

# TABLE OF CONTENTS

## Volume 1

Table of Cases .....	TC-1
Preface .....	i
Acknowledgements.....	v
<b>1. OWNERSHIP AND SUCCESSION TO PROPERTY .....</b>	<b>1-1</b>
1.10 THE ELEMENTS OF AN ESTATE PLAN.....	1-1
1.10.10 Planning for Death.....	1-3
1.10.10.10 Will.....	1-3
1.10.10.10.10 Formalities.....	1-3
1.10.10.10.20 Evidence of Intention.....	1-6
1.10.10.10.30. Attestation .....	1-7
1.10.10.10.40 Validation of Gifts.....	1-7
1.10.10.10.50 Dispensing with Formalities .....	1-8
1.10.10.10.60 International Wills.....	1-8
1.10.10.10.70 Holograph Wills.....	1-9
1.10.10.10.80 Military Wills .....	1-9
1.10.10.10.90 Alterations, Erasures and Attachments to Wills .....	1-10
1.10.10.20 Other Testamentary Dispositions .....	1-10
1.10.10.30 Organ and Tissue Donation .....	1-10
1.10.10.40 Dealing with Remains .....	1-11
1.10.20 Planning for Disability.....	1-12
1.10.30 <i>Inter Vivos</i> Planning .....	1-12
1.20 CAPACITY AND UNDUE INFLUENCE .....	1-13
1.20.10 Mental Capacity.....	1-13
1.20.10.10 Wills .....	1-13
1.20.10.20 Power of Attorney for Property .....	1-14
1.20.10.30 Personal Directive/Power of Attorney for Personal Care .....	1-15
1.20.20 Influence .....	1-16
1.20.30 Burden of Proof.....	1-17
1.30 FORMS OF PROPERTY OWNERSHIP .....	1-19

TABLE OF CONTENTS

1.30.10	Legal and Beneficial Ownership .....	1-19
1.30.20	Shared Ownership .....	1-19
1.30.20.10	Joint Tenancy .....	1-20
1.30.20.10.10	Right of Survivorship .....	1-20
1.30.20.10.20	Creation of Joint Tenancies .....	1-20
1.30.20.10.30	Severance of Joint Tenancies .....	1-24
1.30.20.10.30.10	Alienation by One Joint Tenant .....	1-24
1.30.20.10.30.20	Mutual Agreement .....	1-25
1.30.20.10.30.30	Course of Dealing to Intimate a Tenancy in Common .....	1-25
1.30.20.10.30.40	Other Methods of Severance .....	1-26
1.30.20.20	Tenancy in Common .....	1-27
1.30.20.30	Life Estates and Remainder Interests .....	1-27
1.40	SUCCESSION .....	1-28
1.40.10	Devolution of Property .....	1-28
1.40.20	Vesting of Legal and Beneficial Ownership .....	1-28
1.40.30	Intestacy .....	1-29
1.40.30.10	Intestate Succession .....	1-29
1.40.30.10.10	Spouses .....	1-29
1.40.30.10.20	Separated Spouses .....	1-30
1.40.30.10.30	Children Born Outside Marriage .....	1-31
1.40.30.10.40	Adopted Children .....	1-31
1.40.30.10.50	Stepchildren .....	1-31
1.40.30.10.60	Half-Blood Relatives .....	1-32
1.40.30.20	Advancement .....	1-32
1.40.30.30	Per Stirpital or Per Capita Distribution .....	1-32
1.40.30.40	Degrees of Relationship .....	1-33
1.40.40	Loss of Right to Inherit .....	1-35
1.40.40.10	By Agreement .....	1-35
1.40.40.10.10	Contract Made by Beneficiary/Claimant Prior to Testator's Death .....	1-35
1.40.40.10.20	Disclaimer or Waiver by Beneficiary/Claimant After Testator's Death .....	1-36
1.40.40.10.30	Disclaimers and the Doctrine of Acceleration for Life Estates .....	1-36
1.40.40.20	For Public Policy Reasons .....	1-37
1.40.50	Survivorship and Presumption of Death .....	1-38
1.40.50.10	General Rule .....	1-38
1.40.50.20	Provisions in an Instrument .....	1-40
1.40.50.30	Insurance .....	1-41
1.40.50.40	Presumption of Death .....	1-42
1.40.60	Conflict of Laws .....	1-45
1.40.60.10	Testate Succession: Validity of Wills .....	1-45
1.40.60.10.10	Succession to Movables .....	1-46

TABLE OF CONTENTS

1.40.60.10.20	Succession to Immovables .....	1-46
1.40.60.10.30	Revocation .....	1-47
1.40.60.10.40	Renvoi options .....	1-47
1.40.60.20	Intestate Succession: Choice of Law .....	1-48
1.40.60.30	Construction of Wills .....	1-49
1.40.60.40	Wills Variation Applications .....	1-49
1.40.60.50	Estate Administration: Jurisdiction Rules .....	1-49
1.50	LIMITS ON TESTAMENTARY FREEDOM .....	1-50
1.50.10	Spousal and Partner Rights .....	1-50
1.50.10.10	Maintenance .....	1-50
1.50.10.20	Property Division .....	1-51
1.50.10.30	Nature of Claim: Prenuptial, Marriage, or Separation Agreements .....	1-51
1.50.10.40	Who Can Make a Claim .....	1-52
1.50.10.50	Limitation Periods .....	1-52
1.50.10.60	Dower Rights and Possession of the Family Home .....	1-53
1.50.20	Dependants' Relief Rights .....	1-54
1.50.20.10	Jurisdictional Issues .....	1-54
1.50.20.10.10	Valid Will .....	1-54
1.50.20.10.20	Assets Subject to a Dependants' Relief Order .....	1-54
1.50.20.10.30	Individuals Entitled to Apply .....	1-54
1.50.20.20	General Considerations for All Claims .....	1-55
1.50.20.20.10	Matters to be Considered by the Court .....	1-55
1.50.20.20.20	Size of Estate .....	1-57
1.50.20.20.20.10	Date for Valuation of Estate .....	1-57
1.50.20.20.20.20	Standards of Living .....	1-57
1.50.20.20.30	Disabled Applicants .....	1-58
1.50.20.20.40	Circumstances of the Claimant .....	1-58
1.50.20.20.50	Change in the Applicant's Circumstances .....	1-59
1.50.20.20.60	Gifts by the Testator Outside of Will (Depletion of the Estate) .....	1-59
1.50.20.20.70	Contribution to the Estate .....	1-60
1.50.20.20.80	Testamentary Intention (Testamentary Freedom) .....	1-60
1.50.20.20.90	Cultural Traditions .....	1-61
1.50.20.30	Date for Determining Adequacy of Support .....	1-61
1.50.20.30.10	Date of Commencement of Proceedings .....	1-62
1.50.20.30.20	Date of Hearing .....	1-62
1.50.20.30.30	Date of Testator's Death .....	1-62
1.50.20.30.40	Date of Testator's Will .....	1-62
1.50.30	Contractual Obligations of the Deceased .....	1-62
1.50.40	Public Policy Considerations .....	1-63
1.50.40.10	In Terrorem Conditions .....	1-63
1.50.40.20	Perpetuities .....	1-63
APPENDIX A	— PARENTELIC DISTRIBUTION CHART .....	1-65

TABLE OF CONTENTS

**2. WILLS AND PROBATE PLANNING**.....2-1

2.10 WILLS .....2-1

2.10.10 Introduction to Wills.....2-2

    2.10.10.10 Purpose .....2-2

    2.10.10.20 Formalities and Capacity .....2-2

    2.10.10.30 What is Governed by a Person’s Will? .....2-2.7

    2.10.10.40 Other Testamentary Documents.....2-3

    2.10.10.50 Codicils .....2-4

    2.10.10.60 What Happens if a Person Does Not Have a Will? .....2-4

2.10.20 Planning Wills — Due Diligence Checklist .....2-4

2.10.30 Structuring Wills .....2-19

    2.10.30.10 Trust and Non-Trust Wills .....2-19

    2.10.30.20 Definitions .....2-20

    2.10.30.30 Plan Designations .....2-21

    2.10.30.40 Revocation .....2-23

        2.10.30.40.10 Ashton Estate and Desharnais Cases .....2-23

    2.10.30.50 Estate Trustee Appointment .....2-25

    2.10.30.60 Trustee Appointment and Replacement .....2-26

    2.10.30.70 Bequests and Legacies.....2-28

    2.10.30.80 Memorandum Clauses .....2-29

    2.10.30.90 Hotchpot and Debt Forgiveness .....2-30

    2.10.30.100 Residue.....2-31

    2.10.30.110 Testamentary Trusts.....2-32

    2.10.30.120 Administrative Provisions .....2-34

        2.10.30.120.10 Trustee powers .....2-34

            2.10.30.120.10.10 Investment .....2-34

            2.10.30.120.10.20 *In Specie* .....2-35

            2.10.30.120.10.30 Early Trust Windup .....2-35

            2.10.30.120.10.40 Resettlement of Trusts .....2-36

            2.10.30.120.10.50 Settlement of Trusts .....2-36

            2.10.30.120.10.60 Restrictions on Powers.....2-37

        2.10.30.120.20 Dispute Resolution.....2-37

        2.10.30.120.30 Executor and Trustee Compensation .....2-38

        2.10.30.120.40 Family Law Provisions .....2-40

        2.10.30.120.50 Governing Law .....2-41

    2.10.30.130 Miscellaneous Provisions.....2-41

        2.10.30.130.10 Contemplation of Marriage and Application of Domestic Contracts .....2-41

        2.10.30.130.20 Guardianship Appointment .....2-42

        2.10.30.130.30 Funeral.....2-42

        2.10.30.130.40 Pets .....2-42

    2.10.30.140 *Jurat* .....2-43



TABLE OF CONTENTS

2.10.100.20 Who Can Request the Original Will or is Entitled to a Copy? ..... 2-80

2.10.100.30 Who is Entitled to Previous Wills on the Death of the Testator? ..... 2-81

2.10.100.40 What Happens if an Original Will is Lost? ..... 2-81

2.10.110 Solicitor-Client Privilege and CRA Policy Regarding Collection of Taxpayer Information ..... 2-82

2.10.110.10 CRA’s Policy Regarding Acquiring Information from Taxpayers, Registrants and Third Parties ..... 2-82

2.10.110.20 Privilege ..... 2-83

2.10.120 Other Participants in the Will and Estate Planning Process ..... 2-85

2.20 PROBATE PLANNING ..... 2-87

2.20.10 What is probate? ..... 2-87

2.20.10.10 Benefits of Probate ..... 2-87

2.20.10.20 What is an Alternative to Probate? ..... 2-88

2.20.20 When is Probate Required? ..... 2-88

2.20.30 Calculating the Estate Administration Tax/Probate Fee ..... 2-91

2.20.40 *Situs* of Property and Provincial Authority to Levy Tax ..... 2-93

2.20.50 Minimizing the Estate Administration Tax ..... 2-98

2.20.50.10 Joint Property ..... 2-98

2.20.50.20 Beneficiary Designations ..... 2-100

2.20.50.20.10 Kinds of Beneficiaries ..... 2-100

2.20.50.20.20 *Succession Law Reform Act* ..... 2-102

2.20.50.20.30 *Insurance Act* ..... 2-103

2.20.50.20.40 Integrating Designations with Trusts ..... 2-105

2.20.50.20.50 Plan Holder Perspective on Designations ..... 2-108

2.20.50.20.50.10 *Insurance Act and Succession Law Reform Act Provisions* ..... 2-108

2.20.50.20.50.10.10 *Succession Law Reform Act* ..... 2-108

2.20.50.20.50.10.10 *Insurance Act* ..... 2-109

2.20.50.30 No Beneficiary Designation ..... 2-110

2.20.50.40 Designations Before Death ..... 2-110

2.20.50.40.10 Impact of Case Law ..... 2-111

2.20.50.50 *Carlisle* ..... 2-111

2.20.50.60 *Ashton* ..... 2-112

2.20.50.70 *Desharnais* ..... 2-113

2.20.50.80 *Buckmeyer* ..... 2-114

2.20.50.90 *Pecore* ..... 2-114

2.20.50.100 *Amherst Crane* ..... 2-117

2.20.50.100.10 Reconciling *Pecore* and *Amherst Crane* ..... 2-122

2.20.50.110 Trusts ..... 2-123

2.20.50.120 Powers of Appointment ..... 2-126

2.20.50.130 Multiple Wills ..... 2-130

TABLE OF CONTENTS

2.20.60 Probate Planning Pitfalls ..... 2-132

SCHEDULE 2A Summary of Wills and Estates Statutes in Canada ..... 2-141

SCHEDULE 2B Devolution to Personal Representative and Real Estate Anti-Vesting  
Rules ..... 2-143

