

CASE IN POINT

Sales Tax Estate Planning Underwriting & Product Newsletter

Estate Qualifying as Graduated Rate Estate (GRE) Jan. 1, 2016 and onwards



What options exist for an estate where a person passes away Jan. 1st, 2016 onwards?

Meet Lorraine who was widowed Feb. 1, 2016.

As the estate administrator/executor, she can choose the first yearend of her deceased spouse's estate. It can be a non-calendar yearend. She elects to have graduated rate estate treatment on the first tax return. Her spouse's social insurance number must be on the estate's first tax return and on each T3 return of income for each taxation year of the estate during the 36 month period after the death of Lorraine's spouse.

No late filing is allowed. No other estate may be designated as the spouse's graduated rate estate in its tax return. Only one graduated rate estate can exist per person. This rules out using the same tax treatment for structures like spousal trusts or multiple wills.

The graduated rate estate may claim a basic \$40,000 exemption in computing Alternative Minimum Tax. The income tax rules on instalments for individuals require, when they apply, that instalment

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Peter works with independent advisors and other professionals raising awareness on issues and concerns faced by affluent individuals, professionals and business owners. He supports efforts in researching and developing optimal solutions for clients aimed at improving their financial well-being and supporting their personal wishes and lifestyles. He annually provides 100's of workshops, seminars and technical support throughout the country on tax, retirement income and estate planning issues, concepts and strategies to both advisors and consumers. As a Registered Financial Gerontologist, a good deal of his time is spent on building awareness and educating people of all professions who work with or specialize in the needs, expectations and issues of elders. Comprehensive lifestyle planning is an important element of these processes.

The Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team provides internal and broker support, including seminars, education, advanced concept illustrations & Client case technical consultations.

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payments be made on a quarterly basis. For the 2016 and subsequent taxation years, only a graduated rate estate may qualify for a legislated exemption from the tax instalment rules. This type of testamentary estate is required to pay any tax owing only within 90 days after the end of the taxation year.

Only a graduated rate estate will automatically qualify as a personal trust without regard to the circumstances in which beneficial interest in the trust has been acquired. A personal trust enjoys certain tax benefits, including the ability to distribute property to beneficiaries on a tax-deferred basis.

The estate maintains graduated rate estate (GRE) status until 36 months after the death of Lorraine's spouse. Then, the estate will have an additional year end on Dec. 31, 2019. That second filing pays income tax at the new federal top flat rate of 33% plus applicable top marginal provincial income tax. The estate's year-end then remains Dec. 31st from thereon. Quarterly income tax installments will then be due.

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