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Tax Filings Upon Death

There is a possibility of multiple tax filings in the year of death. Please discuss with your RLB advisor which filings are required for your specific tax situation. Here are the most common ones you will come across.

TERMINAL RETURN - 70(1)

The terminal return reports income from January 1st up until the date of death. This return is due on the taxpayers regular filing deadline (April 30th or June 15th), with some exceptions. This includes deemed dispositions on the assets held by the estate.

A terminal return must be filed for every deceased taxpayer.

RIGHTS OR THINGS RETURN - 70(2)

The rights or things return reports certain income that was earned from January 1st up until the date of death but not yet received. This return is due on the taxpayers regular filing deadline (April 30th or June 15th), with some exceptions.

This is an optional return that your accountant will advise if it is beneficial to be filed.

ESTATE RETURN - T3

The estate return can have a year-end of no later than the one-year anniversary of the date of death. The estate return reports income earned from the day after death up until the year-end. This return is due 90 days after the year-end.

If all assets held by the estate have been distributed and liquidated to the estate bank account, we can choose a year-end date earlier than the one-year anniversary of the date of death to complete the estate sooner.

If assets are still held by the estate after the one-year anniversary of the date of death, an additional estate return will need to be filed.



CLEARANCE CERTIFICATE APPLICATION - TX19

The executors of an estate can choose to apply for a clearance certificate for the estate. A clearance certificate requests Canada Revenue Agency ("CRA") to make a final review of any tax returns of the deceased taxpayer which are still open for CRA to review, and to relieve the executors from further tax liabilities for the estate if they arise (some exceptions apply).

A clearance certificate is optional and most beneficial if there are multiple beneficiaries that are not the same people as the executors of the estate.

All returns for the estate must be filed and notice of assessments for all returns received before a clearance certificate can be applied for.

It can take anywhere from 4-7 months for the CRA to process a clearance certificate (if they do not ask for additional information).

EXECUTOR COMPENSATION

Executor compensation is considered employment income unless it is taken by an executor who regularly provides this service; then it would be considered professional income and HST may be applicable.

If executor compensation is taken as employment income, a payroll account will need to be setup, payroll deductions will need to be calculated and a remittance to the Receiver General will need to be paid from the estate funds within 15 days after the end of the month in which an executor compensation payment was taken.

A T4 slip for the executors taking the payments will also need to be prepared and filed and the payroll account will need to be closed thereafter.

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