(Current to Release 2020-1)

"Acceptable" Tax Avoidance See Tax Avoidance

#### Adjusted Cost Base partnership interest, 2.8.1

Agency

trustees as agents, 6.3.2(4)

# **Alternative Minimum Tax**

buy-sell agreements, in, 8.3.7 corporate repurchase agreements, in, 8.3.7 estate freezes, resulting from, 7.8.1(3) final return in year of death, effect upon, 2.13

#### Annuity Payments

• taxation, 3.3.3(1)(b)

Anti-avoidance Rules See Tax Avoidance

Attribution See Gifts; International Estate Planning, non-residents

# Avoidance of Tax See Tax Avoidance Bare Trusts, 4.2.3, 6.3.2(1),

6.4.2(2)

**Beneficially Owned** defined, 6.5.6(1)(g)(i)

#### Beneficiaries

Corporations as, 4.2.1(1) • disabled beneficiary, 4.2.4(3) disposition of trust interest to third parties • control interest 2 (

- capital interest, 3.6
- income interest, 3.6
- transactions not at arm's length, 3.6

infant beneficiaries, 5.3.3(3)(b) infant trusts, 4.3.2(3) life interest beneficiary

 deemed disposition on death of, 2.4.2(2)(f)minor children as, 4.2.1(1). See also infant trusts negligence actions against will-drafting solicitor, 4.1 non-residents, 4.3.4(5), 5.4.8(4) preferred beneficiary election • amounts subject to, 3.3.3(4)(a) • elimination, effect of, 3.3.3(1)(a) • persons eligible for, 3.3.3(4)(a) • statutory requirements, 3.3.3(4)(a) right to enforce payment, 3.3.3(1)(a) special needs children, 4.2.4(3) qualified disability trust option for, 4.2.4(3) taxation agreement with executors to assume liability for payment, 3.3.3(1)(d) • amount payable •• generally, 3.3.3(1)(a) • included in income, 3.3.3(1)(a)• when taxable, 3.3.3(1)(a)ancillary conduit provisions •• death benefits, 3.4.8 • exempt dividends, 3.4.3 •• foreign tax credit, 3.4.5 •• investment tax credits, 3.4.10 •• limitations, 3.4.11 meaning, 3.4.1 •• non-deductible resource royalties, 3.4.9 payments from deferred profit sharing plans, 3.4.8 ••• graduated rate estate, 3.4.8 pension benefits, 3.4.7 ••• graduated rate estate, 3.4.7 refund of premiums under RRSP, 3.4.6 •• taxable capital gains, 3.4.4

(TEP) (December 2020)

- •• taxable dividends, 3.4.2
- annuity payments
  - •• deductions, 3.3.3(1)(b)
  - •• inclusions, 3.3.3(1)(b)
  - United Kingdom, Canadian position distinguished, 3.3.3(1)(b)
- benefits
  - characterization of payments, 3.3.3(5)
  - •• exceptions, 3.3.3(5)
  - •• generally, 3.3.3(5)
  - •• interest-free loan from trust, 3.3.3(5)
- capital gains, 3.3.3(1)(e)
- deemed income, 3.3.3(1)(f)
- disclaimers, 3.3.3(1)(c)
- disposition of income interest in trust, 3.3.3(1)(c)
- minors
  - •• accumulating trust income in hands of minor, 3.3.3(2)
  - amounts deemed payable to, 3.3.3(2)
  - •• direction to maintain
  - ••• beneficial recipient generally taxed, 3.3.3(1)(d)
    - ••• nature of direction, 3.3.3(1)(d)
  - •• "vested", 3.3.3(2)
- legacy conditional upon payment to another person, 3.3.3(1)(d)
- property, payments for maintenance of, 3.3.3(3)
- releases, 3.3.3(1)(c)
- surrenders, 3.3.3(1)(c)

# Benefits

- taxation
  - generally, 3.3.3(5)
  - registered pension plans, 2.10.4(2)
    graduated rate estate, 2.10.4(2)

#### **Buy-Sell Agreements**

advantages, 8.3.6(2) alternative minimum tax considerations, 8.3.7 alternative parties, 8.2.7 capital gains deduction, 8.3.7 disability and, 8.3.8

- disadvantages, 8.3.6(2)
- funding purchase price
  - generally, 8.2.4(1)
  - life insurance, 8.2.4(2). *See also* life insurance
- other funding options, 8.2.4(4) general, 8.1, 8.2.1
- life insurance, as funding method
  - capital gains exemption See tax considerations
  - disability lump sum insurance, 8.2.4(2)(g)
  - endowment insurance, 8.2.4(2)(d)
  - general, 8.2.4(2)
  - ownership of policy
     corporate-owned
    - policies, 8.2.4(3)(b) •• criss-cross insurance, 8.2.4(3)(a)
    - shareholder-owned policies, 8.2.4(3)(a)
  - participating whole life insurance, 8.2.4(2)(c)
  - term insurance, 8.2.4(2)(a)
  - term-to-100 coverage, 8.2.4(2)(e)
  - universal life products, 8.2.4(2)(f)
  - whole life insurance, 8.2.4(2)(b)
- parties other than shareholders, 8.2.7
- planning clauses, other than
  - funding, 8.2.5
- price determination
  - book value, 8.2.3
  - combining agreement with independent arbitration, 8.2.3
  - generally, 8.2.3
  - independent arbitrator, 8.2.3
  - multiple earnings method, 8.2.3
- structure of agreement
  - compulsory purchase agreement, 8.2.2
  - funding obligation to purchase, 8.2.2
  - generally, 8.2.2
  - option agreement, 8.2.2
  - put-call arrangment, 8.2.2
  - right of first refusal, 8.2.2

#### taxation factors

- capital gains exemption and life insurance funding
  general, 8.2.6(3)(a)
  - •• redemption, 8.2.6(3)(b)
- fair market value, determination of, 8.2.6(2)
- generally, 8.2.6(1)

# Canadian Cultural Property See Charitable Donations/Gifts

# Canadian Residents See International Estate Planning

#### **Capital Dividend Account**

payments from

• corporate share repurchase agreements, 8.3.7

#### **Capital Gains Deduction**

buy-sell agreements, 8.3.7 corporate share repurchase agreements, 8.3.7 estate freezes, 7.8.1 life insurance funding, 8.2.6(3) principal residence, 2.4.2(5) qualified farm and fishing properties, 2.11.2(2)(b)

# **Capital Property**

business equity valuations, 2.4.1 buy-sell agreements, 2.4.1, 2.4.2(2)(a) corporate-owned life insurance, 2.4.1 deeming provisions, 2.4.1 disposition of, 2.4.1 distribution by testamentary trust, 3.8 gifts made on death, 2.11.3(1) relieving provisions/rollovers • farm or fishing property, transfers of •• generally, 2.4.2(1), 2.4.2(3), 4.2.3 •• interests in family farm or fishing partnership, 2.4.2(3)•• shares of family farm or fishing corporation, 2.4.2(3)

