

Designation of Property as a Principal Residence of a Personal Trust

Read the information on pages 6 and 7 before completing this form.

1 Identification of the personal trust (please print)

Identification number¹ Trust account number²

1a 1a1 T - -

Name of personal trust

1b

End date of taxation year

1c
Y Y Y Y M M D D

Name of trustee

2a

Address of trustee

Apartment Street number Street name or P.O. box

3a 3b 3c

City, town or municipality Province Postal code

3d 3e 3f

2 Information concerning the specified beneficiaries

	A	B	C	D
	Name of specified beneficiary	Social insurance number	Address ³	Name of spouse, former spouse or child, as applicable
4.1	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4.2	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4.3	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

3 Designation

Address or legal description of the property

5

Years covered by the designation:

If there is not enough space, attach a separate copy of the form showing the other years covered by the designation.

Years before 1982 (specify the years)

6a to 6b

Years after 1981 but before 2017 (specify the years)

6c to 6d

or

Year a real servitude encumbering the property was established

6e

Years after 2016 (specify the years)⁴

6f to 6g

I designate this property as the trust's principal residence for the years⁵ above during which the trust owned or co-owned the property.

I certify that the trust has not designated any other property as a principal residence and that, for every year after 1981 or for the year a real servitude encumbering the property was established, no other property was designated as a principal residence by a specified beneficiary or any of the following members of the beneficiary's family:

- the beneficiary's spouse (unless the spouse lived separate and apart from the beneficiary throughout the year pursuant to a judicial separation or a written separation agreement);
- the beneficiary's child (unless, during the year, he or she was aged 18 or older or had a spouse); or
- the beneficiary's father, mother, brother or sister (unless, during the year, the brother or sister was aged 18 and older or had a spouse), if the specified beneficiary had no spouse and was under 18 during the year.

I also certify that no partnership or corporation, other than a registered charity, had a beneficial interest in the trust at any time during the taxation years in which the property was designated as a principal residence.

Signature of trustee

Date

Area code Telephone



1497 ZZ 49525755

4 Information used to calculate the capital gain subject to income tax

Number of years that **the property is designated** as a principal residence (see Part 3):

• after 1971 but before 1982		10	
• after 1981 but before 2017	+	11	
• after 2016	+	12	
Add lines 10 through 12.	=	15	

Number of years that **the trust owned or co-owned the property** (include the year in which the property was acquired and the year in which it was disposed of):

• after 1971 but before 1982		20	
• after 1981 but before 2017	+	21	
• after 2016	+	22	
Add lines 20 through 22.	=	25	

Proceeds of disposition ⁶	30		.
Expenses incurred for the disposition ⁶	31		.
Adjusted cost base at the time of disposition ⁷ (do not take into account the adjusted cost base resulting from an election made in 1994) ⁸	32		.
Adjusted cost base on December 31, 1981	33		.
Fair market value on December 31, 1981	34		.
Capital expenditures made after 1981 but before 2017	35		.
Adjusted cost base on December 31, 2016 ⁹	36		.
Fair market value on December 31, 2016 ⁹	37		.
Capital expenditures made after 2016 ⁹	38		.

5 Capital gain subject to income tax

If the disposition of the property occurred after 2016 and the personal trust is a qualified trust (see the definition on page 7), complete section 5.1.

If the disposition of the property occurred after 2016, the personal trust is not a qualified trust and it held the property on December 31, 2016, complete sections 5.1.1 and 5.1.2 instead.

In other cases, complete only section 5.1.

5.1 Net capital gain

Proceeds of disposition (line 30)		45	
Expenses incurred for the disposition (line 31)	46		.
Adjusted cost base at the time of disposition (line 32)	+	47	
Add lines 46 and 47.	=		▶ 48
Subtract line 48 from line 45. If the result is negative (capital loss), enter 0 because this loss is not deductible, then go directly to line 260 in section 5.3 and enter 0 there as well.			