SCHEDULE 2C Definition of “Will” ..... 2-145

SCHEDULE 2D *Trustee Act*, R.S.O. 1990, c. T.23, section 3 Comparison Table..... 2-147

SCHEDULE 2E Investment Rules..... 2-149

SCHEDULE 2F Family Property Exclusion Rules ..... 2-151

SCHEDULE 2G Revocation of Will by Marriage ..... 2-153

SCHEDULE 2H Balaz Trustee Powers..... 2-155

SCHEDULE 2I Records Retention Guidelines ..... 2-157

SCHEDULE 2J The Long Arm of the CRA: New Policy for Acquiring Taxpayer  
Information ..... 2-159

SCHEDULE 2K Minister Of Finance Response To CBA..... 2-161

SCHEDULE 2L *Trustee Act*, R.S.O. 1990, c. T.23, section 47 Comparison Table .... 2-163

SCHEDULE 2M Probate Fees by Province..... 2-165

SCHEDULE 2N Probate Fee Legislation by Province..... 2-167

SCHEDULE 2O Statutes Related to Exemption of Plan Proceeds..... 2-171

SCHEDULE 2P Statutes Authorizing Professional Corporations..... 2-173

**3. TRUSTS AND THEIR TAXATION ..... 3-1**

3.10 OVERVIEW OF TRUST LAW ..... 3-1

3.10.10 The Nature of a Trust..... 3-1

3.10.10.10 What is a Trust? ..... 3-1

3.10.10.10.10 Definition of a Trust ..... 3-2

3.10.10.10.20 Legal Nature of a Trust ..... 3-2

3.10.10.10.30 Characterization for Tax Purposes ..... 3-2

3.10.10.20 Parties to a Trust..... 3-2

3.10.10.20.10 The Settlor ..... 3-2.1

3.10.10.20.20 The Trustee..... 3-3

3.10.10.20.30 The Beneficiary ..... 3-4

3.10.10.30 Dual Ownership..... 3-4

3.10.20 Creation of a Trust ..... 3-5

3.10.20.10 The Three Certainties ..... 3-5

3.10.20.10.10 Certainty of Intention ..... 3-5

3.10.20.10.20 Certainty of Subject Matter ..... 3-6

3.10.20.10.20.10 Types of Uncertainty ..... 3-6

3.10.20.10.20.10.10 Conceptual Uncertainty..... 3-6

3.10.20.10.20.10.20 Evidential Uncertainty..... 3-6

3.10.20.10.20.10.30 Whereabouts Uncertainty ..... 3-6

3.10.20.10.30 Certainty of Objects ..... 3-6

3.10.20.20 Express Words or Conduct ..... 3-7

3.10.20.30 Operation of Law ..... 3-7

3.10.20.30.10 Creation of a Trust by Statute..... 3-7

## TABLE OF CONTENTS

3.10.20.30.20 Creation of a Trust by Judicial Intervention .....	3-7
3.10.30 Provincial Considerations .....	3-8
3.10.30.10 The Rule in <i>Saunders v. Vautier</i> .....	3-8
3.10.30.20 Perpetuities and Accumulations .....	3-8
3.10.30.20.10 Rule against Perpetuities .....	3-8
3.10.30.20.20 Rule against Accumulations .....	3-9
3.10.30.30 Determining the Applicable Provincial or Territorial Law .....	3-9
3.10.40 Relationship between Trust Law and Tax Law .....	3-9
3.20 TYPES OF TRUSTS AND PLANNING .....	3-10
3.20.10 Testamentary Trusts .....	3-10
3.20.10.10 Definition of Testamentary Trusts .....	3-10
3.20.10.20 Tainting a Testamentary Trust .....	3-11
3.20.10.30 Special Features .....	3-11
3.20.10.30.10 Taxation at Graduated Rates .....	3-11
3.20.10.30.20 March 21, 2013 Federal Budget .....	3-11
3.20.10.30.30 February 11, 2014 Federal Budget .....	3-12
3.20.10.30.40 Tax Consequences on the Disposition of Property into the Trust .....	3-12.1
3.20.10.30.50 Year End Flexible Trusts .....	3-12.1
3.20.10.30.60 Instalment Taxes .....	3-12.1
3.20.20 Trusts Established under Dependants' Relief Legislation .....	3-12.2
3.20.30 Insurance Trusts .....	3-12.2
3.20.40 <i>Inter Vivos</i> Trusts .....	3-12.2
3.20.40.10 Definition of <i>Inter Vivos</i> Trust .....	3-12.2
3.20.40.20 Special Features .....	3-13
3.20.40.20.10 Tax Consequences to the Contributor or Settlor .....	3-13
3.20.40.20.20 Attribution .....	3-13
3.20.50 Spousal or Common-Law Partner Trusts .....	3-14
3.20.50.10 General Comments .....	3-14
3.20.50.20 <i>Inter Vivos</i> Spouse/Partner Trusts .....	3-15
3.20.50.30 Testamentary Spouse/Partner Trusts .....	3-15
3.20.50.40 Planning Opportunities and Considerations .....	3-16
3.20.50.40.10 Income Splitting .....	3-16
3.20.50.40.20 Spouse/Partner Trusts to Successive Trusts .....	3-17
3.20.50.40.30 Balancing Gains and Losses .....	3-17
3.20.50.40.40 Second Marriage Concerns .....	3-17
3.20.50.40.50 Tainted Spouse/Partner Trusts .....	3-18
3.20.50.40.60 "Untainting" a "Tainted" Spouse/Partner Trust .....	3-18.1
3.20.50.50 Special Features .....	3-19
3.20.50.50.10 Rollover at Insertion .....	3-19
3.20.50.50.20 No Deemed Realization at Twenty-One Years .....	3-19
3.20.50.50.30 Deemed Realization at Death of Spouse/Partner .....	3-19
3.20.50.60 Other Considerations .....	3-20
3.20.50.60.10 In Terrorem Clauses .....	3-20



TABLE OF CONTENTS

3.20.50.60.20 Constructive and Resulting Trusts ..... 3-20  
3.20.50.60.30 Opting Out of Special Tax Treatment..... 3-21  
3.20.50.60.40 Loss of Status ..... 3-21  
3.20.50.60.50 Income and Gains Attribution..... 3-22  
3.20.60 Alter Ego and Joint Partner Trusts ..... 3-22  
    3.20.60.10 General Comments ..... 3-22  
    3.20.60.20 Requirements for a Qualifying Alter Ego Trust..... 3-22  
    3.20.60.30 Requirements for a Qualifying Joint Partner Trust..... 3-23

*(Continued on page C-9)*

TABLE OF CONTENTS

3.20.60.40	Planning Opportunities .....	3-24
3.20.60.40.10	Avoiding Probate .....	3-24
3.20.60.40.20	Control of Capital .....	3-24
3.20.60.40.30	Incapacity Planning .....	3-24
3.20.60.40.40	Creditor-Proofing .....	3-25
3.20.60.40.50	Avoiding Dependents' Relief Legislation .....	3-25
3.20.60.40.60	Jurisdictional Planning .....	3-25
3.20.60.40.70	Privacy .....	3-26
3.20.60.50	Special Features .....	3-26
3.20.60.50.10	No Disposition at Insertion .....	3-26
3.20.60.50.20	No Deemed Disposition .....	3-26
3.20.60.50.30	Opting Out .....	3-26
3.20.60.60	Disadvantages .....	3-27
3.20.60.60.10	Graduated Tax Rates .....	3-27
3.20.60.60.20	Loss of Control .....	3-27
3.20.60.60.30	Added Complexity .....	3-27
3.20.60.60.40	Other .....	3-28
3.20.60.70	Other Considerations .....	3-28
3.20.60.70.10	Attribution of Income or Gains to Settlor .....	3-28
3.20.60.70.20	Principal Residence Exemption .....	3-28
3.20.60.70.30	Mawdsley v. Meshen .....	3-29
3.20.70	Trusts for Minor Beneficiaries .....	3-30
3.20.70.10	General Comments .....	3-30
3.20.70.20	Attribution under Subsection 74.1(2) .....	3-30
3.20.70.20.10	The Rule .....	3-30
3.20.70.20.20	Exceptions to the Rule in Subsection 74.1(2) .....	3-31
3.20.70.30	Taxable under Subsection 104(18) .....	3-32
3.20.70.40	Kiddie Tax .....	3-33
3.20.80	Charitable Remainder Trusts .....	3-34
3.30	TAXATION OF TRUSTS .....	3-34
3.30.10	Residency .....	3-34
3.30.20	Trust Income .....	3-35
3.30.20.10	General rules — Income and Gains Inclusions .....	3-35
3.30.20.20	Exceptions to the General Rules .....	3-35
3.30.30	Flow-through of Income .....	3-36
3.30.30.10	General .....	3-36
3.30.30.20	Taxable Dividends .....	3-37
3.30.30.30	Eligible Dividends .....	3-38
3.30.30.40	Capital Dividends .....	3-38
3.30.30.50	Taxable Capital Gains .....	3-38
3.30.30.60	Lifetime Capital Gains Exemption .....	3-39
3.30.30.70	Foreign Income .....	3-39
3.30.30.80	Taxation of Phantom Income .....	3-39
3.30.40	Transfer of Property into a Trust .....	3-40

TABLE OF CONTENTS

3.30.40.10	Is it a Disposition?	3-40
3.30.40.20	Taxable Dispositions	3-40
3.30.40.30	Tax-deferred Dispositions	3-41
3.30.50	Distribution of Trust Property	3-42
3.30.50.10	Capital Distributions to Beneficiaries	3-42
3.30.50.20	Income Distributions to Beneficiaries	3-43
3.30.50.30	Deemed Realizations	3-44
3.30.50.40	Winding Up of a Trust	3-44
3.30.50.40.10	Planning for the Deemed Realization	3-44
3.30.50.40.20	Tax Consequences to the Beneficiary	3-44
3.30.50.40.30	Income Versus Capital Beneficiaries	3-45
3.30.50.40.40	Disposition Where Subsection 107(4.1) Applies	3-46
3.30.50.40.50	Distributing Capital to Non-Resident Beneficiaries	3-46
3.30.60	Twenty-One Year Rule	3-47
3.30.60.10	Overview	3-47
3.30.60.20	Property Subject to the Rule	3-47
3.30.60.30	When will a Deemed Disposition Occur?	3-48
3.30.60.30.10	At Twenty-One Years	3-48
3.30.60.30.20	On Death of Particular Beneficiaries	3-49
3.30.60.30.30	On Emigration	3-49
3.30.60.30.40	On Particular Amendments	3-50
3.30.60.30.50	Trust Transfers or Mergers	3-50
3.30.60.40	Strategies	3-51
3.30.60.40.10	Rollouts under Subsection 107(2)	3-51
3.30.60.40.20	Distribution to a Corporate Beneficiary	3-51
3.30.70	Corporate Freeze and Distribution	3-51
3.30.80	Alternative Minimum Tax	3-52
3.30.90	Discretionary Versus Non-Discretionary Income Distributions	3-52
3.30.90.10	Discretionary Income Distributions	3-52
3.30.90.20	Non-Discretionary Income Distributions	3-53
3.30.100	Income Designations under Subsections 104(13.1) and 104(13.2)	3-54
3.30.110	Preferred Beneficiary Election	3-54
3.30.110.10	General Comments	3-54
3.30.110.20	Determining if the Preferred Beneficiary Election is Available	3-54
3.30.110.30	Filing Requirements	3-55
3.30.120	Attribution	3-56
3.30.120.10	Subsections 74(1) and 74.2 (Spouse/Partner) and Subsection 74.1(2)(Minors)	3-56
3.30.120.20	Section 74.4	3-56
3.30.120.30	Subsection 75(2)	3-57
3.30.130	Principal Residence Exemption	3-57
<b>4.</b>	<b>MARRIAGE AND CHILDREN</b>	<b>4-1</b>
4.10	MARRIAGE AND ESTATE PLANNING	4-1

