



### DESIGNATION OF A PROPERTY AS A PRINCIPAL RESIDENCE BY A PERSONAL TRUST

- A personal trust should use this form to designate a property as a principal residence in accordance with subparagraph 54(g)(iii.1) of the *Income Tax Act*, and to calculate the capital gain subject to tax on the disposition of that property.
- If the property is designated as the trust's principal residence for all the years in which it was owned by the trust, there is no taxable capital gain to the trust.
- File one completed copy of this form with the T3, *Trust Income Tax and Information Return* for the year in which the disposition or deemed disposition of the property, or the granting of an option to acquire the property occurred.
- See page 2 for general information concerning this form.

Name of trust	Account number T     -           -
Name of trustee, executor, or administrator	
Mailing address of trustee, executor, or administrator	Telephone number ( )
	Postal code

Particulars of property designated
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#### Designation by a personal trust

The property described above is designated to be the principal residence of the trust for \_\_\_\_\_ taxation years from January 1, 1972 to December 31, 1981, and \_\_\_\_\_ taxation years after December 31, 1981.

I confirm that no other housing unit, leasehold interest, or share has been so designated by the trust for those years before January 1, 1982.

I also confirm that no other housing unit, leasehold interest, or share has been so designated for those years after December 31, 1981 by:

- the trust;
- a specified beneficiary of the trust;
- a person who was throughout those years the spouse (including, for years after 1992, a common-law spouse (see page 2)) of a specified beneficiary (other than a spouse living apart from, and separated pursuant to a judicial separation or written separation agreement from the specified beneficiary);
- any child of a specified beneficiary who was throughout those years under 18 and unmarried; or
- the mother, father or any of the brothers or sisters who were under 18 and unmarried of a specified beneficiary who was under 18 and unmarried throughout the year the property is being designated as a principal residence.

I also confirm that no beneficial interest in the trust was held by a partnership or a corporation (other than a registered charity) at any time in the years the property is being designated as a principal residence.

Date	Signature
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#### Specified beneficiaries

Name, address and social insurance number of specified beneficiary and other persons affected by the designation (spouse, child, parent, brother or sister)	Years property designated
Name Address Social Insurance number	
Name Address Social Insurance number	
Name Address Social Insurance number	

Attach a separate sheet if necessary

(Cette formule existe aussi en français)

## General Information

- To qualify as a principal residence for a particular taxation year, the property must be:
  - (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 was acquired for the sole purpose of acquiring the right to inhabit a housing unit owned by the corporation;
  - (b) owned by the trust, jointly with another person or otherwise (which includes sole ownership, joint tenancy, tenancy-in-common and co-ownership (e.g., in Quebec)) at any time in the taxation year;
  - (c) ordinarily inhabited (i.e. the housing unit) by a specified beneficiary of the trust or by the spouse, former spouse or child of a specified beneficiary, at any time in the calendar year which has ended in the taxation year of the trust; and
  - (d) designated, where necessary, as the trust's only principal residence for that particular taxation year.
- No other housing unit or leasehold interest can be designated for the years after December 31, 1981 by the persons referred to in (c) above, except by a spouse of the specified beneficiary who, throughout the year, lived apart from the beneficiary, and separated from the beneficiary pursuant to a judicial separation or written separation agreement, or by a child of the specified beneficiary who was married or aged 18 or over.

In the case of a specified beneficiary who, throughout the year, was under 18 and unmarried, no other property can be designated for the years after December 31, 1981 by his or her mother, father or any of his or her brothers and sisters unless they were 18 or over or married.

**Note:** Beginning in 1993, common-law spouses, as defined below, are considered to be married persons and may not designate more than one home as their principal residence for any taxation years after 1992.