Capital gain before the principal residence exemption = 49

Amount from line 49	50		.
Number of years entered on line 15 or number of years entered on line 15 plus 1 , as applicable ¹⁰	×	51	
Multiply line 50 by line 51.	=	52	
Number of years during which the trust owned or co-owned the property (line 25)	÷	53	
Divide line 52 by line 53.	=		▶ 54
Subtract line 54 from line 49.			Net capital gain = 55

5.1.1 Net capital gain realized after 1981 but before 2017

Fair market value on December 31, 2016 (line 37)	60		.
Adjusted cost base on December 31, 2016 (line 36)	-	61	
Subtract line 61 from line 60. If the result is negative (capital loss), enter 0 because this loss is not deductible and the trust is not eligible for the principal residence exemption.			

Capital gain realized after 1981 but before 2017, before the principal residence exemption = 62

Amount from line 62	63		.
Number of years entered on line 11 or number of years entered on line 11 plus 1 , as the case may be ¹⁰	×	64	
Multiply line 63 by line 64.	=	65	
Number of years during which the trust owned or co-owned the property (line 21)	÷	66	
Divide line 65 by line 66.	=		▶ 67
Subtract line 67 from line 62.			Net capital gain realized after 1981 but before 2017 = 68



5.1.2 Net capital gain realized after 2016

Proceeds of disposition (line 30)			70		
Expenses incurred for the disposition (line 31)		71			
Fair market value on December 31, 2016 (line 37)	+	72			
Capital expenditures made after 2016 (line 38)	+	73			
Add lines 71 through 73.	=			74	
Subtract line 74 from line 70. If the result is negative (capital loss), enter 0 because this loss is not deductible.					
Net capital gain realized after 2016				=	75
Add lines 68 and 75. If the result is 0 (capital loss), this loss is not deductible. If that is the case, go directly to line 260 in section 5.3 and enter 0.					
Net capital gain					85

5.2 Adjusted net capital gain

Complete section 5.2 only if the trust owned or co-owned the property on December 31, 1981, and **continuously** thereafter until the date of disposition. You must first calculate the net capital gain realized before 1982 in section 5.2.1. Then, if the personal trust:

- is a qualified trust, you must calculate the capital gain realized after 1981 in section 5.2.2;
- is not a qualified trust, you must calculate the capital gain realized after 1981 in sections 5.2.2.1 and 5.2.2.2.

If the trust **did not** own or co-own the property **continuously** after 1981, carry the amount from line 55 or the amount from line 85 to line 250.

5.2.1 Net capital gain realized before 1982

If the property was designated as a principal residence for all the years before 1982 during which the trust owned or co-owned it, the aggregate capital gain realized before 1982 is tax-exempt. If that is the case, enter 0 on line 98 and continue the calculations. Otherwise, complete lines 90 through 98 below.

Fair market value on December 31, 1981 (line 34)			90		
Adjusted cost base on December 31, 1981 (line 33)	-		91		
Subtract line 91 from line 90.					
Capital gain realized before 1982, before the principal residence exemption				=	92
Amount from line 92		93			
Number of years entered on line 10 or number of years entered on line 10 plus 1 , as the case may be ¹⁰	×	94			
Multiply line 93 by line 94.	=	95			
Number of years entered on line 20	÷	96			
Divide line 95 by line 96.	=			97	
Subtract line 97 from line 92. If the result is negative, enter 0.					
Net capital gain realized before 1982				=	98

5.2.2 Net capital gain realized after 1981

Do not complete lines 99 through 110 below if the personal trust was not a qualified trust after 2016 and it held the property on December 31, 2016; instead, complete sections 5.2.2.1 and 5.2.2.2.

If the property was designated as a principal residence for all the years after 1981 during which the trust owned or co-owned it, the aggregate capital gain realized after 1981 is tax-exempt. If that is the case, enter 0 on line 110 and go to section 5.2.4.

If the fair market value of the property on December 31, 1981 (line 34), is greater than the proceeds of disposition (line 30), the trust sustained a capital loss. If that is the case, go to section 5.2.3.

