REVENU QUÉBEC

# GUIDE TO FILING THE INCOME TAX RETURN OF A DECEASED PERSON

# 2011

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# CONTENTS

**BY FILING A DECEASED PERSON'S INCOME TAX RETURN, YOU MAKE IT EASIER TO SETTLE HIS OR HER SUCCESSION. YOU ARE ALSO HELPING THE PERSON'S HEIRS RECEIVE ANY TAX CREDITS OR BENEFITS TO WHICH THEY MAY BE ENTITLED.**

The information in this guide does not constitute a legal interpretation of the *Taxation Act* or any other legislation. For more information, contact us. Our contact information is at the end of this guide.

The numbers in italics at the end of certain paragraphs refer to sections of the *Taxation Act* (section numbers alone), the *Act respecting the Québec Pension Plan* (section numbers preceded by the letters AQPP), and the *Act respecting the Régie de l'assurance maladie du Québec* (section numbers preceded by the letters ARAMQ).

This version of the guide can be used for **2011** and **subsequent years**. A new version will be published when legislative or administrative changes make this necessary.

Note: Though "estate" is the more common term, "succession" is used throughout this guide, as it is the term used in Québec legislation.

# INTRODUCTION

This guide contains essential information on how to complete the Québec income tax return(s) of a person who died in or after 2011.

Use this publication in conjunction with the guide to the income tax return (TP-1.G-V), which you can obtain at most Desjardins caisses.

Part 1 contains general information about income tax returns to be filed for deceased persons. Parts 2, 3, 4 and 5 give specific instructions on how to complete such returns.

For further information, contact us.

# GLOSSARY

### Adjusted cost base

As a rule, the purchase price of a property, plus the expenses incurred to acquire the property and the capital cost of any additions or improvements to it. Examples of expenses incurred to acquire property include legal fees, surveyor's fees, assessment or brokerage fees, the GST and the QST.

Note

In the case of depreciable property, the sum of the above amounts constitutes the capital cost. If the deceased elected to report a capital gain deemed to have been realized on February 22, 1994, consult the brochure *Capital Gains and Losses* (IN-120-V).

### Capital cost allowance

Capital cost allowance (CCA) is a portion of the capital cost of depreciable property that can be claimed as a deduction to take into account the fact that such property wears out or becomes obsolete over time.

Note

You **cannot** claim capital cost allowance for the taxation year ending on the date of death because the property is deemed to have been disposed of immediately before the death.

### Capital property

Depreciable property, or other property the disposition of which results in a capital gain or a capital loss. As a rule, capital property is purchased as an investment or in order to earn income. The most common types of capital property are cottages, shares, bonds, land, buildings, and equipment used in carrying on a business or in a rental operation.

### Deemed disposition

Expression used to mean that property is considered sold or disposed of, even if no actual sale or disposition has taken place.

### De facto spouse

A person who, at any time during the taxation year,

- was living in a conjugal relationship with a person of the opposite sex or the same sex and was the biological or adoptive parent (legally or in fact) of a child of whom that person was also the parent; **or**
- had been living in a conjugal relationship with a person of the opposite sex or the same sex for at least 12 consecutive months (if the persons were separated for less than 90 days, the 12-month period is not considered to have been interrupted).

In order to be considered the surviving spouse of a deceased person, a de facto spouse must have been living in a conjugal relationship with the person at the time of the person's death.

### Depreciable property

Capital property used in a business or to earn income, the cost of which can generally be written off over a number of years as capital cost allowance.

### Dwelling

A house, an apartment or a similar place of residence in which a person ordinarily eats and sleeps, and which is equipped with kitchen and bathroom facilities.

Note

A room in a boarding house or a hotel is not a dwelling.

### Estate

This is a term commonly used with respect to the property and debts of a deceased person, but it is not used in Québec legislation (which uses the term "succession"). Although the term "succession" is generally used in this guide, the term "estate" appears in the titles of certain documents named herein.

### Fair market value

The highest dollar value that can be obtained for property in the open market, where the parties to the transaction are dealing at arm's length with each other and are not forced to buy or sell.

### Inter vivos trust

Any trust that is not a testamentary trust.

### Legal representative

A person who is mandated to administer or liquidate the property of a succession or to play a major role in the management of the property. In many cases, the liquidator of the succession is the legal representative.

### Liquidator of the succession

A person responsible for liquidating a succession. In the case of a succession for which there is a will, the liquidator is the person named in the will to administer the succession. If there is no will or if no liquidator is named in the will, a liquidator is appointed by the heirs, or if the heirs do not agree, by the court. The liquidator is often the spouse or closest relative of the deceased. In this guide, we often use the term "liquidator."

### Matured RRSP

A plan under which retirement income has begun to be paid, generally in the form of an annuity.

### Property vested indefeasibly

Property in which a person acquires the right of absolute ownership. This means that no other person can invoke his or her rights in the property in the future. The right of absolute ownership applies to property that, following the death of the owner, was transferred or assigned to the spouse, a spousal trust, or a child of the deceased.

### Spousal trust

A testamentary trust or inter vivos trust created by an individual for the benefit of his or her spouse, under the terms of which the spouse alone, during his or her lifetime, is entitled to receive all income earned by the trust and to receive or otherwise obtain the use of the income or capital of the trust.

### Spouse

One of the partners in a marriage or a civil union, or a de facto spouse.

### Spouse on December 31

The person who

- was the spouse of the deceased at the time of death, had not been living apart from the deceased for more than 89 days at that time because of the breakdown of their relationship, and was not the spouse of another person on December 31 of the year of death or (if he or she also died during the year) on the date of his or her own death; **or**
- was the last person to have been the spouse of the deceased during the year, where this person also died during the year and was, at the time of his or her own death, the spouse of the deceased and had not been living apart from the deceased for more than 89 days because of the breakdown of their relationship.

### Succession

The term used in Québec legislation with respect to the property and debts of a deceased person.

### Testamentary trust

A trust that arises upon and in consequence of the death of an individual. The terms of the trust are established under the provisions of the will, by law (if there is no will) or by court order. Where the income or property is not distributed under the terms of the will, the trust may lose its status as a testamentary trust and become an inter vivos trust.

### Undepreciated capital cost (UCC) of the property in a given class

As a rule, the capital cost of all the property in the class, **minus** the total amount claimed as capital cost allowance in previous years.

Note

To determine whether there is a recapture of capital cost allowance or a terminal loss resulting from the disposition of a property in a given class, subtract the **lesser** of the following amounts from the UCC:

- the proceeds of disposition of the property, **minus** the expenses relating to the disposition;
- the capital cost of the property.

### Unmatured RRSP

A plan under which no retirement income was paid to the annuitant before his or her death.

# THE ROLE OF THE LIQUIDATOR

If you are the liquidator of the succession, you must, among other things,

- notify us as quickly as possible of the person's death;
- identify yourself to us as the liquidator of the succession;
- draw up the inventory of the succession's property;
- obtain from us the certificate authorizing the distribution of the property;
- file the deceased person's income tax return(s);
- pay the deceased person's income tax and debts.

To obtain authorization to distribute the property of a succession, you must complete and sign form MR-14.A-V, *Notice Before Distribution of the Property of an Estate*, available on our website and at our offices, and send it to us as soon as you know the value of the person's property and the amount of his or her debt.

If, as liquidator of the succession, you distribute the property without first obtaining the certificate authorizing you to do so, you will be held personally liable for the payment of any amounts due to us, up to the value of the distributed property. As a rule, you can be held liable for up to four years following the date of the distribution. However, if you obtained the certificate before distributing the property, the heirs will be held liable for any amount owed to us.

# 1 THE INCOME TAX RETURNS OF A DECEASED PERSON

This part contains general information concerning the income tax return(s) of a deceased person. It will tell you

- whether you must file a return and, if so, which of the various returns you can file;
- how much time you have to file the returns;
- how much time you have to pay a balance due, and what penalties may be imposed if the balance is not paid on time.

If you are the liquidator of the succession, you must file one or more income tax returns for every taxation year for which the deceased

- was required to pay income tax, a health contribution, contributions to the Québec Pension Plan (QPP) and the health services fund, and premiums payable under the Québec parental insurance plan (QPIP) and the Québec prescription drug insurance plan;
- would have had income tax payable, if the non-refundable tax credits that were transferred by his or her spouse on December 31 (see the glossary) had not been claimed by the deceased;
- would have had income tax payable, if he or she had not deducted losses from other years;
- realized a taxable capital gain;
- disposed of capital property, or was deemed to have disposed of capital property in consequence of his or her death (in the latter case, see Part 3);
- worked in the restaurant or hotel sector and received tips;
- was entitled to an allowance under the shelter allowance program;
- received advance payments of the tax credit for childcare expenses;
- received advance payments of any of the tax credits respecting the work premium (work premium, adapted work premium or supplement to the work premium for former recipients of social assistance);
- received advance payments of the tax credit for home-support services for seniors;
- was entitled to receive child assistance payments from the Régie des rentes du Québec;
- was entitled to refundable tax credits; or
- was the beneficiary of a designated trust.

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As the liquidator, you are responsible for filing the deceased person's income tax return(s) for

- the taxation year in which the death occurred, which begins on January 1 and ends on the date of death; and
- any previous taxation year for which the deceased did not file an income tax return.

If the income tax return for the year of death is not yet available, use the return for the previous year. Contact us to find out whether any amounts must be adjusted for the year of death. Be sure to specify the date of death (line 20 of the return) and the year for which the return is being filed. Whether you use the return for the current year or the previous year, **clearly indicate** that the return is being filed for a deceased person.

## 1.1 Principal income tax return

If you are the liquidator of the succession, you are required to report, in an income tax return known as the "principal return," **all income earned by the person up to the time of death, regardless of whether the amounts were received during his or her lifetime**. Such income includes, for example, interest, rentals, royalties, annuities, salaries and wages. This income accumulates daily in equal amounts during the period in which it is payable. Enter in the **principal return** any amount that the person did not receive before his or her death but that accumulated during his or her lifetime.

Certain amounts do not **accumulate** daily in equal amounts. This is the case, for example, of

- amounts that the deceased was to receive but that were not payable on or before the date of death;
- income from an annuity contract, where the income is considered to be payable at the time of death.

Certain types of income can be reported in one or more "separate returns," as explained in section 1.2.

*428*

## 1.2 Separate income tax returns

In addition to filing the principal return for the year of death, you may be able to file up to **three other returns**, called "separate income tax returns," which may result in tax reductions for the succession.

Since each of the separate returns covers a particular category of income and must be filed as if the deceased were a different person, the income of the deceased is split. As a result, the income tax payable on the deceased person's behalf may be reduced or brought down to zero.

**A separate return can be filed to report**

- the rights and property of the person at the time of death (section 429 of the *Taxation Act*);
- income from a testamentary trust (section 681 of the *Taxation Act*); and
- income from a partnership or sole proprietorship (section 1003 of the *Taxation Act*).

Clearly indicate the applicable section of the *Taxation Act* at the top of each separate return you file.

***429, 681, 1003***

### 1.2.1 Separate return for rights and property

The rights and property that can be included in a separate return are the amounts of income that the person **was entitled to receive**, **but had not yet received** at the time of death. The deceased therefore had a right of absolute ownership in this property at the time of his or her death.

If you decide to file a separate return for rights and property, you must report **all** such income in the same return, with the exception of amounts transferred to beneficiaries (see "Important" below). However, if the total deductions applicable to this income (such as deductions for interest expenses, property taxes and insurance premiums, where the rights and property relate to rental income) exceed the total income from rights and property, report the income and deductions in the principal return instead.

Important

> If you wish to transfer rights and property to a beneficiary, you must do so before the due date for filing the separate return. In such a case, the rights and property must be reported in the beneficiary's return (not in the separate return for the deceased). See section 1.3 for information concerning the filing due date for the separate return.

***429, 430***

#### Cancellation of a separate return for rights and property

A separate return for rights and property can be cancelled, provided the return was submitted **by** the filing due date. To request cancellation, submit form TP-1.R-V, *Request for an Adjustment to an Income Tax Return*, or a letter signed by the liquidator of the succession, by the due date for the return. See section 1.3.

***429***

### 1.2.2 Separate return for income from a testamentary trust

You can file a separate return to report the **income from a testamentary trust** that accumulated from the end of the trust's taxation year to the date of death if **both** of the following conditions are met:

- The deceased was the beneficiary of a testamentary trust (that is, a trust created upon the death of another person).
- The date of death is after the end of the trust's taxation year but before the end of the calendar year in which that taxation year ended.

**Example**

The taxation year of the testamentary trust began on June 1, 2010, and ended on May 31, 2011. The beneficiary of the trust died on June 20, 2011. You must report the deceased's income for 2011 either

- by including the income from the trust for the period from June 1, 2010, to June 20, 2011, in the **principal return**; or
- by filing two returns, the principal return and a separate return. In the **principal return**, enter the income from the trust for the period from June 1, 2010, to May 31, 2011. In a **separate return**, enter the income from the trust for the period from June 1, 2011, to June 20, 2011.

If the death occurred during the trust's **first** taxation year, include the income that the deceased received (or was entitled to receive as a beneficiary) in the **principal return** only.