## TABLE OF CONTENTS

4.10.10	Doctrine of Mutual Wills .....	4-1
4.10.10.10	General Principles.....	4-1
4.10.10.20	Prerequisites .....	4-2
4.10.10.30	Proving the Agreement.....	4-3
4.10.10.40	Constructive Trust .....	4-4
4.10.10.50	Nature of the Interest .....	4-4
4.10.20	Revocation of Will.....	4-5
4.10.20.10	Revocation by Agreement.....	4-5
4.10.20.20	Revocation by Operation of Law.....	4-7
4.10.20.20.10	<i>Ratzlaff Estate</i> .....	4-8
4.10.20.20.20	<i>MacLean Estate</i> .....	4-9
4.10.20.20.30	<i>Legislative Change</i> .....	4-10
4.10.30	Anticipating Relationship Breakdown.....	4-10
4.10.30.10	Overview .....	4-10
4.10.30.10.10	Separation Agreements.....	4-10
4.10.30.10.20	Enforceability.....	4-11
4.10.30.10.30	Property Division .....	4-11
4.10.30.10.40	Child Support .....	4-12
4.10.30.10.50	Spousal Support .....	4-13
4.10.30.10.60	Court Interpretation and Fairness .....	4-13
4.10.30.10.70	Variation .....	4-13
4.10.30.10.80	Binding Estate .....	4-14
4.10.30.20	Cohabitation Agreements.....	4-14
4.20	CHILDREN AND ESTATE PLANNING.....	4-14
4.20.10	Custody and Guardianship .....	4-14
4.20.10.10	General Principles.....	4-14
4.20.10.20	Powers and Duties of Guardian.....	4-15
4.20.10.30	Appointment of Guardian .....	4-17
4.20.10.30.10	Where No Guardian.....	4-17
4.20.10.30.20	Appointment by Deed or Will .....	4-18
4.20.10.30.30	Appointment by Court.....	4-19
4.20.10.40	Removal of Guardian .....	4-22
4.20.20	Support Obligations.....	4-23
4.20.20.10	Who is a Child? .....	4-24
4.20.20.20	Duty to Contribute.....	4-25
4.20.20.30	Variation of Obligations .....	4-26
4.20.20.40	Binding Estate .....	4-27
4.30	DEPENDANTS' RELIEF LEGISLATION .....	4-30
4.30.10	Introduction .....	4-30
4.30.20	Prerequisites .....	4-31
4.30.20.10	A Valid Will .....	4-31
4.30.20.20	Qualifying Assets .....	4-32
4.30.20.20.10	Extra-Provincial Assets .....	4-33
4.30.20.20.20	Extra-Testamentary Assets.....	4-34

TABLE OF CONTENTS

4.30.20.30	Limitation Period.....	4-34
4.30.30	Procedure.....	4-38
4.30.30.10	Commencement.....	4-38
4.30.30.20	Who May Apply.....	4-38
4.30.30.20.10	Married Spouses.....	4-38
4.30.30.20.20	Common Law Spouses.....	4-40
4.30.30.20.30	Minor Children.....	4-42
4.30.30.20.40	Adult Children.....	4-43
4.30.30.20.50	Adopted Children.....	4-46
4.30.30.20.60	Siblings.....	4-48
4.30.30.20.70	Parents and Grandparents.....	4-48
4.30.30.30	Representative Actions.....	4-49
4.30.30.40	Disentitling Conduct.....	4-50
4.30.30.50	Special Considerations with Respect to Land.....	4-51
4.30.30.60	Settlement.....	4-52
4.30.30.70	Evidence.....	4-53
4.30.30.80	The Order.....	4-55
4.30.30.90	Costs.....	4-55
4.30.30.100	Appeals, Variations and Rescissions.....	4-57
4.30.40	Duty to Make Adequate Provision.....	4-58
4.30.40.10	General Principles.....	4-58
4.30.40.20	Application of <i>Tataryn</i> in Various Provinces.....	4-62
4.30.40.20.10	Alberta.....	4-62
4.30.40.20.20	British Columbia.....	4-63
4.30.40.20.30	Saskatchewan.....	4-64
4.30.40.20.40	Manitoba.....	4-65
4.30.40.20.50	Ontario.....	4-66
4.30.50	Contracting out of Dependants' Relief Legislation.....	4-67
4.30.50.10	General principles.....	4-67
4.30.50.20	Alter Ego Trusts.....	4-69
4.30.50.20.10	Attempts to Circumvent Dependants' Relief Legislation..	4-69
4.30.50.20.20	Nature of Alter Ego Trusts.....	4-69
4.30.50.20.30	Sham Trusts.....	4-71
4.40	QUEBEC LAW.....	4-73
4.40.10	Introduction.....	4-73
4.40.20	Family Patrimony and Matrimonial Regimes.....	4-73
4.40.30	The Nature of a Will.....	4-74
4.40.40	Revocation of a Will.....	4-75
4.40.50	Division of Family Property upon Death.....	4-75
4.40.60	Custody and Tutorship of Children.....	4-75
4.40.70	Dependant's Relief.....	4-76
4.40.80	Common Law Spouses.....	4-76
4.40.90	<i>In Loco Parentis</i> .....	4-76
4.40.100	Limitation.....	4-77

TABLE OF CONTENTS

4.40.110	Conduct.....	4-77
4.40.120	Amount of the Contribution .....	4-77
4.40.130	The Protection of Support Obligations.....	4-78
<b>5.</b>	<b>DISABILITY PLANNING AND POWERS OF ATTORNEY .....</b>	<b>5-1</b>
5.10	DISABILITY PLANNING — FINANCIAL AND TAX CONSIDERATIONS.....	5-1
5.10.10	Provincial Disability Benefits .....	5-2
5.10.10.10	General Comments .....	5-2
5.10.10.20	Ontario — ODSP Benefit Entitlements and Disqualifications .....	5-3
5.10.10.20.10	Overview.....	5-3
5.10.10.20.20	Asset Limits .....	5-4
5.10.10.20.30	Income Limits.....	5-5
5.10.10.30	Alberta — AISH Benefit Entitlements and Disqualifications .....	5-6
5.10.10.30.10	Overview.....	5-6
5.10.10.30.20	AISH Living Allowance, Child Benefit and Eligibility .....	5-8
5.10.10.30.30	AISH Health Benefit .....	5-10
5.10.10.30.40	Personal Benefits.....	5-11
5.10.10.30.50	Asset Limits for AISH Eligibility.....	5-11
5.10.10.40	British Columbia — Disability Assistance Benefits and Eligibility Requirements .....	5-12
5.10.10.40.10	Overview.....	5-12
5.10.10.40.20	Income Requirements .....	5-13
5.10.10.40.30	Asset Limitations .....	5-15
5.10.10.40.40	Hardship Assistance and Shelter Allowance .....	5-16
5.10.10.50	Manitoba — Income Assistance for Persons with Disabilities Benefits and Eligibility Requirements .....	5-16
5.10.10.50.10	Overview.....	5-16
5.10.10.50.20	Income Requirements .....	5-17
5.10.10.50.30	Asset Limitations .....	5-18
5.10.10.50.40	Basic, Shelter, Utilities and Special Needs Allowances ...	5-19
5.10.10.50.50	The Disability Trust.....	5-20
5.10.10.50.60	Health Benefits .....	5-21
5.10.10.60	Saskatchewan — Saskatchewan Assistance Program Benefits and Eligibility Requirements .....	5-21
5.10.10.60.10	Overview.....	5-21
5.10.10.60.20	Income Requirements .....	5-22
5.10.10.60.30	Asset Limitations .....	5-23
5.10.10.60.40	Basic, Shelter, Utility and Special Needs Allowances.....	5-24
5.10.10.60.50	Health Benefits .....	5-25
5.10.10.60.60	The Saskatchewan Assured Income for Disability Program .....	5-25
5.10.20	Using Trusts to Protect Disabled Individuals.....	5-26
5.10.20.10	Protecting Provincial Benefits — Henson Trusts.....	5-26
5.10.20.20	Preferred Beneficiary Elections .....	5-31

TABLE OF CONTENTS

5.10.20.30	<i>Inter Vivos</i> Discretionary Trusts .....	5-32
5.10.20.40	Residence Trusts.....	5-33
5.10.20.50	Alter Ego and Joint Partner Trusts.....	5-34
5.10.30	Disability Tax Credit (“DTC”).....	5-36
5.10.40	Registered Retirement Savings Plan (“RRSP”) and Registered Retirement Income Fund (“RRIF”) Rollovers .....	5-37
5.10.40.10	General Comments .....	5-37
5.10.40.20	RRSP/RRIF Rollovers and Henson Trusts.....	5-38
5.10.50	Registered Disability Savings Plan (“RDSP”).....	5-40
5.10.50.10	General Comments .....	5-40
5.10.50.20	Canada Disability Savings Grant .....	5-42
5.10.50.30	Canada Disability Savings Bond .....	5-42
5.10.50.40	Provincial Disability Benefits and RDSPs .....	5-43
5.10.50.50	Henson Trusts and RDSPs.....	5-44
5.10.50.60	RRSP/RRIF Rollovers and RDSPs .....	5-44
5.10.50.70	RESP Rollovers to RDSPs.....	5-44.1
5.20	POWERS OF ATTORNEY.....	5-45
5.20.10	Continuing/Durable Power of Attorney for Property .....	5-45
5.20.10.10	General Comments .....	5-45
5.20.10.10.10	Provincial Legislation .....	5-45
5.20.10.10.20	Jurisdictional Matters.....	5-47
5.20.10.10.20.10	Ontario .....	5-47
5.20.10.10.20.20	Saskatchewan .....	5-49
5.20.10.10.20.30	Manitoba.....	5-50
5.20.10.10.20.40	Alberta.....	5-51
5.20.10.10.20.50	British Columbia.....	5-51
5.20.10.10.20.60	Yukon Territory.....	5-52
5.20.10.10.20.70	Northwest Territories and Nunavut .....	5-53
5.20.10.10.20.80	Newfoundland and Labrador .....	5-53
5.20.10.10.20.90	Prince Edward Island .....	5-53
5.20.10.10.20.100	Nova Scotia.....	5-53
5.20.10.10.20.110	New Brunswick .....	5-54
5.20.10.10.20.120	Quebec.....	5-54
5.20.10.10.30	Capacity Issues .....	5-55
5.20.10.20	Consideration when Choosing an Attorney.....	5-56
5.20.10.30	Implementing Powers of Attorney .....	5-56
5.20.10.30.10	Duties and Responsibilities of the Attorney.....	5-56
5.20.10.30.20	Estate Planning Under a POA.....	5-57
5.20.10.30.40	Accounting and Compensation .....	5-57
5.20.20	Power of Attorney for Personal Care.....	5-59
5.20.20.10	General Comments .....	5-59
5.20.20.20	Capacity .....	5-59
5.20.20.30	Jurisdictional Considerations .....	5-60
5.20.20.30.10	Saskatchewan.....	5-60

TABLE OF CONTENTS

5.20.20.30.20	Manitoba .....	5-60
5.20.20.30.30	Alberta.....	5-61
5.20.20.30.40	British Columbia .....	5-61
5.20.20.30.50	Nova Scotia .....	5-61
5.20.20.30.60	New Brunswick .....	5-62
5.20.20.30.70	Prince Edward Island .....	5-62
5.20.20.30.80	Quebec .....	5-62
5.20.20.40	The Attorney’s Standard of Care and Compensation .....	5-62
5.30	<b>GUARDIANSHIP</b> .....	5-64
5.30.10	Statutory Guardian of Property .....	5-64
5.30.20	Court-Appointed Guardian of Property .....	5-65
5.30.30	Court-Appointed Guardian of the Person.....	5-68
<b>6.</b>	<b>TAX-DEFERRED PLANS</b> .....	6-1
6.10	INTRODUCTION .....	6-1
6.20	TYPES OF PLANS.....	6-1
6.20.10	Registered Retirement Savings Plans (RRSPs).....	6-1
6.20.10.10	Introduction .....	6-1
6.20.10.20	Types of RRSPs .....	6-2
6.20.10.30	RRSP Taxation .....	6-2
6.20.10.40	Annuitant Taxation .....	6-2
6.20.10.40.10	Contribution Limits .....	6-3
6.20.10.40.20	Deductions from Annuitant Income .....	6-4
6.20.10.40.30	Earned Income .....	6-4
6.20.10.50	Qualified Investments .....	6-4
6.20.10.60	Anti-Avoidance Provisions and Penalties .....	6-4
6.20.10.60.10	Fair Market Value Rules.....	6-5
6.20.10.60.20	Security for Loan .....	6-5
6.20.10.60.30	Excess Contribution .....	6-5
6.20.10.60.40	Non-Resident Contribution .....	6-6
6.20.10.60.50	Non-Qualified Investment .....	6-7
6.20.10.60.60	Prohibited Investment .....	6-8
6.20.10.60.70	Advantage.....	6-12
6.20.10.70	Home Buyers’ Plan (HBP).....	6-15
6.20.10.70.10	Introduction.....	6-15
6.20.10.70.20	Conditions for Participating in the HBP.....	6-16
6.20.10.70.20.10	Home for Self.....	6-16
6.20.10.70.20.10.10	Before Applying to Withdraw Funds from an RRSP under the HBP .....	6-16
6.20.10.70.20.10.20	When Withdrawing Funds from an RRSP under the HBP .....	6-17
6.20.10.70.20.10.30	After All Withdrawals Have Been Made .....	6-17
6.20.10.70.20.20	Home for a Relative with a Disability.....	6-18