In other cases, complete lines 99 through 110 below.

Proceeds of disposition (line 30)			99		
Expenses incurred for the disposition (line 31)		100			
Fair market value on December 31, 1981 (line 34)	+	101			
Capital expenditures made after 1981 (total of lines 35 and 38)	+	102			
Add lines 100 through 102.	=			103	
Subtract line 103 from line 99. If the result is negative, enter 0.					
Capital gain realized after 1981, before the principal residence exemption				=	104
Amount from line 104		105			
Total number of years entered on lines 11 and 12	×	106			
Multiply line 105 by line 106.	=	107			
Total number of years entered on lines 21 and 22	÷	108			
Divide line 107 by line 108.	=			109	
Subtract line 109 from line 104. If the result is negative, enter 0.					
Net capital gain realized after 1981				=	110



5.2.2.1 Net capital gain realized after 1981 but before 2017

Complete this section if the personal trust is not a qualified trust after 2016 and it held the property on December 31, 2016. If the fair market value of the property on December 31, 1981 (line 34), exceeds its fair market value on December 31, 2016 (line 37), the trust has sustained a capital loss. In this case, go to section 5.2.3.1.

Fair market value on December 31, 2016 (line 37)			120	
Fair market value on December 31, 1981 (line 34)	121	.		
Capital expenditures made after 1981 but before 2017 (line 35)	+ 122	.		
Add lines 121 and 122.	=	.	▶ 123	
Subtract line 123 from line 120. If the result is negative, enter 0.				
Capital gain realized after 1981 but before 2017, before the principal residence exemption			=	124
Amount from line 124	125	.		
Number of years entered on line 11	× 126			
Multiply line 125 by line 126.	=	127	.	
Number of years entered on line 21	÷ 128			
Divide line 127 by line 128.	=	.	▶ 129	
Subtract line 129 from line 124. If the result is negative, enter 0.				
Net capital gain realized after 1981 but before 2017			=	130

5.2.2.2 Net capital gain realized after 2016

Complete this section if the personal trust is not a qualified trust after 2016 and it held property on December 31, 2016. If the fair market value of the property on December 31, 2016 (line 37), exceeds the proceeds of disposition (line 30), the trust has sustained a capital loss. If that is the case, go to section 5.2.3.2.

Proceeds of disposition (line 30)			131	
Expenses incurred for the disposition (line 31)	132			
Fair market value on December 31, 2016 (line 37)	+ 133			
Capital expenditures made after 2016 (line 38)	+ 134			
Add lines 132 through 134.	=		▶ 135	
Subtract line 135 from line 131. If the result is negative, enter 0.				
Net capital gain realized after 2016			=	136
Add lines 130 through 136.	Net capital gain realized after 1981			150

5.2.3 Capital loss sustained after 1981

Complete lines 160 through 162 below if the personal trust is a qualified trust after 2016. Otherwise, complete sections 5.2.3.1 and 5.2.3.2.

Fair market value on December 31, 1981 (line 34)			160	
Proceeds of disposition (line 30)			- 161	
Subtract line 161 from line 160. If the result is negative, enter 0.	Capital loss sustained after 1981			= 162

5.2.3.1 Capital loss sustained after 1981 but before 2017

Fair market value on December 31, 1981 (line 34)	170	.		
Fair market value on December 31, 2016 (line 37)	- 171	.		
Subtract line 171 from line 170. If the result is negative, enter 0.				
Capital loss sustained after 1981 but before 2017			=	▶ 172

5.2.3.2 Capital loss sustained after 2016

Fair market value on December 31, 2016 (line 37)	173	.		
Proceeds of disposition (line 30)	- 174	.		
Subtract line 174 from line 173. If the result is negative, enter 0.				
Capital loss sustained after 2016			=	▶ 175
Add lines 172 and 175.	Capital loss sustained after 1981			= 179



5.2.4 Adjusted net capital gain

Complete lines 180, 185 and 190 below if the personal trust is a qualified trust after 2016. Otherwise, complete lines 200 through 220.

