

Adam Chambers, M.P.
Simcoe North



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CANADA

Mr. François Boileau
Office of the Taxpayers' Ombudsperson
Via email

Dear Mr. Boileau,

I am seeking your assistance and guidance with the Canada Revenue Agency's recent announcement relating to the reporting requirement of 'bare trusts'. I believe Canadians and Parliament would benefit from a systemic review of the CRA's handling of the reporting requirements and overall treatment of taxpayers.

Specifically, I request an examination of a lack of procedural fairness and *prima facie* violations of rights under the Taxpayer Bill of Rights:

- Right 5 - to be treated professionally, courteously, and fairly;
- Right 6 –to complete, accurate, clear, and timely information;
- Right 10 –to have the costs of compliance taken into account when administering tax legislation; and
- Right 11 - to expect [the CRA] to be accountable).

If this recent experience is not addressed, we run the risk of repeating similar mistakes in the future and causing significant unnecessary stress and financial strain on taxpayers.

On March 28, 2024, the CRA announced that due to unspecified 'unintended impacts on Canadians', it would "not require bare trusts to file a T3 Income Tax and Information Return (T3 return), including Schedule 15 (Beneficial Ownership Information of a Trust), for the 2023 tax year."

Moreover, the CRA also explained that "over the coming months, the CRA will work with the Department of Finance to further clarify its guidance on this filing requirement." It is important to note that the T3 Return and Schedule 15 filing deadline for most trusts was March 30, 2024.

The CRA indicates that there are 'unintended impacts on Canadians', however it waited until the last day to reverse implementation. The result is that the CRA allowed these 'unintended impacts' to be felt by the maximum number of Canadians. Thankfully, I suspect you will be able to find out how many Canadians (affecting how many trusts) filed T3 returns to comply with the proposed rules.

While the CRA's announcement was welcomed by some, it came only days before the filing deadline, which shows a complete disregard for the concerns and negative impacts felt by

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taxpayers. There was no new information that appeared within the last week of the filing deadline. The rules were as confusing as they were when they were initially proposed and professionals had been seeking guidance from the CRA with little substantive response.

Taxpayers and tax professionals spent countless hours and significant expense to attempt to understand and comply with the confusing new reporting requirements by the deadline. In fact, Erica Alini at the Globe and Mail reported that taxpayers have spent multiple thousands of dollars complying with new tax rules.¹ This amounts to hundreds of millions of additional compliance costs for Canadians.

That the CRA now says it must work with the Department of Finance to 'further clarify' the rules is admission that the rules were, in fact, not clear. Waiting until the near-final moment to make the pronouncement denied taxpayers timely information and fair treatment. The CRA should be held accountable for this systematic failure or we risk further eroding trust with the organization.

I have strong faith in individuals within the CRA who admirably perform their duties each day and have been unfairly asked to implement new measures on unrealistic and unreasonable timeframes. I suspect, in this case, that some may have even recommended additional clarification measures or a delay in implementation. However, the 'system' was incapable of deciding timely or that accountability is so dispersed that no one felt it was their personal responsibility to act with any haste. Either way, there is a systemic issue that must be reviewed and employees must feel safe to express their candid assessments of the process that was used.

Unfortunately, a concerning pattern has developed. This is not the first time a confusing new tax measure was altered materially just prior to a deadline. A recent 'last minute announcement' occurred for the Underused Housing Tax (UHT) – where the filing deadline was extended at the last moment more than once. Here taxpayers spent similarly considerable resources to comply with the confusing rules by CRA's initial filing deadlines.

As Kim Moody, FCPA, FCA, TEP, former chair of the Canadian Tax Foundation, noted in the Financial Post recently: "...practitioners have wasted a ton - and I mean a ton - of time on determining whether a legal relationship needs to be reported. Such time translates into significant professional fees being generated to trust taxpayers...Virtually all good tax professionals that I know do not relish the extra fees and time in an already time-crunched period where there is more work than they can already handle given the huge shortage of accountants. Especially when it is doubtful what such reporting will yield and benefit Canada as a whole...This train wreck was easily predictable and such predictions came true. Instead of

¹ [New tax rules forcing many Canadians to spend hundreds on accounting, legal fees - The Globe and Mail](#)

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disrespecting Canadian taxpayers and their advisers by outright dismissing early feedback, feedback could have and should have been better listened to before implementation. Over the last two months, impacted professionals have lost sleep, and worked nights and weekends only to be told hours before the deadline the rules are changing.”²

Noted personal finance columnist Rob Carrick in the Globe & Mail also added, “the CRA dumped the far-reaching new rules on taxpayers without proper explanation, then ignored a backlash until the very last minute. The bare trust fiasco is a symbol of government overreach and ineptitude...The CRA initially said a T3 trust income tax and information return had to be filed by April 2 to report bare trusts for the 2023 tax year, then suddenly suspended that requirement late last week. Many taxpayers had already complied with the new rule, some at a cost of hundreds of dollars or more paid to accountants and tax preparers.”³

Taxpayers must be able to trust in the ability of the CRA to manage the tax system and implement any new changes with clarity, efficiency and equal application. The CRA should not assume that taxpayers can always afford or desire to hire outside professionals to navigate a new form or rule that lacks clarity and application.

The CRA’s mishandling of the new reporting requirements for bare trust undermines confidence in the tax system, which has already eroded over the last few years. As part of the review, I would like to understand how a failure in process could result in this last-minute change and when the relevant decision maker was first informed and why it took so long to act.

Canadians are rightly frustrated, and I trust that you will consider this request for a full investigation into this failure and make your findings public. Greater transparency will increase confidence and integrity in our tax system and help this and future governments avoid similar failures.

Thank you for your work on behalf of all Canadians.

A handwritten signature in blue ink, appearing to read 'Adam Chambers'.

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² [Bare trust debacle shows CRA needs to learn to respect taxpayers | Financial Post](#)

³ [CRA's bare trust debacle undermines faith in government - here's how to fix it - The Globe and Mail](#)