

General Information

For the purpose of this form, the term **eligible trust** is a trust, for each tax year ending after 2016, which is described in the following three categories:

- 1) The trust is an alter ego trust; spousal or common-law partner trust; joint spousal or common-law partner trust; or a certain trust for the exclusive benefit of the settlor during the settlor's lifetime. These are collectively referred to as life-time benefit trusts. For each one, the beneficiary of the trust for each tax year for which the trust is designating the property as its principal residence, is the settlor, spouse or common-law partner, or former spouse or common-law partner, of the settlor (as the case may be)
- 2) The trust is a qualified disability trust, as long as the electing beneficiary of the trust for the year is: (a) a resident in Canada during the year; (b) the specified beneficiary of the trust during the year; and (c) a spouse, common-law partner, former spouse or common-law partner or child of the settlor
- 3) A trust, the specified beneficiary of which for the year is an individual: (a) who has not attained 18 years of age before the end of the year; (b) who is resident in Canada during the year; and (c) whose mother or father is a settlor of the trust and either of the following conditions is met: (i) neither the mother or father of the individual is alive at the beginning of the year or (ii) the trust arose before the beginning of the year as a result of the death of either the mother or father of the individual.

A trust must be an eligible trust in the year in order to designate any property as a principal residence for that particular year. To qualify as the principal residence for a tax year, the trust's property must meet all of the following criteria:

- a) a housing unit, a leasehold interest in a housing unit, or a share of the capital stock of a co-operative housing corporation that the trust acquired only for the right to inhabit a housing unit owned by the corporation
- b) owned by the trust at any time in the tax year, jointly with another person or otherwise (this includes sole ownership, joint tenancy, tenancy-in-common, and co-ownership (for example, in Quebec))
- c) a housing unit ordinarily inhabited by a specified beneficiary of the trust or by the current or former spouse, the current or former common-law partner, or a child of a specified beneficiary at any time in the calendar year that ended in the tax year of the trust
- d) designated as the trust's only principal residence for that tax year

A person referred to in (c) above cannot designate another housing unit or leasehold interest. An exception to this is the spouse or common-law partner of the specified beneficiary who, throughout the year, lived separate and apart from the beneficiary according to a judicial separation or written separation agreement. Another exception is a child of the specified beneficiary who was married, in a common-law relationship, or aged 18 or older.

For a specified beneficiary who, throughout the year, was under 18, unmarried, and not in a common-law relationship, no other property can be designated by their mother, father, or any of their brothers or sisters unless they were 18 or older, married, or in a common-law relationship in the year.

If the trust has made, or is making, an election under subsection 45(2) or 45(3) of the Income Tax Act, it can designate the property to be its principal residence for up to four more years, even though the housing unit was not ordinarily inhabited during those years by one of the persons mentioned above. If the trust meets certain conditions, the four-year limitation can be extended indefinitely for those tax years in which the ordinarily inhabited rule was not met because the place of employment of either a specified beneficiary or the spouse or common-law partner of a specified beneficiary was relocated. For more information on these elections, see Guide T4037, Capital Gains.

If the trust distributed the property to a beneficiary on a subsection 107(2) rollover basis, in certain circumstances, subsection 107(2.01) may allow the trust to elect to have disposed of the property at fair market value immediately before this distribution. This would allow the trust to use the principal residence exemption.

If a trust has distributed a property to a beneficiary on a subsection 107(2) rollover basis to satisfy all or any part of the beneficiary's capital interest in the trust, and if the beneficiary disposes of the property after May 9, 1985, to claim the principal residence exemption, the beneficiary is considered to have owned the property since the trust last acquired it. This deemed-ownership provision does not apply if a post-1971 spousal or common-law partner, joint spousal or common-law partner, or alter ego trust distributed the property to a person other than the relevant spouse, common-law partner, or settlor when the spouse, common-law partner, or settlor was alive or on the day that person died, if that day was after December 20, 1991.

For more information, see Income Tax Folio S1-F3-C2, Principal Residence, and the chapter called "Principal Residence" in Guide T4037.

Definitions

Common-law partner — This applies to a person who is **not** your spouse (see below), with whom you are living and have a conjugal relationship, and to whom at least one of the following situations applies. They:

- a) have been living with you in a conjugal relationship, and the current relationship has lasted at least 12 continuous months
- b) are the parent of your child by birth or adoption
- c) have custody and control of your child (or had custody and control immediately before the child turned 19 years of age) and your child is wholly dependent on that person for support

In addition, an individual immediately becomes your common-law partner if you previously lived together in a conjugal relationship for at least 12 continuous months and you have resumed living together in such a relationship. Under proposed changes, this condition will no longer exist. The effect of this proposed change is that a person (other than a person described in b) or c) above) will be your common-law partner only after your current relationship with that person has lasted at least 12 continuous months. This change applies to 2001 and later years.

Reference to "12 continuous months" in this definition includes any period that you were separated for less than 90 days because of a breakdown in the relationship.