Net capital gain realized before 1982 (line 98)	180	.	
Net capital gain realized after 1981 (line 110) or capital loss sustained after 1981 (line 162) preceded by a minus sign (-)	185	.	
Add lines 180 and 185 or subtract line 185 from line 180, as applicable. If the result is negative, enter 0.	Adjusted net capital gain	190	.

Net capital gain realized before 1982 (line 98)	200	.	
Net capital gain realized after 1981 but before 2017 (line 130) or loss sustained after 1981 but before 2017 (line 172) preceded by a minus sign (-)	205	.	
Add lines 200 and 205 or subtract line 205 from line 200, as applicable. If the result is negative, enter 0.	Adjusted net capital gain after 1981 but before 2017	210	.
Net capital gain realized after 2016 (line 136) or loss sustained after 2016 (line 175) preceded by a minus sign (-)	215	.	
Add lines 210 and 215 or subtract line 215 from line 210, as applicable. If the result is negative, enter 0.	Adjusted net capital gain	220	.

5.3 Net capital gain subject to income tax

Net capital gain. Enter the amount from line 55 or line 85 or, if you completed section 5.2, the lesser of the following amounts: line 55 or line 190 (if the trust is a qualified trust) or line 85 or line 220 (if the trust is not a qualified trust).	250	.	
Reduction of the capital gain deemed to have been realized on the property on February 22, 1994, if applicable	- 255	.	
Subtract line 255 from line 250. If the result is negative, enter 0. If the result is positive, carry it to line 205 of Schedule A of form TP-646-V, <i>Trust Income Tax Return</i> , or line 17 of form TP-653-V, <i>Deemed Sale Applicable to Certain Trusts</i> .	Net capital gain subject to income tax =	260	.

Notes

- Before filing this form, the trust must obtain an identification number by filing an *Application for a Trust Identification Number* (form LM-58.1.2-V). Effective March 26, 2021, trusts must use this number in all returns, reports and other documents required under tax law. Failure to do so could result in a penalty.
- The trust account number is shown on the federal *Trust Income Tax and Information Return* (form T3RET). Effective March 26, 2021, trusts must use this number in all returns, reports and other documents required under tax law. Failure to do so could result in a penalty.
- If the address of any person who has a beneficial interest in the trust is different from the address entered on line 5, also complete column D.
- Leave boxes 6f and 6g blank if the personal trust is not a qualified trust (see the definition on page 7) and it held the property on December 31, 2016, and disposed of it after that date. Such a trust cannot designate the property as a principal residence after 2016.
- As a rule, the years for which you can designate a property as a principal residence of a qualified personal trust must correspond to the years for which such a designation was made with the Canada Revenue Agency (CRA).
- If only a portion of the property was used as a principal residence, take into account only the amount attributable to that portion.
- Enter the fair market value on December 31, 2016 (line 37), if the personal trust is not a qualified trust and it held the property on December 31, 2016, and disposed of it after that date.
- See note 6.
- Do not enter amounts on lines 36 or 37 if the personal trust is a qualified trust.
- An additional year is granted under the *Taxation Act*, provided the disposition (or deemed disposition) occurred:
 - before October 3, 2016; or
 - after October 2, 2016, provided the trust is resident in Canada during the year which includes the date the property was acquired.



Information

You must complete this form if you are the trustee of a personal trust that, during the year, disposed of (or is deemed to have disposed of) property it owned or co-owned and you elect to designate the property as the trust's principal residence.

The property in question can be:

- a housing unit such as a house; a dwelling in a duplex, rental property or condominium; a cottage; a mobile home; a trailer; or a floating home;
- a leasehold interest in a housing unit; or
- a share of the capital stock of a housing cooperative.

This form can also be used to calculate the capital gain realized on the disposition of the property.

However, complete only parts 1, 2 and 3 of the form if you do not have to calculate a capital gain because the designation applies to **all the years** during which the trust owned or co-owned the property or **the year** in which a real servitude encumbering the property was established.

