



March 19, 2024

Delivered By Email: Trevor.McGowan@fin.gc.ca

Mr. Trevor McGowan
Associate Assistant Deputy Minister
Tax Policy Branch
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario
K1A 0G5

Dear Mr. McGowan:

RE: Submission requesting that TFSA and FHSA Trusts that cease to be TFSA and FHSA Trusts be excluded from the additional reporting requirements for trusts

The Investment Funds Institute of Canada (“IFIC”) is writing to ask the Department of Finance (“Finance”) to exclude the Tax-Free Savings Account (“TFSA”) and the Tax-Free First Home Savings Account (“FHSA”) (collectively referred to as the “Accounts”) from the reporting requirements for trusts, even if the Accounts cease to be TFSAs and FHSAs.

IFIC is the voice of Canada’s investment funds industry. IFIC brings together 150 organizations, including fund managers, distributors and industry service organizations, to foster a strong, stable investment sector where investors can realize their financial goals. IFIC operates on a governance framework that gathers member input through working committees. The recommendations of the working committees are submitted to the IFIC Board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of IFIC members.

Background

Under subsection 150(1.2)(n) of the *Income Tax Act* (Canada) (“ITA”), the TFSA and the FHSA are listed trusts and are exempt from the reporting requirements of subsection 204.2(1) of the *Income Tax Regulations* (“ITR”). Unfortunately, under certain circumstances (such as the death of the holder and the account not being settled within the exempt period), these Accounts may cease to be TFSAs and FHSAs and would be subject to the reporting requirements of subsection 204.2(1) of the ITR.

While we appreciate the policy objectives of the legislation, we do not believe that the additional trust reporting requirements in subsection 204.2(1) of the ITR should apply to Accounts that cease to be TFSAs and FHSAs, as these are not the types of trusts targeted by this proposal, and we do not believe that the Department of Finance intended to include them, since TFSAs and FHSAs are already excluded.

It is worth noting, that in most cases, the reason why these Accounts become *inter vivos* trusts beyond the exempt period (and subject to the additional trust reporting requirements) is because the financial service provider or the issuer does not have the relevant contact information or has tried and failed to obtain the beneficiary information necessary to settle the account within the exempt period. The additional reporting requirements would only add an unnecessary administrative burden on the issuer while not targeting the individuals that the policy is intended to identify.



Mr. Trevor McGowan, Associate Assistant Deputy Minister
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Submission

For the reasons outlined above, and taking into account the Government's policy objectives, we propose that additional language be added to subsection 150(1.2)(n) to exclude trusts that cease to be TFSAs or FHSAs by virtue of the application of subsections 146.2(9) and of 146.6(16)(a)(ii) of the ITA, respectively.

We thank the Department of Finance for considering our submission and we are available to meet with you at your convenience should you wish to discuss any aspect of the above further.

Please feel free to contact me by email at jbaillargeon@ific.ca or, by phone (416) 309-2323.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



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