## TABLE OF CONTENTS

6.20.10.70.20.20.10	Before Applying to Withdraw Funds from RRSP under HBP.....	6-18
6.20.10.70.20.20.20	When Withdrawing Funds from an RRSP under the HBP .....	6-18
6.20.10.70.20.20.30	After All Withdrawals Have Been Made .....	6-19
6.20.10.70.20.30	Limitation on Deductibility of RRSP Contribution.....	6-19
6.20.10.70.20.40	Repayment of HBP Withdrawals .....	6-19
6.20.10.70.20.40.10	Normal Repayment Situation .....	6-19
6.20.10.70.20.40.20	Three Special Repayment Situations .....	6-20
6.20.10.80	Lifelong Learning Plan (LLP).....	6-22
6.20.10.80.10	Introduction .....	6-22
6.20.10.80.20	Conditions for Participating in the LLP .....	6-22
6.20.10.80.30	LLP Withdrawals.....	6-23
6.20.10.80.40	Limitations on Deductibility of RRSP Contributions .....	6-24
6.20.10.80.50	Repayment of LLP Withdrawals .....	6-24
6.20.10.80.50.10	Normal Repayment Situation .....	6-24
6.20.10.80.50.20	Four Special Repayment Situations .....	6-25
6.20.10.90	Options on Maturity of RRSP.....	6-27
6.20.20	Registered Retirement Income Funds (RRIFs).....	6-28
6.20.20.10	Introduction .....	6-28
6.20.20.20	RRIF Taxation.....	6-28
6.20.20.30	Annuitant Taxation .....	6-29
6.20.20.40	Minimum Withdrawal Amount.....	6-29
6.20.20.50	Qualified Investments .....	6-29
6.20.20.60	RRIFs versus Annuities .....	6-30
6.20.20.60.10	Annuities Described .....	6-30
6.20.20.60.20	Risk of Investment .....	6-30
6.20.20.60.30	Guaranteed Payments.....	6-30
6.20.20.60.40	Inflation and Interest Rates.....	6-31
6.20.20.60.50	Spousal Protection .....	6-31
6.20.20.60.60	Withdrawal and Conversion .....	6-32
6.20.20.60.70	Investment Choice.....	6-32
6.20.20.60.80	Death.....	6-32
6.20.20.60.90	Taxation .....	6-33
6.20.20.70	Anti Avoidance Provisions and Penalties .....	6-33
6.20.30	Tax-Free Savings Accounts (TFSA).....	6-33
6.20.30.10	Introduction .....	6-33
6.20.30.20	Contribution Limits .....	6-33
6.20.30.30	Qualifying Transfers .....	6-35
6.20.30.40	Inapplicability of Attribution Rules .....	6-35

## TABLE OF CONTENTS

6.20.30.50 Tax Characteristics .....	6-36
6.20.30.60 Penalties and Anti-Avoidance Rules.....	6-38
6.20.30.60.20 Non-Resident Contribution .....	6-39
6.20.30.60.30 Non-Qualified Investment .....	6-39
6.20.30.60.40 Prohibited Investment .....	6-40
6.20.30.60.50 Advantage.....	6-42
6.20.30.70 Non-Residents .....	6-43
6.20.40 Deferred Profit Sharing Plans (DPSP).....	6-43
6.20.40.10 Introduction .....	6-43
6.20.40.20 Contribution Limit .....	6-44
6.20.40.30 Tax Characteristics .....	6-45
6.20.40.40 Qualified Investments .....	6-47
6.20.40.50 Penalties and Anti-Avoidance .....	6-47
6.20.40.50.10 Excess Contributions.....	6-48
6.20.40.50.20 Related Persons.....	6-48
6.20.40.50.30 Non-Qualified Investment .....	6-48
6.20.40.50.40 Benefit or Loan.....	6-49
6.20.40.60 Transfers .....	6-49
6.20.40.70 Mandatory Payout.....	6-50
6.20.50 Registered Pension Plans (RPPs).....	6-50
6.20.50.10 Introduction .....	6-50
6.20.50.20 Pension Adjustment.....	6-51
6.20.50.30 Tax Characteristics .....	6-52
6.20.50.40 Types of RPPs.....	6-53
6.20.50.40.10 Money Purchase Plan (MPP) .....	6-53
6.20.50.40.20 Defined Benefit Plan (DBP) .....	6-53
6.20.50.40.30 Multi-Employer Plan (MEP) .....	6-54
6.20.50.40.40 Pooled Registered Pension Plans .....	6-55
6.20.50.50 Payment of Benefits and Transfers.....	6-56
6.20.50.50.10 Introduction.....	6-56
6.20.50.50.20 MPP Benefits .....	6-56
6.20.50.50.30 DBP Payments .....	6-57
6.20.50.50.40 Transfers to RPPs, RRSPs and RRIFs.....	6-57
6.20.50.60 Individual Pension Plans (IPPs) .....	6-57
6.20.50.60.10 Introduction.....	6-57
6.20.50.60.20 Main Advantages of an IPP .....	6-58
6.20.50.60.30 Main Disadvantages of an IPP.....	6-59
6.20.50.60.40 Proposed Minimum Withdrawals and Past Service Contributions.....	6-60
6.20.50.60.50 Termination of Employment .....	6-60
6.20.50.60.60 Retirement .....	6-60
6.20.50.60.70 Death.....	6-61
6.20.60 Canada Pension Plan .....	6-61
6.20.60.10 Introduction .....	6-61

TABLE OF CONTENTS

6.20.60.20	Contributions .....	6-62
6.20.60.20.10	Employees and Employers.....	6-62
6.20.60.20.20	Self-Employed .....	6-63
6.20.60.20.30	Maximum Contributory Earnings.....	6-63
6.20.60.20.40	Contribution Rate .....	6-64
6.20.60.20.50	Multiple Jobs and Overpayment.....	6-64
6.20.60.30	Tax Treatment of CPP Contributions .....	6-64
6.20.60.40	Benefits.....	6-65
6.20.60.40.10	Retirement Pension .....	6-65
6.20.60.40.10.10	Eligibility.....	6-65
6.20.60.40.10.20	Benefit Levels .....	6-66
6.20.60.40.20	Post-Retirement Benefit.....	6-68
6.20.60.40.30	Disability Pension .....	6-69
6.20.60.40.30.10	Eligibility.....	6-69
6.20.60.40.30.20	Benefit Levels .....	6-70
6.20.60.40.30.30	Disability Pension Ends .....	6-71
6.20.60.40.40	Death Benefit .....	6-71
6.20.60.40.50	Survivor's Pension.....	6-71
6.20.60.40.50.10	Eligibility.....	6-71
6.20.60.40.50.20	Benefit Levels .....	6-72
6.20.60.40.60	Orphan's Benefits .....	6-74
6.20.60.40.60.10	Eligibility.....	6-74
6.20.60.40.60.20	Benefit Levels .....	6-74
6.20.60.40.60.30	Orphan's Benefit Ends .....	6-74
6.20.60.40.70	Disabled Contributor's Child Benefit.....	6-74
6.20.60.40.70.10	Eligibility.....	6-74
6.20.60.40.70.20	Benefit Levels .....	6-75
6.20.60.40.70.30	Disabled Contributor's Child Benefit Ends ..	6-75
6.20.60.50	Assignment and Credit Splitting .....	6-75
6.20.60.50.10	Assignment of Retirement Pension .....	6-75
6.20.60.50.20	Credit Splitting.....	6-77
6.20.60.60	Foreign Retirement Programs and Recognition.....	6-77
6.30	CONTRIBUTIONS TO SPOUSAL RRSPS.....	6-78
6.30.10	Introduction.....	6-78

## TABLE OF CONTENTS

6.30.20 Attribution Rules .....	6-79
6.30.30 Income Splitting .....	6-80
6.40 PENSION SPLITTING .....	6-81
6.40.10 Introduction .....	6-81
6.40.20 Types of Eligible Pension Income .....	6-82
6.50 QUALIFIED INVESTMENTS .....	6-83
6.50.10 General Qualified Investments .....	6-83
6.50.20 Certain Private Partnership and Trust Interests .....	6-85
6.50.30 Shares in Certain Private Companies .....	6-85
6.50.40 Equity Shares for DPSPs .....	6-87
6.50.50 In-Kind Contributions .....	6-87
6.60 TAXATION AT DEATH .....	6-88
6.60.10 RRSP .....	6-88
6.60.10.10 General Rule .....	6-88
6.60.10.20 RRSP Paid or Deemed Paid to a Spouse or Common Law Partner .....	6-89
6.60.10.20.10 Matured RRSP .....	6-89
6.60.10.20.20 Unmatured RRSP .....	6-89
6.60.10.20.30 Other Considerations .....	6-90
6.60.10.30 RRSP Paid or Deemed Paid to a Dependant .....	6-90
6.60.10.40 Post-Death Changes in Value of RRSP .....	6-91
6.60.10.50 Joint and Several Liability for Taxes .....	6-92
6.60.10.60 RRSP Paid or Deemed Paid to Non-Residents .....	6-92
6.60.10.70 HBP .....	6-93
6.60.10.80 LLP .....	6-93
6.60.20 RRIF .....	6-94
6.60.20.10 General Rule .....	6-94
6.60.20.20 RRIF Amounts Received by a Spouse or Common Law Partner .....	6-94
6.60.20.30 RRIF Amounts Received by a Financially Dependent Child or Grandchild .....	6-95
6.60.20.40 Post-Death Changes in Value of RRIF .....	6-96
6.60.20.50 Joint and Several Liability for Taxes .....	6-97
6.60.20.60 RRIF Paid or Deemed Paid to Non-Residents .....	6-97
6.60.30 TFSA .....	6-98
6.60.30.10 General Rule .....	6-98
6.60.30.20 Successor Holder .....	6-99
6.60.30.30 Exempt Contribution .....	6-99
6.60.30.40 TFSA Income Paid to Non-Residents .....	6-100
6.60.40 DPSP .....	6-100
6.60.40.10 General Rule .....	6-100
6.60.40.20 Payments to Spouse or Common Law Partner .....	6-100
6.60.40.30 Joint and Several Liability for Taxes .....	6-101
6.60.40.40 DPSP Paid or Deemed Paid to Non-Residents .....	6-101

TABLE OF CONTENTS

6.60.50 RPP .....	6-102
6.60.50.10 General Rule .....	6-102
6.60.50.20 Payments to Spouse or Common Law Partner .....	6-102
6.60.50.30 Payments to Child or Grandchild .....	6-102
6.60.50.40 Joint and Several Liability for Taxes.....	6-103
6.60.50.50 RPP Paid to Non-Residents.....	6-103
6.60.60 CPP .....	6-104
6.60.60.10 General.....	6-104
6.60.60.20 CPP Paid to Non-Residents.....	6-104
6.70 DESIGNATION OF BENEFICIARY .....	6-104
6.70.10 Introduction.....	6-104
6.70.20 Requirements for Beneficiary Designations.....	6-105
6.70.30 Changing or Revoking a Beneficiary Designation.....	6-107
6.70.40 Planning Considerations.....	6-110
6.70.50 Income Tax Considerations.....	6-112
6.80 CREDITOR PROTECTION.....	6-113
<b>7. ADMINISTRATION OF ESTATES AND TRUSTS .....</b>	<b>7-1</b>
7.10 INTRODUCTION.....	7-1
7.20 DEVOLUTION OF ASSETS ON DEATH — WHAT ARE ESTATE ASSETS? .....	7-2
7.30 DETERMINING THE PERSONAL REPRESENTATIVE.....	7-5
7.30.10 General.....	7-5
7.30.20 Disability of Executor Before Grant.....	7-5
7.30.30 Disability of Executor After Grant.....	7-6
7.30.40 Special Forms of Probate.....	7-8
7.30.40.10 Proof of a Copy of a Will.....	7-8
7.30.40.20 Proof of a Copy of a Will Retained by an Official in Another Jurisdiction.....	7-9
7.30.40.30 Limited Grants.....	7-9
7.30.40.30.10 Grants Limited in Duration .....	7-9
7.30.40.30.20 Cessate Grants .....	7-9
7.30.40.30.30 Grants Limited as to Subject-Matter .....	7-9
7.30.40.30.40 Grants “Save and Except” or “Caeterorum” (Limited as to Powers) .....	7-10
7.30.40.30.50 Executor According to the Tenor of a Will .....	7-10
7.30.50 Applications for Administration.....	7-10
7.30.50.10 General.....	7-10
7.30.50.20 Special Types of Grants of Administration .....	7-12
7.30.50.20.10 Administration with Will Annexed .....	7-12
7.30.50.20.20 Administration Ad Colligenda Bona.....	7-12
7.30.50.20.30 Administration Pendente Lite.....	7-13
7.30.50.20.40 Administration De Bonis Non.....	7-13