- generally, 2.4.2(1)
- life estates, 2.4.2(6)
- net income stabilization accounts, 2.4.2(4)

- principal residence
  - •• CRA position, S1-F3-C2, "Principal Residence", 2.4.2(4)
  - •• generally, 2.4.2(5)
  - •• special capital gains treatment, 2.4.2(5)
- property transferred to spouse
   Dependants' Relief Act orders, effect, 2.4.2(2)(a)
  - •• general rules, 2.4.2(2)(a)
  - residence of trusts, 2.4.2(2)(a)
    - CRA position, S6-F1-C1, "Residence of a Trust or Estate", 2.4.2
  - •• spouse trusts, 2.4.2(2)(b)
  - tainted spouse trusts, 2.4.2(2)(d)
  - testamentary spouse trusts, 2.4.2(2)(d)
  - •• transfers as consequence of death, 2.4.2(2)(c)
  - •• unreasonable delay, effect, 2.4.2(2)(a)
  - •• "vested indefeasibly", 2.4.2(2)(a)
- taxable Canadian property, 2.4.2(7)

partnership interests as, 2.8.1 rollovers *See* relieving provisions shares, valuation, 2.4.1 tax liability on death, 2.4.1 terminal year, income/losses from, 2.4.1

# **Charitable Donations/Gifts**

Canadian cultural property, 2.11.3(1), 4.2.1(5), 6.5.7(2) capital property, gifts made on death, 2.11.3(1), 4.2.1(5) ecologically sensitive land, 4.2.1(5), 6.5.7(2)(a) gifts made in year of death, 2.11.3(1), 4.2.1(5) *inter vivos* gifts to avoid probate fees, 4.2.4(1) life insurance proceeds, 4.2.1(5) non-qualifying securities, 6.5.7(1)(b) planning for, 6.5.7(4)

private company shares and debt, 2.11.3(1) publicly traded shares, 6.5.7(1)(a) qualified securities, 4.2.1(5) RRSP and RRIF proceeds, 4.2.1(5) tax credits claimed for, 2.11.3(1) • terminal year, 2.11.3(1) tax risks, 6.5.7(3) United States registered charities, to, 4.2.1(5)

# Civil Penalties, 1.7

**Clearance Certificate** partial clearances, 3.5 purpose, 3.5 timing of request for, 3.5

Combined Asset Ownership Test See Deemed Realizations

Common Law Partner Trusts See Spouse Trust

Conjugal Trust See Spouse Trust

Constitutional Issues See Inheritance Taxes/ Succession Duties

Controlled Corporations Test See Deemed Realizations

Corporate Contributions Test See Deemed Realizations

# **Corporate Distributions**

avoiding tax liability arising on death, 5.3.3(2)(h)(ii)capital dividend account, out of, 5.3.3(2)(h)(iv)closely held corporations, 5.3.3(2)(h)(i)even-hand rule, 5.3.3(2)(h)(iv)post mortem tax planning, as part of, 5.3.3(2)(h)shares transferred to conjugal trust, 5.3.3(2)(h)(ii)timing for capital gains purposes, 5.3.3(2)(h)(ii)trust holding controlling interest, 5.3.3(2)(h)(iv) **Corporate Share Repurchase Agreements** advantages, 8.3.6(2)

alternative minimum tax, 8.3.7
capital dividend account, 8.3.4(1)
loss carry backs, s. 164(6), 8.3.4(2)
affiliated persons, s. 40(3.6), 8.3.6
non-grandfathered shares, s. 112(3.2) and, 8.3.5
capital loss reduction rules, s. 112(3.2), 8.3.5(1)
stop-loss rule s. 112(3.2), planning under, 8.3.5(2)
50 per cent solution, 8.3.5(2)(b)

••• conjugal rollovers, 8.3.5(2)(a)

••• redemption, 8.3.5(2)(a) capital gains deduction, 8.3.7 defined, 8.3.1 disadvantages, 8.3.6(2) funding purchase price, 8.3.2 grandfathered shares, 8.3.4 planning, s. 40(3.6), 8.3.6(1) structure of agreement, 8.3.1 taxation factors generally, 8.3.3(1)

Corporations *See* Beneficiaries; Buy-Sell Agreements; Corporate Distributions; Corporate Share Repurchase Agreements; Shares

Credits See Tax Credits

Death-bed Planning See Will Planning

#### **Debt Forgiveness**

commercial obligations, 2.12 effect upon computation of income of deceased, 2.12 post mortem tax planning and, 5.2.2(1)(h)

• transfer of forgiven debt to eligible transferee, 5.2.2(1)(h)

**Deemed Realizations** 

alter ego trusts, 5.4.1 anti-avoidance rules, *See* **Tax Avoidance** 

elections • spouse trusts, 4.2.1(2) generally, 5.4.1 joint partner trusts, 5.4.1 twenty-one-year deemed realizations, 4.3.4(6), 5.4.8

# Deferred Profit Sharing Plans (DPSPs)

defined, 2.10.5 tax liability on death, 2.10.5

# Departure Tax See International Estate Planning

# Dependants' Relief Legislation

effect upon distribution on death of one spouse, 5.1.4

# Disclaimer

defined, 2.4.2(2)(c), 5.1.2 gifts *inter vivos*, 6.2.5 use in altering tax position in terminal year, 5.1.2

**Disposition** defined, 6.4.2(2)

**Domestic Contract** supplementing will, 1.2

**Double Taxation** international estate planning, 9.1

# Ecologically Sensitive Land See Charitable Donations/Gifts

#### **Eligible Capital Property**

class 14.1 assets, 2.7 defined, 2.7 terminal year rules regarding, 2.7

**Enduring Power of Attorney** potential impact upon shares of small business, 4.2.1(4)

#### **Equity Principles** governing trusts, 6.3.1

#### Estate

taxation *See* **Testamentary Trust**, taxation

Estate Freeze

capital gains deduction

- accessing after freeze, 7.8.1(2)
- alternative minimum tax, 7.8.1(3)

• general, 7.8.1(1) control premium, 7.4.3(2) • voting control, 7.4.3(2) freezing control interest in operating corporation • conversion s. 51, 7.7.4 • general, 7.7.1 • reorganization s. 86, 7.7.3 • s. 85 freezes, 7.7.2 general, 7.1, 7.12 goods and services tax, 7.8.2 holding corporation freeze • after holding corporation •• general, 7.5.1 •• loss carry backs section, 164(6), 7.5.2 ••• affiliated persons, s. 40(3.6), 7.5.2(2) ••• capital dividend account, 7.5.2(1)••• life insurance, 7.5.2(1)••• subsection 112(3.2), 7.5.2(1) amalgamation and bumps s. 87(11), 7.5.5 consideration attribution ••• general, 7.4.4(1) ••• subsection 74.4, 7.4.4(2) •• general, 7.4.1 •• non-share, 7.4.2 •• value of consideration, 7.4.3 ••• indirect gift rule, 7.4.3(1)• deemed dividends, 7.6 • general, 7.3 winding-up •• general, 7.5.3 •• under s. 88, 7.5.4 indirect gift rule, 7.4.3(1) other freeze techniques, 7.7.5 price adjustment clauses, 7.9 refreeze, 7.11(3) simple freezes • sale, 7.2.1 trust, 7.2.2 terminating • general, 7.11(1) • refreeze, 7.11(3) • thaw, the, 7.11(2)trusts and common shares, 7.10

