

## Estate Tax

This tax applies to property passing, or deemed to pass, at death. All the property of persons who were domiciled in Canada before their death must be taken into consideration no matter where that property is situated; for persons dying domiciled outside of Canada only their property situated in Canada is subject to tax.

In computing the tax of a Canadian domiciliary the value of the whole estate is first determined. Once the aggregate value of the estate has been determined, estate debts and certain expenses may be deducted. From the resulting "aggregate net value", there may be deducted the amount of a basic exemption, which is increased where the decedent leaves a widow or dependent child, and also the amount of any charitable bequests to charitable organizations in Canada. After these deductions, the amount left is the "aggregate taxable value", to which is applied the tax rates. From the tax so calculated may be deducted (1) a tax abatement in respect of property situated in a province that levies a succession duty, (2) a credit for gift tax paid on gifts made within three years of death (the value of which must be included in the aggregate net value of the estate), and (3) a credit for foreign taxes.

If an estate is valued at \$50,000 or less, no tax is exacted. (This figure of \$50,000 is not a deductible exemption but simply an amount at or below which no tax is levied.) If an estate is valued at more than \$50,000 it may or may not be taxable, depending on its size and the exemptions and deductions for which it qualifies, but in no case must the tax reduce the value of the estate after tax to less than \$50,000. The deductible exemption is \$60,000 in respect of a deceased male survived by a spouse, or in respect of a deceased female survived by an incapacitated spouse and a dependent child. In both cases there is an additional exemption of \$10,000 for each surviving child who is dependent (generally, under 21). In all other cases the exemption is \$40,000, but if the decedent is survived by a dependent child (i.e. an orphan) there is an additional exemption of \$15,000 in respect of each orphan.

The tax on the estates of Canadian domiciliaries is calculated by applying a graduated scale of rates. For an aggregate taxable value of \$5,000 or less, the rate is 10 per cent. For an aggregate taxable value of \$100,000 the tax is \$19,000 and anything between \$100,000 and \$150,000 is taxed at 24 per cent. At \$2 million of taxable value, the tax is \$816,500 and the excess over \$2 million is chargeable at the highest rate of 54 per cent. (For the complete rate schedule see Section 8 of the Estate Tax Act.)

As stated above, there is an abatement from federal estate tax otherwise payable, in respect of provincial succession duties. Generally, the abatement is a deduction of 75 per cent from the federal tax otherwise payable in respect of property situated in a province that levies succession duties.