TABLE OF CONTENTS

7.30.50.20.40.10	When an Administrator Dies after the Grant.....	7-13
7.30.50.20.40.20	When an Executor Dies after Probate is Granted .....	7-14
7.30.50.20.50	Appointment of Representative Ad Litem .....	7-14
7.30.50.20.60	Administration by Attorney .....	7-15
7.30.50.20.70	Small Estate .....	7-15
7.30.50.20.80	Administration when All Intestate Successors are Minors .....	7-15
7.30.50.20.90	Special Administration when Personal Representative is Absent.....	7-16
7.30.60	Acting as a Personal Representative: Considerations before Accepting .....	7-16
7.30.70	Duties of Personal Representatives .....	7-18
7.30.80	Acting as a Personal Representative: Immediate Responsibilities .....	7-23
7.30.80.10	The Funeral Arrangements .....	7-24
7.30.80.10.10	The Corpse .....	7-24
7.30.80.10.20	Disposition of Remains .....	7-24
7.30.80.10.30	Funeral and Burial Expenses .....	7-25
7.30.80.10.40	Care of Grave .....	7-25
7.30.80.20	Dealing with Assets .....	7-25
7.30.80.30	Arranging for Liabilities .....	7-27
7.30.80.40	Keeping Accounts and Dealing with Expenses .....	7-27
7.40	ASSETS AND LIABILITIES.....	7-28
7.40.10	Inventory of Assets .....	7-28
7.40.10.10	Real Estate .....	7-28
7.40.10.20	Personal Property .....	7-28
7.40.20	Valuing Assets.....	7-30
7.40.30	Estate Liabilities.....	7-32
7.40.30.10	Liabilities of the Deceased .....	7-34
7.40.30.20	Claims in Contract .....	7-36
7.40.30.30	Quantum Meruit, Unjust Enrichment and Constructive Trust .....	7-37
7.40.30.30.10	Resulting Trust .....	7-40
7.40.30.30.20	Trusts in Estate Litigation.....	7-42
7.40.30.30.30	Spousal and Child Claims .....	7-45
7.40.30.30.40	Debtor or Creditor a Beneficiary.....	7-45
7.40.30.30.50	Debtor or Creditor an Executor .....	7-46
7.40.30.30.60	Liabilities Relating to the Death: Funeral Expenses....	7-47
7.40.30.30.70	Liabilities Incurred by the Personal Representative....	7-47
7.40.30.30.80	Claims Against the Personal Representative .....	7-48
7.40.40	Administering the Liabilities.....	7-50
7.40.40.10	Advertising for Claimants .....	7-50
7.40.40.20	Proof of Claims .....	7-51

TABLE OF CONTENTS

	7.40.40.30 Payment of Liabilities and Priority of Claims.....	7-52
	7.40.40.40 Distribution Under Direction of Court .....	7-52
	7.40.40.50 Where Liabilities Exceed the Assets .....	7-53
7.50	<b>SPECIAL PROBLEMS IN ADMINISTRATION OF ESTATES AND TRUSTS.....</b>	7-54
	7.50.10 Missing Intestate Successors or Beneficiaries .....	7-54
	7.50.20 Loss of Right to Inherit .....	7-55
	7.50.30 Interest on Legacies.....	7-56
	7.50.30.10 Executor’s Year .....	7-56
	7.50.30.20 Interest on Legacies Postponed for Life Tenancies .....	7-57
	7.50.30.30 Interest on Life Interest Gifts.....	7-57
	7.50.30.40 Date of Payment of Legacy Specified in Will .....	7-57
	7.50.40 Lapse .....	7-58
	7.50.50 Charitable Gifts and the Cy-Près Doctrine .....	7-59
	7.50.60 Ademption .....	7-61
	7.50.70 Duties When Holding Shares of Private Corporations.....	7-61
7.60	<b>BREACH OF TRUST AND ITS CONSEQUENCES.....</b>	7-63
	7.60.10 General Principles of Trustee Liability.....	7-63
	7.60.20 Innocent but Negligent Breach of Trust .....	7-63
	7.60.30 Use of the Trust Property for the Trustee’s Own Purposes .....	7-64
	7.60.40 Penalties for Breach of Trust and Effect on Compensation.....	7-65
	7.60.50 Relief from Liability.....	7-65
	7.60.60 Liability of Co-Executors and Co-Trustees for Breach of Trust .....	7-66
	7.60.70 Defences Available to Trustees.....	7-66
7.70	<b>REMOVAL, RESIGNATION AND REPLACEMENT OF PERSONAL REPRESENTATIVES AND TRUSTEES.....</b>	7-67
	7.70.10 Removal.....	7-67
	7.70.20 Resignation .....	7-69
	7.70.30 Replacement.....	7-70
	7.70.40 Surviving Trustees.....	7-70
	7.70.50 Successor Trustee .....	7-71
7.80	<b>ACCOUNTS.....</b>	7-71
	7.80.10 Duty to Account .....	7-71
	7.80.10.10 Nature of Duty.....	7-71
	7.80.10.20 Beneficiaries’ Rights to Information.....	7-72
	7.80.20 Requirement to Pass Accounts .....	7-74
	7.80.20.10 Statutory Requirement.....	7-74
	7.80.20.20 Requirement to Pass Accounts in Order to Claim Remuneration .....	7-75
	7.80.30 Approval of Accounts Out of Court.....	7-75
	7.80.40 The Accounts.....	7-75
7.90	<b>REMUNERATION OF PERSONAL REPRESENTATIVES AND TRUSTEES.....</b>	7-76
	7.90.10 Entitlement to Remuneration .....	7-76

## TABLE OF CONTENTS

7.90.20	Quantum of Remuneration.....	7-76
7.90.20.10	Specified by Will or Contract.....	7-76
7.90.20.20	Remuneration Not Specified by Will or Contract.....	7-77
7.90.30	Indemnity for Expenses.....	7-81
7.90.40	Procedure and Payment.....	7-81
7.90.40.10	Approval of Amount.....	7-81
7.90.40.20	Pre-Taking Remuneration.....	7-82
7.100	<b>SOLICITORS' REMUNERATION</b> .....	7-82
7.100.10	The Solicitor-Client Relationship.....	7-82
7.100.20	Fees.....	7-83
7.100.30	The Bill for Legal Services.....	7-84
7.100.40	Assessment of the Bill.....	7-84
<b>8.</b>	<b>TAXATION ON DEATH</b> .....	8-1
8.10	INTRODUCTION.....	8-1
8.20	GENERAL PRINCIPLES.....	8-2
8.20.10	Tax Implications of Wills and Intestacy.....	8-2
8.20.20	Taxation of the Deceased Separate from the Estate.....	8-2
8.30	TAXATION OF THE DECEASED.....	8-3
8.30.10	Tax Returns for the Year of Death.....	8-3
8.30.20	Categories of Income.....	8-4
8.30.30	Income in the Year of Death.....	8-5
8.30.30.10	Periodic Payments.....	8-5
8.30.30.20	Rights or Things.....	8-6
8.30.30.20.10	Methods of Reporting Rights or Things.....	8-7
8.30.30.20.20	Allowable Deductions.....	8-7
8.30.30.20.30	Advantages of Rights or Things.....	8-8
8.30.30.30	Examples of Income in the Year of Death.....	8-8
8.30.30.30.10	Employment Income.....	8-8
8.30.30.30.20	Business and Professional Income.....	8-9
8.30.30.30.30	Designated Professional Businesses: Valuation of Work in Progress.....	8-9
8.30.30.30.40	Income from a Partnership.....	8-10
8.30.30.30.50	Dividends.....	8-10
8.30.30.30.60	Income from a Testamentary Trust.....	8-10
8.30.30.30.70	Pension Income.....	8-11
8.30.30.30.80	Reserves in the Year of Death.....	8-11
8.30.30.30.80.10	Capital Gains Reserve.....	8-12
8.30.30.30.80.20	Other Reserves.....	8-12
8.30.40	Deemed Sources of Income in the Year of Death.....	8-12
8.30.40.10	Life Insurance Benefits.....	8-12
8.30.40.20	Employee Stock Options.....	8-12
8.30.40.30	Registered Plans.....	8-13
8.30.40.30.10	Registered Retirement Savings Plan (RRSP).....	8-13



TABLE OF CONTENTS

8.30.40.30.20	Registered Pension Plan (RPP).....	8-16
8.30.40.30.30	Registered Retirement Income Fund (RRIF).....	8-16
8.30.40.30.40	Registered Education Savings Plan (RESP) .....	8-19
8.30.40.30.50	Registered Disability Savings Plan (RDSP).....	8-20
8.30.40.30.60	Rollover of RRSP, RRIF and RPP Proceeds into an RDSP .....	8-21
8.30.40.30.70	Tax-Free Savings Account (TFSA).....	8-21
8.30.50	Deemed Disposition of Property at Death.....	8-21
8.30.50.10	Capital Property .....	8-21
8.30.50.10.10	Fair Market Value Disposition.....	8-22
8.30.50.10.20	Exception: Rollover to Spouse, Common Law Partner or to Spousal or Common Law Partner Trust .....	8-22
8.30.50.10.30	Exception: Rollovers of Farm or Fishing Property ....	8-24
8.30.50.10.40	Principal Residence .....	8-25
8.30.50.20	Eligible Capital Property.....	8-27
8.30.50.30	Land Inventory.....	8-27
8.30.50.40	Resource Properties .....	8-27
8.30.60	Deductions and Other Amounts Claimed Against Income .....	8-28
8.30.60.10	Charitable Donations.....	8-28
8.30.60.20	Medical Expenses .....	8-29
8.30.60.30	Amounts Claimed in Year of Death .....	8-29
8.30.70	Returns for the Year of Death: Compliance Issues .....	8-31
8.30.70.10	Final Return.....	8-32
8.30.70.20	Return for Rights or Things .....	8-33
8.30.70.30	Return for a Partner or Proprietor.....	8-33
8.30.70.40	Return for Income from a Testamentary Trust .....	8-34
8.30.70.50	Foreign Reporting Forms .....	8-34
8.40	TAXATION OF THE ESTATE AND WILL TRUSTS.....	8-34
8.40.10	The Estate Generally .....	8-35
8.40.20	Taxation of the Estate as a Trust .....	8-35
8.40.30	Taxation of Trusts as Individuals .....	8-36
8.40.40	Testamentary Trusts.....	8-36
8.40.50	Tax Planning Using Testamentary Trusts.....	8-38
8.40.50.10	Proposed Changes to Taxation of Testamentary Trusts.....	8-39
8.40.50.20	Planning Under the Proposed Testamentary Trust Tax Rules .....	8-40
8.40.50.30	Planning Using Multiple Testamentary Trusts.....	8-40
8.40.60	Choice of Taxation Year .....	8-42
8.40.70	Calculation of Taxable Income.....	8-42
8.40.70.10	Rules of Specific Application to Trusts .....	8-43
8.40.70.10.10	Periodic Amounts.....	8-43
8.40.70.10.20	Death Benefits.....	8-43
8.40.70.10.30	Taxable Capital Gains and Recapture .....	8-44

TABLE OF CONTENTS

8.40.70.10.40	Principal Residence Exemption.....	8-45
8.40.70.10.50	Deductions.....	8-46
8.40.70.10.60	Reserves.....	8-46
8.40.70.10.70	Subsection 75(2) Anti-Avoidance Rule.....	8-46
8.40.70.10.80	Twenty-One-Year Deemed Disposition Rule.....	8-47
8.40.70.10.90	Alternative Minimum Tax.....	8-47
8.40.70.10.100	Charitable Donations.....	8-47
8.40.70.20	Deduction of Amounts Payable to Beneficiaries.....	8-48
8.40.70.30	Payments by the Trust for the Maintenance of Property which the Trustees are Required to Hold for the Use of a Beneficiary.....	8-50
8.40.70.40	Designations under Subsections 104(13.1) and 104(13.2).....	8-50
8.40.70.50	Income Deemed Payable to Minor Beneficiaries.....	8-51
8.40.70.60	Preferred Beneficiary Election.....	8-52
8.40.80	Tax Returns.....	8-52
8.40.90	Clearance Certificate.....	8-54
8.50	<b>CANADIAN RESIDENT TRUSTS WITH NON-RESIDENT BENEFICIARIES.....</b>	<b>8-56</b>
8.50.10	Part XII.2 Tax.....	8-56
8.50.20	Income Paid or Credited to Non-Resident Beneficiaries.....	8-57
8.50.30	Gains Realized from the Disposition of Taxable Canadian Property.....	8-58
8.50.40	Section 116 Clearance Certificate.....	8-59