- Where the trust has made or is making an election under subsection 45(2) or 45(3) of the *Income Tax Act*, the property may be designated to be its principal residence for up to 4 additional years even though the housing unit was not ordinarily inhabited during those years by one of the persons mentioned above. If certain conditions are fulfilled, the 4-year limitation can be extended indefinitely for taxation years in which the ordinarily inhabited rule was not met because of a relocation of the place of employment of either a specified beneficiary or spouse of a specified beneficiary. For more information on these elections, refer to the income tax guide called *Capital Gains Guide*.
- If the property was distributed by a trust 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 in order to use the principal residence exemption. The distribution must have occurred after May 9, 1985 in the case of a spousal trust, or after 1990 in the case of any other personal trust.
- Where a trust has distributed a property to a beneficiary in satisfaction of all or any part of the beneficiary's capital interest in the trust and the beneficiary disposes of the property after May 9, 1985, for purposes of claiming the principal residence exemption, the beneficiary is deemed to have owned the property since the trust last acquired it. This deemed ownership provision does not apply where the property is distributed by a post-1971 spousal trust to a person other than the spouse when the spouse is alive or on the day the spouse dies if that day was after December 20, 1991.
- For more information, refer to the current version of Interpretation Bulletin IT-120, *Principal Residence*.

## Definitions

- **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 which has ended in the taxation year of the trust and ordinarily inhabited the housing unit or had a spouse, former spouse or child who ordinarily inhabited the housing unit in the calendar year which has ended in the taxation year of the trust. Where the housing unit was not ordinarily inhabited by a particular beneficiary of a personal trust or by that beneficiary's spouse, former spouse, or child, that beneficiary can nevertheless still fall within the definition of a specified beneficiary of the trust for a particular taxation year of the trust if, in the calendar year ending in the trust's taxation year, that beneficiary had a beneficial interest in the trust and also 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** — The term spouse applies to a legally married spouse and, for 1993 and following years, it also applies at any particular time after 1992 to a common-law spouse. A common-law spouse is a person of the opposite sex who, at the particular time:
  - is living with another person in a common-law relationship, and is the natural or adoptive parent (legal or otherwise) of that person's child; or
  - is living with another person in a common-law relationship and, at any previous time had been living with that person for a period of at least 12 continuous months. When you calculate the 12 continuous months include any period of separation of less than 90 days.

Once either of these two situations applies, we consider a person to have a common-law spouse, except for any period that they were separated for 90 days or more due to a breakdown in the relationship.

- **Married** — The term married, includes a common-law relationship between two people of the opposite sex when the conditions above are met.

**Information required for completing the section "Calculation of capital gain subject to tax"**

For purposes of the calculation below, the "acquisition date" is the date on which the trust last acquired or reacquired the property, or January 1, 1972, whichever is the later date.

**Note:** If the trust was not a resident of Canada during the entire period of ownership of the designated property, contact your Revenue Canada income tax office as the period of non-residence may reduce or eliminate the availability of the principal residence exemption.

(A) Number of taxation years ending after the acquisition date for which the property is designated as a principal residence:

- Before January 1, 1982 (as per designation on page 1) ..... (1)
- After December 31, 1981 (as per designation on page 1) ..... + (2)
- Total number of years designated (line 1 plus line 2) ..... = (3)

(B) Number of taxation years ending after the acquisition date in which the trust owned the property (jointly with another person or otherwise):

- Before January 1, 1982 ..... (4)
- After December 31, 1981 ..... + (5)
- Total number of years owned (line 4 plus line 5) ..... = (6)

(C) Proceeds of disposition or deemed disposition ..... \$ (7)

Outlays and expenses regarding the disposition ..... \$ (8)

Adjusted cost base on the date of disposition ..... \$ (9)

Adjusted cost base on December 31, 1981 ..... \$ (10)

Fair market value as at December 31, 1981 ..... \$ (11)

Adjustments made after 1981 (e.g. Capital expenditures) ..... \$ (12)

**Calculation of capital gain subject to tax**

**Part I - Gain under paragraph 40(2)(b)**

Proceeds of disposition (line 7) ..... (13)

Adjusted cost base on the date of disposition (line 9) ..... (14)

Outlays and expenses (line 8) ..... + (15)

Add lines 14 and 15 ..... = (16)

**Capital gain** (subtract line 16 from line 13) ..... = (17)

Amount from line 17 ..... (18)

