



Sandra Schofield CPA
Professional Corporation

PREPARATION OF TAX RETURNS FOR A DECEASED PERSON

| | |
|------------------------------------------|--|
| Name of Deceased | |
| Date of death (DoD) (YY- MMM-DD) | |
| SIN | |
| Address (at DoD) | |
| Date of birth (YY- MMM-DD) | |
| Marital status (at DoD) | |

EXECUTOR

| | |
|--------------------------------|--|
| Name of Executor/Administrator | |
| Address | |
| Phone number | |
| Email address | |

CO-EXECUTOR *(if applicable)* *(space can also be used to enter lawyer's contact information)*

| | |
|--------------------------------|--|
| Name of Executor/Administrator | |
| Address | |
| Phone number | |
| Email address | |

A final return (T1, personal return) must be prepared and filed for the period from January 1 up to and including the date of death (DoD).

If there are tax returns to be filed for any year(s) prior to the DoD, please submit a completed tax package and tax materials for these returns.

If the estate earns income after the date of death, (or disposes of property) the estate must file tax returns (T3 returns) until the estate is wound up.

Please refer to the following checklist and notes in order to submit information required to complete the final T1 return, and possible T3 trust return.

CHECKLIST

- Death Certificate
- Complete copy of will
- If there is no will, a copy of the document which identifies the legal representative of the estate (such as grant of probate or letters of administration)
- Completed Schofield CPA personal tax package for the period January 1 to DoD (please see <https://schofieldcpa.ca/resources/>)
- Tax slips for the year of death (see list in personal tax package for possible slips)
- List of real estate, financial and personal assets held at the date of death (please enter in the charts below as applicable)
- IF THE DECEASED WAS PREVIOUSLY A CLIENT OF **SCHOFIELD CPA**, WE DO NOT REQUIRE THE NEXT 4 ITEMS
- Signed **Authorization Request Signature Page** (to authorize us to speak to CRA on your behalf re Tax);
(we will prepare this for you to sign)
- Signed RC59 (to authorize us to speak to CRA on your behalf re HST, if applicable);
(we will prepare this for you to sign)
- Copy of last 2 years tax returns with Notices of Assessment
- If the deceased was an HST registrant, copies of the last 2 years filed HST returns

REAL ESTATE ASSETS

| DESCRIPTION | ADDRESS | DATE PURCHASED | PURCHASE PRICE | MARKET VALUE (At DoD) | SOLE OWNER (Y/N) |
|---------------------------------------------------|---------|----------------|----------------|-----------------------|------------------|
| Residence (e.g. house, condo) | | | | | |
| Vacation property (e.g. cottage, time share etc.) | | | | | |
| Rental property | | | | | |
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FINANCIAL ASSETS

For each asset, please provide the account number, institution and type of account (e.g. bank account - savings or chequing, RRSP, RRIF, TFSA, investment account, etc.).

For non-registered investment accounts please also provide a statement as of the DoD showing the list of securities held with their cost and market value as of the DoD.

| ACCOUNT NUMBER | INSTITUTION | ACCOUNT TYPE (E.G. BANK SAVINGS, RRSP, INVESTMENT, ETC.) | SOLE OWNER (Y/N) |
|----------------|-------------|----------------------------------------------------------|------------------|
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PERSONAL ASSETS

A gain on personal assets (e.g. car or boat, jewelry, art, antiques) has to be reported on the tax return. Losses on this kind of asset generally cannot be claimed, except for certain types (for example jewelry, art, rare books).

If the cost of this kind of asset is less than \$1,000 the deemed cost is \$1,000. If the market value of this kind of asset is less than \$1,000, the deemed market value is \$1,000.

| DESCRIPTION | COST | MARKET VALUE AT DoD |
|-------------|------|---------------------|
| | | |
| | | |
| | | |
| | | |

GENERAL INFORMATION

ASSETS

At the DoD all assets are deemed to be disposed of at their fair market value. This means that capital gains tax may be payable even on assets that have not actually been sold (such as securities or income properties). The deemed disposition of a principal residence has to be reported, even though any gain is not taxable.

If there is an RRIF or an RRSP, these assets are deemed to be withdrawn in full as of the DoD and are taxable at the same rate as ordinary income. There is an exception when the spouse is the named beneficiary. Any amounts still owing on a HBP or **LLP** are counted as income (unless the spouse elects to take over the payments).

A spouse may inherit assets on a "rolled-over" basis. This means the deemed disposition on these assets is at the asset's cost base (there is \$0 capital gain/loss). The spouse's cost base remains the original cost base of the asset(s).

Foreign assets or beneficiaries - if the deceased held foreign assets, or there are beneficiaries who are non-Canadian citizens/residents, please consult a lawyer as the inheritance laws of a foreign country may be applicable.

ESTATE TAX RATES

Estate (trust) returns are taxed at graduated rates for the first 36 months (same as individual rate structure) and then at the highest personal rate from then on (so it is recommended to try to wrap up estates within 36 months of the DoD). During these 36 months the estate is a "Graduated Rate Estate" or "GRE".

Unlike ordinary trusts, a GRE may have a non-calendar year-end. If this is selected, once 36 months have elapsed the estate must change to a December 31 year end from then until it is wound up.

CPP DEATH BENEFIT

If there is a CPP estate's death benefit, this will be noted on a T4A(P) slip. This income is not included on the final return, but either on the estate's trust return, or on the individual return of one or more (if split) beneficiaries. If this is the estate's only income after the DoD, it is usually preferable to put the income on an individual's return rather than to file a trust return (unless the cost of preparing the T3 return is less than the tax payable by the individual).

DONATIONS

Charitable donations made by an estate may be claimed on the T3 trust return, on the individual's final return or on the individual's return for the year prior to DoD.

CLEARANCE CERTIFICATE

A clearance certificate is a certification from CRA that all taxes that are owed by the estate have been paid. Once all individual tax returns have been filed and assessed, the estate can apply for a clearance certificate to the date of death. If the estate also files trust returns, once the final return has been filed and assessed, a clearance certificate for the estate can also be obtained. Assets should only be distributed once certificate(s) have been obtained. There can be a partial distribution before this time, but sufficient funds must be withheld in order to pay any outstanding taxes.

It is advisable to obtain a clearance certificate as CRA can hold the executor of an estate personally liable for any unpaid tax debts up to the amount he(or she) distributes.

MISCELLANEOUS

Please note that funeral expenses and probate fees are not tax-deductible. Executor fees are deductible only in limited circumstances.

FINAL RETURN AND TRUST RETURNS

FILING DUE DATES

| DATE OF DEATH (DOD) | SOLE PROPRIETOR? (Y/N) | FILING DUE DATE |
|-------------------------|---------------------------|--------------------------------|
| Jan. 1- Oct. 31 incl. | N | April 30 of following year |
| Nov. 1- Dec. 31 incl. | N | 6 months after DoD |
| Jan. 1 - Dec. 15 incl. | Y | June 15 of the following year |
| Dec. 16 - Dec. 31 incl. | Y | 6 months after DoD |
| T3 Trust returns | | 90 days after trust's year-end |

PAYMENT DUE DATES

| DATE OF DEATH (DOD) | PAYMENT DUE DATE |
|------------------------|--------------------------------|
| Jan. 1 - Oct. 31 incl. | April 30 of following year |
| Nov. 1- Dec. 31 incl. | 6 months after DoD |
| T3 Trust returns | 90 days after trust's year-end |

NOTES

CRA will process returns early if requested. For example, if a death occurs early in a calendar year, it is not necessary to wait a whole year until the filing time for the tax year (spring). However, this is only advisable if it is certain that all tax information is available.