Estate Planning See also Post **Mortem Tax Planning** buy-sell agreements See Buy-Sell Agreements corporate share repurchase plans See Corporate Share Repurchase Plans defined, 1.1 goals and purposes, 1.1 interdisciplinary planning team, 1.2 international See International **Estate Planning** lawyer's role, 1.1, 1.2 legal training, importance of, 1.2 objectives • generally, 1.2 • intestate estates, avoidance of, 1.2 partnerships See Partnerships tax avoidance See Tax Avoidance tax consequences generally, 1.1 tax objectives See Tax Objectives in Estate Planning **Even-hand Rule** corporate distributions, 5.3.3(2)(h)

duty of personal representative to act impartially, 5.3.2(1)

Executor See Personal Representative

**Executor's Fees** deduction, as, 3.3.2

**Excluded Business** defined, 6.4.3(4)(b)

Family Property Legislation

effect upon distribution on death of one spouse, 4.2.1(2), 5.1.4

#### Farming and Fishing Property/ Assets

capital property, 2.4.2(1)
devise to child while providing for surviving spouse, 4.2.1(3)
failure to refer to trusts in will, problems created by, 4.2.1(3)
farm or fishing corporations

generally, 4.2.1(3)

• benefits of incorporation, 4.2.1(3) gifts, as, 6.4.2(4) life estate to spouse with remainder to child, 4.2.1(3) partnerships, 4.2.1(3) roll back to parent on death of child, 4.2.1(3) rollover provisions and, 4.2.1(3) "vested indefeasibly", 4.2.1(3)

**Fiduciary Standards** legal representative, 4.3.3, 5.1.1(3)

# Foreign Accrual Property Income (FAPI) Rules See International Estate Planning

**Foreign Affiliates** defined, 9.4.2(4)(b) reporting requirements, 9.4.2(4)(a)

Foreign Reporting Requirements See International Estate Planning

# General Anti-Avoidance Rule (GAAR) discretion given to the CRA, 1.5.1 effect of, 1.5.1 estate planning, and, 1.5.3 GAAR test, the, 1.5.2 • tax avoidance, 1.5.2 • tax benefit, 1.5.2 generally, 1.5.1 historical overview, 1.5.1 qualifications to rule • generally, 1.5.1, 1.5.5 summary, 1.5.4

transfers to spouse or minor, 6.4.3(2)(ix)

#### Gifts (Inter Vivos)

attribution to owner after gift
controlled trusts, 6.4.3(3)

- property that may revert, 6.4.3(3)(a)
  - ••• application of subsection 75(2), 6.4.3(3)(d)
  - ••• consent, 6.4.3(3)(c)
  - ••• pass to persons to be determined, 6.4.3(3)(b)

••• subsection 75(2) post-Sommerer decision, 6.4.3(3)(e)• diversion of income, 6.4.3(4) •• GAAR, 6.4.3(4)(a) •• section 56(2), 6.4.3(4)(a) •• section 56(4), 6.4.3(4)(a) •• section 56(4.1), 6.4.3(4)(c) •• tax on split income (TOSI), 6.4.3(4)(b)••• categories of split income, 6.4.3(4)(b) general, 6.4.3(1)income splitting, See diversion of income • transfer to spouse or minor •• allowable capital losses, 6.4.3(2)(b) •• income and losses ••• community of property, 6.4.3(2)(a)(v)••• corporate attribution, 6.4.3(2)(a)(iv.1) ••• GAAR, 6.4.3(2)(ix) ••• general, 6.4.3(2)(a)(i) ••• income from business, 6.4.3(2)(a)(vi) ••• indirect transfers of property, 6.4.3(2)(a)(iv)••• residence, 6.4.3(2)(a)(vii) ••• reverse attribution, 6.4.3(2)(a)(viii) ••• transfers attracting attribution •••• transfers, 6.4.3(2)(a)(ii)(A) •••• loans, 6.4.3(2)(a)(ii)(B) ••• transfers through trust, 6.4.3(2)(a)(iii)•• taxable capital gains, 6.4.3(2)(b) donor, taxation of at time of gift • general, 6.4.2(1) • gifts to trust, 6.4.2(2) •• tax trust, the, 6.4.2(2)(a)• rollovers, 6.4.2(3) • 2001 amendments. 6.4.2(3)(b)(II)

pre-2001 position, 6.4.2(3)(b)(I) •• qualifying dispositions, 6.4.2(3)(c) spouse or common law partner trusts, 6.4.2(3)(a) •• trusts for one's own benefit, 6.4.2(3)(b) ••• alter ego trust, 6.4.2(3)(b)(ii) ••• protective trust, 6.4.2(3)(b)(i) ••• self-benefit trust, s. 73(1.01), 6.4.2(3)(b)(iii) transfer of assets to trust consequences of dispositions, 6.4.2(2)(b)(v) •• dispositions, 6.4.2(2)(b)(ii) •• exceptions to dispositions, 6.4.2(2)(b)(iii) •• general, 6.4.2(2)(b)(i) •• ignored transfers, 6.4.2(2)(b)(iv) farm or fishing property, 6.4.2(4)general, 6.1 outright gifts acceptance, 6.2.5 disclaimer, 6.2.5 donor, 6.2.3 • general, 6.2.1 property, 6.2.2 renunciation, 6.2.5 transfer of beneficial interest •• completing the transfer, 6.2.4(3)••• transferring shares, 6.2.4(3)•• general, 6.2.4(1) intention, 6.2.4(2)••• unjust enrichment and the constructive trust, 6.2.4(2)tax planning and, See also Trusts charitable donations charitable gifts ••• cultural property, 6.5.7(2)••• direct designation gift, 3.3.2

••• ecologically sensitive land, 6.5.7(2)(a) ••• made after 2015, 2.11.3(b), 3.3.2 ••• made prior to 2016, 2.11.3(a) ••• non-qualifying securities, 6.5.7(1)(b)••• planning, 6.5.7(4) ••• publicly traded securities, 6.5.7(1)(a)•• tax benefits, 6.5.7(1) •• tax risks, 6.5.7(3) trusts deferring tax, 6.5.4 dispositions of income interests in personal trust, 6.5.1 • farm property, transfers of, 6.5.4(2) minors, transactions with, 6.6 • probate planning, 6.5.4(4) • promissory note, release of, 6.5.3 splitting income, 6.5.5 · transfers to spouse or commonlaw partner, 6.5.4(1)taxation affecting, 6.4.1 Gift Tax generally, 1.3.4 gifts, role in estate planning, 1.3.4 Goods and Services Tax estate freeze, effect upon, 7.8.2 Grave care of, in will planning, 4.2.1(1) **Holding Corporation Portfolio** Freeze See Estate Freeze Income Splitting generally, 1.3.2 gifts and, 6.4.3(4), 6.5.5 • section 56(2), 6.4.3(4)(a)• section 56(4), 6.4.3(4)(a)