***681***

### 1.2.3 Separate return for income from a partnership or sole proprietorship

You can file a **separate return** for the business income that accumulated from the end of the partnership's or sole proprietorship's fiscal period to the date of death if **both** of the following conditions are met:

- The person was a member of a partnership or the sole proprietor of a business at the time of his or her death.
- The date of death is after the end of the partnership's or sole proprietorship's fiscal period but before the end of the calendar year in which the fiscal period ended.

**Example**

The fiscal period of the business or partnership ended on March 31, 2011, and the person died on June 22, 2011. You must report the deceased's income for 2011 either

- by including the business income for the period from April 1, 2010, to June 22, 2011, in the **principal return**; or
- by filing two returns, the principal return and a separate return. In the **principal return**, enter the business income for the period from April 1, 2010, to March 31, 2011. In the **separate return** for income from a partnership or sole proprietorship, enter the business income for the period from April 1, 2011, to June 22, 2011.

If the death occurred during the **first** fiscal period of the business or partnership, include the income that the person received (or was entitled to receive at the time of his or her death) in the **principal return** only.

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## 1.3 Filing due dates for the income tax returns

The dates by which the various returns must be filed are given below.

### 1.3.1 Income tax returns for the year of death

If you are filing more than one return for the year of death, you must send us the returns by mail. You cannot submit them online.

#### Principal return

- If the death occurred between January 1 and October 31 inclusively, the principal return must be filed **by**
  - April 30 of the following year; or
  - June 15 of the following year, if the deceased or his or her spouse was carrying on a business in the year of death.

  In both cases, **income tax owing must be paid** by April 30 of the following year.
- If the death occurred between November 1 and December 31 inclusively, the return must be filed **by**
  - the date that is six months after the date of death; or
  - June 15 of the following year, if the deceased or his or her spouse was carrying on a business in the year of death.

  In both cases, **income tax owing must be paid** within six months after the date of death.

See "Exception" on the next page.

Note

The spouse on December 31 (see the glossary) must file his or her income tax return for the year by the same date. However, the spouse's income tax must be paid by April 30 of the year following the taxation year for which the return is being filed.

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#### Separate return for rights and property

This return must be filed, along with the payment of any balance due, **by the later of the following dates**:

- the date that is 90 days after the date the notice of assessment or reassessment relating to the principal return filed for the year of death is sent; or
- the date that is one year after the date of death.

See "Exception" on the next page.

*429*

#### Separate return for income from a testamentary trust

This return must be filed **by the later of the following dates**:

- April 30 of the year following the year of death;
- June 15 of the year following the year of death, if the deceased or his or her spouse was carrying on a business in the year of death; or
- the date that is six months after the date of death.

**Income tax owing must be paid** by the later of the following dates:

- April 30 of the year following the year of death; or
- the date that is six months after the date of death.

See "Exception" on the next page.

*681*

#### Separate return for income from a partnership or sole proprietorship

This return must be filed **by the later of the following dates**:

- June 15 of the year following the year of death; or
- the date that is six months after the date of death.

**Income tax owing must be paid** by the later of the following dates:

- April 30 of the year following the year of death; or
- the date that is six months after the date of death.

See "Exception" on the next page.

*1003*

**Exception**

If the creation of a **spousal trust** is provided for in the will of the deceased or in a court order, and the trust is responsible for certain debts of the deceased or the succession, the due date for the **principal return** and the **separate returns** can be extended to 18 months after the date of death. However, interest will be charged on any amounts that are not paid by the due date for paying income tax owing for the year of death.

*445 (a)*

### 1.3.2 Income tax returns for years before the year of death

The person may not have filed, during his or her lifetime, all of the income tax returns required for the years before the year of death. If the deceased left no files in this regard, or if the files do not enable you to determine whether returns were filed, you can contact us to obtain this information (provided you are authorized to do so).

Where the **death occurred before May 1** (or before June 16, if the deceased or his or her spouse carried on a business in the year preceding the year of death), submit the return for the year preceding the death within **six months after the date of death**. Any **income tax owing must be paid** by the same date.

Where the **death occurred after April 30** (or after June 15, if the deceased or his or her spouse carried on a business in the year preceding the year of death), **no extension** is granted.

## 1.4 Payment of income tax, interest and penalties

If the balance due is not paid by the dates specified in section 1.3, we will calculate interest on the amount concerned. Also, if the return is not filed by the dates specified in section 1.3, we may charge a 5% late-filing penalty on the balance owing at the filing due date. An additional 1% penalty may be charged for each full month the return is late (up to 12 months).

*1045*

The income tax payable on rights and property (whether reported in the principal return or in a separate return), or on income resulting from the deemed disposition of capital property at the time of death, can be remitted in equal and consecutive annual instalments (maximum 10) if the legal representative of the deceased provides security to the Minister of Revenue of Québec that the Minister deems acceptable.

The total income tax must not be greater than the result of the following calculation:

- the total of the amounts on line 479 of the principal return and the separate return for rights and property; **minus**
- the amount that would be entered on line 479 of the principal return, if it were calculated without taking into account income from rights and property and income resulting from the deemed disposition of capital property at the time of death.

*1032*

Please note that we will add interest to each instalment for the period from the date on which the income tax was payable to the date on which the instalment payment is made.

Complete form TP-1032-V, *Election to Make Instalment Payments in Respect of Income Tax Resulting from the Deemed Disposition of Certain Property Owned at the Time of Death*, and submit the form and the first instalment payment by the due date for the income tax return.

## 1.5 Documents to be enclosed with the principal return

If we do not already have the following documents, you must enclose them with the principal return:

- the death certificate; and
- a certified copy of the notarial will and any related codicil (a change to the existing will), as well as the will search certificates issued by the Chambre des notaires du Québec and the Barreau du Québec certifying that it is the last will registered; or
- in the case of a holograph will (a will written by hand) or a will made in the presence of witnesses, a certified copy of the will issued by a court clerk or a notary, and a certified copy of the judgment probating the will or of the minutes of the probate, as well as the will search certificates issued by the Chambre des notaires du Québec and the Barreau du Québec certifying that no will was registered.

# 2 INSTRUCTIONS FOR COMPLETING THE PRINCIPAL INCOME TAX RETURN AND THE SEPARATE INCOME TAX RETURNS

This part contains information you will need to complete the income tax return(s) of a deceased person. The explanations cover the **lines for which specific instructions** apply to the return(s) of a deceased person.

### Reporting deductions and tax credits in the various income tax returns

The deductions and tax credits that can be claimed in the deceased person's income tax returns (**principal return and up to three separate returns**) fall into four categories:

- amounts that can be claimed in full in each of the income tax returns;
- amounts that can be split among the income tax returns;
- deductions or credits that can be claimed only in the income tax return in which the related income is reported;
- amounts that can be claimed in the principal return only.

## 2.1 Personal information

It is important that the "Information about you" section of the income tax return be correctly completed on behalf of the deceased. If there is an identification label on the cover of the guide, attach it to the return in the space provided and write "**Succession**" or "**Estate**" after the deceased person's name.

### Lines 7 to 9 Address

Enter the address to be used in all future correspondence. Normally, it is the address of the liquidator of the succession.

### Line 12 Situation on December 31

Check the box marked "You had a spouse" or "You did not have a spouse," depending on whether the deceased had a spouse on December 31 (see the glossary).

### Line 20 Date of death

Enter the date of death of the person whose return(s) you are completing.

## 2.2 Solidarity tax credit

You cannot claim the solidarity tax credit in the income tax return for the year in which the person died.

If the person was receiving payments of the solidarity tax credit, no payments will be made for the month(s) following his or her death. However, if you are the person's surviving spouse, you can claim the credit for the months following his or her death. Complete Schedule D of the income tax return and enclose it with a duly completed copy of form TP-1.R-V, *Request for an Adjustment to an Income Tax Return*.

*1029.8.116.12 to 1029.8.116.35*

## 2.3 Total income

### Line 100 Commissions received

Report the commissions that the person received from January 1 to the date of death in the **principal return**. If the commissions were payable, but not received in the person's lifetime, you can report them in a **separate return** for rights and property.

*429*

### Line 101 Employment income

In the **principal return**, report

- all employment income (salaries and wages, commissions, bonuses, premiums, tips, amounts relating to accumulated vacation days, etc.) that the person received from January 1 to the date of death;
- employment income for a pay period ended **before** the date of death that the person did **not** receive during his or her lifetime (unless you choose to report this income in a separate return for rights and property); and
- employment income for the pay period **in progress** at the time of death.

However, employment income that constitutes **rights or property can be reported in a separate return**.

In a **separate return** for rights and property, you can report

- employment income for a pay period ended **before** the date of death that the person did **not** receive during his or her lifetime; and
- commissions payable **before** the date of death provided the person did **not** receive the commissions during his or her lifetime;
- amounts relating to accumulated vacation days.

Certain employment income received by a beneficiary must be reported on line 154 of the beneficiary's income tax return. Such income includes

- employment income for a pay period ended before the date of death, salaries and wages paid for a period after the date of death (usually the remainder of the month of death) and amounts relating to accumulated vacation days, where such income is transferred to a beneficiary **before** the due date for filing the separate return for rights and property. If the income is transferred **after** this date, report it in the principal return or in the separate return for rights and property;
- a death benefit, such as an amount relating to accumulated sick leave (the first $10,000 can be exempt from income tax); see point (a) in the instructions for line 154.

### Retroactive payments of salaries or wages

Report the retroactive payments that the person received from January 1 to the date of death in the **principal return**. In certain cases, you can ask to have this income averaged. Refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

A retroactive payment received **after** the date of death can be reported in a **separate return** for rights and property, provided entitlement to the payment was established **before** the date of death. In certain cases where the retroactive payment was received in the year of death, you can ask to have the income averaged. For further information, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

Where entitlement to a retroactive payment was established **after** the date of death, the payment is not taxable.

***429, 430***

If interest was paid on a retroactive payment, see the instructions for line 130.

### Security options

Where the person, immediately before his or her death, owned a security option (a stock option or an option to purchase mutual fund units) under an agreement with his or her employer or former employer, or with a corporation not dealing at arm's length with his or her employer, the person is deemed to have received a benefit for the year of death. The benefit is equal to the value of the option immediately after the time of death, **minus** the amount paid to acquire the option. The amount of the benefit is included in boxes A and L of the RL-1 slip, and is also indicated in box L-7 or in the centre of the slip after the note "Box A – Benefit related to security options at the time of death" (or "Case A : Avantage pour option d'achat au décès"). Enter this amount on line 101 of the **principal return**.

***52.1***

If, during the succession's first taxation year, you (as legal representative) exercise or dispose of a stock option acquired by the deceased under an agreement whereby he or she is deemed to have received a benefit, and the value of the option at the time it was exercised or disposed of was less than its value immediately after the time of death, the deceased is then deemed to have incurred a loss from an office or employment. You can claim a deduction in this respect on line 207 of the deceased person's income tax return.

The amount you can deduct is the result of the following calculation:

- the value of the benefit related to the option (indicated in boxes A and L of the RL-1 slip and taken into account in the principal return); **minus**
- the amount by which the value of the option, immediately before it was exercised or disposed of exceeds the amount paid by the deceased to acquire the option.

However, the amount you can deduct corresponds to 75% of the above result if a security option deduction is claimed on line 297 of the principal return.

To deduct such a loss, you must file form TP-1.R-V, *Request for an Adjustment to an Income Tax Return*, for the year of death. Indicate that you are making an election under section 1055.1 of the *Taxation Act* and file the form by the later of the following dates:

- the due date for filing the income tax return (principal or separate) for the year of death;
- the due date for filing the *Trust Income Tax Return* (form TP-646-V) for the succession's first taxation year. This return must be filed no later than 90 days after the end of the succession's taxation year. The first taxation year of the succession begins on the day after the date of death and ends on December 31 of the calendar year or on a given date in the 12 months following the date of death, as determined by the liquidator.

***678, 1000, 1055.1***

Note

If the deceased had already exercised the option and elected to defer reporting the benefit related to the securities (shares or mutual fund units) until the year of sale, the benefit to be reported on line 101 of the return is equal to the value of the shares or units at the time of acquisition **minus** the total amount paid to acquire the shares or units and the option. This amount may give entitlement to the security option deduction. To determine the amount that can be deducted on line 297 of the return, see point 2 of the instructions for line 297 in the guide to the income tax return.

## Line 107 Other employment income

### Tips not reported on line 101

Report the tips that the person received from January 1 to the date of death in the **principal return**, if they have not already been included on line 101. Tips not remitted to the person in his or her lifetime can be reported in a **separate return** for rights and property.

*42.8 to 42.11*

### Wage loss replacement benefits

Report in the **principal return** the benefits that the person received from January 1 to the date of death under a wage loss replacement plan to which his or her employer made contributions.

The benefits that the person did not receive in his or her lifetime but that apply to a period ending on or before the date of death can be reported in a **separate return** for rights and property.

You can subtract the premiums paid after 1967 to a **wage loss replacement plan** from the benefits that the deceased received under the same plan and that are included in the principal return or a separate return. The premiums must not have been used to reduce benefits received in a previous year.

*43*

### Rebate of the GST and QST

If the GST and the QST were included in the amount of expenses that the person deducted as an employee, report the GST and QST rebates received from January 1 to the date of death in the **principal return**. You can report a rebate that the person claimed **before** his or her death but that was paid **after** the date of death in a **separate return** for rights and property.

