



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

Use this form for 2002 and later tax years to designate a property as a trust's principal residence. Also use it to calculate the capital gain for the year if the trust:

- disposed of, or if we consider it to have disposed of, its principal residence or any part of it; or
granted someone an option to buy the principal residence of the trust or any part of it.

If the trust disposed of, or if we consider it to have disposed of, a property for which the trust filed Form 94-115, Election to Report a Capital Gain on Property Owned by a Personal Trust at the End of February 22, 1994, use this form to calculate the capital gain if:

- the property was the trust's principal residence for 1994; or
the trust is designating the property on this form as the trust's principal residence for any tax year.

If the trust designated the property as its principal residence and filed Form 94-115 for that property, the trust may be entitled to a reduction as a result of the capital gains election. To calculate this reduction, use Form T1079-WS, Principal Residence Worksheet. You can get this form from our Web site at www.cra.gc.ca.

Attach one copy of this form to 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. A deemed disposition occurs when you are considered to have disposed of property, even though you did not sell it.

If the trust designated the property as its principal residence for all the years it owned the property, there is no capital gain.

Designation by a personal trust

For the purpose of this form, the acquisition date is the date on which the trust last acquired or reacquired the property or December 31, 1971, whichever is later. However, if the trust filed Form 94-115, we do not consider the trust to have disposed of and immediately reacquired the property as a result of the election.

Note: If the trust designated the property as its principal residence for the purpose of the election, the trust has to include those previously designated tax years as part of its principal residence designation.

Description of designated property:

I, (print name), designate the property described above as having been the trust's principal residence for the following tax years ending after the acquisition date:

residence for the following tax years ending after the acquisition date:

A (specify the tax years after 1971 and before 1982)

B (specify the tax years after 1981)

I confirm that the trust did not designate any other property as its principal residence. I also confirm that none of the following designated any other property in the above tax years as a principal residence: a specified beneficiary of the trust; a person who throughout those years was the spouse or common-law partner of a specified beneficiary (who was not separated and living apart from the specified beneficiary throughout the year under a judicial separation or written separation agreement); any child of a specified beneficiary who was throughout those years under 18, unmarried, and not in a common-law relationship; or the mother, father, or any of the brothers or sisters who were under 18, unmarried, and not in a common-law relationship of a specified beneficiary who was under 18, unmarried, and not in a common-law relationship throughout the years the trust designated the property as a principal residence.

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

Table with 4 columns: Name of trust, Address, Date, Signature, Position or title, Account number

Specified beneficiaries

Table with 2 main columns: Name, address, and social insurance number of the specified beneficiary and other persons affected by the designation; Years affected by the designation

General Information

To qualify as the principal residence for a tax year, the trust's 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 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; and
- 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 his or her mother, father, or any of his or her 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 Interpretation Bulletin IT-120, *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 in a conjugal relationship, and to whom at least one of the following situations applies. He or she:

- a) has been living with you in a conjugal relationship for at least 12 continuous months;
- b) is the parent of your child by birth or adoption;
- c) has 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 proposed change will apply 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.

Note: If the trust was not a resident of Canada during the entire period it owned the designated property, contact us at **1-800-959-8281**. The period of non-residence may reduce or eliminate the principal residence exemption.

Number of tax years for which the trust designated the property as a principal residence:

• Before 1982 (as designated on page 1)	_____	1	
• After 1981 (as designated on page 1)	+	_____	2
Total number of years designated (line 1 plus line 2)	=	_____	3

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

• Before 1982	_____	4	
• After 1981	+	_____	5
Total number of years owned (line 4 plus line 5)	=	_____	6

Proceeds of disposition or deemed disposition	_____	7
Outlays and expenses related to the disposition	_____	8
Adjusted cost base on the date of disposition (if the trust filed Form 94-115 for this property, do not consider any increase to the adjusted cost base as a result of that election)	_____	9
Adjusted cost base on December 31, 1981	_____	10
Fair market value on December 31, 1981	_____	11
Adjustments made after 1981 (for example, capital expenditures)	_____	12