• section 56(4.1), 6.4.3(4)(c)post mortem tax planning and, 5.2.3 tax on split income (TOSI), 6.4.3(4)(b)

testamentary trust and, 4.2.1(1) will planning, use in, 4.1

# Income Tax

deferral of tax on capital gains, 1.3.2

history of legislation, 1.3.2 splitting income, 1.3.2; 4.1 terminal year See Terminal Year

# **Income Tax Folios**

S7-F1-C1, 6.5.7(1)

#### Infants

beneficiaries, taxation of, 3.3.3(2)gifts to, 6.3.7, 6.4.3(2) handicapped children of testator, 4.2.4(1)

transactions with, 6.3.7

- for benefit of, 6.3.1, 6.3.7
- function, 4.3.2(3)
- vesting requirements, 4.3.2(3)

will planning, potential beneficiaries, 4.2.1(1)

#### Inheritance Taxes/Succession Duties

constitutional issues, 1.3.3 future in Canada, 1.3.3 generally, 1.3.3 situs of property issues, 1.3.3

#### International Estate Planning, Chapter 9

Canada's tax treaties, 9.5

- See also Tax Treaties
  - capital gains, 9.5.4
  - general, 9.5.1
  - income, 9.5.3
  - other taxes on death, 9.5.5
  - treaty interpretation, 9.5.2

Canadian residents

- beneficial interest in non-resident trusts and estates, 9.2.1
  - former non-resident trust regime, 9.2.1(4)
  - non-resident trusts, 9.2.1(5)
  - •• overview, 9.2.1(1)
  - •• residency, common-law test, 9.2.1(2)
  - •• resident trust, 9.2.1(3)••• immigrant trusts, 9.2.1(3)(d)
    - ••• introduction, 9.2.1(3)(a)
    - ••• mechanics, 9.2.1(3)(b)
    - ••• tax implications, 9.2.1(3)(c)

 departure tax, resident taxpayers, 9.2.2 •• mechanics, 9.2.2(2) ••• double taxation, 9.2.2(2)(b)••• introduction, 9.2.2(2)(a) ••• issues and planning, 9.2.2(2)(f)••• other provisions, 9.2.2(2)(e)••• relief, returning former residents, 9.2.2(2)(c)••• security, 9.2.2(2)(d) •• overview, 9.2.2(1) foreign reporting requirements general, 9.4.1 • non-arm's length transactions with non-residents, 9.4.4 penalty provisions, 9.4.3 •• due diligence exemption, 9.4.3(4) exception, first-year residents, 9.4.3(5) •• general, 9.4.3(1) •• penalties for ••• s. 233.1, 9.4.3(2) ••• s. 233.4, 9.4.3(2) ••• s. 233.6, 9.4.3(3) transfer/loan to specified foreign trust. 9.4.2 distributions/loans from nonresident trust, 9.4.2(3) ••• definitions, 9.4.2(3)(b) ••• reporting requirements, 9.4.2(3)(a)•• foreign affiliates, 9.4.2(4) ••• reporting requirements, 9.4.2(4)(a)•• interests, specified foreign property, 9.4.2(2) ••• definitions, 9.4.2(2)(b) ••• reporting requirements, 9.4.2(2)(a)•• reporting requirements, 9.4.2(1)non-residents distributions, Canadian Resident Trusts/Estates, 9.3.1 •• disposition of income or capital interest, 9.3.1(3) •• Part XII.2 tax, 9.3.1(2)

•• withholding tax, 9.3.1(1)

• taxable Canadian property, 9.3.2

Inter Vivos Trusts See also Testamentary Trusts; Trusts; Variation of Trusts conversion from testamentary trust, 3.8 principal reasons for creating,

6.3.1

# Intestacy

advantage of having will, 1.2

Joint Partner Trusts

defined, 5.4, 7(7)

# Lawyer

negligence actions by beneficiaries of will, 4.1 professional ethics governing tax practice, 1.7 responsibility in will drafting, 4.1 role in estate planning, 1.1, 1.2, 4.1 standard precedents, temptation to rely upon, 4.1

# Legal Representative See also Post Mortem Tax Planning

administration of estate generally, 5.3.2 advising beneficiaries of rights in

preferred beneficiary election, 5.3.3(2)(f)

clearance certificate

- partial clearances, 3.5
- purpose, 3.5
- timing of request for, 3.5
- distribution of estate
   decision whether to sell and convert assets, 5.3.4(1)
  - deemed realizations, 5.4
  - generally, 5.3.3(1)
  - income payable at trustee's discretion
    - amounts "paid" or "payable", 5.3.3(3)(d)
    - generally, 5.3.3(3)(a)
    - •• infant beneficiaries, 5.3.3(3)(b)
    - •• "phantom" income, 5.3.3(3)(d)

# (TEP) (December 2020)

•• preferred beneficiary election, 5.3.3(3)(c)

•• third parties, to, 5.3.3(3)(d)

- •• tax reasons to accumulate income, 5.3.3(3)(a)
- income payable to beneficiary
  capital losses, 5.3.3(2)(b)
  - •• capital costs allowance, 5.3.3(2)(c)
  - encroachment powers, 5.3.3(2)(e)
  - •• flow-through provisions, additional, 5.3.3(2)(d)
  - •• generally, 5.3.3(2)(a)
  - •• terminal losses, 5.3.3(2)(c)
- land, 5.3.4(2)
- personalty, 5.3.4(3)

• tax considerations, 5.3.4(4) duty to act impartially, 5.3.2(5)duty to residuary legatees, 5.1.1(3) executor's seizin, 3.3.3(1)(a) executor's year, 3.3.3(1)(a)fiduciary standards, 4.3.3, 5.1.1(3) flexibility, 4.1 graduated rate estate, benefits, 5.3.2(2)maximum flexibility allowed in will. 4.1 options and elections, 4.2.2, 5.1.1 powers to affect tax on income derived by estate, 5.3.1 rights or things, use in post mortem tax planning, 2.3, 5.2.2(2) role

• will with no trusts, 3.1

• will with trusts, 3.1 statutory options with respect to terminal year, 5.1.1(1) taxation year of estate, selection,

5.3.2(2)

# Legatee See Beneficiaries

#### Life Insurance

adjusted cost base, 2.9 buy-sell agreements, use in funding *See* **Buy-Sell Agreements**, life insurance corporate-owned, 2.4.1 estate freeze, 7.5.2(1) proceeds

• charitable gift, as, 4.2.1(5)

• when taxable on death, 2.9 transferred to surviving spouse as consequence of death, 2.9

# Medical Expenses

eligible expenses, 2.11.3(2) tax credit claimed for, 2.11.3(2)