Rebates claimed by the liquidator **after** the date of death are issued to the succession, but are not taxable for either the deceased or the succession.

*58.2, 58.3*

## Line 110 Parental insurance benefits

Report the parental insurance benefits that the person received from January 1 to the date of death in the **principal return**.

If a benefit applies to a period ended **before** the date of death, but the person did not receive the benefit in his or her lifetime, you can report it in a **separate return** for rights and property.

### Retroactive payments

Report the retroactive payments that the person received from January 1 to the date of death in the **principal return**. If you wish to have this income averaged, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

A retroactive payment received **after** the date of death can be reported in a **separate return** for rights and property, provided entitlement to the payment was established **before** the date of death. If the retroactive payment was received in the year of death, you can ask to have the income averaged. For further information, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

Where entitlement to the retroactive payment is established **after** the date of death, the succession or the heirs must include the payment in their income for the year in which it was received.

*725.1.2, 766.2*

## Line 111 Employment Insurance benefits

Report the Employment Insurance benefits that the person received from January 1 to the date of death in the **principal return**.

If a benefit applies to a period ended **before** the date of death but the person did not receive the benefit in his or her lifetime, you can report it in a **separate return** for rights and property.

### Retroactive payments

Report the retroactive payments that the person received from January 1 to the date of death in the **principal return**. If you wish to have this income averaged, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

A retroactive payment received **after** the date of death can be reported in a **separate return** for rights and property, provided entitlement to the payment was established **before** the date of death. If the retroactive payment was received in the year of death, you can ask to have the income averaged. For further information, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

Where entitlement to the retroactive payment is established **after** the date of death, the succession or the heirs must include the payment in their income for the year in which it was received.

*725.1.2, 766.2*

## Line 114 Old Age Security pension

Report the total amount of the Old Age Security pension that the person received during the year in the **principal return**. If the last cheque (that is, the cheque for the month in which the person died) was not received **before** the person's death, the amount can constitute rights or property and, as a result, can be reported in a **separate return**.

### Retroactive payments

Report the retroactive payments that the person received from January 1 to the date of death in the **principal return**. If you wish to have this income averaged, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

A retroactive payment received **after** the date of death can be reported in a **separate return** for rights and property. If the retroactive payment was received in the year of death, you can ask to have the income averaged. For further information, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

*725.1.2, 766.2*

Enclose a copy of the T4A(OAS) slip with the return.

## Line 119 Québec Pension Plan (QPP) or Canada Pension Plan (CPP) benefits

Report the QPP or CPP benefits that the person received before the date of death in the **principal return**. Only benefits that the person did not receive for the month of death (such as a pension due but not received for the month of death) can constitute rights or property and, as a result, can be reported in a **separate return**.

### Retroactive payments

Report the retroactive payments that the person received from January 1 to the date of death in the **principal return**. If you wish to have this income averaged, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

A retroactive payment received **after** the date of death can be reported in a **separate return** for rights and property, provided entitlement to the payment was established **before** the date of death. If the retroactive payment was received in the year of death, you can ask to have the income averaged. For further information, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

Where entitlement to the retroactive payment is established **after** the date of death, the succession or the heirs must include the payment in their income for the year in which it was received.

*725.1.2, 766.2*

### Death benefit

Do not report a death benefit paid under the QPP or the CPP in the income tax return of the deceased. The amount of the benefit must be reported in the *Trust Income Tax Return* (form TP-646-V), regardless of to whom the cheque was made payable.

However, if the death benefit is the only income to be reported in the trust return, the return need not be filed; instead the beneficiary or beneficiaries of the succession must include it in their income tax returns.

*317.2*

## Line 122 Payments from a pension plan, a registered retirement savings plan (RRSP), a registered retirement income fund (RRIF) or a deferred profit-sharing plan (DPSP), or annuities

If the deceased had a spouse on December 31 (see the glossary), a portion of the retirement income of the deceased can be included in the calculation of the spouse's income. As the deceased person's legal representative, you can elect (jointly with the spouse of the deceased) to include up to 50% of the deceased person's eligible retirement income in the calculation of the spouse's income. You can deduct the amount on line 250 of the deceased person's **principal return** and the spouse must enter the amount on line 123 of his or her return. You must **complete Schedule Q**. For further information, consult the instructions for line 123 in the guide to the income tax return.

### Payments from a pension plan

Report in the **principal return** the pension payments that the person received before the date of death and that are included in box A of the RL-2 slip. Only amounts not received for the month of death can constitute rights or property and can be reported in a **separate return**.

Payments made after the date of death must be included in the income tax return of the beneficiary or the succession. If the payments continue to be made to the surviving spouse after the person's death, the surviving spouse must report them in his or her income tax return. If the payments are received by the succession and subsequently allocated to a beneficiary of the succession, the amount must be indicated on an RL-16 slip issued in the beneficiary's name. In the case of a retirement benefit designated to the surviving spouse, see the instructions for box D of the RL-16 slip in the *Guide to Filing the RL-16 Slip* (RL-16.G-V). For information concerning payments from a pension plan further to the revocation of the plan, contact us.

For information concerning a single payment received from a pension plan, see point (c) in the instructions for line 154.

### Payments from an RRSP or a RRIF (including a life income fund (LIF))

Report the payments from an RRSP or a RRIF (including a LIF) that the annuitant received before his or her death in the **principal return**. This amount is shown in box B of the RL-2 slip. The payments that the annuitant did not receive for the month of his or her death can constitute rights or property and, as a result, can be reported in a **separate return**.

For information concerning property held in an RRSP or a RRIF at the time of death, see point (b) in the instructions for line 154.

### Payments from a DPSP

Report the payments from a DPSP that the annuitant received before his or her death in the **principal return**. This amount is shown in box B of the RL-2 slip. Amounts that were payable but not received in the person's lifetime can be reported in a **separate return** for rights and property.

Payments made to the surviving spouse must be reported in his or her income tax return. The amount of the payments is shown in box B of the RL-2 slip issued by the trust administering the DPSP.

For information concerning a single payment received from a DPSP, see point (c) in the instructions for line 154.

### Annuities that constitute retirement income

Report an income-averaging annuity or an ordinary annuity received by the deceased in the **principal return**. The amount of these annuities is shown in box B of the RL-2 slip. The annuities are identified respectively by the letters "RE" ("rente d'étalement") and "RO" ("rente ordinaire") in the "Provenance des revenus" box of the RL-2 slip.

All amounts received by the succession or the beneficiary of the succession because of the person's death must be reported in the *Trust Income Tax Return* (form TP-646-V) filed by the succession or in the beneficiary's return. If the succession allocates annuity payments to the beneficiary, it must issue an RL-16 slip in the beneficiary's name.

### Income accrued under certain life insurance policies

Report in the **principal return** the income accrued under certain life insurance policies or annuity contracts that the deceased received. These amounts are shown in box J of the RL-3 slip.

Income accrued under certain life insurance policies or annuity contracts received by the succession or the beneficiary of the succession because of the person's death must be reported in the *Trust Income Tax Return* (form TP-646-V) filed by the succession or in the beneficiary's return.

## Line 123 Retirement income transferred by the deceased person's spouse

If the deceased had a spouse on December 31 (see the glossary), a portion of the retirement income of the spouse can be included in the calculation of the deceased person's income. As the deceased person's legal representative, you can elect (jointly with the spouse of the deceased) to include up to 50% of the spouse's eligible retirement income in the calculation of the deceased person's income. The spouse can deduct the amount on line 250 of his or her return and you must enter the amount on line 123 of the **principal return** of the deceased. For further information, consult the instructions for line 123 of the guide to the income tax return.

## Line 128 Taxable amount of dividends from taxable Canadian corporations

Report the taxable amount of dividends from taxable Canadian corporations that the person received from January 1 to the date of death in the **principal return**. Dividends that were payable but not received in the person's lifetime can be reported in a **separate return** for rights and property.

## Line 130 Interest and other investment income

Report all investment income that the person received in the year of death in the **principal return**, provided the income has not been previously reported. Also include the following amounts in the **principal return**:

- interest accrued from January 1 to the date of death, even if the interest has not been paid;
- interest accrued on term deposits, guaranteed investment certificates and similar investments from the date of the last interest payment to the date of death;
- interest accrued on bonds from the date of the last interest payment to the date of death, provided the interest has not been previously reported;
- compound interest accrued on bonds to the date of death, provided the interest has not been previously reported.

You can use a **separate return** for rights and property to report the investment income that the person was entitled to receive (that is, the person could have required the income to be paid before his or her death). Such income can include

- interest coupons that had matured but were not cashed before the date of death;
- interest on compound-interest bonds, where the interest was accrued before the date of the last interest payment made before the date of death, but was not cashed in and has not been previously reported.

Report interest income earned after the date of death in the *Trust Income Tax Return* (form TP-646-V).

If the deceased was a beneficiary of a testamentary trust and received investment income that is reported in box G of his or her RL-16 slip, enter the amount on line 130 of the **principal return**. However, the income from the testamentary trust may cover two of the trust's taxation years in the year of death; in this case, it may be advantageous to complete a **separate return** for the income earned from the end of the trust's last taxation year to the date of death. See section 1.2.2.

### Interest on retroactive payments

Report the interest on retroactive payments that the person received from January 1 to the date of death in the **principal return**. If you wish to have this income averaged, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

You can report interest received **after** the date of death in a **separate return** for rights and property, provided entitlement to the interest was established **before** the person's death. If the retroactive payment was received in the year of death, you can ask to have the interest averaged. For further information, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

Where entitlement to the interest is established **after** the person's death, the succession or the heirs must include the interest in their income for the year in which it was received.

*725.1.2, 766.2*

## Line 136 Rental income

Report the net income that the person earned from the rental of property before the date of death in the **principal return**.

In the calculation of rental income,

- include the amounts of rent paid or payable to the deceased, including the amounts of rent paid or payable for the month of death; and
- deduct the expenses incurred from January 1 to the date of death, regardless of whether they had been paid by that date. Accordingly, the amount of property taxes, insurance and interest must be calculated on the basis of the ratio between the number of days the person was alive in the year and the total number of days in the year of death. Do not deduct any capital cost allowance for the year of death, since the deceased is deemed to have disposed of all of his or her property immediately before his or her death.

If you decide to file a **separate return** for rights and property for amounts of rent that were payable but that the person had not received at the time of death, the related expenses must also be deducted in the separate return.

### Deemed disposition

When a person dies, the capital property (land, buildings, cottage, etc.) owned by the person at the time of death is deemed to have been disposed of, even if the property is not actually sold. You must therefore verify whether there is a capital gain or loss, a recapture of capital cost allowance, or a terminal loss. For further information, see Part 3.

*80, 128, 436*

## Line 139 Taxable capital gains

If the person disposed of capital property before his or her death, consult the guide to the income tax return for further information, or obtain a copy of the brochure *Capital Gains and Losses* (IN-120-V).

Since the deceased person's property is deemed to have been disposed of immediately before his or her death, a capital gain may result if the proceeds of the deemed disposition are greater than the adjusted cost base of the property.

Enter the capital gain in the **principal return**. For further information, see Part 3.

*436*

### Reserve for a capital gain

As a rule, where a person realizes a capital gain on the disposition of capital property, and the agreement provides for a portion of the proceeds of disposition to be paid in subsequent years, the person can claim a reserve in order to defer taxation of a portion of the capital gain to other years. A new reserve can be determined for each subsequent year. The capital gain for a given year is obtained by subtracting the reserve for that year from the reserve for the preceding year.

A reserve **cannot** be claimed for the year of death. Consequently, if a reserve was claimed for the year preceding the year of death, it constitutes a capital gain upon the person's death. For example, if the person died in 2011 and a reserve was claimed in Schedule G of the person's 2010 income tax return, you must include this reserve on line 139 of his or her 2011 return.

#### Exception

It is possible to transfer the balance of a reserve to the surviving spouse or to a spousal trust, provided the right to receive an amount is vested indefeasibly in the surviving spouse or the spousal trust and a joint election is made. In that case, the balance of the reserve must be included in the income of the surviving spouse or of the spousal trust for the first taxation year ending after the date of death.

If you wish to make such an election, you must submit it to the Canada Revenue Agency (CRA). An election made with the CRA automatically applies with Revenu Québec. Enclose a copy of the election form submitted to the CRA with the deceased person's return.

*452, 453*

## Line 142 Support payments received (taxable amount)

Report the support payments received by the beneficiary from January 1 to the date of death in the **principal return** only. Do not include payments of non-taxable child support. Child support that is owed or that was received by the succession after the date of death is not considered to be support.

### Support-payment arrears

Report the support-payment arrears received from January 1 to the date of the recipient's death in the **principal return**, unless the arrears constitute non-taxable child support.

If you wish to have the retroactive payments averaged, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

Support-payment arrears received **after** the date of death can be reported in a **separate return** for rights and property, provided entitlement to the arrears was established **before** the date of death and the arrears do not constitute non-taxable child support. If the retroactive payment was received in the year of death, you can ask to have the income averaged. For further information, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

Where entitlement to the arrears is established **after** the death of the recipient, the arrears are not taxable.

