

Leave a Legacy  
Will and Estate Planning Event

Income Taxes

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# Deemed Disposition At Death

- Deemed disposition of all assets at FMV including: real estate, investments, RRSP/ RRIF, depreciable property, assets held jointly and accrued interest;
- Includes all registered funds i.e. RRIF or RRSP's regardless of beneficiary;
- Taxed on growth in assets which have not yet been taxed;
- Exception – rollover to spouse/dependent.

# Assets Not Taxed at Death

- Assets which have not increased in value since purchase;
- Life insurance proceeds;
- Principal residence;
- Exemptions - farm property/small business;
- Assets or RRSP/RRIF rolled over to spouse or eligible dependent.

# Principal Residence

- Designate specific years for either primary residence or BC/recreational property;
- Significant tax savings can result with proper principal residence designations;
- Appraisals may be required.

# Tax Filings on Death

- Final T1 return (terminal return) - due later of April 30<sup>th</sup> and 6 months from death;
- Various optional returns can result in tax savings - i.e. Rights and Things return;
- T3 Trust and information return - due within 90 days of year end;
- T4 return due in February - executor fees are considered employment income.

# T3 Trust Return

- Estate is taxed like a person except no personal exemptions;
- Taxed on CPP death benefit, interest received and earned since death, gains on property sold/transferred since death;
- Capital losses can be carried back one year;
- Can designate income to be taxed in the hands of beneficiaries.

# Charitable Donations

- Tax credit on Final T1 return;
- To be eligible charitable donations must be specified in the Will;
- Super credit of 50% in Alberta (after \$200);
- Significant tax savings when donating growth securities in your Will;
- Excess can be carried back one year.

# Clearance Certificate

- Provides protection to personal representative;
- Application cannot be made until all tax returns have been assessed;
- Time frame of about 6 months.