# **Minors See Infants**

#### **Native Persons**

considerations in will planning, 4.2.4

Non-qualifying Securities charitable gifts, as, 6.5.7(1)(b)

**Non-residents** *See also* **International Estate Planning** beneficiaries, 4.3.4(6) settlors of trusts, 6.5.2(5)

#### Partnership

adjusted cost base of interest, 2.8.1 death of partner • active partner, 2.8.2 • retired partner, 2.8.3 •• limited partnership, 2.8.4 distinguished from corporation for tax purposes, 2.8.1 family farm partnership, interests in, 2.4.2(3), 4.2.1(3) generally, 2.8.1 income accruing at date of death, 2.8 partner's interest as capital property, 2.8.1 planning considerations • death of partner, 8.3.9(3) • generally, 8.3.9(1) • withdrawing or retiring partner, 8.3.9(2) rights giving rise to income inclusions on death, 2.8.1 taxation generally, 2.8.1 Personal Trusts See Trusts Post Mortem Tax Planning See

*also* Terminal Year charitable gifts by graduated rate estate, advantages of, 3.3.2, 5.3.2(3) conjugal trusts, tax liability of, 5.4.2 corporate distributions, 5.3.3(2)(h) credits, maximizing, 5.2.4

deductions, maximizing, 5.2.4 deemed realizations See Deemed Realizations defined, 5.1.1 dependants' relief legislation, 5.1.4 disclaimers, 5.1.2 family property legislation, 5.1.4 graduated rate estate, restriction of options and elections, 5.1.1(2)graduated rate estate, special tax elections of, 5.3.2(5)loss carry back planning, access for graduated rates estates, 5.3.2(4) releases, 5.1.2 renunciations, 5.1.2 splitting income, 5.2.3 surrenders, 5.1.2 taxation year, selection, 5.3.2(1) terminal year, for general objectives, 5.2.1 • rights or things, 2.3, 5.2.2(2) • spousal tax deferrals, 5.2.2(1) •• capital property, 5.2.2(1)(a) •• charging spouse trust with debt payments, 5.2.2(1)(b)•• debt forgiveness, 5.2.2(1)(h) •• deferred income receipts, 5.2.2(1)(g)•• land inventory, 5.2.2(1)(e)•• post mortem spouse trusts, 5.2.2(1)(c)•• principal residence, 5.2.2(1)(d) •• reserves, 5.2.2(1)(f) • variation of trusts 5.1.3, 5.2.2(1)(a), 5.3.3.(2)(g)**Preferred Beneficiary Election** advising beneficiaries of rights, trustee's responsibility, 5.3.3.(2)(f)amounts subject to, 3.3.3(4)(a)death-bed planning, as consideration in, 4.2.4(1)defined, 4.3.2(1) elimination, effect of, 3.3.3(1)(a) persons eligible for, 3.3.3(4)(a), 4.3.2(1)post mortem tax planning, in, 5.3.3(2)(f)pre-1996 elections, 5.3.3(3)(c)(i)

statutory requirements, 3.3.3(4)(a), 4.3.2(1) use in will planning, 4.3.4(3)

# **Principal Residence**

generally, 2.4.2(5) post mortem tax planning and, 5.2.2(1)(d) special capital gains treatment, 2.4.2(5)

# **Probate Fees**

consideration in will planning, as, 4.2.3 strategies to avoid for terminally ill testators, 4.2.4(1)

# Proceeds of Life Insurance See Life Insurance

#### **Professional Ethics**

governing tax practice generally, 1.8

lawyer's responsibilities, 1.8

# Protective Trusts See Trusts

#### Put-Call Arrangement See Buy-Sell Agreements

**Qualified Securities** charitable gifts, as, 4.2.1(5)

#### **Registered Pension Plans**

deferred income pension plan, as, 2.10.4(1) deferred income receipts, 5.2.2(1)(g) employee contributions, 2.10.4(1) employer contributions, 2.10.4(1) main requirements of plan, 2.10.4(1) money purchase limit, 2.10.4(1)

pension credits, 2.10.4(1)

registration under Pension Benefits Standards Act, 1985, 2.10.4(1) specified multi-employer plan,

2.10.4(1)

taxation of benefits

- generally, 2.10.4(2)
- graduated rate estate, eligible amounts out of, 2.10.4(2)
- lump sum payments after death, 2.10.4(2)

tax liability on death, 2.10.4

# Registered Retirement Income Funds (RRIFs)

charitable donation in will, as, 4.2.1(5) deferred income receipts, 5.2.2(1)(g) defined, 2.10.3 tax liability on death, 2.10.3

#### Registered Retirement Savings Plans (RRSPs)

charitable donation in will, as, 4.2.1(5) deduction limit, 2.10.2(1) deferred income plans, as, 2.10.2(1) deferred income receipts, 5.2.2(1)(g) fees, management and administration, 2.10.2(1) how plan operates, 2.10.2(1) immature plans, 2.10.2(2)(a) indefinite carry forward, 2.10.2(1) locked in RRSPs, 2.10.2(2)(c) mature plans, 2.10.2(2)(b) pension adjustment, 2.10.2(1) RRSP dollar limit, 2.10.2(1) tax liability on death generally, 2.10.2

#### Release

beneficiary, by, 3.3.3(1)(c) defined, 5.1.2 distinguished from disclaimer, 5.1.2 use in altering tax position in terminal year, 5.1.2

#### Renunciations

gifts *inter vivos*, 6.2.5 post mortem tax planning and, 5.1.2

**Resource Properties** deemed disposition immediately prior to death, 2.6

"Rights or Things" income accruing at date of death, 2.3 lawsuit settlement amounts, 2.3 use in tax deferral for terminal year, 5.2.2(2)

Rollovers See Capital Property, relieving provisions; Farm/ Fishing Property; Spouse Trusts

# Shares See also Buy-Sell Agreements; Corporate Share Repurchase Plans

death of shareholder

- problems arising upon, 8.1, 8.3.1
- sale of shares after, 8.1
  surviving shareholder
- problems, 8.1, 8.3.1 enduring power of attorney,
- potential impact upon, 4.2.1(4) fair market value, 2.4.1 grandfathered shares, 8.3.4 held by trust, 6.5.6(1)(g)(ii)

non-grandfathered shares, 8.3.5 private corporation

- enduring power of attorney, impact upon, 4.2.1(4)
- forming large portion of estate, 4.2.1(4)
- leaving control shares to related executor, 4.2.1(4)
- spouse trust, transfer to, 4.2.1(4)

valuation, 2.4.1

**Specified Canadian Entity** defined, 9.4.2(2)(b)

# **Specified Foreign Property**

defined, 9.4.2(2)(b) reporting requirements, 9.4.2(2)(a)