**Volume 2**

<b>9.</b>	<b>POST-MORTEM ESTATE PLANNING.....</b>	<b>9-1</b>
9.10	INTRODUCTION.....	9-1
9.20	EXECUTORS AND TRUSTEES.....	9-1
9.20.10	Residence.....	9-1
9.20.10.10	For Probate Purposes.....	9-1
9.20.10.20	For Tax Purposes.....	9-2
9.20.10.30	Inter-Provincial Tax Planning.....	9-3
9.30	THE “ROLLOVERS”.....	9-4
9.30.10	Outright Spouse/Common Law Partner Distribution.....	9-4
9.30.10.10	Possible Situations where a Rollover upon Outright Distribution to the Deceased’s Surviving Spouse or Common Law Partner may be Advisable:.....	9-5
9.30.10.20	Possible Situations where Subsection 71(6.2) Elections would be Advisable:.....	9-5
9.30.10.30	Issues with Potential Outright Rollovers.....	9-6
9.30.20	Spousal/Common Law Partner Trust.....	9-6
9.30.20.10	Spousal Entitlement to Trust Income.....	9-7
9.30.20.20	Exclusive Entitlement.....	9-8
9.30.20.30	Benefits of a Testamentary Spousal Trust.....	9-9

## TABLE OF CONTENTS

9.30.30 Fishing/Farming Property .....	9-9
9.30.30.10 Partial Rollovers .....	9-10
9.40 PRELIMINARY MATTERS .....	9-11
9.40.10 Allocations among Trusts .....	9-11
9.40.10.10 Allocation of Capital Losses .....	9-12
9.40.10.10.10 Subsection 104(13.2) .....	9-12
9.40.10.20 Capital Cost Allowance and Terminal Losses .....	9-13
9.40.10.30 Allocation among Beneficiaries .....	9-13
9.40.20 Selecting a Taxation Year End .....	9-13
9.40.20.10 Consideration of Subsection 164(6) .....	9-14
9.50 “FIXING” THE WILL OR INTESTATE DISTRIBUTION .....	9-14
9.50.10 “Untainting” the Spousal/Common Law Partner Trust .....	9-14
9.50.20 Disclaimer, Release or Surrender .....	9-16
9.50.20.10 Disclaimers .....	9-16
9.50.20.10.10 No Disclaimer in Favour of Any Person .....	9-16
9.50.20.10.20 No Disclaimer until the Beneficiary is Entitled to Inherit .....	9-16
9.50.20.10.30 Period Within which the Disclaimer Must be Made .....	9-17
9.50.20.10.40 No Benefit from Disclaimed Property .....	9-17
9.50.20.20 Release or Surrenders .....	9-17
9.50.20.30 Effect of a Disclaimer or a Release or Surrender .....	9-17
9.50.30. Dependants’ Relief Application .....	9-18
9.50.40 Using <i>Saunders v. Vautier</i> .....	9-19
9.60 SPECIAL ISSUES .....	9-20
9.60.10 RRSPs and RRIFs .....	9-20
9.60.10.10 Registered Retirement Savings Plans (RRSP) .....	9-20
9.60.10.20 Registered Retirement Income Funds (RRIF) .....	9-21
9.60.20 Registered Education Savings Plans .....	9-22
9.60.30 Tax-Free Savings Accounts .....	9-23
9.60.40 Alter Ego and Joint Partner Trusts .....	9-23
9.70 SPECIFIC TAX STRATEGIES FOR PRIVATE CORPORATIONS .....	9-25
9.70.10 Introduction .....	9-25
9.70.20 Preliminary Consideration — Tax Rates .....	9-26
9.70.30 The Capital Loss Strategy under Subsection 164(6) .....	9-26
9.70.30.10 Eligible Dividends versus Ineligible Dividends .....	9-29
9.70.30.20 Refundable Dividend Tax on Hand .....	9-30
9.70.30.30 Capital Dividend Account .....	9-30
9.70.30.40 The Stop-Loss Rules .....	9-30
9.70.30.40.10 Subsection 112(3.2) Stop-Loss Rule .....	9-30
9.70.30.40.20 Strategies to Address Subsection 112(3.2) .....	9-31
9.70.30.40.30 Subsection 40(3.6) Stop-Loss Rule .....	9-32
9.70.40 “Pipeline” Procedure .....	9-33
9.70.40.10 Implementation of Pipeline Procedure .....	9-33
9.70.40.20 Subsection 84(2) of the ITA .....	9-35

TABLE OF CONTENTS

9.70.40.30	CRA Public Statements with Respect to Subsection 84(2) .....	9-37
9.70.40.40	Paragraph 88(1)(d.1) of the ITA .....	9-39
9.70.40.50	Specific Provision of Section 84.1 versus General Provision of Subsection 84(2).....	9-40
9.70.40.60	The General Anti-Avoidance Rule .....	9-40
9.70.40.70	Practical Considerations.....	9-40.2
9.70.50	“Bump” Procedure.....	9-40.3
9.70.50.10	Election under Paragraph 88(1)(d) .....	9-42
9.70.50.20	Paragraph 88(1)(d) and the Bump Room .....	9-43
9.70.50.30	Ineligible Property .....	9-44
9.70.50.40	The Bump Denial Rules.....	9-44
9.70.50.50	Who is a “Restricted Person”?.....	9-45
9.70.50.60	Who is a “Specified Shareholder”?.....	9-45
9.70.50.70	Trusts/Estates and Partnerships .....	9-46
9.70.50.80	Who is Excluded from “Restricted Persons”?.....	9-47
9.70.50.90	What is a “Restricted Property”?.....	9-48
9.70.50.100	What is Excluded from “Restricted Property”? .....	9-48
9.70.50.110	What is a “Series”?.....	9-49
9.70.50.120	Examples of Bump Denial Rules.....	9-49
9.70.50.130	Impact of Beneficiaries on the Bump Strategy .....	9-50
9.70.50.140	Tax Issues to Consider with respect to Bump Procedure .....	9-52
9.70.60	Combining the Capital Loss Strategy with the Bump Procedure .....	9-52
9.70.70	Combining the Capital Loss Strategy with the Pipeline Procedure .....	9-53
9.70.80	Combining the Pipeline Procedure with the Bump Procedure .....	9-54
9.70.90	Choosing Between the Alternative Post-Mortem Planning Strategies ....	9-54
9.70.100	\$10,000 Non-taxable “Death Benefit” .....	9-55
<b>10.</b>	<b>TAXATION OF REAL ESTATE AND INVESTMENTS .....</b>	<b>10-1</b>
10.10	INTRODUCTION — DEEMED DISPOSITION ON DEATH.....	10-1
10.10	INTRODUCTION — DEEMED DISPOSITION ON DEATH.....	10-1
10.20	REAL PROPERTY .....	10-1
10.20.10	Basic Concepts .....	10-1
10.20.10.10	Capital Gain/Tax Consequences.....	10-1
10.20.10.20	Property Transferred to or in Trust for Spouse or Common Law Partner .....	10-2
10.20.10.30	Joint Tenancy versus Tenants-in-Common .....	10-2
10.20.10.40	Registered Title versus Beneficial Title .....	10-3
10.20.10.50	Property/Municipal Taxes .....	10-4
10.20.10.60	V-Day.....	10-4
10.20.20	Types of Property and Possible Exemptions or Rollovers .....	10-4
10.20.20.10	Principal Residence Exemption .....	10-4
10.20.20.10.10	Requirements for the Principal Residence Exemption.....	10-5

TABLE OF CONTENTS

10.20.20.10.20 Legal Title and the Principal Residence  
    Exemption ..... 10-10

10.20.20.10.30 Caveats to the Principal Residence Exemption..... 10-10

10.20.20.20 Rental Property ..... 11-11

10.20.20.30 Cottage ..... 11-11

10.20.20.40 Timeshares ..... 10-11

10.20.20.50 Farm Property ..... 10-13

    10.20.20.50.10 Preliminary Matters — “Farming”, Farming Assets  
        and Taxation at Death ..... 10-14

        10.20.20.50.10.10 Farming ..... 10-14

        10.20.20.50.10.20 Farming Assets ..... 10-16

        10.20.20.50.10.30 Principally in a Farming Business and  
            Actively Engaged on a Regular and  
            Continuous Basis ..... 10-16

        10.20.20.50.10.40 Principally in a Farming Business ..... 10-16

        10.20.20.50.10.50 Actively Engaged ..... 10-17

        10.20.20.50.10.60 Regular and Continuous Basis ..... 10-17

    10.20.20.50.20 Tools in Effective Succession Planning..... 10-17

        10.20.20.50.20.10 Inter-Generational Rollovers/Capital Gains  
            Exemption ..... 10-18

            10.20.20.50.20.10.10 Inter Vivos Transfers (Dispositions  
                During the Owner’s Lifetime) .... 10-18

                10.20.20.50.20.10.10.10 Requirements ..... 10-19

                10.20.20.50.20.10.10.20 Definition of Shares of  
                    a Capital Stock of a  
                    Family Farm  
                    Corporation ..... 10-19

                10.20.20.50.20.10.10.30 Definition of an Interest  
                    in a Family Farm  
                    Partnership ..... 10-20

                10.20.20.50.20.10.10.40 Limits on Proceeds from  
                    Disposition..... 10-20

                10.20.20.50.20.10.10.50 Accepted Uses..... 10-21

    10.20.20.50.20.10.20 Dispositions upon the Death of the  
        Owner ..... 10-22

        10.20.20.50.20.10.20.10 Eligible Capital Property  
            is Not Eligible for the  
            Rollover ..... 10-22

        10.20.20.50.20.10.20.20 Estate May Elect to  
            Report Proceeds of  
            Disposition Greater than  
            the ACB..... 10-22

        10.20.20.50.20.10.20.30 Farming Asset Must  
            Have Vested Indefeasibly in

TABLE OF CONTENTS

	the Child within 36 Months after Death ....	10-23
10.20.20.50.20.10.20.40	Transfer Must be as a Consequence of Death.....	10-23
10.20.20.50.20.10.30	Capital Gains Exemption.....	10-24
10.20.20.50.20.10.30.10	Qualified Farm Property.....	10-24
10.20.20.50.20.10.30.20	Real Property and Eligible Capital Property .....	10-24
10.20.20.50.20.10.30.30	Multiplying the CGE ..	10-26
10.20.20.50.20.20	Use of a Trust.....	10-27
10.20.20.50.20.20.10	Farm Land and Depreciable Property .....	10-28
10.20.20.50.20.20.20	Shares of a Family Farm Corporation or an Interest in a Family Farm Partnership .....	10-29
10.20.20.50.20.30	Use of an Estate Freeze .....	10-30
10.20.20.60	Land Inventory in Business.....	10-30
10.20.30	Land Transfer Tax .....	10-31
10.20.30.10	Introduction.....	10-31
10.20.30.20	Not Consistent across Provinces.....	10-33
10.20.30.30	Use of Nominee Corporation.....	10-36
10.20.30.40	LTT Exemptions/Deferrals.....	10-37
10.20.40	HST and Land .....	10-38
10.20.40.10	Place of Residence .....	10-38
10.20.40.20	Vacant Land .....	10-39
10.20.40.30	Farm Land .....	10-39
10.20.40.40	Allocation of Purchase Price for HST Purposes .....	10-39
10.20.50	Probate Fees.....	10-39
10.20.60	Non-Resident Holding Canadian Real Estate .....	10-41
10.20.60.10	Relief for Property Acquired before December 31, 1984.....	10-41
10.20.60.20	Section 116 Certificate .....	10-42
10.20.60.20.10	Requirements .....	10-42
10.20.60.20.20	Income Tax Return .....	10-44
10.20.60.20.30	Application for an Individual Tax Number.....	10-44
10.20.70	U.S. Property Held by Canadian Resident.....	10-45
10.20.70.10	Use of Different Vehicles to Hold U.S. Real Estate.....	10-45
10.20.70.10.10	Individual Directly Investing in LLC .....	10-45
10.20.70.10.20	Canadian Corporation Directly Investing in LLC .....	10-46
10.20.70.10.30	Use of a Limited Partnership.....	10-46
10.20.80	Replacement Property Rules.....	10-47
10.30	PORTFOLIO INVESTMENTS.....	10-48