*725.1.2, 766.2*

## Line 147 Social assistance payments and similar financial assistance

Report in the **principal return** the social assistance payments or any similar financial assistance that the person received before the date of death. Such amounts are indicated in boxes A and B of the RL-5 slip. Only the payments that the person did not receive before his or her death can constitute rights or property and, as a result, can be reported in a **separate return**.

If the deceased repaid social assistance or similar financial assistance (box H of the RL-5 slip), you can enter the amount of the repayment on line 250.

## Line 154 Other income

Report the income that the person earned from January 1 to the date of death in the **principal return**. However, do not include in the principal return the portion of the income that constitutes rights or property and that you decide to report in a **separate return**.

The following amounts, if owing to the person at the time of death, can constitute rights or property:

- scholarships and bursaries, where it is determined that the person was entitled to the amount before his or her death (since scholarships and bursaries are not taxable, the amount entered on line 154 can be deducted on line 295);
- labour adjustment benefits;
- income assistance payments;
- retiring allowances;
- amounts received under a supplementary unemployment benefit plan.

The types of income below are to be reported in the **principal return** of the deceased person or in the returns of the beneficiaries, as applicable.

### (a) Death benefit paid by the employer

Do not report in the **principal return** a death benefit paid in recognition of services rendered in carrying out the duties of an office or employment (an amount for accumulated sick leave is considered a death benefit). The death benefit constitutes income for the beneficiary and must be reported on line 154 of his or her income tax return.

*3, 4*

If the death benefit was received by the succession and subsequently remitted to a beneficiary, you must issue an RL-16 slip in the beneficiary's name. See the instructions for box G in the *Guide to Filing the RL-16 Slip* (RL-16.G-V).

If the death benefit was paid to the testamentary trust under the terms of the will, see the *Guide to Filing the Trust Income Tax Return* (TP-646.G-V).

### (b) Amounts received or deemed received under an RRSP or a RRIF

As a rule, the fair market value of the property in an RRSP at the time of death must be reported on line 154 of the deceased person's **principal return** and the fair market value of the property in a RRIF at the time of death, on line 122, unless the rules given below apply. The amount to be reported is shown in box E of the RL-2 slip.

Special rules apply if amounts are paid to the surviving spouse, or to a beneficiary who was a child or grandchild of the deceased and was financially dependent on the deceased at the time of death.

The rules governing RRSPs vary according to whether the plan is a matured RRSP or an unmatured RRSP (see the glossary) at the time of death.

***915.2, 961.17.1***

Notes

- You can claim a deduction if the FMV of an unmatured RRSP or a RRIF decreased between the date of death and the date the heirs or succession received payment. See the instructions for line 250.
- RRSP income accrued after the death of the annuitant must be reported in the returns of the beneficiaries of the succession or in the *Trust Income Tax Return* (form TP-646-V), as applicable, not in the principal return of the deceased person.

### Amounts paid to (or for the benefit of) the surviving spouse

#### Amounts paid as annuities under an RRSP or a RRIF

The fair market value of the property in a matured RRSP (see the glossary) or a RRIF at the time of the annuitant's death need not be included in his or her income if **one** of the following conditions is met:

- The surviving spouse is the successor annuitant under the matured RRSP or the RRIF.
- The surviving spouse is a beneficiary of the succession rather than of the RRSP or the RRIF, and you (as legal representative) and the beneficiary make a joint election whereby the beneficiary is deemed to be the annuitant of the RRSP or the RRIF.

To make such an election,

- complete, as applicable, form TP-930-V, *Elections Respecting the RRSP of a Deceased Annuitant*, or form TP-961.8-V, *Election Respecting the Designated Benefit from a RRIF*, and submit it to us;
- notify the RRSP or RRIF issuer, within the first 60 days of the year following the year of death, that the election has been made.

The amounts paid as annuities will be taxable for the surviving spouse, and will thus be indicated in box B of an RL-2 slip issued in his or her name.

If you file the applicable form after the 60-day limit, the RRSP or RRIF issuer will have already issued an RL-2 slip in the name of the deceased. In that case, you will have to report the amount from Box E of the slip on line 154 (if it is an RRSP) or on line 122 (if it is a RRIF) of the deceased person's income tax return. When we receive form TP-930-V or form TP-961.8-V, we will amend the return. To request an adjustment to the return of the deceased, complete form TP-1.R-V, *Request for an Adjustment to an Income Tax Return*.

For further information, refer to the *Guide to Filing the RL-2 Slip* (RL-2.G-V).

***915.2, 915.4, 930, 961.8***

#### Amounts paid as a refund of premiums under an RRSP or as a designated benefit under a RRIF

All or part of the property in an unmatured RRSP (see the glossary) or a RRIF at the time of the person's death can be considered a refund of premiums (in the case of an RRSP) or a designated benefit (in the case of a RRIF), as long as one of the following conditions is met:

- Under the terms of the RRSP or RRIF contract, the surviving spouse is the beneficiary of all or part of the property in the plan.
- The surviving spouse is named a beneficiary of the succession rather than of the RRSP or RRIF, and you (as legal representative) and the beneficiary make a joint election whereby the beneficiary is considered to have received a refund of premiums or a designated benefit.

To make such an election, complete, as applicable,

- form TP-930-V, *Elections Respecting the RRSP of a Deceased Annuitant*; or
- form TP-961.8-V, *Election Respecting the Designated Benefit from a RRIF*.

If one of the above-mentioned conditions is met, the fair market value of the property in the RRSP or RRIF, which must as a rule be reported in full in the **principal return**, can be reduced or brought down to zero. However, you can reduce the fair market value only after filing form TP-930-V or TP-961.8-V (as applicable). To request an adjustment to the income tax return of the deceased, file form TP-1.R-V, *Request for an Adjustment to an Income Tax Return*.

**You are not required to file form TP-930-V or TP-961.8-V in the following cases**:

- The surviving spouse is the beneficiary of all the property in the plan (RRSP or RRIF), and the full amount of the property was **either** transferred to the spouse's own RRSP or RRIF, **or** used to purchase an annuity in the spouse's name before the end of the year following the year of death.
- No RL-2 slip was issued in the name of the deceased.

Report a refund of premiums (box D of the RL-2 slip) on line 154 of the surviving spouse's income tax return, and a designated benefit (box B of the RL-2 slip) on line 122 of the surviving spouse's return.

***908, 930, 961.1.5, 961.8, 961.17***

### Amounts paid to (or for the benefit of) a child or grandchild of the deceased

If a child or grandchild who was financially dependent (see the first note below) on the deceased at the time of death is, under the terms of a matured or unmatured RRSP or a RRIF, a beneficiary of the property in the plan, the amount paid to the child or grandchild can be considered a refund of premiums (in the case of an RRSP) or a designated benefit (in the case of a RRIF) even if there is a surviving spouse.

This amount (or a portion thereof) can also be considered a refund of premiums or a designated benefit if the child or grandchild is a beneficiary of the succession rather than of the RRSP or RRIF, provided you (as legal representative) and the beneficiary make a joint election to that effect.

To make such an election, complete, as applicable,
- form TP-930-V, *Elections Respecting the RRSP of a Deceased Annuitant*; or
- form TP-961.8-V, *Election Respecting the Designated Benefit from a RRIF*.

If the above-mentioned conditions are met, the fair market value of the property in the RRSP or RRIF, which must as a rule be included in the principal return, can be reduced or brought down to zero. However, you can reduce the fair market value only after filing form TP-930-V or TP-961.8-V (as applicable). To request an adjustment to the income tax return of the deceased, file form TP-1.R-V, *Request for an Adjustment to an Income Tax Return*.

Notes
- As a rule, a child or grandchild is considered to have been financially dependent on the deceased at the time of death if, in the year preceding the year of death, the income of the child or grandchild was not greater than the basic personal amount provided for in the federal income tax return. If the child or grandchild was a dependant of the deceased because of an impairment in mental or physical functions, the child or grandchild's income for the year preceding the year of death must be equal to or less than the total of the basic personal amount and the basic disability amount provided for in the federal income tax return.
- The amounts to be included in the deceased person's income can be reduced by the amounts transferred to the registered disability savings plan (RDSP) of a child or grandchild who was financially dependent on the deceased. For more information, contact us.

***908***

### (c) Single payment received under a registered pension plan (RPP) or a deferred profit-sharing plan (DPSP)

Report a single payment that the person received under an RPP or a DPSP **before** his or her death in the **principal return**. A payment made **after** his or her death must be included in the income of the beneficiary. If the amount is first paid to the succession, which then allocates it to a beneficiary, you, as the liquidator of the succession, must issue an RL-16 slip in the beneficiary's name. Indicate the amount of the payment in box G of the RL-16 slip. For further information, see the *Guide to Filing the RL-16 Slip* (RL-16.G-V).

Unlike amounts paid under an RRSP or a RRIF, the fair market value of the property in an RPP or a DPSP at the time of death **must not be included in the principal return**.

***317***

### (d) Home Buyers' Plan (HBP) or Lifelong Learning Plan (LLP)

If, before his or her death, the person withdrew amounts from an RRSP under the HBP or the LLP, enter on line 154 of the **principal return** the result of the following calculation:
- the amounts that the person did not repay to the RRSP **before his or her death;** minus
- the amounts designated on line 212 as a repayment for the year of death.

However, you (as legal representative) and the surviving spouse (if the latter is resident in Canada) can jointly elect not to report these amounts in the principal return. Under this election, the surviving spouse is deemed to have received these amounts and can repay them as if he or she were the original participant in the plan. If you are making the election, simply enclose a note to that effect with the **principal return**.

***935.6, 935.7***

### (e) Recovery of deductions for the Stock Savings Plan II (SSP II)

If, at the time of death, the person held shares or securities in a Stock Savings Plan II (SSP II) for which he or she had claimed a deduction for a previous year, you are not required to report an amount corresponding to the recovery of the deduction in the **principal return** or in the beneficiary's return. This is because shares or securities included in an SSP II are not considered to have been withdrawn upon the death of the person who owned them, and the deductions previously claimed are therefore not recovered.

***965.130***

However, as the shares and securities are deemed to have been disposed of at their fair market value immediately before the time of death, there may be a capital gain or a capital loss. See Part 3.

***436***

## Line 164 Business income

If the person carried on a business, report the income earned in the fiscal period ending in the year of death in the **principal return**.

Also include in the **principal return** the business income earned from the end of the fiscal period to the date of death, unless you (as legal representative) **elect** to include the income from a partnership or a sole proprietorship in a **separate return** under section 1003 of the *Taxation Act*. See section 1.2.3.

The property that the person used to carry on a business is deemed to have been disposed of at the time of death (see Part 3), as is any interest that he or she had in a partnership. For further information, contact us.

*1003*

Note

You can report the following amounts in a **separate return** for rights and property:

- the value of supplies on hand, inventory, and accounts receivable, where the person was a farmer or a fisher who used the cash method of accounting to report business income;
- the value of harvested farm crops and the value of the current herd minus that of the basic herd, where the person was a farmer who used the cash method of accounting.

*429*

### Depreciable property

Capital cost allowance (CCA) **cannot** be claimed for the fiscal period ending on the date of death, except for a class 10.1 automobile. For such an automobile, CCA is limited to 50% of the amount that could normally have been claimed for the year. This amount is determined on the basis of the ratio between the number of days in the fiscal period ending on the date of death and the total number of days in the year of death.

### Fiscal period of a business or professional practice

If the elected fiscal period ends on a date other than December 31, an amount of estimated additional income will have been calculated for the year preceding the year of death, to take into account the income earned between the end date of the fiscal period that ended in the year preceding the year of death and January 1 of the year of death. You can subtract this income from the business income earned during the fiscal period that began in the year preceding the year of death and ended in the year of death. To do so, complete form TP-80.1-V, *Calculation of Business or Professional Income, Adjusted to December 31*.

You are not required to report this additional income in the year of death if an election was made to have the fiscal period end on a date other than December 31.

*217.9*

An adjustment must be made if the date of death is after the end of a fiscal period but before the end of the calendar year in which the fiscal period ended, and the legal representative

- elects to have section 217.9.1 of the *Taxation Act* apply for the year; or
- files a **separate return** to report the business income for the period between the end of the fiscal period and the date of death (called the "short period").

The adjustment is made by including additional income in calculating the business income in the **principal return**, and deducting the same amount in a **separate return** for income from a sole proprietorship. To calculate the additional income, use the following formula:

**(A – B) x C / D**, where

A is the net business income for the fiscal periods ended in the year, other than the net income for the short period.

B is the lesser of the following amounts:

- the amount included in variable A that is deemed to be a taxable capital gain giving entitlement to the capital gains deduction (incorporeal capital property that is qualified farm property or qualified fishing property),
- the amount claimed as a capital gains deduction in the year.

C is the number of days in the short period.

D is the number of days in the business's fiscal periods that end in the year (excluding the short period).

### Amounts receivable at the time of death

Where amounts are included in business income but have not been received by the end of the fiscal period, a reserve can be claimed. The income tax on these amounts is thus payable over a number of years. An amount deducted as a reserve for a given year must be added to the business income for the following year; however, depending on the balance receivable at the end of that year, it may be possible to determine a new reserve.