#### **Specified Foreign Trust**

reporting requirements, 9.4.2(1) transfers/loans to, 9.4.2

# **Specified Individuals** defined, 6.4.3(4)(b)

**Split Income** defined, 6.4.3(4)(b)

# Spousal Trust See Spouse Trust

#### **Spouse Trust**

charging with debt payments, 5.2.2(1)(b) considerations relevant to tax deferral, 4.2.1(2) continuation after death of surviving spouse, 4.2.1(2) created by disclaimer, release by other beneficiaries, 5.2.2(1)(c)

deemed realization election, 4.2.1(2)disclaimer, effect on qualifying trusts, 2.4.2(2)(c)disqualifying, 4.2.1(2) freezing corpus post-mortem, 4.3.4(7)gifts to, tax considerations, 6.4.2(3)post mortem spouse trusts, 5.2.2(1)(c)post mortem tax deferral, 5.2.2(1) power to encroach upon capital for spouse, 4.2.1(2), 5.3.3(2)(e) shares transferred to, 4.2.1(4), 5.3.3(2)(h) "tainted trust" converting spouse trust into, 5.2.2(1)(a) • generally, 4.2.1(2)testamentary gifts to generally, 4.2.1(2)

# Surrender

beneficiaries, by, 3.3.3(1)(c) defined, 5.1.2 use in altering tax position in terminal year, 5.1.2

# TOSI See Tax on Split Income (TOSI)

# Tainted Trust

converting spouse trust into, 5.2.2(1)(a) creation by will provisions, 4.2.1(2)deliberate tainting of trust for spouse, 4.2.1(2) Tax Avoidance anti-avoidance rules • trust to trust transfers. 5.4.3(2)• variation of trusts, 5.4.3(3) defined, 1.4.2 judicial anti-avoidance doctrines, 1.4.2 judicial attitudes towards, 1.4.1 professional ethics and, 1.8

schemes • generally, 1.1

scrutinizing by the CRA, 1.1

Tax Credits Canadian foreign tax credit, 9.2.2(2)(b)(ii) charitable donations, 2.11.3(1) foreign taxes, 9.1 investment tax credit, 2.2 maximizing • by personal representative, 5.2.4 • charitable donation credit, 4.2.1(5) medical expenses, 2.11.3(2)

**Tax Free Savings Account (TFSA)** defined, 2.10.7 limits, 2.10.7 withdrawals, 2.10.7

Tax Objectives in Estate Planning See also Post Mortem Tax Planning generally, 1.3.1 gift tax • generally, 1.3.4 gifts, role in estate planning, 1.3.4 income tax deferral of tax on capital gains, 1.3.2 history of income tax legislation, 1.3.2 • splitting income, 1.3.2 succession duty/inheritance taxes • constitutional issues, 1.3.3 future in Canada, 1.3.3 • generally, 1.3.3 • situs of property issues, 1.3.3 Tax on Split Income (TOSI) attribution, 7.4.4(3)components, 6.4.3(4)(b) estate freeze, 7.4.4(3), 7.8.1(1)(a) exclusions, 6.4.3(4)(b), 7.8.1(1)(a) qualified farming property, 7.8.1(1)(a) qualified fishing property, 7.8.1(1)(a) qualified small business

qualified maining property, 7.8.1(1)(a)
qualified small business corporation shares (QSBC shares), 7.8.1(1)(a)
generally, 6.4.3(4)(b), 7.2.2, 7.8.1(1)(a)

holding corporation, 7.5.1

income, derivation, 6.4.3(4)(b) income sprinkling, 7.4.4(3) section 86 reorganization, 7.7.3

#### **Tax Treaties**

capital gains realized by non-residents
property situated in Canada, 9.3.2 dual purpose, 9.5.1 generally, 9.5.1 income from trusts and estates, treatment, 9.5.3 interpretation
general principles, 9.5.2

Supreme Court of Canada, 9.5.2
 nature, 9.5.1

# **Taxable Canadian Property**

capital interest distributions, 3.6.2(2) relieving provision, as, 2.4.2(7) withholding tax, non-resident beneficiaries, 9.3.1

Taxation See Beneficiaries; **Capital Property; Charitable Donations/Gifts; Corporate** Share Repurchase Agreements; Gifts; International Estate Planning; Partnership; Post Mortem Tax Planning; **Registered Pension Plans; Registered Retirement Savings** Plans; Registered Retirement Income Funds; Spouse Trust; Tax Objectives in Estate Planning; Tax on Split Income; Terminal Year; Testamentary Trust; Trusts; Variation of Trusts

**Taxation Year** selection by personal representative, 5.3.2(1)

#### Terminal Year See also Post Mortem Tax Planning

additional separate returns required, 2.14

computing income for year of death

- commercial debt obligations, forgiveness, 2.12
- generally, 2.2
- minimum tax rules, 2.13

computing tax for year of death

- charitable donations, 2.11.3(1)
- generally, 2.11.3
- medical expenses, 2.11.3(2)

deductions

- capital gains deduction
   emount deductible, 2.11.2(2)(d)
  - generally, 2.11.2(2)(a)
  - •• qualified farm property, 2.11.2(2)(b)
  - •• qualified small business corporation shares, 2.11.2(2)(c)
- capital losses, 2.11.2(3)
- generally, 2.11.1
- reserves, 2.11.2(1)
- dependants' relief legislation, 5.1.4
- disclaimers, effect upon tax
- position, 5.1.2 family property legislation, effect
- upon, 5.1.4
- generally, 2.1
- income accruing at date of death
   advanced life deferred annuities (ALDA), 2.10.61
  - capital property See Capital Property
  - deferred profit sharing plans, 2.10.5
  - eligible capital property, 2.7
  - generally, 2.2
  - investment tax credit, 2.2
  - land inventory, 2.5
  - partnership rights, 2.8 *See also* **Partnership**
  - periodic payments, 2.2
  - proceeds of life insurance, 2.9
  - registered disability savings plan (RDSP), 2.10.2(2)(a), 2.10.6
  - registered education savings plan (RESP), 4.2.1(5)(a)
  - registered retirement income funds (RRIFs), 2.10.3
  - registered pension plans 2.10.4 See also Registered Pension Plans
  - registered retirement savings plans, 2.10.2 *See also* **Registered Retirement Savings Plans**
  - resource properties, 2.6