The trust can claim the principal residence exemption for all of these years if it disposed of the property after 2016 and it is a qualified trust (see the definition on the next page).

In other cases, you must complete this form to calculate the net capital gain subject to income tax for any year in which the trust does not qualify for the exemption.

Important

For 2017 and subsequent years, if the personal trust is not a qualified trust:

- you **can no longer** designate the property as the trust's principal residence;
- you may, if the trust held the property on December 31, 2016, claim the principal residence exemption **only on the capital gains accrued until the end of 2016**.

Enclose this form with the copy of form TP-646-V, *Trust Income Tax Return*, filed for the taxation year in which the property was disposed of or in which a real servitude encumbering the property was established. Be sure to enter the date from line 5b of the return on line 1c of this form.

For more information, consult section 3.5 (Principal residences) of guide IN-120-V, *Capital Gains and Losses*, making the necessary adaptations for a trust. The guide is available on our website at revenuquebec.ca.

If the trust was not resident in Canada while it owned or co-owned the property, contact us.

Conditions for making the designation

As a rule, you can designate property as the trust's principal residence if the trust is in one of the following situations:

- A specified beneficiary of the trust or his or her spouse, former spouse or child ordinarily used the property as a residence during the year.
- The trust made, after December 19, 2006, an **election concerning a change in the use of the property** (principal residence converted into income-producing property or vice-versa) with the Canada Revenue Agency (CRA).

For the property to be considered the trust's principal residence for a given year, the following conditions must be met:

- In the case of a qualified trust, the specified beneficiary must be resident in Canada throughout the year.
- If the property was disposed of in a taxation year ending after October 2, 2016, you must first designate the property as the trust's principal residence with the CRA. You cannot make such a designation for Québec income tax purposes if you did not make one with the CRA.

You must keep proof that the designation was made with the CRA in case we request it.

Election concerning the change in use of a property

If the trust is making (or has previously made) the election under section 284 or 286.1 of the *Taxation Act*, in accordance with subsection 45(2) or 45(3) of the federal *Income Tax Act*, a property can be designated as its principal residence for a maximum period of four additional years, even if the property was not ordinarily inhabited during that period by a specified beneficiary of the trust, the beneficiary's spouse, former spouse or child. This period of four years can be extended indefinitely if certain requirements are met for taxation years in which a change of workplace (whether it is the specified beneficiary's workplace or that of the beneficiary's spouse) prevents the specified beneficiary or the beneficiary's spouse from meeting the requirement of ordinarily inhabiting the property.

If you made the election concerning the change in use with the CRA, you must provide a copy of **any document sent to the CRA proving that the election was made**, in particular the letter used to make the election and the trust's federal income tax return. You must send these documents to us by the later of the following dates:

- the 30th day following the day on which the election was made with the CRA; or
- the deadline for filing the trust's income tax return.

If you do not provide a copy of the documents you sent the CRA by the deadline, the trust will be liable to a **penalty** of \$25 per day, up to a maximum of \$2,500.

Unless this election has been filed with the CRA, no such election is possible for Québec income tax purposes. Once the election has been made with the CRA it is deemed to have been made for Québec income tax purposes.

Reduction of the capital gain deemed to have been realized on the property on February 22, 1994

If the trust elected to report a capital gain deemed to have been realized on the property on February 22, 1994, the trust is not considered to have disposed of the property and reacquired it immediately thereafter. Therefore, the number of years that the trust owned or co-owned the property (lines 20 through 22) must be calculated as if this election had not been made. If the trust realized a capital gain, that gain can be reduced (line 255). Contact us to find out how to calculate the reduction.



Transfer of the principal residence to a beneficiary of the trust

If the trust transfers the property to a beneficiary in circumstances provided for in section 688.0.1 of the *Taxation Act*, it can elect to have the property deemed to have been disposed of for its fair market value and thus take advantage of an exemption from income tax on the capital gain realized on the disposition of the principal residence. See the instructions concerning line 205 of Schedule A in the *Guide to Filing the Trust Income Tax Return* (TP-646.G-V).

