

## \*\*\* ESTATE TAXES AND SUCCESSION DUTIES \*\*\*

**1. Introduction**

This paper is designed solely to provide the Foreign Service Officer with a general idea of the framework within which his estate will be subject to federal and provincial taxes after his death. Trade Commissioners with estates that appear likely to be significantly greater than \$50,000 are strongly urged to consult a solicitor respecting estate taxes and succession duties. Trade Commissioners are requested not to get in touch with the Department concerning details of how the various Acts will affect them personally.

**2. Domicile**

Generally speaking, it would be safe to assume that a Trade Commissioner serving abroad would be considered by the Canadian Courts as domiciled in Canada. To determine the province of domicile within Canada, however, is a matter for consultation with a solicitor. Decisions as to province of domicile may have marked effect on the taxes on an estate. Consider the hypothetical case of a Trade Commissioner who dies at his post abroad and leaves an estate of \$100,000 to his wife: Total taxes (federal and provincial) due on his estate would be \$11,100 if domiciled in Ontario, \$11,725 if domiciled in Quebec and \$6,200 if domiciled in any other province. If the above estate had been left to three children over 21 the figures would be respectively, \$10,850, \$12,100 and \$10,200.

It would seem likely that a Trade Commissioner who, on retirement, continues to live outside Canada would be considered by the Canadian Courts, as domiciled outside Canada. Here again, however, the Trade Commissioner should consult with his solicitor in order to be sure of his status.

**3. Estate tax - Federal****(i) Deceased domiciled in Canada**

The Federal Government levies a tax on all property, real and personal, wherever situated, which was owned by the deceased. There is a basic exemption of \$40,000 and certain additional exemptions which vary with the relationship of the inheritor to the deceased. The tax, against which certain credits for taxes due to provinces and other countries can be applied, starts at 10% of the aggregate taxable value and increases, as the value of the estate increases, to a maximum of 54%.

**(ii) Deceased domiciled outside Canada**

The Federal Government levies a tax on all property owned in Canada. Subject to a general exemption of \$5,000, it is a flat 15% of the aggregate value of the property situated in Canada.

**4. Succession Duties - Applied by Quebec and Ontario only****(i) On property situated in the Province**

A tax, the rate of which varies with the relationship of the inheritor to the deceased and the total value of the estate, is applied regardless of the domicile of the deceased at the time of death.