As no new reserve can be determined for the year of death, you must include in the deceased person's business income the reserve deducted at the end of the preceding year. Special rules apply if the amounts receivable are transferred or assigned to the surviving spouse or a spousal trust. In this case, the legal representative and the beneficiary can make a joint election with regard to the following property:

- property disposed of in the course of carrying on a business (section 153 of the *Taxation Act*);
- property the disposition of which resulted in a capital gain (paragraph (b) of section 234 and paragraph (a) of section 279 of the *Taxation Act*);
- the unearned commissions of an insurance agent or broker (section 208 of the *Taxation Act*).

If you wish to make such an election, you must submit it to the Canada Revenue Agency (CRA). An election made with the CRA automatically applies with Revenu Québec. Enclose a copy of the election form submitted to the CRA with the deceased person's return.

An amount corresponding to the reserve indicated on the election form must be included in the income of the surviving spouse or the spousal trust.

*217.9.1, 452, 453, 1003*

### Income from a partnership of which the deceased was a specified member

If the deceased was a specified member of a partnership, report in the **principal return** his or her share of the partnership income or losses for the partnership's fiscal period that ended in the calendar year, but before the date of death.

The deceased person's share of the partnership income from the end of the last fiscal period to the date of death can be included in the **principal return** or in a **separate return**. See section 1.2.3.

If the deceased was a specified member of more than one partnership, you can claim the net loss sustained by the deceased for all of the partnerships in the **principal return** only.

The death of a specified member of a partnership results in the deemed disposition of his or her interest in the partnership. For further information, contact us.

## 2.4 Net income

**Reporting deductions from net income in the various income tax returns**

Amounts that can be claimed only in the return in which the related income is reported (principal return or separate returns)

- Deduction for workers (line 201)
- Employment expenses and deductions (line 207)
- Deduction for amounts contributed to the Québec Pension Plan (QPP) and Québec parental insurance plan (QPIP) on income from self-employment (line 248)

If a deduction is divided up and claimed in two or more income tax returns because the related income is also split among two or more returns, the total amount claimed cannot be greater than the deduction that could have been claimed if all the deceased person's income for the year of death had been reported in a single return.

Amounts that can be claimed in the principal return only

- Deduction for residents of designated remote areas (line 236)
- Carry-over of the adjustment of investment expenses (line 252)

### Line 201 Deduction for workers

You can claim the deduction for workers in the **principal return** and in a **separate return**, depending on the income reported in the return concerned. You can claim up to the maximum amount in each return.

### Line 205 Registered pension plan (RPP) deduction

You can claim the registered pension plan (RPP) deduction either in the **principal return** or in a **separate return** for rights and property, depending on the income reported in the return concerned.

The deduction you can claim for RPP contributions made for current service or for past service after 1989 cannot be greater than the deduction claimed on line 207 of the federal income tax return.

An additional deduction can be granted if the deceased made RPP contributions for service before 1990. This deduction, which can be claimed for the year of death or the previous year, generally corresponds to the total of the following amounts:

- the contributions made in the year of death; and
- the contributions made in previous years that could not be deducted because of the annual thresholds.

### Line 207 Employment expenses and deductions

You can claim employment expenses and deductions in the **principal return** or in a **separate return** for rights and property. However, make sure that the expenses and deductions relate to the type of income reported in the return concerned. You may also be able to deduct certain expenses that were paid after the person's death.

#### Depreciable property

Capital cost allowance (CCA) **cannot** be claimed for the year of death, except for a class 10.1 automobile. In that case, CCA is limited to 50% of the amount that could normally have been claimed for the year.

### Deduction for a repayment of salary, wages or wage loss replacement benefits

You can enter the amounts repaid before the date of death in the **principal return**, provided the conditions set out in the instructions for line 207 in the guide to the income tax return are met. However, if the amounts repaid were reported as salary, wages or wage loss replacement benefits in a **separate return**, the amounts repaid after the date of death but before the end of the year can be entered in the separate return. Enclose a statement from the employer or former employer or from the wage loss replacement plan indicating the total amount repaid.

Note

Losses sustained further to the repayment of employment income can be deemed sustained by the deceased for the year of death (and not by the succession for the year of the repayment), provided all of the following applies:

- The employment income was paid to the deceased for a period during all of which he or she did not carry out the employment duties, and the income was included in his or her income for a previous year.
- The deceased had entered into an agreement whereby he or she had to repay the income in the event that the duties were not carried out.
- You (as legal representative) repaid the income in a given year, and deducted the repayment from the succession's income for that year.
- The deduction resulted in a loss for the succession for the year of the repayment.

For more information, see section 5.1.

## Line 214 RRSP deduction

Report in the **principal return** the contributions that the person made in his or her lifetime to his or her RRSP or a spousal RRSP, and those that the legal representative made on the person's behalf to a **spousal RRSP** in the year of death and the first 60 days of the following year.

The deduction you claim on behalf of the deceased must correspond to the RRSP deduction claimed on line 208 of his or her federal income tax return. If the RRSP deduction claimed on the federal income tax return includes amounts transferred to an RRSP, do not take the transferred amounts into account on line 214. Enter them on line 250 instead.

No contributions can be made to a person's RRSP after his or her death, as the deceased is no longer the annuitant of the plan.

## Line 225 Support payments made (deductible amount)

You can enter the support payments that the person made from January 1 to the date of death in the **principal return** only. Do not include payments covered by the measures under which child support is not deductible. Child support owed by the deceased or paid by the succession after the date of death is not considered support.

### Support-payment arrears

You can claim the support-payment arrears paid from January 1 to the date of death in the **principal return** only. Do not include non-deductible child support payments. If the amount of arrears applicable to previous years is $300 or more, it must be deducted on line 225 of the **principal return** and also entered on line 276. The liquidator must complete form TP-766.2-V, *Averaging of a Retroactive Payment, Support-Payment Arrears or a Repayment of Support*, enclose it with the **principal return**, and check box 404 of the return. We will calculate a tax adjustment that may reduce the income tax payable for the year.

If entitlement to the arrears was established **after** the payer's death, the arrears are not deductible.

## Line 241 Deduction for exploration and development expenses

If the person held flow-through shares before his or her death, you can enter an amount if the corporation renounced its resource expenses before the date of death. The date of renunciation is shown on the RL-11 slip issued by the corporation.

You cannot claim a deduction for resource expenses for a member of a partnership who died before the end of the partnership's fiscal period, because partnerships cannot renounce an amount in favour of a deceased person.

Since the property is deemed to have been disposed of at its fair market value immediately before the time of death, there may be a capital gain or a capital loss. See Part 3.

## Line 248 Deduction for amounts contributed to the Québec Pension Plan (QPP) and the Québec parental insurance plan (QPIP) on income from self-employment

If a QPP contribution on income from self-employment or an optional contribution is payable, you can claim a deduction equal to 50% of the contribution. If a QPIP premium on income from self-employment is payable, you can claim a deduction equal to 43.77% of the premium.

The amount of these deductions must be entered in the return in which the related income is reported (either the **principal return** or a **separate return**).

## Line 250 Other deductions

As a rule, you can claim these deductions in the **principal return**. For further information, see the instructions for line 250 in the guide to the income tax return.

Funeral expenses cannot be claimed in the income tax return of a deceased person or in that of the testamentary trust.

### Repayment of QPP, CPP, QPIP or Employment Insurance benefits

If you (as legal representative) repay, in the course of a given year, amounts received by the deceased under the Québec Pension Plan (QPP), the Canada Pension Plan (CPP), the Québec parental insurance plan (QPIP), the *Unemployment Insurance Act* or the *Employment Insurance Act*, and these amounts were included in the calculation of the deceased's income for a previous year, you can elect that the amount repaid be deemed to have been repaid by the deceased immediately before the death, rather than by the succession. For more information, see section 5.2.

### Deduction for a loss in the value of investments in an RRSP or a RRIF

The fair market value (FMV) of an unmatured RRSP or a RRIF may have decreased from the date of death to the date that the heirs or succession received payment. If the total amount of all RRSP or RRIF payments is less than the FMV of the RRSP or RRIF included in the deceased annuitant's income for the year of death, you can claim a deduction for the difference between the FMV and the total amount of payments in the principal return. As a rule, the deduction can be claimed only if the final payment was made before the end of the year following the year of death. Enclose a copy of form RC249, *Post-Death Decline in the Value of an Unmatured RRSP or a RRIF – Final Distribution Made in 20__*, that was issued by the RRSP issuer or RRIF carrier.

If you receive the above-mentioned form after you have filed the income tax return, submit a duly completed copy of form TP-1.R-V, *Request for an Adjustment to an Income Tax Return*, and enclose form RC249 with it.

## Line 252 Carry-over of the adjustment of investment expenses

If an amount was entered on line 260 as an adjustment of investment expenses (or on line 276 as an adjustment of other investment expenses) in a year preceding the year of death, you can, in the **principal return**, use the unused portion of the adjustment to reduce the net investment income for the year of death. The surplus amount can be claimed in the year of death (**principal return**) or the previous year, or a portion of the surplus amount can be claimed in each of these years.

## Line 260 Adjustment of investment expenses

Claim the adjustment of investment expenses for the year of death in the **principal return**. To calculate the amount of this adjustment, complete Schedule N.

### Carry-over of the adjustment of investment expenses

You can carry back the adjustment of investment expenses calculated for the year of death using method A or B below.

#### Method A

If the person reported investment income in any of the three years before the year of death, you can apply the adjustment of investment expenses calculated for the year of death to one or more of the three years, provided the amount applied in a particular year is not greater than the net investment income reported for that year. The surplus amount can be claimed in the year of death (**principal return**) or the previous year, or a portion of the surplus amount can be claimed in each of these years.

#### Method B

You can claim the adjustment of investment expenses calculated for the year of death in the income tax return filed for that year (**principal return**) or the previous year, or you can claim a portion of the adjustment in each of these years.

For further information, contact us.

## 2.5 Taxable income

**Reporting deductions from taxable income in the various income tax returns**

Amounts that can be claimed only in the return in which the related income is reported (principal return or separate returns)

- Deduction for an Indian (line 293)
- Deduction for certain benefits (line 295)
- Deduction for scholarships, bursaries or similar financial assistance (line 295)
- Deduction for a home-relocation loan (line 297)
- Security option deduction (line 297)

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- Deduction for income exempt under a tax treaty (line 297)
- Deduction for shares received in exchange for mining property (line 297)
- Deduction for employees of certain international organizations (line 297)
- Canadian Forces personnel and police deduction (line 297)

If a deduction is divided up and claimed in two or more income tax returns because the related income is also split among two or more returns, the total amount claimed on all the returns filed must not be greater than the deduction that could be claimed if all the deceased person's income for the year of death were being reported in a single income tax return.

### Amounts that can be claimed in the principal return only

- Non-capital losses from other years (line 289)
- Net capital losses from other years (line 290)
- Capital gains deduction (line 292)

## Line 276 Adjustment of deductions

### Recovery of deductions for patronage dividends received from a cooperative

Since the deceased person's preferred share in a cooperative is deemed to have been disposed of immediately before his or her death, you must enter, on line 276, the deduction that was claimed for the share on line 297 of a return for a previous year.

*726.29*

### Income-averaging measure for owners of woodlots

Since the deceased person's woodlot or share of a partnership is deemed to have been disposed of immediately before his or her death, you must include on line 276 the deduction claimed on line 297 of a return for a previous year, provided the deduction has not already been included in the calculation of the deceased person's taxable income.

*726.35*

### Adjustment of other investment expenses

Claim the adjustment of other investment expenses for the year of death in the **principal return**. To calculate the amount of this adjustment, complete Schedule N.

### Carry-over of the adjustment of other investment expenses

You can carry back the adjustment of other investment expenses calculated for the year of death using method A or B below.

#### Method A

If the person reported investment income in any of the three years before the year of death, you can apply the adjustment of other investment expenses calculated for the year of death to one or more of the three years, provided the amount applied in a particular year is not greater than the net investment income reported for that year. The surplus amount can be claimed in the year of death (**principal return**) or the previous year, or a portion of the surplus amount can be claimed in each of these years.

#### Method B

You can claim the adjustment of other investment expenses calculated for the year of death in the income tax return filed for the year of death (**principal return**) or the previous year, or you can claim a portion of the adjustment in each of these years.

## Line 278 Universal Child Care Benefit and income from a registered disability savings plan

### Universal Child Care Benefit

Report the Universal Child Care Benefit payments that the person received from January 1 to the date of death in the **principal return**.

You can report the Universal Child Care Benefit payments that the person was to receive but had not received before his or her death in a **separate return** for rights and property.

### Retroactive payments

Report the retroactive payments that the person received from January 1 to the date of death in the **principal return**. If you wish to have this income averaged, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

A retroactive payment received **after** the date of death can be reported in a **separate return** for rights and property, provided entitlement to the payment was established **before** the date of death. If the retroactive payment was received in the year of death, you can ask to have the income averaged. For further information, refer to "Retroactive payments and support-payment arrears" at the beginning of the "Total income" section of the guide to the income tax return.

### Income from a registered disability savings plan (RDSP)

In the **principal return**, report the taxable portion of disability assistance payments that the person **received** from January 1 to the date of death.

If the beneficiary of an RDSP dies, any amounts remaining in the RDSP, after repayment of federal government bonds and grants, must be paid to the succession. The taxable portion of the disability assistance payment must be included in the income of the beneficiary's succession in the year during which the succession receives the payment.