Calculating the capital gain

Part 1

Proceeds of disposition or deemed disposition (line 7)	_____	13	
Adjusted cost base on the date of disposition (line 9)	_____	14	
Outlays and expenses (line 8)	+	_____	15
Line 14 plus line 15	=	_____	16
Capital gain before principal residence exemption (line 13 minus line 16)	=	_____	17
Amount from line 17	_____	18	
Amount from line 3 plus 1 (an extra year is granted by law)	×	_____	19
Multiply line 18 by line 19	=	_____	20
Amount from line 6	÷	_____	21
Divide line 20 by line 21	=	_____	22
Net capital gain from Part 1 (line 17 minus line 22; if negative, enter "0")	=	_____	23

Part 2

Complete Part 2 **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* (members of a family unit usually include the specified beneficiary, his or her spouse or common-law partner, and any of their children). **In all other cases**, do not complete Part 2.

A. Pre-1982 gain

Note: If the trust designated the property as a principal residence for all the years it owned it before 1982, enter "0" on line 32.

Fair market value on December 31, 1981 (line 11)	_____	24	
Adjusted cost base on December 31, 1981 (line 10)	-	_____	25
Pre-1982 gain before principal residence exemption (line 24 minus line 25)	=	_____	26
Amount from line 26	_____	27	
Amount from line 1 plus 1 (an extra year is granted by law)	×	_____	28
Multiply line 27 by line 28	=	_____	29
Amount from line 4	÷	_____	30
Divide line 29 by line 30	=	_____	31
Pre-1982 gain (line 26 minus line 31; if negative, enter "0")	=	_____	32

B. Post-1981 gain

Note: If the trust designated the property as a principal residence for all the years the trust owned it after 1981, enter "0" on line 44 and complete area D below. If the fair market value of the property on December 31, 1981, is more than the amount on line 7, enter "0" on line 44 and complete areas C and D below.

Proceeds of disposition or deemed disposition (line 7)					33
Fair market value on December 31, 1981 (line 11)					34
Adjustments made after 1981 (line 12)	+				35
Outlays and expenses (line 8)	+				36
Add lines 34 to 36.	=			▶	37
Post-1981 gain before principal residence exemption (line 33 minus line 37)				=	38
Amount from line 38					39
Amount from line 2	x				40
Multiply line 39 by line 40.	=				41
Amount from line 5	÷				42
Divide line 41 by line 42.	=			▶	43
Post-1981 gain (line 38 minus line 43; if negative, enter "0")				=	44

C. Post-1981 loss

Fair market value on December 31, 1981 (line 11)					45
Proceeds of disposition or deemed disposition (line 7)				-	46
Post-1981 loss (line 45 minus line 46; if negative, enter "0")				=	47

D. Net capital gain from Part 2

Pre-1982 gain, if any (line 32)					48
Post-1981 gain, if any (line 44)	+				49
Line 48 plus line 49	=				50
Post-1981 loss, if any (line 47)	-				51
Net capital gain from Part 2 (line 50 minus line 51; if negative, enter "0")	=			▶	52

Part 3

Net capital gain from Part 1 (line 23)					53
Net capital gain from Part 2 (line 52)					54
Total capital gain (if you completed Part 2, enter the amount from line 53 or line 54, whichever is less ; otherwise, enter the amount from line 23 in Part 1)					55

Part 4

Complete Part 4 **only** if the trust filed Form 94-115 for this property. **In all other cases**, enter the amount from line 55 above on line 58.

Total capital gain before reduction (line 55)					56
Reduction as a result of the capital gains election (line 67 of Form T1079-WS)				-	57
Capital gain (line 56 minus line 57; if negative, enter "0")				=	58

Enter the amount from line 58 above on line 6 of T3 Schedule 1, *Dispositions of Capital Property*, or line 6 of Form T1055, *Summary of Deemed Dispositions*.