

SAMPLE

Calculation of Estate Administration Tax (Formerly Probate Fees)

At death Yolanta had the following assets:

Matrimonial home in joint tenancy with Winston	\$250,000.00
Muskoka condominium registered in her name alone	\$350,000.00
Yolanta's 1/3 interest (tenant-in-common) in Kingston bungalow	\$ 40,000.00
Pension plan with husband as named beneficiary (capitalized value)	\$100,000.00
Term life insurance with estate as beneficiary	\$ 75,000.00
Term life insurance covering Yolanta's share of mortgage for the bungalow - other owners as beneficiaries	\$ 20,000.00
Bell Stocks	\$ 18,000.00
RRSPs (Winston designated beneficiary)	\$ 60,000.00
Bank accounts:	
own	\$ 7,500.00
in trust for twins	\$ 3,000.00
Sterling silverware	\$ 10,000.00
Automobile	\$ 13,000.00
Canada Savings Bonds	\$ 80,000.00
Interest on Canada Savings Bonds (regular and compound)	\$ 19,431.00
Pottery, antique furniture, rings	\$ 18,000.00
Books	\$ 5,000.00
Farm property - tenant-in-common with ex-husband; daughters' beneficiaries by contract (total value)	\$200,000.00
Employer's computer company shares	\$ 20,000.00

At death Yolanta had the following liabilities:

Mortgage on Muskoka condominium	\$ 50,000.00
Yolanta's 1/3 portion of mortgage on Kingston bungalow	\$ 20,000.00
Visa	\$ 1,800.00
MasterCard	\$ 650.00
Willow Oaks Summer Camp outstanding fees	\$ 2,000.00
RRSP loan outstanding for Yr-1	\$ 5,700.00

What property will be included for calculation of the tax for the certificate of appointment of estate trustee (probate tax)? Why? Calculate the tax. Can probate be obtained if the value of the assets is not clear?

The list that appears below would also normally include accrued income arising from these assets that was retained, such as dividend, farm and rental income. Assume for these purposes that Yolanta spent all of it and acquired no other assets.

1. Matrimonial home **excluded** because it passes by survivorship to Winston outside the will
2. Muskoka property **included**: \$350,000.00 less mortgage of \$50,000.00 = \$300,000.00
3. Kingston bungalow **included**: \$40,000.00 less mortgage of \$20,000.00 = \$20,000.00
4. Pension plan **excluded** because passes to Winston outside the will
5. Term Life insurance with estate as beneficiary **included**: \$75,000.00
6. Term life insurance for bungalow mortgage **excluded** because passes outside the estate
7. Bell Stocks **included**: 1200 shares x \$15 per share = \$18,000.00
8. RRSPS **excluded** because Winston is a designated beneficiary.
9. Bank accounts - own **included**: \$7,500.00; twins - excluded because held in trust for the children
10. Silverware **included**: \$10,000.00
11. Automobile **included**: \$13,000.00
12. Canada Savings Bonds **included**: \$80,000.00
13. Interest on CSBs **included**: \$19,431.00
14. Pottery etc. **included**: \$18,000.00
15. Books **included**: \$5,000.00
16. Farm Property **included** - ½ value: \$100,000.00
17. Employer's Computer company shares **included**: \$20,000.00
18. Visa, MasterCard, Comp fees and RRSP loan **not deducted** (as a matter of practice)

The value of the estate for estate tax purposes = \$685,931.00

[NOTE: legislation requires rounding up per thousandth or part thereof.]

The tax should be:

- | | |
|--------------------------------------|--------------|
| a) \$50,000 x \$ 5.00 per thousand = | \$ 250.00 |
| b) \$686,000 - \$50,000 = | \$636,000.00 |
| x \$15.00 per thousand | \$ 9,540.00 |

Total Tax = \$ 9,790.00

The Certificate of Appointment of Estate Trustee (letters probate) can be obtained based on an estimated value. There is an obligation to pay a higher tax later if it is determined that the value was greater than estimated. As well, a refund can be obtained if too much was paid. See s. 3 of the *Estate Administration Tax Act*.