## Line 287 Deductions for strategic investments

### Deduction for a Stock Savings Plan II (SSP II)

You can claim a deduction for a Stock Savings Plan II (SSP II) **only** if the person died on December 31, was resident in Québec on that date and, in the year of death, acquired shares or securities that were included in his or her SSP II. The deduction can be claimed in the **principal return**.

The death of a person does not result in the withdrawal of shares and securities from an SSP II of which the person was the beneficiary during his or her lifetime; consequently, there is no recovery of the deductions on line 154 of the return. However, as shares in the SSP II are deemed to have been disposed of at their fair market value immediately before the person's death, there may be a capital gain or a capital loss. See Part 3.

*965.130*

### Deduction for the Cooperative Investment Plan (CIP)

You can claim a deduction for the Cooperative Investment Plan (or the unused portion of the deductions for previous years) **only** if the person died on December 31, was resident in Québec on that date and, in the year of death, acquired qualifying securities from a cooperative or federation of cooperatives authorized to issue such securities. The deduction can be claimed in the **principal return**.

As property is deemed to have been disposed of at its fair market value immediately before the person's death, there may be a capital gain or a capital loss. See Part 3.

*965.37*

## Line 290 Net capital losses from other years

See Part 4 for information concerning the carry-over of net capital losses from other years and of the net capital loss sustained in the year of death.

## Line 297 Miscellaneous deductions

The following deductions can be claimed only in the return in which the related income is reported (whether this is the principal return or a separate return):

- the deduction for a home-relocation loan;
- the security option deduction (see the instructions for line 101 in section 2.3);
- the deduction for income exempt under a tax treaty;
- the deduction for employees of certain international organizations;
- the deduction for shares received in exchange for mining property;
- the Canadian Forces personnel and police deduction.

If a deduction is split among two or more returns because the related income is also split among two or more returns, the total amount deducted must not be greater than the deduction that could be claimed if all the deceased person's income were being reported in a single return.

**The other deductions provided for on line 297** can be claimed only in the **principal return**.

# 2.6 Non-refundable tax credits

**If the deceased was resident in Canada for part of the year only**, calculate the non-refundable tax credits on the basis of the ratio between the number of days in the year during which he or she was resident in Canada and the total number of days in the year of death. **However**, the credits can be claimed in full if 90% or more of the person's worldwide income for the period during which he or she was not resident in Canada is included in the calculation of his or her income.

**Reporting non-refundable tax credits in the various income tax returns**

### Amounts that can be entered in full in the principal return and in each separate return

- Basic personal amount (line 350)
- Amount for a child under 18 enrolled in post-secondary studies or amount for other dependants (line 367)

### Amounts that can be split between the various returns

- Age amount, amount for a person living alone and amount for retirement income (line 361)
- Amount for a severe and prolonged impairment in mental or physical functions (line 376)
- Expenses for medical services not available in the area where the deceased lived (line 378)
- Medical expenses (line 381)
- Tuition or examination fees (line 384)
- Interest paid on a student loan (line 385)
- Tax credit for volunteer firefighters (line 390)
- Tax credit for recent graduates working in remote resource regions (line 392);
- Donations and gifts (line 393)

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These amounts can be split between the **principal return** and a **separate return**, provided the total of the amounts claimed is not greater than the amount that could be claimed if all the deceased person's income for the year of death were being reported in a single income tax return.

### Amounts that can be claimed in the principal return only

- Amount transferred by a child 18 or over enrolled in post-secondary studies (line 367)
- Tuition or examination fees transferred by a child (line 387)

### Amount that can be claimed only in the return (principal or separate) in which the related income is reported

- Union, professional or other dues (line 373)

If this amount is divided up and claimed in two or more income tax returns because the related income is also split between two or more returns, the total amount claimed on all the returns filed must not be greater than the amount that could be claimed if all the deceased person's income for the year of death were being reported in a single income tax return.

## Line 350 Basic personal amount

You can claim the basic personal amount in the **principal return** and in each **separate return**.

*752.0.26*

## Line 358 Adjustment for income replacement indemnities

The adjustment for income replacement indemnities applies if the deceased was resident in Québec at the time of death. Report this amount in the **principal return**.

## Line 361 Age amount, amount for a person living alone and amount for retirement income

The age amount, the amount for a person living alone and the amount for retirement income can be reduced on the basis of family income. Family income is the amount on line 275 of all the returns filed for the year of death and, if the deceased had a spouse on December 31 (see the glossary), the amount on line 275 of the spouse's return.

You can claim these amounts in the **principal return** or in a **separate return**. You can also split the total amount between the returns, provided it is not greater than the amount that could be claimed if only one return were being filed.

### Age amount

You can claim this amount only if the deceased was 65 or older at the time of death.

### Amount for a person living alone

You can claim this amount if, from January 1 to the date of death, the person maintained and resided in a dwelling (see the glossary) in which he or she lived alone or only with one or more persons under 18 or one or more of his or her children aged 18 or older who were full-time students pursuing vocational training at the secondary level or post-secondary studies for which they received an RL-8 slip showing an amount in box A.

### Additional amount for a person living alone (single-parent family)

You can claim this amount if the person was entitled to the amount for a person living alone and met both of the following conditions:

- **At some time in the year of death**, the person lived with a child aged 18 or older who can transfer an amount for a child 18 or over enrolled in post-secondary studies (line 367 of the return) to the deceased, or could transfer such an amount if he or she had not earned income.
- For the month of death, the person was not entitled to a child assistance payment from the Régie des rentes du Québec.

### Reduction of the additional amount for a person living alone (single-parent family)

The additional amount for a person living alone (single-parent family) must be reduced if, at any time in the year, the person was entitled to a child assistance payment from the Régie des rentes du Québec. If this is the case, contact us to find out the amount to which the deceased is entitled.

### Amount for retirement income

If an amount is reported on line 122 or line 123 of the deceased person's return or the return of his or her spouse on December 31 (see the glossary), you can claim an amount for retirement income.

## Line 367 Amount for dependants and amount transferred by a child 18 or over enrolled in post-secondary studies

### Amount for a child under 18 enrolled in post-secondary studies and amount for other dependants

You can claim these amounts in the **principal return** and in each **separate return** filed. In calculating the amount for a child under 18 enrolled in post-secondary studies or for other dependants, you must deduct the income of the children or the other dependants for the entire year. The income to be deducted is equal to 80% of the child or dependant's net income for the year, calculated without including scholarships, bursaries, fellowships or prizes for achievement received or, if applicable, the deduction for residents of designated remote areas.

If another person also contributed to the support of the deceased person's dependent children or other dependants, the amount claimed may have to be divided with that person. In this case, multiply the amount by the percentage that you and the other person have agreed on. The total percentage must not be over 100%.

### Amount transferred by a child 18 or over enrolled in post-secondary studies

If the deceased was a child 18 or older enrolled in post-secondary studies, you can designate the beneficiary of the transferred amount in the **principal return** only. Similarly, if the deceased is the designated beneficiary of the amount, you can claim the amount transferred in the **principal return** only.

## Line 376 Amount for a severe and prolonged impairment in mental or physical functions

You can claim this amount in the **principal return** or in a **separate return**. You can also split the amount between the returns, provided the total amount you claim is not greater than the amount that could be claimed if only one return were being filed.

You can claim this amount only if the deceased had a severe and prolonged impairment in mental or physical functions that lasted at least 12 months (or would have lasted at least 12 months, had the person not died) and the conditions specified in the instructions for line 376 in the guide to the income tax return are met.

Note

You cannot claim the impairment amount on line 376 if the remuneration paid to a full-time attendant is used to calculate a tax credit for medical expenses in the deceased person's or another person's income tax return, unless the amount claimed as remuneration paid to the attendant is $20,000 or less.

Similarly, you cannot claim the impairment amount on line 376 if the fees paid for the deceased person's full-time residence in a nursing home are included in the deceased person's or another person's medical expenses, unless a receipt issued by the nursing home shows an amount specifically relating to remuneration paid to a full-time attendant and the amount included in medical expenses is $20,000 or less.

## Line 378 Expenses for medical services not available in the area where the deceased lived

You can claim an amount for these expenses in the **principal return** or in a **separate return**. You can also split the amount between the returns, provided the total amount you claim is not greater than the amount that could be claimed if only one return were being filed.

## Line 381 Medical expenses

You can claim an amount for the medical expenses

- paid for the deceased (by the deceased, his or her spouse or his or her legal representatives) over a period of 24 consecutive months that includes the date of death, regardless of whether the expenses were paid before or after the death;
- paid for the spouse or any dependant of the deceased over a period of 12 consecutive months that ended in the year.

The maximum amount that can be claimed is the portion of the medical expenses that is more than 3% of the deceased person's income (line 275 of all the returns filed for the year of death) and, if the deceased had a spouse on December 31 (see the glossary), the spouse's income (line 275).

You can claim this amount either in the **principal return** or in a **separate return**. You can also split the amount between the returns, provided the total amount you claim is not greater than the amount that could be claimed if only one return were being filed.

## Line 384 Tuition or examination fees

You can claim an amount for tuition or examination fees in the **principal return** or in a **separate return**. You can also split the amount between the returns, provided the total amount you claim is not greater than the amount that could be claimed if only one return were being filed. Fees that have not been claimed cannot be carried forward. You can transfer the unused portion of the tuition or examination fees **paid for the year** to one of the student's parents or grandparents or one of the parents or grandparents of the student's spouse. To claim or transfer an amount for tuition or examination fees, **complete Schedule T** and enclose it with the principal return.

For further information on tuition or examination fees qualifying for the tax credit, see the instructions for line 384 in the guide to the income tax return.

*752.0.18.10 to 752.0.18.14*

## Line 385 Interest paid on a student loan

You can claim an amount for interest paid on a student loan in the **principal return** or in a **separate return**. You can also split the amount between the returns, provided the total amount you claim is not greater than the amount that could be claimed if only one return were being filed. Interest that has not been claimed cannot be carried forward.

## Line 387 Tuition or examination fees transferred by a child

If the deceased was a child enrolled in post-secondary studies, you can transfer all or a portion of his or her tuition or examination fees to his or her parents or grandparents or the parents or grandparents of the student's spouse in the **principal return** only. Similarly, if the deceased is designated as the beneficiary of an amount, you can claim the amount transferred in the **principal return** only.

## Line 390 Tax credit for volunteer firefighters

You can claim the tax credit for volunteer firefighters in the **principal return** or in a **separate return**. You can also split the amount between the returns, provided the total amount you claim is not greater than the amount that could be claimed if only one return were being filed.

## Line 392 Tax credit for recent graduates working in remote resource regions

You can claim the tax credit for recent graduates working in remote resource regions only if the deceased was resident in a remote resource region of Québec on the date of death. To calculate the amount to which the deceased is entitled, complete form TP-776.1.ND-V, *Tax Credit for Recent Graduates Working in Remote Resource Regions*.

You can claim the credit in the **principal return** or in a **separate return**. You can also split the credit between the returns, provided the total amount you claim is not greater than the amount that could be claimed if only one return were being filed.

***776.1.5.0.16***

## Line 393 Donations and gifts

You can claim an amount for gifts and donations in the **principal return** or in a **separate return**. You can also split the amount between the returns, provided the total amount you claim is not greater than the amount that could be claimed if only one return were being filed.

You can claim the gifts and donations that the person made during the year of death or during the five preceding years, provided the donations give entitlement to a tax credit and have not already been claimed. If proof of the donations and gifts was included with a previous income tax return, enclose a note stating the year in which the gifts or donations were made and the amount carried forward.

The total amount of charitable donations that you enter on line 393 of one or more of the returns filed for the year of death must not be greater than the amount on line 275 of the return concerned.

The portion of the donations made during the year that is not claimed in one of the returns filed for the year of death can be carried to the return for the previous year. To carry back such an amount, complete form TP-1012.B-V, *Carry-Back of a Deduction or Tax Credit*, and file it separately from any income tax return.

Bequests (gifts made under a will) to a charity can also be claimed in the return for the year of death or the previous year, regardless of the year in which the gift is made to the recipient. A tax credit can also be claimed where amounts are remitted to a charity that was designated by the deceased as the beneficiary of an RRSP, a RRIF, a tax-free savings account (TFSA) or a life insurance policy. These amounts cannot be claimed in the return filed for the succession.

# 2.7 Income tax and contributions

**Reporting the amounts in the various income tax returns**

### Amount that can be claimed only in the return (principal or separate) in which the related income is reported

- Dividend tax credit (line 415)

### Amounts that can be claimed in the principal return only

- Tax credit for contributions to authorized Québec political parties (line 414)
- Tax credit for a labour-sponsored fund (line 424)
- Credits transferred from one spouse to the other (line 431)
- Alternative minimum tax carry-over (line 13 of Schedule E)
- Premium payable under the Québec prescription drug insurance plan (line 447)
- Health contribution (line 448)

## Line 415 Dividend tax credit

The dividend tax credit can be claimed only in the return in which the related income is reported.

## Line 422 Tax credit for the acquisition of Capital régional et coopératif Desjardins shares

This tax credit cannot be claimed in the income tax return of a deceased person.

