

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 deceased on their date of passing.

A terminal tax return must be filed for every deceased taxpayer.

Rights or Things Return - 70(2)

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

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

Estate Return - T3

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

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

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



Clearance Certificate Application - TX19

The executors of an estate may choose to apply for a clearance certificate. A clearance certificate requests Canada Revenue Agency ("CRA") to perform a review of any tax returns of the deceased taxpayer which are still open for possible reassessment. Once the clearance certificate is issued, the estate is relieved from any reassessment resulting in additional income taxes (some exceptions apply).

If the executor chooses not to request a Clearance Certificate, income tax returns generally become statute barred three years from the date the last Notice of (Re)Assessments. Any returns that fall within this time frame are considered open taxation years.

All tax returns for the estate must be filed, all taxes paid and all Notices of (Re)Assessment for all tax returns received before a Clearance Certificate can be applied for.

Executor Compensation

Executor compensation is typically 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 may 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 executor(s) taking the payment(s) will also need to be prepared and filed and the payroll account will need to be closed thereafter. Your accountant can assist you with this process.