Line 3 plus 1 (one year is granted by law) ..... x (19)

Multiply line 18 by line 19 ..... = (20)

Line 6 ..... ÷ (21)

Divide line 20 by line 21 ..... = (22)

**Gain under paragraph 40(2)(b)** (subtract line 22 from line 17) ..... = (23)

Complete Part II on page 4 only if the property disposed of is one of two or more properties that qualify as principal residences that were owned on December 31, 1981 and continuously thereafter until the disposition, by members of a family unit as described in paragraph 54(g)(iii.1), (members of a family unit usually include the specified beneficiary, his or her spouse, and any unmarried children under 18 years of age). **In all other cases**, enter the amount from line 23 on line 106 of Schedule 1, *Summary of Dispositions of Capital Property*, or line 6 from Form T1055, *Summary of Deemed Realizations* and do not complete Part II.

**Part II - Subsection 40(6) limitation****(a) Gain under paragraph 40(6)(a) (pre-1982 gain)**

If the property is designated as a principal residence for all years owned before January 1, 1982, enter NIL at line 32.

Fair market value as at December 31, 1981 (line 11) .....			(24)
Adjusted cost base on December 31, 1981 (line 10) .....	-		(25)
<b>Capital gain</b> (subtract line 25 from line 24) .....	=		(26)
Amount from line 26 .....		(27)	
Line 1 plus 1 (one year is granted by law) .....	x	(28)	
Multiply line 27 by line 28 .....	=	(29)	
Line 4 .....	÷	(30)	
Divide line 29 by line 30 .....	=		(31)
<b>Pre-1982 gain</b> (subtract line 31 from line 26; if negative, enter zero) .....	=		(32)

**(b) Gain under paragraph 40(6)(b) (post-1981 gain)**

If the property is designated as a principal residence for all years owned after December 31, 1981, enter NIL at line 44 and complete (d) and (e) below. If the fair market value of the property on December 31, 1981 exceeds the proceeds of disposition, only complete (c), (d) and (e) below.

Proceeds of disposition (line 7) .....			(33)
Fair market value as at December 31, 1981 (line 11) .....		(34)	
Adjustments made after 1981 (e.g. Capital expenditures) (line 12) .....	+	(35)	
Outlays and expenses (line 8) .....	+	(36)	
Add lines 34 to 36 .....	=		(37)
<b>Capital gain</b> (subtract line 37 from line 33) .....	=		(38)
Amount from line 38 .....		(39)	
Line 2 .....	x	(40)	
Multiply line 39 by line 40 .....	=	(41)	
Line 5 .....	÷	(42)	
Divide line 41 by line 42 .....	=		(43)
<b>Post-1981 gain</b> (subtract line 43 from line 38) .....	=		(44)

**(c) Loss under paragraph 40(6)(c) (post-1981 loss)**

Fair market value as at December 31, 1981 (line 11) .....			(45)
Proceeds of disposition (line 7) .....	-		(46)
<b>Post-1981 loss</b> (subtract line 46 from line 45) .....	=		(47)

**(d) Subsection 40(6) limit****Calculation of limit (if you completed (a) and (b))**

Pre-1982 gain (line 32) .....		(48)
Post-1981 gain (line 44) .....	+	(49)
Add lines 48 and 49 .....	=	(50)

**Calculation of limit (if you completed (a) and (c))**

Pre-1982 gain (line 32) .....		(51)	
Post-1981 loss (line 47) .....	-	(52)	
Subtract line 52 from line 51 .....	=	(53)	
<b>Subsection 40(6) limit</b> - Amount from line 50 or 53, whichever is applicable .....			(54)

**(e) Total gain subject to tax**

Gain per paragraph 40(2)(b) (line 23) .....		(55)	
Subsection 40(6) limit (line 54) .....		(56)	
<b>Total gain subject to tax</b> - (the lesser of line 55 or 56) .....			(57)

Enter the amount from line 57 on line 106 of Schedule 1, *Summary of Dispositions of Capital Property*, or line 6 of Form T1055, *Summary of Deemed Realizations*.