Specified beneficiary — A specified beneficiary of a trust for the year is a beneficiary who had a beneficial interest in the trust for the calendar year that ended in the tax year of the trust, and who ordinarily inhabited the housing unit or had a current or former spouse, a current or former common-law partner, or a child who ordinarily inhabited the housing unit in the calendar year that ended in the tax year of the trust. If the housing unit was not ordinarily inhabited by a particular beneficiary of a personal trust or by that beneficiary's current or former spouse, current or former common-law partner, or child, that beneficiary can nevertheless still fall within the definition of a "specified beneficiary" of the trust for a particular tax year of the trust. This would be the case if, in the calendar year ending in the trust's tax year, that beneficiary had a beneficial interest in the trust and the trust was entitled to designate the property as its principal residence for the year by reason of a subsection 45(2) or 45(3) election.

Spouse — This term applies only to a person who is legally married.

Information you need to calculate the capital gain

Number of tax years for which the trust designated the property as a principal residence (from line 4 of first page)	=	4
Number of tax years ending after the acquisition date in which the trust owned the property (jointly with another person or otherwise):		
After 2016		5
After 1981 and before 2017	+	6
Before 1982	+	7
<u>Total number of years owned (add line 5 to line 7)</u>	=	<u>8</u>
Proceeds of disposition or deemed disposition		9
Outlays and expenses related to the disposition		10
Adjusted cost base on the date of disposition (if the trust filed Form 94-115 for this property, do not take into consideration any increase to the adjusted cost base as a result of that election)		11
Adjusted cost base on December 31, 1981		12
Fair market value on December 31, 1981		13
Adjustments to the cost base made after 1981 (for example, capital expenditures)		14
Adjusted cost base on December 31, 2016		15
Fair market value on December 31, 2016		16
Adjustments to the cost base made after 2016 (for example, capital expenditures)		17

Calculating the capital gain

Part 1

Complete Part 1 only if the trust is considered an **eligible trust** (i) in the trust's first taxation year after 2016 and the trust held the property at the end of 2016 or (ii) which acquired the property after 2016. In all other cases, do not complete Part 1. If the trust designated the property as a principal residence for all the years the trust owned it, enter "0" on line 28.

Proceeds of disposition or deemed disposition (line 9)			18
Outlays and expenses (line 10)		19	
Adjusted cost base on the date of disposition (line 11)	+		20
Line 19 plus line 20	=		21
Capital gain before principal residence exemption (line 18 minus line 21)	=		22
Amount from line 22		23	
Amount from line 4 plus 1 (an extra year is granted by law *)	x		24
Multiply line 23 by line 24	=		25
Amount from line 8	÷		26
Divide line 25 by line 26	=		27
Net capital gain from part 1 (line 22 minus line 27; if negative, enter "0")	=		28
Enter the amount from line 28 on line 6 of T3 Schedule 1, Dispositions of Capital Property, or line 6 of Form T1055, Summary of Deemed Dispositions.			

* If the trust disposed of the principal residence after October 2, 2016, and was not resident in Canada during the year of acquisition of the property, the trust is not eligible to use the "plus 1" in this calculation.

Part 2

Complete Part 2 only if the trust owned the property on December 31, 2016, and continuously thereafter until the disposition, and the trust did not qualify as an eligible trust in its first taxation year after 2016. In all other cases, do not complete Part 2. If Part 1 was completed for an eligible trust, do not complete Part 2.

A. Pre-2017 gain

Note: If the trust designated the property as a principal residence for all the years the trust owned it before 2017, enter "0" on line 37

Fair market value on December 31, 2016 (line 16)			29
Adjusted cost base on December 31, 2016 (line 15)		-	30
Pre-2017 gain before principal residence exemption (line 29 minus line 30)		=	31
Amount from line 31			32
Line 2 plus line 3 plus 1 (an extra year is granted by law*)	x		33
Multiply line 32 by line 33	=		34
Line 6 plus line 7	÷		35
Divide line 34 by line 35	=	▶ -	36
Pre-2017 gain (line 31 minus line 36; if negative, enter "0")		=	37

B. Post-2016 gain

Note: If the trust designated the property as a principal residence for all the years the trust owned it after 2016, enter "0" on line 49. If line 16 is more than the amount on line 9, enter "0" on line 49 and complete areas C and D below.

Proceeds of disposition or deemed disposition (line 9)			38
Fair market value on December 31, 2016 (line 16)			39
Adjustments to the cost base made after 2016 (line 17)	+		40
Outlays and expenses (line 10)	+		41
Add lines 39 to 41	=	▶ -	42
Post-2016 gain before principal residence exemption (line 38 minus line 42)		=	43
Amount from line 43			44
Amount from line 1	x		45
Multiply line 44 by line 45	=		46
Amount from line 5	÷		47
Divide line 46 by line 47	=	▶ -	48
Post-2016 gain (line 43 minus line 48; if negative, enter "0")		=	49

C. Post-2016 loss

Fair market value on December 31, 2016 (line 16)			50
Proceeds of disposition or deemed disposition (line 9)		-	51
Post-2016 loss (line 50 minus line 51)		=	52

D. Net capital gain from Part 2

Pre-2017 gain, if any (line 37)			53
Post-2016 gain, if any (line 49)	+		54
Line 53 plus line 54	=		55
Post-2016 loss, if any (line 52)	-		56
Net capital gain from Part 2 (line 55 minus line 56; if negative, enter "0")	=	▶	57

* If the trust disposed of the principal residence after October 2, 2016, and was not resident in Canada during the year of acquisition of the property, the trust is not eligible to use the "plus 1" in this calculation.