• "rights or things", 2.3

income/losses from capital property, 2.4.1

- legal representative's responsibility
  - duty to residuary legatees, 5.1.1(3)
  - fiduciary responsibilities, 5.1.1(3)
  - generally, 2.1
  - statutory options with respect to, 5.1.1(1)

post mortem tax planning and *See* **Post Mortem Tax Planning** 

- rectification, 5.1.5
- releases, use in altering tax position, 5.1.2
- surrenders, use in altering tax position, 5.1.2

tax-free savings account (TFSA),

- 2.10.7, 4.2.1(5)(a)
- termination, 2.1
- variation of trusts, tax consequences, 5.1.3
- Testamentary Trust

clearance certificate

- partial clearances, 3.5
- purpose, 3.5
- timing of request for, 3.5
- conversion to *inter vivos* trust, 3.8 definition, 3.3.1
- disposition of income or capital interest
  - · capital interests
    - dispositions in satisfaction of capital interest, 3.6.2(2)
    - dispositions to third parties, 3.6.2(1)
  - generally, 3.6
  - income interests
    - •• dispositions in satisfaction of income interest, 3.6.1(2)
    - dispositions to third parties, 3.6.1(1)
  - non-dispositions, 3.6.3
  - old regime, 3.6.6
  - other provisions, 3.5.6.4
  - partial dispostions, 3.6.3
  - qualifying dispositions, 3.6.5
  - rights to enforce payments, 3.6.3

encroachment clause, 4.2.1(1)

graduated rate estates, 3.1.1 • benefits, 3.7 defined, 3.1.1 loss of status as personal trust, 3.9 loss restriction event rules, 3.10 more than one trust, 3.1 payment of deemed income, 4.2.1(1)qualified disability tax credit, beneficiaries eligible for, 3.3.1 role in will planning • generally, 4.2.1(1) • graduated tax rates, 4.2.1(1) • income splitting, 4.2.1(1) • subsequent trusts, 4.2.1(1) tainting, 6.5.2(7) taxation ancillary conduit provisions, 3.4 See also Beneficiaries capital gains and losses deemed dispositions, 3.2 deferral of 21 year deemed disposition, 3.2 •• spousal trusts, special rules. 3.2 • deductions available, 3.3.2 •• amounts payable to beneficiaries, 3.3.3(1)(a)•• deemed income, 3.3.3(1)(f) • executor's fees, 3.3.2 •• graduated income tax rates, 3.3.2 •• graduated rate estate, general, 3.1.1 •• impact on beneficiaries generally, 3.3.2 interest on borrowed money, 3.3.2 •• legal fees, 3.3.2 •• third party payments, 3.3.3(1)(a) • deemed income, 3.3.3(1)(f) generally, 3.1 income accumulating in trust,

- 3.3.3(4)
  preferred beneficiary elections See Preferred Beneficiary Elections
- rates, 3.3.2
- rationale for, 3.3.1
- taxation year, 3.3.2, 3.5

(TEP) (December 2020)

winding up, 3.5
taxation year of graduated rate estate, 3.2.2, 3.5

# **Third Party Payments**

deduction, as, 3.3.3(1)(a)

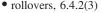
# Treaties See Tax Treaties

#### Trustees

agents, as, 6.3.2(4) limiting liability, 6.3.2(3) obligations of, 6.3.2(5) parents, 4.3.2(2) personal liability, 6.3.2(1) powers, 6.3.2(7) principals, 6.3.2(1) resident, 4.2.1(1)

#### Trusts

alter ego trusts, 6.4.2(3)(b)(ii), 6.4.2(6)(b)(i), 6.5.4(3) bare trusts, 4.2.3, 6.3.6(1) common-law partner trusts, 6.4.2(3)(a)(i), 6.4.2(3)(a)(ii), 6.4.2(6)(b)(i) constructive trusts, 6.3.6(2)(b)• tax issues, 6.2.6(2)(d)contracts, 6.3.2(2)creation of, 6.3.3 deemed disposition • alter ego trusts, 6.4.2(6)(b)(i)• general, 6.4.2(6)(a)• joint conjugal trusts, 6.4.2(6)(b)(i) • personal trusts, 6.4.2(6)(b) post-1971 conjugal trusts, 6.4.2(6)(b)(i)• self-benefit trusts, 6.4.2(6)(b)(ii) trusts that are result of qualifying disposition, 6.4.2(6)(b)(iii) • when trusts ceases to be resident, 6.4.2(6)(c)disposition of income interest, 6.5.1 dispositive powers, 6.3.2(7) establishing trusts donor, taxation of at time of gift • general, 6.4.2(1) • gifts to trust, 6.4.2(2) •• tax trust, the, 6.4.2(2)(a)



•• 2001 amendments, 6.4.2(3)(b)(II) pre-2001 position, 6.4.2(3)(b)(I) •• qualifying dispositions, 6.4.2(3)(c)•• spouse or common-law partner trusts, 6.4.2(3)(a) trusts for one's own benefit, 6.4.2(3)(b)••• alter ego trust, 6.4.2(3)(b)(ii) ••• protective trust, 6.4.2(3)(b)(i)••• self-benefit trust, s. 73(1.01), 6.4.2(3)(b)(iii) • transfer of assets to trust consequences of dispositions, 6.4.2(2)(b)(v)• dispositions, 6.4.2(2)(b)(ii) exceptions to dispositions, 6.4.2(2)(b)(iii) •• general, 6.4.2(2)(b)(i) •• ignored transfers, 6.4.2(2)(b)(iv) • formalities, 6.3.4 • methods, 6.3.4 estate freeze, use in, 7.10 formalities of establishing a trust, 6.3.4 fundamental elements • contracts and, 6.3.2(2)• limited liability, 6.3.2(3) • relationship, as, 6.3.2.(1) general, 6.3.1 joint spousal trust, 6.4.2(a)(ii), 6.4.2(6)(b)(i)limitations on disposing interest in, 6.3.2(6)non-resident trusts, See **International Estate Planning** other trusts, 6.3.6 personal trusts inter vivos • capital interests, 6.4.2(5)(c) •• distributions in satisfaction of, 6.4.2(5)(c)(ii) ••• subject to anti-avoidance rules, 6.4.2(5)(c)(ii)•• dispositions to third parties, 6.4.2(5)(c)(i)

- non-dispositions,
   6.4.2(5)(c)(iii)
- •• partial distributions, 6.4.2(5)(c)(iii)
- •• rights to enforce payments, 6.4.2(5)(c)(iii)
- deemed disposition, 6.4.2(6)(b)
- disclaimer, 6.4.2(5)(d)
- general, 6.4.2(5)(a)
- income interests, 6.4.2(5)(b)
  distributions in satisfaction of, 6.4.2(5)(b)(ii)
  - dispositions to third parties, 6.4.2(5)(b)(i)
- personal trust, 2.4.2(5)
- release, 6.4.2(5)(d)
- surrender, 6.4.2(5)(d)
- tax planning
  - •• attribution and, 6.5.2(3)
  - •• general, 6.5.2(1)
  - non-resident settlors, 6.5.2(5)
    powers reserved by settlor,
  - 6.5.2(2) •• preferred beneficiary
  - election, 6.5.2(6)
  - •• rates of tax, 6.5.2(4)
  - •• revocations, 6.5.2.(2)
  - tainting personal trust, 6.5.2(8)tainting testamentary trust,
    - 6.5.2(7)
- variation of, 6.5.2(9)taxation of
  - •• general, 6.4.1, 6.4.2(7)(a)
  - preferred beneficiary election, 6.4.2(7)(c)
  - •• rate of tax, 6.4.2(7)(b)
- third parties, distributions to, 6.4.2(5)(b)(i), 6.4.2(5)(c)(i)
  non-dispositions,
  - 6.4.2(5)(c)(iii)
  - partial distributions, 6.4.2(5)(c)(iii)
  - •• rights to enforce payments, 6.4.2(5)(c)(iii)

powers of appointment, 6.3.2(7) protective trust, 6.4.2(3)(b)(i) qualified domestic trust, 4.2.1(3), 4.2.3

relationships

- affiliated, 6.5.6(1)
- arm's length, 6.5.6(1)