## Line 424 Tax credit for a labour-sponsored fund

You can claim this credit on behalf of a deceased person, provided the shares in question were purchased before the person's death. However, the credit cannot be claimed if the person was in any of the following situations:

- The person was 65 or older (or would have turned 65 in the year of death).
- The person was 45 or older (or would have turned 45 in the year of death) and was either retired or on pre-retirement leave in the year of death.
- The person asked the Fonds de solidarité des travailleurs du Québec (FTQ) or Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi to redeem his or her shares within 60 days after they were acquired.

For further information, see the instructions for line 124 in the guide to the income tax return.

Any unused portion of the tax credit to which the deceased was entitled for previous years may, under certain conditions, be used to reduce the income tax payable.

You can claim this tax credit only in the **principal return**.

***776.1.1 to 776.1.4.1***

## Line 431 Credits transferred from one spouse to the other

### Negative amount on line 430 of the principal return

If you entered a negative amount on line 430 of the **principal return**, you can transfer the amount to the deceased person's spouse on December 31 (see the glossary).

### Positive amount on line 430 of the principal return

If you entered a positive amount on line 430 of the principal return, but the deceased person's spouse on December 31 (see the glossary) entered a negative amount on line 430 of his or her return, you can carry the negative amount to line 431 of the **principal return**.

See the instructions for line 431 in the guide to the income tax return.

## Line 432 Alternative minimum tax carry-over, alternative minimum tax and deduction for logging tax

The provisions respecting alternative minimum tax do not apply to a person for the year of death. However, all or a portion of the alternative minimum tax paid for a previous year can be deducted in the **principal return**. To request a carry-forward of the alternative minimum tax paid for a previous year, complete form TP-776.42-V, *Alternative Minimum Tax*.

***776.45, 752.12 to 752.16***

## Line 438 Annual registration fee for the enterprise register

You do not have to calculate the registration fee for the enterprise register in the income tax return filed for the year of death.

## Line 439 Québec parental insurance plan (QPIP) premium on income from self-employment or employment outside Québec

To calculate the QPIP premium on the deceased person's income from self-employment or employment outside Québec, complete Schedule R, taking into account the employment and business income reported in all returns filed for the year of death. However, **do not complete Schedule R** if the person also held employment in the year of death and you entered, on line 97 of his or her return, an amount equal to or greater than the maximum QPIP premium.

You can enter the QPIP premium in the **principal return** or in a **separate return**.

## Line 441 Advance payments of tax credits

### Advance payments of tax credits respecting the work premium and the tax credit for childcare expenses

Enter the total amount of advance payments of tax credits respecting the work premium and the tax credit for childcare expenses that the person received from January 1 to the date of death in the **principal return**.

### Advance payments of the tax credit for home-support services for seniors

Enter the total amount of advance payments of the tax credit for home-support services for seniors that the person received in the year of death in the **principal return**.

### Line 445 Québec Pension Plan (QPP) contribution on income from self-employment

If the deceased was self-employed, complete Work chart 445 to calculate the QPP contribution that you must pay on his or her behalf. However, **do not complete Work chart 445** if the person also held employment in the year of death and you entered, on line 98 of his or her return, an amount equal to or greater than the maximum QPP contribution.

If you are completing Work chart 445, multiply the basic exemption (lines 6 and 17) and the maximum pensionable earnings (line 16) by the number of months in the year up to and including the month of the person's death, then divide the result by 12.

The amounts entered on each of lines 1, 3 and 8 of the work chart must correspond to the total income of the same type reported in all returns filed for the year of death.

You can enter the QPP contribution on income from self-employment in the **principal return** or in a **separate return**.
*AQPP 41, 43*

### Line 446 Contribution to the health services fund

To calculate the contribution to the health services fund to be paid on behalf of the deceased, complete Schedule F. Take into account **only** the income reported in the **principal return**.
*ARAMQ 34.1.2, 34.1.5(b)*

### Line 447 Premium payable under the Québec prescription drug insurance plan

To calculate the premium payable on behalf of the deceased under the Québec prescription drug insurance plan, complete Schedule K. Check box 59 in Part B and, where applicable, the month(s) following the month of death. You must take into account the income reported on line 275 of all the returns filed for the year of death and, if the deceased had a spouse on December 31 (see the glossary), the income reported on line 275 of the spouse's return.

To determine the number of months for which the deceased was not required to pay a premium (where applicable), refer to the instructions for line 447 in the guide to the income tax return.

Enter the amount of the premium in the **principal return**.

### Line 448 Health contribution

You are **not** required to pay a health contribution if

- the deceased's family income is equal to or less than the exemption threshold applicable to his or her family situation. To calculate the deceased's family income, you must take into account all the deceased's income shown on line 275 of all the income tax returns filed for the year of death, plus the income of the deceased's spouse on December 31 (see the glossary), if applicable;
- the deceased was aged 65 or older and had received 94% or more of the Guaranteed Income Supplement (calculated without the top-up benefit).

## 2.8 Refund or balance due

**Reporting the amounts in the various income tax returns**

#### Amounts that can be claimed only in the return in which the related income is reported (principal return or separate returns)

- Québec income tax withheld at source (line 451)
- QST rebate for employees and partners (line 459)

If an amount is divided up and claimed in two or more income tax returns because the related income is also split between two or more returns, the total amount claimed on all the returns filed must not be greater than the amount that could be claimed if all the deceased person's income for the year of death were being reported in a single income tax return.

#### Amounts that can be claimed in the principal return only

As a rule, you can claim refundable tax credits and refunds of various taxes that the person paid before his or her death only in the principal return. This applies to amounts such as the following:

- Tax credit for childcare expenses (line 455)
- Tax credits respecting the work premium (line 456)
- Tax credit for home-support services for seniors (line 458)
- Refundable tax credit for medical expenses (line 462)
- Tax credit for caregivers (line 462)
- Tax credit for respite of caregivers (line 462)
- Tax credit for taxi drivers (line 462)
- Property tax refund for forest producers (line 462)
- Tax credit for adoption expenses (line 462)
- Tax credit for the treatment of infertility (line 462)
- Tax credit for a top-level athlete (line 462)
- Tax credit for income from an income-averaging annuity for artists (line 462)
- Tax credit for the acquisition or lease of a new energy-efficient vehicle (line 462)

You can claim the tax credit for taxi owners (line 462) in the principal return, **but only if the person died on December 31**.

## Line 455 Tax credit for childcare expenses

You can claim this tax credit in the **principal return** if the person was resident in Québec at the time of his or her death (or was resident in Canada, outside Québec, and carried on a business in Québec). The requirements listed in the instructions for line 455 in the guide to the income tax return must also be met.

The family income (Part C of Schedule C) must include the income reported on line 275 of all the returns for the year of death and, if the deceased had a spouse on December 31 (see the glossary), the spouse's income.

Note

> If, on the date of death, the deceased was resident in Canada, outside Québec, and carried on a business in Québec, see the section "You were resident in Canada, outside Québec, on December 31, 2011, and you carried on a business in Québec" in the instructions for line 455 in the guide to the income tax return.

*1029.8.79*

## Line 456 Tax credits respecting the work premium

You can claim these tax credits in the **principal return** if the person was resident in Québec on the date of death and the requirements listed in the instructions for line 456 in the guide to the income tax return are met.

The family income (Part C of Schedule P) must include the income reported on line 275 of all the returns for the year of death and, if the deceased had a spouse on December 31 (see the glossary), the income on line 275 of the spouse's return.

## Line 458 Tax credit for home-support services for seniors

You can claim this tax credit in the **principal return** if the person was resident in Québec on the date of death and the requirements listed in the instructions for line 458 in the guide to the income tax return are met. However, if the deceased had a spouse on December 31 (see the glossary) who was also entitled to the tax credit, the surviving spouse can claim the tax credit in his or her return.

If the deceased reached the age of 70 in the year, you can claim the tax credit only for the expenses incurred from the time the deceased turned 70.

**You must complete Schedule J** to claim the tax credit. If the deceased received advance payments of the tax credit for home-support services for seniors during the year, enter on line 441 the total amount received in the year of death.

If the condominium fees of the deceased included eligible home-support services (such as housekeeping services), all the amounts paid for these services for the month of death qualify for the credit.

To determine the cost of services included in rent, take into account the total rent paid for the month of death.

You can take into account the expenses you paid after the date of death for eligible services that were provided to the person before his or her death.

The family income (Part C of Schedule J) must include the income reported on line 275 of all the returns for the year of death and, if the deceased had a spouse on December 31 (see the glossary), the income on line 275 of the spouse's return.

*1029.8.61.1*

## Line 459 QST rebate for employees and partners

You can claim this rebate in the **principal return** or a **separate return**, as long as the expenses for which you are claiming the rebate are included in the same return. The rebate is granted to the succession, which is not required to report it.

## Line 462 Other credits

You can claim certain tax credits in the **principal return** if the person was resident in Québec at the time of his or her death and the requirements outlined below, as well as those in the instructions for line 462 in the guide to the income tax return, are met. These credits include

- the refundable tax credit for medical expenses;
- the tax credit for caregivers;
- the tax credit for respite of caregivers;
- the tax credit for taxi drivers or taxi owners;
- the property tax refund for forest producers;
- the tax credit for adoption expenses;
- the tax credit for the treatment of infertility;
- the tax credit for a top-level athlete;
- the tax credit for income from an income-averaging annuity for artists;
- the tax credit for the acquisition or lease of a new energy-efficient vehicle.

### Refundable tax credit for medical expenses

You can claim this credit in the **principal return** if, at the time of death, the person was resident in Québec, was at least 18 years old, and had work-related income of at least $2,750. The person must also have been resident in Canada from January 1 to the date of death. For further information, refer to the instructions for line 462 in the guide to the income tax return.

Take into account the income on line 275 of the **principal return** only and, if the deceased had a spouse on December 31 (see the glossary), the income on line 275 of the spouse's return.

### Tax credit for respite of caregivers

You can claim the tax credit for respite of caregivers in the **principal return** if the person was resident in Québec at the time of death.

The family income (Part B of Schedule O) must include the income reported on line 275 of all the returns for the year of death and, if the deceased had a spouse on December 31 (see the glossary), the income on line 275 of the spouse's return.

### Tax credit for taxi drivers or taxi owners

You can claim the tax credit for taxi drivers in the **principal return** if the person held a taxi driver's permit during the year and was resident in Québec at the time of death.

You can claim the tax credit for taxi owners in the **principal return** only if the person died on December 31. The requirements outlined in the instructions for line 462 in the guide to the income tax return must also be met.

*1029.9*

### Tax credit for a top-level athlete

You can claim the tax credit for a top-level athlete in the **principal return** if the person was resident in Québec at the time of death.

To calculate the amount of the credit, multiply the amount of the credit indicated on the certificate issued to the deceased by the Secrétariat au loisir et au sport by the number of days, from January 1 to the date of death inclusively, for which the person was recognized as a top-level athlete. Divide the result by the total number of days in the year of death.

### Tax credit for the acquisition or lease of a new energy-efficient vehicle

You can claim a tax credit for the acquisition or lease of a new energy-efficient vehicle in the **principal return** if the person was resident in Québec at the time of death.

## Line 476 Refund transferred to the spouse

You cannot transfer the deceased person's refund to the surviving spouse. Nor can the surviving spouse apply his or her refund to the deceased person's balance payable for the year.

## Line 480 Accelerated refund

The accelerated refund cannot be claimed in the return of a deceased person.

## Line 479 Balance due

Instalment payments
The legal representative of a deceased person is not required to make the instalment payments due on or after the date of death.

## 2.9 Signature

As the legal representative of the deceased, you are required to sign the last page of the return(s).

# 3 DEEMED DISPOSITION OF CAPITAL PROPERTY AT THE TIME OF DEATH

This part explains how to determine the capital gain (or capital loss) resulting from the deemed disposition of the capital property owned by the deceased at the time of his or her death.

When a person dies, the capital property owned by the person at the time of death is deemed to have been disposed of. Capital property can include buildings, land, and vehicles; bonds; shares in a labour-sponsored fund; shares in a Stock Savings Plan II (SSP II); and preferred shares in a cooperative authorized to issue securities that qualify for the Cooperative Investment Plan (CIP).
*436*

If the person owned a stock option at the time of death, see the instructions for line 101 in section 2.3.

If the capital property was acquired before 1972 or if, at the time of death, the person owned farm property, fishing property, land or depreciable property used principally in the course of a woodlot operation, incorporeal capital property, mining property or land included in the inventory of a business, contact us to find out the applicable rules.

For general information concerning capital gains or losses, refer to line 139 in the guide to the income tax return, or consult the brochure *Capital Gains and Losses* (IN-120-V). If the person sustained a capital loss in the year of death, or if the succession sustained a capital loss in the first taxation year following the year of death, see Part 4.

Note

The deceased may have made a deemed disposition of the capital property he or she owned on February 22, 1994. In this case, the capital property is deemed to have been disposed of again at the time of the person's death, provided he or she still owned the property. To ensure that the capital gain resulting from the deemed disposition of February 22, 1994, is not taxed twice, take into account the adjusted cost base of the capital property on February 22, 1994, when you calculate the capital gain resulting from the deemed disposition at the time of death. For further information, contact us.

