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CANADA

FREE GUIDE · FOR THE PERSON IN CHARGE

The Executor's Guide to Final Returns

A calm map of the tax side of an estate: what to file, in what order, and what you must never do early.

You did not apply for this job. Somebody trusted you with it, usually in the worst week of your year, and probably without explaining that part of it is tax work. The good news is that this part is finite: a small number of filings, in a known order, ending with one certificate that protects you personally.

Your first five moves — before any return is prepared

1	**Tell the CRA, and stop the payments.** Benefits keep arriving after a death — old age security, the child benefit, the sales tax credit — and anything covering a period after the death generally has to go back. One notification stops the meter. Doing it in week one saves you a repayment demand in month six.
2	**Get yourself onto the file.** Until the CRA holds proof of death and proof of your authority — the will, or the court document appointing you — nobody there may discuss the account with you at all. Send it once, ask for representative access, and the rest of the job stops being a row of locked doors.
3	**Find the tax history before you need it.** The last few notices of assessment hold the useful leftovers: unused capital losses, tuition and donation carry-forwards, instalments already paid, savings room. Old returns also tell you which slips should arrive this year, so you notice the one that does not.
4	**Fix the values as at the date of death.** For tax, that date is the event. Investments, property and business interests are treated as sold that day, so you need statements, an appraisal for real estate, and a defensible value for anything unusual. Reconstructing this a year later is the single most expensive delay in estate work.
5	**Distribute nothing until the certificate arrives.** An executor who pays out an estate and later finds tax owing can be pursued personally for it. The clearance certificate is the CRA's written confirmation that the account is settled. Beneficiaries will push; a part payment now with a holdback for tax is the usual answer.

Deadlines in this guide are structural; rates, brackets and dollar thresholds are not, so they are left out on purpose. Verify current rules at canada.ca, date-stamp your own case with the deadline and penalty calculators at taxfilings.ca/tools, or get help — estate returns are the filing most families face exactly once.

01 Two returns, sometimes three

The final return — the person

It covers January 1 to the date of death: employment income, pensions, investment income, and the paper sale of everything owned. It is an ordinary personal return with a last chapter, and most credits are not cut down simply because the year was short.

The trust return — the estate

From the day after death, whatever the assets keep earning belongs to a new taxpayer. Interest, rent and dividends after that date go on the estate's return, not the person's. It carries on until everything has been distributed and closed.

DEADLINES COUNTED FROM ONE DATE

If the death fell between January 1 and October 31, the final return is due by April 30 of the following year. If it fell in November or December, you have six months from the date of death. Where the person or their spouse carried on a business, filing moves to June 15 — but any tax owing is still due on the earlier date, and a surviving spouse gets the same extended filing date. Confirm the current rules at canada.ca; the deadline calculator at taxfilings.ca/tools will put your own dates on paper.

WHAT LATENESS COSTS AN ESTATE

The late-filing penalty follows the familiar shape: a percentage of the unpaid balance, plus a further percentage for each full month the return is late — 5 percent plus 1 percent per month — with interest compounding daily on top. Confirm current rates at canada.ca. Grief earns no automatic extension, but the CRA does consider relief requests: ask in writing, early, with dates and reasons rather than apologies.

LOOK FOR THE YEARS NOBODY FILED

Check for instalments paid in the final year, and for returns the person stopped filing when they became ill. Estates routinely turn up two or three unfiled years, and because credits went unclaimed those years are usually refunds rather than bills. The late-filing penalty calculator at taxfilings.ca/tools will tell you quickly whether a late return owes anything at all.

02 The sale that never happened

Everything is treated as sold on the date of death

Not sold in life — sold on paper. Thirty years of growth can land on one return at once. A cottage bought in the seventies and shares held since a first job are where estate tax bills actually come from, not from the chequing account, which is why the biggest number in the file is often a value nobody has written down yet.

Registered accounts collapse into income

A registered savings or income fund is generally added to the final return at its value on the date of death, which can push a modest final year into the highest rate. The large exception is a rollover to a spouse or partner, and in some cases to a financially dependent child, which defers the whole amount. Who is named on the account decides this, so read the beneficiary designation before you assume anything.

The family home is usually protected, the second property is not

The principal residence exemption still applies at death, so the home is often the one large asset with no gain to report. Rentals, land and the place at the lake are not covered. Keep whatever proves which property was which, including the years each one was lived in.

