



DOES CANADA HAVE AN ESTATE TAX?

Unlike many Western countries, we do not have a tax on the total value of our estate in Canada. However, the separate components of your estate may be liable for taxes – which can be greatly reduced with proper planning.

Here are some of the more common questions Canadians have related to their assets and how they are treated upon death:

What happens to my registered retirement savings plans?

The balance of any registered plan – RRSP, RRIF, LRIF, LIRA etc – is fully taxable as income in the year of death. The primary exception to this is the so-called ‘roll-over’ to a surviving spouse.

How do capital gains erode the value of my estate?

Non-registered property with accrued capital gains – e.g. company shares, a cottage – are ‘deemed disposed of’ at the fair market value on the date of death, and your estate is held liable for capital gains taxes on these items. Certain assets are excluded from capital gains taxes including, but not limited to, your principal residence and assets held jointly with rights-of-survivorship.

What is Probate?

Probate fees, now properly called “Estate Administration Taxes”, are payable when an executor is required to determine the validity of a will. In Ontario, these are 0.5 %, or up to \$250, for the first \$50,000 and \$15 per \$1,000 above that.

Will my life insurance policies be subject to probate or tax?

Life insurance proceeds are not considered part of your estate for probate purposes where a direct beneficiary designation has been made. Furthermore, life insurance proceeds are not taxable at death.

Making a donation to a registered Canadian charity by direct beneficiary designation or through your estate can help offset these taxes with a non-refundable tax credit. This can be up to your entire income in the year of death plus that in the previous year. In addition, and like while living, transferring publicly traded shares with accrued capital gains will not incur capital gains taxes when donated to charity.

Before proceeding, we recommend all donors seek guidance from an experienced estate lawyer, their accountant and other financial professionals to ensure a gift is established in the most appropriate way.