## 3.1 Property transferred to persons other than the spouse or a spousal trust

If, further to a person's death, capital property is transferred to persons other than the spouse or a spousal trust, the **proceeds of the deemed disposition** are equal to the **fair market value** (see the glossary) **of the property immediately before the time of death**. The result may be a capital gain or a capital loss, a recapture of capital cost allowance, or a terminal loss.
*436*

### Capital gain or capital loss

If the proceeds of the deemed disposition of capital property are greater than the adjusted cost base (see the glossary) of the property, there is a **capital gain**. There is a **capital loss** if the proceeds of the deemed disposition of capital property (**other than depreciable property**) are less than the adjusted cost base. If the capital property is deemed to have been disposed of on February 22, 1994, see the note above.

Where the capital gains are greater than the capital losses, you must determine the taxable capital gain to be entered on line 139 of the **principal return**. Where the total capital losses are greater than the total capital gains, or where the deemed disposition of capital property at the time of death gives rise only to capital losses, the result is a net capital loss. In certain cases, a net capital loss can be used to reduce

- the taxable capital gains realized during the previous three years; or
- the income earned in the year of death, the previous year, or both years (in the latter case, the net capital loss is averaged over two years).

See Part 4 for further information.
*729*

### Depreciable property

A deemed disposition of depreciable property cannot give rise to a capital loss. It may, however, result in a **terminal loss** if the proceeds of the deemed disposition (that is, the fair market value immediately before the time of death) are less than the undepreciated capital cost. If the depreciable property is rental property, the loss must be entered on line 377 of form TP-128-V, *Income and Expenses Respecting the Rental of Immovable Property*, or taken into account in the statement of rental income and expenses. A terminal loss can be reported only in the **principal return**.

If the proceeds of the deemed disposition are greater than the undepreciated capital cost, the surplus amount can constitute a **recapture of capital cost allowance** and, where applicable, a capital gain. If the depreciable property is rental property, the recapture of capital cost allowance must be entered on line 375 of form TP-128-V (or taken into account in the statement of rental income and expenses) and can be reported only in the **principal return**.

To calculate a recapture of capital cost allowance or a terminal loss on depreciable property that is rental property, complete Part 4 of form TP-128-V.

For information on the rules respecting the transfer to a child of farm property, fishing property, or land or depreciable property used principally in the course of a woodlot operation, contact us.

## 3.2 Property transferred to the spouse or a spousal trust

If, further to a person's death, capital property is transferred or assigned to the **surviving spouse** (where the surviving spouse was resident in Canada at the time of the death), or to a **spousal trust** (where the trust was resident in Canada at the time the property was vested indefeasibly in the trust), the deceased is deemed (unless the election referred to below is made) to have disposed of the property for proceeds equal to,

- in the case of capital property other than depreciable property, the adjusted cost base of the property at the time of the person's death; or,
- in the case of depreciable property, the **lesser** of the amounts in (1) or (2) below (as applicable):
  (1) **if there is only one property in the class**,
    – the capital cost of the property, or
    – the undepreciated capital cost of the property;
  (2) **if there is more than one property in the class**,
    – the capital cost of the property, or
    – the result of the following operation:

$$\frac{\text{capital cost of the property}}{\text{capital cost of all the property in the class that has not been disposed of}} \times \text{undepreciated capital cost of all the property in the class}$$

Where there is more than one property in the same class, you can choose the order in which the deceased is deemed to have disposed of the property.

In calculating the proceeds of the deemed disposition, adjust the undepreciated capital cost and the capital cost of all the property in the class in order to exclude property for which a deemed disposition has already taken place.

The surviving spouse or the spousal trust is deemed to have acquired the property at a cost equal to the proceeds of disposition as calculated above. The transfer does not give rise to a capital gain or capital loss at the time of death and, in the case of depreciable property, it does not give rise to a terminal loss or recapture of capital cost allowance for the deceased. These amounts will be included in the income tax return of the surviving spouse or the spousal trust when the property is actually disposed of.

These rules apply only if it can be established, within 36 months following the date of death, that the property has been vested indefeasibly in the surviving spouse or the spousal trust. More time can be granted if a written request is submitted to the Minister of Revenue of Québec before the 36-month period has elapsed, and if the Minister considers the request reasonable.
*440*

### Election

As the legal representative, you can elect to have the proceeds of the deemed disposition and the acquisition cost (for the surviving spouse or the spousal trust) each correspond to the fair market value of the property transferred at the time of death. Such an election can result in a capital gain or capital loss or, in the case of depreciable property, a recapture of capital cost allowance or a terminal loss (see "Depreciable property" in section 3.1).

A separate election must be made for each property.

If you wish to make such an election, you must submit it to the Canada Revenue Agency (CRA). An election made with the CRA automatically applies with Revenu Québec. Enclose a copy of the election form submitted to the CRA with the deceased person's return.
*442*

# 4 CARRY-OVER OF NET CAPITAL LOSSES

This part provides information about

- capital losses sustained by the person in the year of death;
- net capital losses from previous years that were not deducted before the person's death; and
- capital losses or terminal losses sustained by the succession in the first taxation year following the year of death.

There is a **net capital loss** when the total of the allowable capital losses sustained in a given year is greater than the total of the taxable capital gains realized in the same year. To determine whether there is a net capital loss in the year of death, you must take into account the capital gains and losses resulting from the deemed disposition of capital property at the time of death. See Part 3.

## 4.1 Net capital loss sustained in a year before the year of death

The net capital losses that the person sustained in the years preceding his or her death, but did not deduct, can be claimed in the **principal return**. The amount claimed reduces the capital gain realized in the year of death. Any remaining portion of the net capital losses can be used to reduce taxable income for the year of death or the previous year. For further information, contact us.

*729*

## 4.2 Net capital loss sustained in the year of death

You can deduct a net capital loss sustained in the year of death using method A or B below. However, where the deceased person's capital property is transferred or assigned to the surviving spouse or to a spousal trust, these methods can be used only if you, as the legal representative, elect to have the proceeds of the deemed disposition of the property correspond to the fair market value of the property at the time of death. See Part 3.

### Method A

If the person realized a taxable capital gain in any of the three years preceding the year of death, you can apply to one or more of the three years the net capital loss sustained in the year of death to reduce the taxable capital gains, provided the amount applied in a particular year is not greater than the taxable capital gain reported for that year. Subtract, from the surplus remaining, the amount of any capital gains deduction claimed by the deceased after 1984. Enter the resulting amount on line 290 of the income tax return for the year of death (**principal return**) or the previous year, or apply a portion of the amount to each of these years.

### Method B

You can claim the net capital loss sustained in the year of death on line 290 of the income tax return for the year of death (**principal return**) or the previous year. You can also choose to apply a portion of the net capital loss to each of these years. However, you must first subtract from the loss the amount of any capital gains deduction claimed after 1984.

The example below shows how to apply these methods.

**Example**

Mr. White died in 2011. His tax situation is as follows:

| | | |
|---|---|---|
| Net capital loss sustained in 2011 (line 98 of Schedule G) | | $30,000 |
| Taxable capital gains realized | • in 2010 | $1,500 |
| | • in 2009 | $5,000 |
| | • in 2008 | $6,000 |
| | **Total** | $12,500 |
| Total capital gains deductions claimed | | $2,300 |

| | | Method A | Method B |
|---|---|---|---|
| 1) | Net capital loss | $30,000 | $30,000 |
| | **Minus** taxable capital gains (2008) | – $6,000 | |
| 2) | Subtotal | = $24,000 | = $30,000 |
| | **Minus** taxable capital gains (2009) | – $5,000 | |
| 3) | Subtotal | = $19,000 | = $30,000 |
| | **Minus** taxable capital gains (2010) | – $1,500 | |
| 4) | Subtotal | = $17,500 | = $30,000 |
| | **Minus** capital gains deduction | – $2,300 | – $2,300 |
| | Amount to be deducted on line 290 for 2011 or 2010* | = $15,200 | = $27,700 |

* To carry back a net capital loss, see the section that follows. If you wish to use the loss only in the income tax return filed for the year of death (**principal return**), do your calculations on a separate sheet and enclose the sheet with the return.

*729, 737*

### Carrying back a net capital loss

To carry a net capital loss to a previous year, do not file another return. Instead, complete form TP-1012.A-V, *Carry-Back of a Loss*, and submit it under separate cover. Complete this form even if the income tax return for the year to which the loss is carried back was not filed before the person's death.

## 4.3 Net capital loss or terminal loss sustained after the date of death

You can elect to claim the loss in the deceased person's return rather than in the succession's return (form TP-646-V, *Trust Income Tax Return*) if, in the succession's first taxation year, you (as legal representative) disposed of

- capital property of the succession, and this results in a capital loss or in capital losses in excess of capital gains; or
- all of the succession's depreciable property in a prescribed class, and this results in a terminal loss for the class at the end of the succession's first taxation year.

In the case of a terminal loss, the amount cannot be greater than the amount that would have been the total of the trust's non-capital loss and farm loss if the election had not been made.

If you wish to make such an election, you must submit it to the Canada Revenue Agency (CRA). An election made with the CRA automatically applies with Revenu Québec. Enclose a copy of the election form submitted to the CRA with the deceased person's return.

Then, complete the form *Carry-Back of a Deduction or Tax Credit* (TP-1012.B-V), and file the documents mentioned in section 1054R1 of the *Regulation respecting the Taxation Act*.

Send us the required form and documents by the later of the following dates:

- the date by which the income tax return (principal or separate) for the year of death must be filed;
- the date by which the *Trust Income Tax Return* (form TP-646-V) for the succession's first taxation year must be filed. This return must be filed no later than 90 days after the end of the succession's taxation year. The succession's first taxation year begins on the day following the date of death and ends on December 31 of the calendar year or on a given date in the twelve months following the date of death, as determined by the liquidator.

Be sure to write the note "Election made under section 1054" on the deceased person's return, unless you filed the return before making the election. In that case, file an amended return bearing the same note by the later of the above-mentioned dates.

Note

This measure applies only where the property was disposed of by the succession and was not previously transferred to the beneficiaries. The election has no tax consequences for the years before the year of death.

***678, 1000, 1054, 1055***

# 5 REPAYMENT OF EMPLOYMENT INCOME OR OF CERTAIN GOVERNMENT BENEFITS BY THE SUCCESSION

This part provides information about the repayment of employment income by the succession that results in a loss, and about the repayment of certain government benefits.

## 5.1 Repayment of employment income

Losses sustained further to the repayment of employment income can be deemed sustained by the deceased for the year of death (and not by the succession for the year of the repayment), provided all of the following applies:

- The employment income was paid to the deceased for a period during which he or she did not carry out the employment duties, and the income was included in his or her income for a previous year.
- The deceased had entered into an agreement whereby he or she had to repay the income in the event that the duties were not carried out.
- You (as legal representative) repaid the income in a given year, and deducted the repayment from the succession's income for that year.
- The amount repaid in calculating the income of the succession for the year of the repayment exceeds the employment income reported by the succession, meaning that the succession sustained a loss in the year from an office or employment.

The election must be made no later than the filing due date applicable to the succession of the deceased for the taxation year during which the repayment was made.

You must notify us of the election by filing form TP-1012.B-V, *Carry-Back of a Deduction or Tax Credit*. In addition, you must file for the deceased, no later than the date by which you must make the election, an amended tax return for the year of death and, if necessary, an amended tax return for each year covered by the carry-over of a non-capital loss resulting from the deemed loss from an office or employment.

## 5.2 Repayment of certain government benefits

If you (as legal representative) repay, in the course of a given year, amounts received by the deceased under the Québec Pension Plan (QPP), the Canada Pension Plan (CPP), the Québec parental insurance plan (QPIP), the *Unemployment Insurance Act* or the *Employment Insurance Act*, and these amounts were included in the calculation of the deceased's income for a previous year, you can elect that the amount repaid be deemed to have been repaid by the deceased immediately before the death, rather than by the succession.

The election must be made no later than the filing due date applicable to the succession of the deceased for the taxation year during which the repayment was made.

You must notify us of the election by filing form TP-1012.B-V, *Carry-Back of a Deduction or Tax Credit*. In addition, you must file, no later than the date by which you must make the election, an amended tax return for the deceased for the year of death.

# INDEX

# TO CONTACT US

## Online

www.revenuquebec.ca

## By telephone

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.
Wednesday: 10:00 a.m. to 4:30 p.m.

### Individuals and individuals in business

| Québec City | Montréal | Elsewhere |
|---|---|---|
| **418 659-6299** | **514 864-6299** | **1 800 267-6299** (toll-free) |

### Businesses, employers and agents for consumption taxes

| Québec City | Montréal | Elsewhere |
|---|---|---|
| **418 659-4692** | **514 873-4692** | **1 800 567-4692** (toll-free) |

### Persons with a hearing impairment

| Montréal | Elsewhere |
|---|---|
| **514 873-4455** | **1 800 361-3795** (toll-free) |

## By mail

### Individuals and individuals in business

**Montréal, Laval, Laurentides, Lanaudière and Montérégie**

Direction principale des services à la clientèle des particuliers
Revenu Québec
C. P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

**Québec City and other regions**

Direction principale des services à la clientèle des particuliers
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### Businesses, employers and agents for consumption taxes

**Montréal, Laval, Laurentides, Lanaudière, Montérégie, Estrie and Outaouais**

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