TABLE OF CONTENTS

10.30.10	Introduction to Integration.....	10-48
10.30.20	Types of Property Subject to Investment Income Rules .....	10-49
10.30.20.10	Taxation of Capital Gains and Deemed Disposition on Death.....	10-49
10.30.20.20	Taxation of Interest Income .....	10-50
10.30.20.30	Specified Investment Business Rules and Exceptions .....	10-51
10.30.30	Basic Concepts .....	10-53
10.30.30.10	Capital Dividend Account (CDA) .....	10-53
10.30.30.20	Inter-Corporate Dividends and Part IV Tax.....	10-54
10.30.30.30	RDTOH .....	10-55
10.30.30.40	GRIP — Eligible versus Ineligible Dividends .....	10-56
10.30.40	Estate Planning Tools in Regards to Portfolio Investments.....	10-57
10.30.40.10	Use of a Holding Company .....	10-57
10.30.40.20	Use of a Trust .....	10-58
10.30.50	Non-Resident Holding Canadian Portfolio Investments.....	10-59
10.30.50.10	Cannot Use the CDA .....	10-59
<b>11.</b>	<b>INCOME SPLITTING AND THE ATTRIBUTION RULES.....</b>	<b>11-1</b>
11.10	INCOME SPLITTING AND THE ATTRIBUTION RULES .....	11-1
11.10.10	Background: Marginal Tax Rates Applicable to Individuals .....	11-1
11.10.20	Objectives and Benefits of Income Splitting .....	11-5
11.10.20.10	Less Tax .....	11-6
11.10.20.20	Build Up More Assets in Family Unit .....	11-6
11.10.20.30	Capital Gains Exemption .....	11-6
11.10.30	Types of Income to Split .....	11-7
11.10.30.10	Investment Income.....	11-7
11.10.30.10.10	Dividend .....	11-7
11.10.30.10.20	Interest.....	11-8
11.10.30.10.30	Rent.....	11-8
11.10.30.10.40	Royalties .....	11-8.1
11.10.30.20	Business Income.....	11-8.1
11.10.30.30	Capital Gains.....	11-8.1
11.10.30.40	Employment Income .....	11-8.1
11.10.40	Dividend Tax Regime.....	11-8.2
11.10.40.10	Eligible Dividends.....	11-8.2
11.10.40.20	Non-Eligible Dividends .....	11-8.3
11.10.40.30	Capital Dividends .....	11-8.3
11.10.40.40	Intercorporate .....	11-9
11.10.50	Structures to Income Split .....	11-9
11.10.50.10	Dividends.....	11-9
11.10.50.20	Corporate Considerations .....	11-10
11.10.50.20.10	Ownership of Shares.....	11-11
11.10.50.20.20	Initial Incorporation .....	11-11
11.10.50.20.30	Freeze.....	11-11

TABLE OF CONTENTS

11.10.50.20.40 Restructuring.....	11-12
11.10.50.30 Salaries .....	11-13
11.10.50.40 Employee Profit Sharing Plans.....	11-13
11.10.50.40.10 Potential for Income Splitting.....	11-13
11.10.50.40.20 Mechanics of EPSPs.....	11-14
11.10.50.50 Interest .....	11-15
11.10.50.60 Rent .....	11-15
11.10.50.70 Capital Gains.....	11-15
11.10.50.70.10 Shares .....	11-15
11.10.50.70.20 Other Capital Property .....	11-16
11.10.50.80 Business Income.....	11-16
11.10.50.80.10 Corporate.....	11-16

*(Continued on page C-31)*



TABLE OF CONTENTS

11.10.50.80.20 Partnership .....	11-16
11.10.50.80.20.10 General Partnership .....	11-18
11.10.50.80.20.20 Limited Partnership .....	11-18
11.10.50.80.30 Trust .....	11-19
11.10.60 Use of a Trust .....	11-19
11.10.60.10 Investment Income, Other than Dividends .....	11-20
11.10.60.20 Dividends.....	11-20
11.10.60.30 Business Income.....	11-20
11.10.60.40 Capital Gains.....	11-21
11.10.70 Anti-Avoidance Rules.....	11-21
11.10.70.10 Kiddie Tax.....	11-21
11.10.70.20 Attribution Rules.....	11-23
11.10.70.20.10 Transfers or Loans of Property — “Directly or Indirectly” .....	11-23
11.10.70.20.20 Fair Market Value Transfer and Loan.....	11-26
11.10.70.20.30 Residence .....	11-30
11.10.80 Attribution Rules .....	11-30
11.10.80.10 The Spousal Attribution Rules.....	11-30
11.10.80.10.10 Income From Property — Subsection 74.1(1) of the Act .....	11-30
11.10.80.10.20 Capital Gains — Subsection 74.2(1) of the Act.....	11-31
11.10.80.10.30 General .....	11-31
11.10.80.20 The Minor Attribution Rules .....	11-34
11.10.80.20.10 Income From Property — Subsection 74.1(2) of the Act .....	11-34
11.10.80.20.20 Capital Gains .....	11-34.1
11.10.80.30 Attribution Applicable to Trusts .....	11-35
11.10.80.40 Corporate Attribution Rule.....	11-37
11.10.80.40.10 Mechanics of the Rule.....	11-37
11.10.80.40.20 Exceptions and Planning to Minimize the Impact ..	11-40
11.10.80.40.20.10 Small Business Corporation .....	11-41
11.10.80.40.20.20 Interest or Dividends.....	11-41
11.10.80.40.30 Drop Down Freezes .....	11-42
11.10.80.40.40 Stock Dividends .....	11-44
11.10.80.50 Reversionary Trusts .....	11-44
11.10.80.50.10 Introduction .....	11-44
11.10.80.50.20 Persons to Whom the Rule May Apply .....	11-46
11.10.80.50.30 Subparagraph 75(2)(a)(i) — Reversion.....	11-48
11.10.80.50.40 Subparagraph 75(2)(a)(ii) — Determination of Beneficiaries by Settlor .....	11-51
11.10.80.50.50 Paragraph 75(2)(b) — Requirement of Settlor’s Consent to Distribution.....	11-51
11.10.80.50.60 Subsection 104(2).....	11-52
11.10.80.60 Back to Back Loans and Transfers .....	11-52

TABLE OF CONTENTS

11.10.80.70	Second Generation Income .....	11-55
11.10.80.70.10	Income on Income.....	11-55
11.10.80.70.20	Income on Capital Gains.....	11-55
11.10.80.80	Exceptions to Attribution.....	11-56
11.10.80.80.10	Loans for Value .....	11-56
11.10.80.80.20	Business Income .....	11-57
11.10.80.90	General Anti-Avoidance Rule .....	11-58
<b>12.</b>	<b>CORPORATE RESTRUCTURING .....</b>	<b>12-1</b>
12.10	INTRODUCTION .....	12-1
12.20	INCORPORATION: THE BASICS .....	12-2
12.20.10	Small Business Deduction (Section 125).....	12-4
12.20.20	Holding Corporations.....	12-5
12.30	RESTRUCTURING: DOMESTIC SHARE AND ASSET TRANSACTIONS .....	12-5
12.30.10	Rollovers and Asset Transfers .....	12-6
12.30.10.10	Exchange Transactions.....	12-6
12.30.10.10.10	Convertible Property (Section 51).....	12-6
12.30.10.10.20	Rollovers (Section 85).....	12-7
12.30.10.10.30	Share for Share Exchanges (Section 85.1) .....	12-9
12.30.10.10.40	Capital Reorganization (Section 86).....	12-11
12.30.10.20	Related Elections and Tax Implications .....	12-12
12.30.10.20.10	Income Tax Elections .....	12-12
12.30.10.30	Estate Freezes .....	12-13
12.30.10.40	Post-Mortem Estate Planning.....	12-14
12.30.10.40.10	Loss CarryBack .....	12-14
12.30.10.40.20	Bump .....	12-15
12.30.10.40.30	Pipeline .....	12-15
12.30.10.50	Capital Gains Exemption (Section 110.6) .....	12-18
12.30.10.50.10	Qualified Small Business Corporation Share Requirements .....	12-18
12.30.10.50.20	Purification Strategies.....	12-20
12.30.10.50.30	Crystallization and Sale of Shares during Taxpayer's Lifetime.....	12-20.1
12.30.10.50.40	Crystallization during Taxpayer's Lifetime and Sale on Death .....	12-20.2
12.30.10.50.50	Failure to Crystallize Prior to Taxpayer's Death..	12-20.3
12.30.10.50.60	Miscellaneous Issues .....	12-20.4
12.30.10.50.70	The "De Minimus" Dividend Rule (Subsection 110.6(8)) .....	12-20.4
12.30.10.60	Common Problems and Pitfalls .....	12-21
12.30.10.60.10	Transfer of Property to Non-Arm's Length Party (Section 69) .....	12-21
12.30.10.60.20	Deemed Dividends (Section 84.1).....	12-22
12.30.10.60.20.10	Selected Case Law.....	12-24

TABLE OF CONTENTS

12.30.10.60.20.20	CRA’s Administrative Position .....	12-26
12.30.10.60.30	Corporate Attribution (Section 74.4) .....	12-27
12.30.20	Divisive Reorganizations .....	12-28
12.30.20.10	Butterfly Transactions .....	12-28
12.30.20.20	Related Party Exception.....	12-29
12.30.20.30	Preferred Share Rules.....	12-30
12.30.20.40	“Spin-Off” and “Split-Up” .....	12-31
12.30.20.50	Safe Income Strips .....	12-32
12.30.30	Amalgamations .....	12-35
12.30.30.10	Corporate Considerations .....	12-35
12.30.30.10.10	Short-Form .....	12-36
12.30.30.10.20	Long-Form.....	12-37
12.30.30.10.30	Triangular .....	12-37
12.30.30.20	Tax Treatment and Implications .....	12-38
12.30.30.20.10	Section 87.....	12-38
12.30.40	Wind-ups and Dissolutions.....	12-41
12.30.40.10	Corporate Considerations .....	12-41
12.30.40.20	Tax Treatment and Implications .....	12-42
12.30.40.20.10	Section 88.....	12-42
12.40	LOSS UTILIZATION STRATEGIES.....	12-44
12.40.10	Acquisition of Control.....	12-44
12.40.10.10	Circumstances that are Deemed Not to be an Acquisition of Control.....	12-46
12.40.10.20	Circumstances that are Deemed to be an Acquisition of Control.....	12-48
12.40.10.30	Deemed Year End on an Acquisition of Control.....	12-50
12.40.10.40	Effect of an Acquisition of Control on Net Capital Losses...	12-51
12.40.10.50	Effect of an Acquisition of Control on Non-Capital Losses.....	12-53
12.40.20	The Concept of Being Affiliated .....	12-53
12.40.30	Transactions within an Affiliated Corporate Group.....	12-54
12.40.30.10	Amalgamations .....	12-54
12.40.30.20	Dissolutions and Wind-ups .....	12-55
12.40.30.30	Intercorporate Charges .....	12-57
12.40.30.40	Transfer of Assets within an Affiliated Group.....	12-59
12.40.30.50	Transfer of a Profitable Business within an Affiliated Group.....	12-61
12.40.30.60	Transfer of a Profitable Business to a Partnership.....	12-61
12.40.30.70	Preferred Share/Loan Transactions .....	12-62
12.40.40	Other Loss-Restriction Rules.....	12-63
12.40.40.10	Using Third-Party Losses on Asset Sales: Subsection 69(11) .....	12-63
12.40.40.20	Restrictions on Transferring CCA to a Third Party: Subsection 13(24).....	12-64

## TABLE OF CONTENTS

12.40.50	Loss-Denial Provisions .....	12-65
12.40.60	Corporate Loss Trading .....	12-66
12.40.70	Synthetic Dispositions .....	12-66.1
12.40.70.10	Synthetic Disposition Arrangements — What Are They?.....	12-66.2
12.40.70.20	Deemed Disposition .....	12-66.3
12.40.70.30	Other Consequences.....	12-66.4
12.50	CROSS BORDER ISSUES .....	12-66.5
12.50.10	Interprovincial Tax Planning .....	12-66.5
12.50.10.10	Significance of Permanent Establishment.....	12-66.5
12.50.10.10.10	Federal Taxation .....	12-66.5
12.50.10.10.20	Provincial or Territorial Taxation.....	12-66.6
12.50.10.20	Definition of “Permanent Establishment” .....	12-66.6
12.50.10.20.10	The Allocation of Income to a Permanent Establishment .....	12-66.8
12.50.10.20.20	Double Taxation .....	12-66.8
12.50.10.20.30	Allocation of Investment Income.....	12-66.8
12.50.10.20.40	Planning with Non-Capital Losses.....	12-66.9
12.50.10.20.50	Loss Carry-Forward or Carryback in the Year of Startup or Shutdown .....	12-66.10
12.50.10.20.60	Interprovincial Asset Transfers .....	12-66.10
12.50.10.30	Provincial General Anti-Avoidance Rules .....	12-66.10
12.50.10.30.10	Alberta.....	12-67
12.50.10.30.20	British Columbia .....	12-67
12.50.10.30.30	Manitoba .....	12-67
12.50.10.30.40	Ontario.....	12-67
12.50.10.30.50	Quebec .....	12-68
12.50.10.30.60	Saskatchewan .....	12-69
12.50.10.30.70	Provincial Case Law.....	12-69
12.50.10.40	Financing Transactions .....	12-70
12.50.20	Foreign .....	12-71
12.50.20.10	Imputed Interest — Section 17.....	12-71
12.50.20.10.10	Exceptions to the Application of Section 17.....	12-73
12.50.20.10.10.10	Amount Outstanding for One Year or Less .....	12-73
12.50.20.10.10.20	Subsection 15(2) Exception .....	12-73
12.50.20.10.10.30	Controlled Foreign Affiliate and Active Business Income Exceptions .....	12-74
12.50.20.10.10.40	Foreign Accrual Property Income Exception.....	12-75
12.50.20.10.20	Look-Through Rules .....	12-75
12.50.20.10.30	Anti-Avoidance Rules (Subsection 17(14)) .....	12-76
12.50.20.20	Thin Capitalization Rules .....	12-77
12.60	VALUATION .....	12-77
12.60.10	Price Adjustment Clauses .....	12-78