Since 2017, new measures have applied to the distribution of a principal residence made by a personal trust. The principal residence may be given to the beneficiary by rollover if:

- the trust owned or co-owned the property at the end of 2016;
- during the first taxation year of the trust that begins after 2016, the trust is not a qualified trust (a trust that belongs to one of the three categories given in the definition of “qualified trust”); and
- the property could be designated by the trust as its principal residence for the taxation year during which the disposition occurs if the requirement that the trust be a qualified trust were not taken into account.

If the principal residence is given to the trust by rollover, it is deemed to have been owned by the beneficiary since the last time the trust acquired the property.

Definitions

The terms below are defined in the context of this form.

Deemed disposition (also referred to as “deemed sale”)

A hypothetical transfer of property whereby a trust is considered to have actually disposed of the property. A deemed disposition is brought about by certain events that are prescribed by law, such as a change in the use of the property, the establishment of a real servitude encumbering the property, or the death of the trust’s beneficiary.

De facto spouse

The person who, at any time in a given year:

- was living in a conjugal relationship with the specified beneficiary and was the biological or adoptive parent (mother or father), legally or in fact, of a child of whom the specified beneficiary was also the parent;
- had been living in a conjugal relationship with the specified beneficiary for at least 12 consecutive months; or
- had been living in a conjugal relationship with the specified beneficiary for less than 12 consecutive months, where the person had previously lived in a conjugal relationship with the specified beneficiary for at least 12 consecutive months and the year concerned is before 2001.

The 12-month period is considered not to have been interrupted if the specified beneficiary and the person were separated for a period of less than 90 days.

Disposition

A transaction in which a trust disposes of capital property voluntarily (by way of sale, transfer or gift) or involuntarily (where property is expropriated, destroyed by fire or otherwise, etc.). Disposition also includes the act of granting an option to purchase the property and a deemed disposition.

Qualified trust

Trust that, for any year after 2016, falls under one of the following categories and meets the conditions described below.

First category: a spousal trust, a joint spousal trust, an alter ego trust or certain trusts for the exclusive benefit of the settlor during the settlor’s lifetime. Depending on the type of trust, the specified beneficiary of the trust must be either the settlor or the settlor’s spouse or former spouse. The status of such trusts is also kept if the child, spouse or former spouse of the beneficiary ordinarily inhabits the trust’s principal residence.

Second category: a qualified disability trust whose electing beneficiary for the year is:

- a specified beneficiary of the trust during the year; and
- the spouse, de facto spouse, former spouse, former de facto spouse or child of the settlor of the trust.

Third category: a trust for a minor child of deceased parents whose specified beneficiary for the year is an individual who meets the following conditions:

- The individual’s parents are not alive at the beginning of the year.
- One of the parents is the settlor of the trust.
- The individual is under 18 at the end of the year.

For more information, see the instructions for line 205 of Schedule A in the *Guide to Filing the Trust Income Tax Return* (TP-646.G-V), which is available on our website at revenuquebec.ca.

Specified beneficiary

A person who has a beneficial interest in the trust and ordinarily inhabits the trust’s residence (or whose spouse, former spouse or child ordinarily inhabits the residence).

Note

In the case of a joint spousal trust, a qualified disability trust or a trust for a minor child, there can be more than one specified beneficiary in a given taxation year.

Spouse

The person:

- who was married to the specified beneficiary;
- who was the specified beneficiary’s de facto spouse (see the definition above) and, as applicable:
 - was of the opposite sex (for 1993 and subsequent years),
 - was of the same sex (for 1999 and subsequent years, if the person was the specified beneficiary’s de facto spouse at any time after June 15, 1999, or for 1998 or 1999, if both elected to consider themselves de facto spouses at any time in 1998 or at any time between December 31, 1998, and June 16, 1999); or
- who was in a civil union with the specified beneficiary (for 2002 and subsequent years).