03 Where estates legitimately pay less

The optional return — a second set of low brackets

Certain amounts earned before death but still unpaid at death, known as rights or things, may be moved onto a separate return of their own: unpaid salary and vacation pay, dividends declared but not received, matured bond interest, harvested crops not yet sold. A separate return means a second climb through the low brackets and a second set of personal credits. Filing it is optional, and skipping it is one of the most common quiet losses in estate work.

Medical expenses get a longer window

The final return may claim medical costs over a period ending on the date of death that is longer than the twelve months a living taxpayer gets. Last illnesses are expensive, so ask the pharmacy, the hospital and the care home for a printout covering the whole period rather than hunting individual receipts through a shoebox.

Gifts made by the will are flexible

Donations made through a will, or by naming a charity on a registered account or policy, can generally be claimed by the estate, on the final return, or against an earlier year, within limits. The final year also allows a far larger share of income to be given than a normal year does. Decide where the gift does the most tax good before anything is filed, because the choice is hard to revisit.

An estate's early years are taxed gently

An estate that qualifies as a graduated rate estate is taxed on brackets like a person for roughly its first three years, and may choose a year-end other than December. After that it pays the top rate on every dollar. That is the practical reason not to leave an estate open for a decade: the tax cost of drifting is real.

04 The certificate, the holdback, the box of paper

> **THE LIABILITY IS YOURS, PERSONALLY**
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> Pay out an estate before the tax is settled and the CRA can look to you for the shortfall, not to the beneficiaries who already spent it. Do not let anyone else's impatience set your timetable. Release a sensible portion early, hold back enough for tax and fees, and pay the rest when the clearance certificate is in your hand. Trust and estate work is quoted in advance on the pricing pages at taxfilings.ca if you would rather not carry that risk alone.

- [ ] Death certificate and authority: the will or court appointment, plus the date you notified the CRA
- [ ] Date-of-death values: account statements, property appraisals, vehicle and business valuations
- [ ] The last several notices of assessment: and proof of any instalments paid
- [ ] Every slip that arrives for two calendar years: some addressed to the person, some to the estate
- [ ] Cost history for property: purchase papers, renovation invoices, old surveys
- [ ] Beneficiary designations: for each registered account and insurance policy
- [ ] Care and medical invoices: for the longer medical window on the final return
- [ ] Copies of everything you file: final, optional, estate, and any adjustment requests
- [ ] The clearance certificate and your distribution record: who received what, on what date, signed
- [ ] Six years of all of it: keep the records at least six years after filing — confirm the current requirement at canada.ca before you shred a single box

> **CHOOSE THE ESTATE'S YEAR-END ON PURPOSE**
>
> An estate may set its own year-end within the first twelve months, and that one choice decides how income is spread across returns, when the tax falls due, and how soon you can safely pay beneficiaries. Make it before the first estate return is filed, because in practice it locks once used. If earlier personal years also need filing, the personal tax filing services at taxfilings.ca can clear those while the estate work runs alongside.

05 The executor's self-check

One point for each YES.

1. I have notified the CRA of the death and stopped the benefit payments.	YES / NO
2. The CRA recognises me as the legal representative on this file.	YES / NO
3. I know which filing deadline applies, counted from the date of death.	YES / NO
4. I have written values for every asset as at that date.	YES / NO
5. I have checked whether any earlier returns were never filed.	YES / NO
6. I know whether an optional return would save this estate tax.	YES / NO
7. The beneficiaries have been told that distribution waits for the certificate.	YES / NO

6–7 · Green
You are running this properly. Keep the paper trail and the holdback until the certificate lands.

3–5 · Yellow
Nothing is broken yet. Close the gaps before you file, while choices are still open.

0–2 · Red
Stop before any money moves. An hour of guidance now is far cheaper than a personal assessment later.

06 Your four-week plan

Week 1
Notify the CRA, stop the benefit payments, and send your authority so you can be spoken to.

Week 2
Collect date-of-death values and order appraisals. Request the tax history and the last notices.

Week 3
Fix your deadlines in writing, check for unfiled years, and list any unpaid amounts owed at death.

Week 4
Decide the filings with a professional — final, optional, estate year-end — then tell beneficiaries the holdback plan.

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Editorial policy. Every guide is researched against primary sources — the Income Tax Act, CRA publications and CPA Canada materials — fact-checked by Udit Gupta, and updated when the rules change.

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