Part 3

Complete Part 3 only if the property the trust disposed of is one of two or more properties that qualify as principal residences that the trust owned on December 31, 1981, and continuously thereafter until the disposition by members of a family unit as described in the definition of principal residence in section 54 of the Income Tax Act. In all other cases, do not complete Part 3.

A. Pre-1982 gain

Note: Complete Area A only if the trust owned the property on December 31, 1981, and continuously thereafter until the disposition. If the trust designated the property as a principal residence for all the years the trust owned it before 1982, enter "0" on line 66.

Fair market value on December 31, 1981 (line 13)					58
Adjusted cost base on December 31, 1981 (line 12)		-			59
Pre-1982 gain before principal residence exemption (line 58 minus line 59)		=			60
Amount from line 60				61	
Line 3 plus 1 (an extra year is granted by law*)	x			62	
Multiply line 61 by line 62	=			63	
Amount from line 7	÷			64	
Divide line 63 by line 64	=				65
Pre-1982 gain (line 60 minus line 65; if negative, enter "0")					66

B. 1982-2016 gain

Note: If the trust designated the property as a principal residence for all the years the trust owned it between 1982 and 2016, enter "0" on line 77. If line 13 is more than the amount on line 16, enter "0" on line 77 and complete areas D and F on page 6.

Fair market value on December 31, 2016 (line 16)					67
Fair market value on December 31, 1981 (line 13)				68	
Adjustments to the cost base made after December 31, 1981 (line 14)	+			69	
Line 68 plus line 69	=				70
1982-2016 gain before principal residence exemption (line 74 minus line 77)					71
Amount from line 71				72	
Amount from line 2	x			73	
Multiply line 72 by line 73	=			74	
Amount from line 6	÷			75	
Divide line 74 by line 75	=				76
Net capital gain between 1982 and 2016 (line 71 minus line 76; if negative, enter "0")					77

C. Post-2016 gain

Note: If the trust is considered an eligible trust and designated the property as a principal residence for all the years the trust owned it after 2016, enter "0" on line 89. If line 16 is more than the amount on line 9, enter "0" on line 89 and complete areas E and F below.

Proceeds of disposition or deemed disposition (line 9)					78
Fair market value on December 31, 2016 (line 16)				79	
Adjustments to the cost base made after 2016 (line 17)	+			80	
Outlays and expenses (line 10)	+			81	
Add lines 79 to 81	=				82
Post-2016 gain before principal residence exemption (line 78 minus line 82)					83
Amount from line 83				84	
Amount from line 1	x			85	
Multiply line 84 by line 85	=			86	
Amount from line 5	÷			87	
Divide line 86 by line 87	=				88
Post-2016 gain (line 83 minus line 88; if negative, enter "0")					89

* If the trust disposed of the principal residence after October 2, 2016, and was not resident in Canada during the year of acquisition of the property, the trust is not eligible to use the "plus 1" in this calculation.

Part 3 - continued**D. 1982-2016 loss**

Fair market value on December 31, 1981 (line 13)			90
Fair market value on December 31, 2016 (line 16)	-		91
1982-2016 loss (line 90 minus line 91; if negative, enter 0)	=		92

E. Post-2016 loss

Fair market value on December 31, 2016 (line 16)			93
Proceeds of disposition or deemed disposition (line 9)	-		94
Post-2016 loss (line 93 minus line 94)	=		95

F. Net capital gain from Part 3

Pre-1982 gain, if any (line 66)			96
1982-2016 gain, if any (line 77)	+		97
1982-2016 loss, if any (line 92)	-		98
Subtotal (line 96 plus line 97 minus line 98; if negative, enter "0")	=		99
Post-2016 gain, if any (line 89)	+		100
Post-2016 loss, if any (line 95)	-		101
Net capital gain from Part 3 (line 99 plus line 100 minus line 101; if negative, enter "0")	=		102

Part 4

Net capital gain from Part 2 (line 57)			103
Net capital gain from Part 3 (line 102)			104
Total capital gain - If you completed Part 3			105
Enter the amount from line 103 or line 104, whichever is less. Otherwise, enter the amount from line 57 of Part 2			

Part 5

Complete Part 5 **only** if the trust filed Form 94-11 for this property. **In all other cases**, enter the amount from line 105 above on line 108.

Total capital gain before reduction (line 105)			106
Reduction as a result of the capital gains election (line 67 of Form T1079-WS)	-		107
Capital gain (line 106 minus line 107; if negative, enter "0")	=		108
Enter the amount from line 108 above on line 6 of T3 Schedule 1, Dispositions of Capital Property, or line 6 of Form T1055, Summary of Deemed Dispositions.			