commons to move these changes forward. These proposed changes would be effective beginning in the 2023 tax year, so any farmers who were required to file a UHT return for 2022, but have not yet done so, should file by April 30<sup>th</sup> 2024 to avoid penalties and interest.

So long as the proposed changes move forward, Canadian owned farms should be exempt from filing the UHT after the 2022 tax year filing requirements are dealt with.

More information is available at [CRA's website](https://www.cra.gc.ca) or by calling 1-800-959-8281.

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## New Federal Trust Reporting Rules for Canadian Farmers in 2024

The Canadian government has introduced new reporting requirements for trusts, aiming to enhance transparency regarding beneficial ownership and assist the CRA in assessing tax liabilities.

These changes, which take effect for taxation years ending after December 30, 2023, will impact many trusts, including those used in farm business and estate planning.

### Key Changes in 2024

#### T3 Filing Requirement Expansion

Previously, trusts were not required to file an annual T3 return unless there was a tax payable or the trust disposed of capital property. Under the new rules, most personal trusts in Canada must file an annual return even without tax liability or distributions. This includes 'bare trusts' are now required to file.

The only exceptions are for trusts that are less than three months old or holding assets under \$50,000—and limited to cash, certain types of debts, and listed securities.

There are also specific exemptions for special circumstances such as trusts that qualify as not-for-profit organizations or registered charities, mutual fund trusts and qualified disability trusts.

#### Increased Disclosure

The information that is required to be disclosed on T3 forms has expanded greatly.

Required disclosures now extend to all trustees, beneficiaries, settlers, and anyone with the power to influence trust decisions. The information required includes names, addresses, dates of birth, jurisdiction of residence, and taxpayer identification numbers (TINs).

#### Penalties for Non-Compliance

The filing deadline for 2023 T3 returns is 2 April 2024

Failure to comply with the new filing requirements can result in significant penalties which amount to the greater of \$2,500 or 5% of the total fair market value of all property held by the trust. It must be noted that there is no maximum value for the amount of penalties.

For bare trusts, the CRA will waive late-filing penalties for 2023 T3 returns if filed after the deadline, under certain conditions.

#### Implications for Farmers

- **Private Company Shares:** Farm businesses using family trusts to hold private company shares (e.g., a farm corporation) must file a trust return annually.
- **Bare Trusts and Estate Planning:** Trusts previously used for estate planning or holding personal-use assets must were previously exempt from filing, but are now required to file a T3 return.

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## Steps to Remain Compliant

1. **Review Trust Arrangements:** Identify any trusts associated with your farm business that may be impacted by the new rules.
2. **Gather Required Information:** Start compiling the necessary details for trustees, beneficiaries, settlers, and influencers as outlined.
3. **Maintain Records:** Ensure accounting records for income and capital of the trust are up-to-date to facilitate compliance.  
**Consult Professionals:** Consider seeking advice from tax professionals or estate planners to navigate the new requirements.

More information is available at [CRA's website](#) or by calling 1-800-959-8281

## Mandatory Electronic Filing Requirements for HST Returns in 2024

In 2024, the Canada Revenue Agency (CRA) is implementing new electronic filing requirements for GST/HST returns to enhance efficiency and security. This change impacts how Canadian businesses, including those running farm businesses, must file their HST returns.

GST/HST registrants, excluding charities and selected listed financial institutions, are required to file their returns electronically. Penalties may apply for failing to comply with online filing requirements.

Here are the methods that CRA considers to be electronic filing.

- **GST/HST NETFILE:** Direct online submission to the CRA.
- **My Business Account:** A secure CRA portal for various business tax accounts.
- **Represent a Client:** A service for accounts to file a return on behalf their clients.
- **Electronic Data Interchange (EDI):** Electronic payment of net tax through Canadian financial institutions.
- **GST/HST TELEFILE:** A telephone-based filing system using a touch-tone phone.
- **GST/HST Internet File Transfer:** Submission through third-party accounting software.

For farmers without access to computers or the internet, the CRA continues to offer **GST/HST TELEFILE** as a valid electronic filing option. This service allows for the filing of GST/HST returns quickly and securely over the phone, providing an accessible alternative for those in remote areas or without reliable internet access.

### How GST/HST TELEFILE Works

This service allows business owners to prepare your return information, call the toll-free number, and follow the automated prompts to enter your tax information using the keypad. Immediate confirmation via a confirmation number will be provided once the return is successfully filed.

For TELEFILE and some online services, a four-digit access code is needed. Anyone who does not have and would like to use the TELEFILE service contact the CRA to request an access code.

More information is available at [CRA's website](#) or by calling 1-800-959-5525