• beneficiaries/trust, 6.5.6(1)(f) • beneficiaries/trustee, 6.5.6(1)(e) • generally, 6.3.2(1) • related, 6.5.6(1)• settlor/beneficiaries, 6.5.6(1)(c) settlor/trust, 6.5.6(1)(b) • settlor/trustee, 6.5.6(1)(a) trustee/trust, 6.5.6(1)(d) resulting trusts, 6.3.6(2)(c)• tax issues, 6.2.6(2)(d)revocation of, 6.3.5 self-benefit trusts s. 73(1.01), 6.4.2(3)(b)(iii), 6.4.2(6)(b)(ii) shares held by who is vendor, 6.5.6(1)(g)(ii) splitting income • general, 6.5.5 •• discretionary trusts, 6.5.5(2)•• is it payable, 6.5.5(1) •• minors, amounts paid to, 6.5.5(4)• payments to third parties, 6.5.5(3) spousal trusts, 6.4.2(3)(a)(i), 6.4.2(3)(a)(ii), 6.4.2(6)(b)(i) trusts for one's own benefit, 6.4.2(3)(b)• alter ego trusts, 6.4.2(3)(b)(ii) • protective trust, 6.4.2(3)(b)(i) self-benefit trusts s. 73(1.01), 6.4.2(3)(b)(iii) trusts that are result of qualifying disposition, 6.4.2(6)(b)(iii) variation, See Variation of Trusts vehicle of estate planning as, 6.3.1 **Twenty-one-year Rule** deemed realizations/dispositions • deferral of, 3.2, 5.4.4 conveying remainder interest in real property to capital beneficiary, 5.4.4(7)

- •• distribute trust assets directly to beneficiaries, 5.4.4(3)
- •• do nothing, 5.4.4(1)
- •• internal trust freeze, 5.4.4(5)

• reduce value of trust assets, 5.4.4(2)

- •• roll out to NewCanCo for non-resident
- beneficiaries, 5.4.4(4)
- roll out to NewCo, 5.4.4(5)
- vesting indefeasibly, 5.4.4(6)
  generally, 4.3.4(6), 5.4.3

# **United States Estate Tax**

overview, 9.1 planning, 9.2.2(2)(f) transfers on death, 9.5.5

#### Variation of Trusts

authority for, 5.1.3 generally, 6.3.5 how trust may be varied, 5.1.3, 5.3.3(2)(g)*inter vivos* personal trusts, 6.5.2(9) reasons for, 5.3.3(2)(g) spouse trust into tainted trust, 5.2.2(1)(a)tax consequences flowing therefrom, 5.1.3, 5.3.3(2)(g)varying terms to qualify as spouse trust, 5.3.3(2)(g)

#### Will Planning

character of property determining tax consequences, 4.1 charitable donations

- capital property, 4.2.1(5)
- conjugal trust, 4.2.1(2)
- deemed gifts in terminal year, 4.2.1(5)
- life insurance proceeds, 4.2.1(5)
- maximizing available credit, 4.2.1(5)
- qualified securities, 4.2.1(5)
- RDSP, RESP, TFSA, 4.2.1(5)(a)
- RRIF, RRSP, 4.2.1(5)
- United States charities, to, 4.2.1(5)

death-bed planning

- preferred beneficiary election considerations, 4.2.4(1)
- probate fees, strategies to avoid, 4.2.1(1)
- discretionary trusts, 4.3.2(2)
- effect upon taxation of testator and beneficiaries, 4.1

elections facilitated by, 4.1 farming and fishing property

- devising to child while
- providing for spouse, 4.2.1(3)failure to refer to trust, problems
- created by, 4.2.1(3)
- incorporation, benefits of, 4.2.1(3)
- life interest to spouse with remainder to child, 4.2.1(3)
- revocable trusts, 4.2.1(3)
- roll back to parent on death of child, 4.2.1(3)
- rollovers, 4.2.1(3)
- "vested indefeasibly", 4.2.1(3)
- fiduciary standards of legal
  - representative, 4.3.3
- flexibility allocated to legal
  - representative, 4.1
- graduated rate estate, role in, 4.2.1(1)
- grave, care of, 4.2.1(1)
- importance of taxation upon, 4.1
- infant trusts, 4.3.2(3)
- lawyer's responsibility, 4.1
- lawyer's role, 4.1
- matrimonial property regimes,
- impact upon, 4.1
- multiple wills, reducing probate fees, 4.2.1(1)
- native persons, 4.2.4
- objectives, 4.1
- options of legal representative, 4.2.2
- payments to third parties on
- beneficiary's behalf, 4.3.2(2)
- "phantom income", 4.3.2(2)
- post mortem tax planning,
  - facilitation of, 4.3.4
  - acts of third parties
     corporate distributions,
    - 4.3.4(8)(a)
      post mortem contri-
    - butions, 4.3.4(8)(b)
  - capital losses, 4.3.4(5)
  - discretionary trusts, 4.3.4(3)
  - freezing corpus of spouse trust, 4.3.4(7)
  - graduated rate estate, charity gift rules of, 3.3.2, 4.3.4(8)(b)
  - preferred beneficiary elections, 4.3.4(3)

- separate testamentary trusts, 4.3.4(2)
- twenty-one-year deemed realization, 4.3.4(6)
- potential beneficiaries
  - corporations, 4.2.1(1)
  - minor children, 4.2.1(1)
  - spouse or spouse trust, 4.2.1(2) See also Spouse Trust, Tainted Trust

probate fee considerations, 4.2.3 qualified disability trust, role in, 4.2.1(1)

- shares in private corporation
  - choice of executor, 4.2.1(4)
    enduring power of attorney,
  - potential impact, 4.2.1(4)
  - forming significant part of estate, 4.2.1(4)
  - generally, 4.2.1(4)
  - leaving control shares to executor who is related, 4.2.1(4)

• transfer to spouse trust, 4.2.1(4) special considerations, 4.2.4 spouse beneficiary, potential tax

liability of, 4.2.1(2)

• life interest trust, effect on, 4.2.1(2)

strategies

- income splitting, 4.1
- maximizing tax credits, 4.1
- offshore planning, 4.1
- recharacterization of income, 4.1

• tax deferral, 4.1

temptation to rely upon standard precedents, 4.1 terminal year

• statutory conditions, compliance with, 4.2.1

timing of payments, 4.3.2(2)

# Wills See also Will Planning

benefits generally, 4.1 domestic contract, supplementing with, 1.2 intestacy, advantages over, 1.2

legal representative's role

- will with no trusts, 3.1
- will with trusts, 3.1

significance in overall estate plan, 4.1

Winding Up See Testamentary Trust

Withholding Tax See International Estate Planning, non-residents