



# Understanding TAX Deceased Persons

Coping with the death of a loved one is not easy. We recognize that you are going through a very difficult time. With this in mind, we hope the following information will answer some of the tax filing questions you may have.

## What Must Be Done

The legal representative of the deceased (usually the executor) is required to:

- File the final return of the deceased
- File trust return(s), if applicable
- Ensure that all the taxes owing are paid
- File any returns for previous years that have not been filed
- Cancel the deceased's Social Insurance Number

**Tax Tip.** If the deceased person was paying tax instalments, you do not have to continue paying them after death – provided the necessary instalments were paid up to date.

## When This Must Be Done

The final tax return and taxes payable are due on or before:

| Date of Death             | Filing Due Date                    |
|---------------------------|------------------------------------|
| January 1 to October 31   | April 30 of the following year     |
| November 1 to December 31 | Six months after the date of death |

## What Income Is Taxable

On the final return, report all of the income from January 1 to and including the date of death; taxable income includes:

- All employment, business, investment and property income earned in the year
- All RRSPs at fair market value (spousal transfers are generally tax deferred)
- Deemed Dispositions of property

## What Income Is Non-Taxable

- Gains on principal residence (provided there has not been a change in use)
- Qualifying death benefits up to \$10,000 (excluding CPP death benefits)

**Tax Tip.** CPP Death Benefits are not reported on the deceased's final return. They are reported either by the recipient or by the deceased's trust.

## What Expenses Are Not Deductible

Personal expenses are not deductible; they include:

- Funeral expenses
- Probate fees
- Fees paid to administer the estate

## What Documents Are Required

- Copy of the Death Certificate
- Copy of the Will (or other document that names the legal representative)
- Copy of the Letters Probate
- List of all the assets and liabilities of the deceased
- Copy of the last tax return filed and the Notice of Assessment
- Documents supporting all income earned in the year (T3, T4, T4A(P), T4A(OAS) and T5 slips, investment statements, capital gain and rental income details, etc.)
- Tax instalments paid, if any
- Banking records for the year

## Other Considerations

On the final return, special rules apply to the following:

- Medical expenses
- Charitable donations
- Loss carry backs

**Tax Tip.** If a person dies early in the year and before filing the previous year's return, the due date of that return and the balance owing is extended from April 30th to six months after the date of death.

## Why A Clearance Certificate Is Beneficial

A Clearance Certificate certifies that all amounts for which the deceased is liable have been paid; it covers all taxation years up to the date of death. If a clearance certificate is not issued, the executor can be held liable for any amounts that the deceased owes. Note: A separate Clearance Certificate is required to cover any taxes owing by a trust.

This information is current to February 2023. It is of a general nature and is not intended to address the specific circumstances of a particular individual. You should not act on this information without appropriate professional advice after thorough examination of a particular situation. E&OE