## TABLE OF CONTENTS

12.70	COMMODITY TAX ISSUES.....	12-82
12.70.10	GST/HST on Exchange Transactions.....	12-82
12.70.20	GST/HST on Amalgamations.....	12-84
12.70.30	GST/HST on Windups and Dissolutions.....	12-85
12.70.40	Provincial Sales Tax.....	12-85
12.80	LAND TRANSFER TAXES AND REGISTRATION FEES.....	12-86
12.90	GENERAL ANTI-AVOIDANCE RULE (SECTION 245).....	12-86.1
12.100	RESTRUCTURING: DOMESTIC PARTNERSHIP TRANSACTIONS.....	12-88
12.100.10	Nature of Partnership.....	12-88
12.100.10.10	Default Rules.....	12-89
12.100.10.20	Fiduciary Duty.....	12-90
12.100.10.30	Written Partnership Agreement.....	12-90
12.100.10.40	Types of Partnerships.....	12-91
12.100.10.40.10	General Partnership.....	12-91
12.100.10.40.20	Limited Partnership.....	12-91
12.100.10.40.30	Limited Liability Partnerships.....	12-92
12.100.20	Rollovers.....	12-93
12.100.20.10	Transfer of Assets to a Partnership (Section 97).....	12-93
12.100.20.20	Incorporating a Partnership (Subsection 85(2)).....	12-94
12.100.20.30	Merger of Partnerships (The Missing Rollover).....	12-96
12.100.20.40	Dissolving a Partnership (Section 98).....	12-96
12.100.20.50	Transfer to a Sole Proprietorship.....	12-97
12.100.30	Acquisition of Control.....	12-98
12.100.40	Loss Utilization.....	12-98
<b>13.</b>	<b>ESTATE FREEZING.....</b>	<b>13-1</b>
13.10	ESTATE FREEZING.....	13-1
13.20	OBJECTIVES OF ESTATE FREEZING.....	13-2
13.20.10	Limit Growth — Save and Defer Taxes.....	13-2
13.20.20	Shift Growth.....	13-2
13.20.30	Quantify Tax Liability.....	13-2
13.20.40	Multiply Capital Gains Deduction.....	13-2
13.20.50	Income Splitting.....	13-3
13.20.60	Other Objectives.....	13-3
13.30	STEPS AND APPROACHES TO IMPLEMENT ESTATE FREEZES.....	13-3
13.30.10	Share Exchange (Sections 86 and 51).....	13-5
13.30.10.10	Section 86.....	13-5
13.30.10.10.10	Computation of Paid-up Capital.....	13-7
13.30.10.10.20	Subsection 51(1).....	13-10
13.30.20	Use of a Holding Corporation (Section 85).....	13-14
13.30.30	Stock Dividend.....	13-17
13.30.40	Drop Down Freeze.....	13-20
13.30.50	Partnership.....	13-20
13.30.60	Sale.....	13-22

TABLE OF CONTENTS

13.30.70 Gift .....	13-25
13.30.80 Comparison of Approaches .....	13-27
13.30.80.10 Section 86 .....	13-27
13.30.80.20 Section 51 .....	13-27
13.30.80.30 Stock Dividend Freeze .....	13-28
13.30.80.40 Share-for-Share Exchanges vs. Holding Company Freezes.....	13-28
13.30.80.50 Comparison of Exchange Provisions .....	13-28
13.40 ISSUES REGARDING ESTATE FREEZING.....	13-29
13.40.10 Proper Valuation .....	13-29
13.40.20 Declines in value .....	13-36
13.40.20.10 Reversible freeze/Re-freeze .....	13-36
13.40.30 Corporate Attribution Rule.....	13-38
13.40.40 Use of a Freeze in Connection with an Investment Corporation vs. an Operating Corporation .....	13-40
13.40.50 Succession Planning.....	13-41
13.50 CORPORATE CONSIDERATIONS .....	13-43
13.50.10 Share Structure.....	13-43
13.50.10.10 Voting.....	13-43
13.50.10.20 Equity.....	13-44
13.50.10.30 Retraction/Redemption .....	13-45
13.50.10.40 Price Adjustment Clause .....	13-45
13.50.10.50 Specified Class .....	13-46.1
13.50.20 Unanimous Shareholder Agreement.....	13-47
13.50.20.10 Content.....	13-48
13.50.20.10.10 Governance .....	13-48
13.50.20.10.20 Management.....	13-49
13.50.20.10.30 Dividends .....	13-49
13.50.20.10.40 Share Provisions .....	13-49
13.50.20.10.50 Other Content .....	13-49
13.60 PLANNING APPLICATIONS .....	13-49
13.60.10 Wasting Freeze.....	13-49
13.70 OTHER.....	13-51
13.70.10 Use of a Trust as Part of an Estate Freeze .....	13-51
13.70.10.10 Application of Reversionary Trust and Attribution Rules ....	13-51
13.70.10.20 Issues with Association .....	13-52
13.70.10.30 Advantages Offered by a Trust .....	13-53
13.70.10.30.10 Asset Management .....	13-53
13.70.10.30.20 Asset Protection .....	13-53
13.70.10.30.30 Income Splitting .....	13-55
13.70.10.30.40 Secrecy .....	13-56
13.80 MULTIPLICATION AND/OR CRYSTALIZATION OF CAPITAL GAINS DEDUCTION.....	13-56
13.80.10 The Capital Gains Deduction .....	13-56
13.80.20 Purification .....	13-58

TABLE OF CONTENTS

13.80.30 Crystallization of the Capital Gains Deduction.....	13-60
13.80.40 Multiplication of the Capital Gains Deduction .....	13-61
13.90 ALTERING AN ESTATE FREEZE: RE-FREEZING AND OTHER	
OPTIONS .....	13-62
13.90.10 Re-freeze .....	13-63
13.90.20 Melt/Thaw .....	13-64
13.100 CANADA REVENUE AGENCY ADMINISTRATIVE POLICIES .....	13-65
13.100.10 Technical News.....	13-65
13.100.20 Information Circulars .....	13-66
13.100.30 Interpretation Bulletins .....	13-67
13.100.40 Advance Tax Rulings.....	13-68
13.100.40.10 ATR-22R, Estate Freeze Using Share Exchange.....	13-68
13.100.40.20 ATR-25, Estate Freeze .....	13-69
13.100.40.30 ATR-36, Estate Freeze .....	13-69
13.100.40.40 ATR-47, Transfer of Assets to RealtyCo.....	13-70
13.100.50 Other CRA Publications and Commentary .....	13-70
13.110 CASE LAW AFFECTING ESTATE FREEZING AND RE-FREEZING ...	13-72
<b>14. BUSINESS SUCCESSION PLANNING .....</b>	<b>14-1</b>
14.10 INTRODUCTION .....	14-1
14.20 IDENTIFYING SUCCESSORS .....	14-2
14.20.10 Family Members .....	14-3
14.20.20 Management.....	14-4
14.20.20.10 Sale to Management .....	14-4
14.20.20.20 Estate Freeze in Favour of Management.....	14-6
14.20.20.30 Employee Share Ownership Plans (ESOP).....	14-7
14.20.20.30.10 General .....	14-7
14.20.20.30.20 Stock Option Plans.....	14-9
14.20.20.30.20.10 Overview.....	14-9
14.20.20.30.20.20 Tax Consequences of Stock Option Plans.....	14-11
14.20.20.30.30 Cash Settlement of Stock Option Plans (In-Tandem Share Appreciation Right Plans).....	14-15
14.20.20.30.30.10 Overview.....	14-15
14.20.20.30.30.20 Tax Consequences of SAR Plans.....	14-15
14.20.20.30.40 Phantom Share Plans.....	14-18
14.20.20.30.40.10 General.....	14-18
14.20.20.30.40.20 Tax Consequences of Phantom Share Plans.....	14-19
14.20.20.30.50 Restricted Share Plans .....	14-20
14.20.20.30.50.10 General.....	14-20
14.20.20.30.50.20 Tax Consequences of Restricted Share Plans.....	14-20
14.20.20.30.60 Full Share Ownership Plans.....	14-21

## TABLE OF CONTENTS

14.20.20.30.60.10	General .....	14-21
14.20.20.30.60.20	Tax Consequences of Full Share Ownership Plans .....	14-22
14.20.20.30.70	Common ESOP Agreement Provisions .....	14-24
14.20.30	Co-shareholders/Partners .....	14-26
14.20.40	Strategic Purchasers .....	14-27
14.20.50	Investor Purchasers .....	14-27
14.20.60	Next Steps .....	14-28
14.30	AMONG OWNERS AGREEMENTS .....	14-28
14.30.10	Introduction .....	14-28
14.30.20	General .....	14-28
14.30.30	Amongst the Initial Shareholders .....	14-29
14.30.40	Agreements with Additional Shareholders such as Minority Shareholder Investors' Employees and Private Equity Firms .....	14-30
14.30.50	Sale of the Business by way of Share Sale .....	14-32
14.20.50.10	General .....	14-32
14.30.50.20	Right of First Offer .....	14-33
14.30.50.30	Drag Along/Take Along Right .....	14-33
14.30.50.40	Tag Along/Piggyback Right .....	14-33
14.30.50.50	Right of First Refusal .....	14-33
14.30.50.60	Call Provisions .....	14-34
14.30.50.70	Shotgun Provisions .....	14-34
14.30.60	Shareholder Agreement with New Owner .....	14-35
14.30.60.10	Governance .....	14-35
14.30.60.10.10	Directors and Officers .....	14-35
14.30.60.10.20	Major Decisions Requiring the Approval of the Vendor .....	14-36
14.30.60.20	Financing .....	14-38
14.30.60.30	Exit .....	14-38
14.30.60.40	Transfer of Shares on Death or Permanent Disability .....	14-39
14.40	PREPARING A BUSINESS FOR SALE .....	14-39
14.40.10	Introduction .....	14-39
14.40.20	Lifetime Capital Gains Exemption Planning .....	14-39
14.40.20.10	Determination Time Test .....	14-40
14.40.20.10.10	Active Business .....	14-41
14.40.20.10.20	Connected Corporations .....	14-42
14.40.20.20	Holding Period Ownership Test .....	14-42
14.40.20.30	Nature of the Assets Test .....	14-43
14.40.20.40	Other Considerations .....	14-44
14.40.20.50	Insufficient Dividends .....	14-45
14.40.20.60	QSBC Purification .....	14-46
14.40.30	Safe Income Dividends .....	14-47
14.40.40	General Business Clean-up .....	14-49
14.40.40.10	General .....	14-49



TABLE OF CONTENTS

14.40.40.20	Corporate Records.....	14-50
14.40.40.30	Protecting and Accounting for Assets.....	14-50
14.40.40.40	Removing Liabilities and Other Impediments to Succession/Sale .....	14-51
14.40.40.50	Working Capital Issues .....	14-53
14.40.40.60	Employee Issues.....	14-53
14.40.40.70	Contracts .....	14-55
14.40.50	Customer and Supplier Issues .....	14-56
14.40.60	Privacy Issues .....	14-56
14.50	<b>COMPLETING THE TRANSACTION .....</b>	<b>14-57</b>
14.50.10	General .....	14-57
14.50.20	Determination of Whether the Business will be Sold Pursuant to a Share or Asset Sale .....	14-59
14.50.30	Determination of Whether the Sale will be Pursuant to a Controlled Auction Process or Pursuant to Private Negotiations with a Specific Purchaser .....	14-59
14.50.40	Execution of Confidentiality Agreement/Non-Disclosure Agreement .....	14-61
14.50.50	Preparation of the Confidential Information Memorandum.....	14-61
14.50.60	Establishment of Data Room .....	14-62
14.50.70	Negotiation and Execution of the Letter of Intent .....	14-62
14.50.80	Drafting and Negotiation of the Purchase Agreement.....	14-63
14.50.80.10	The Purchase Agreement.....	14-63
14.50.80.20	Representations and Warranties.....	14-65
14.50.80.20.10	Representation and Warranties.....	14-65
14.50.80.20.20	Why is it Important that I Carefully Negotiate the Representations and Warranties? ....	14-65
14.50.80.30	Dealing with Third Parties and Obtaining Consents and Other Third Party Documents for Closing .....	14-66
14.50.90	Ancillary Documents and Schedules .....	14-66
14.50.100	Completing a Successful Closing.....	14-67
14.50.100.10	Closing.....	14-67
14.50.100.20	Impediments to Closing.....	14-67
14.50.100.30	Keys to a Successful Transaction.....	14-68
<b>15.</b>	<b>BUILDING LIFE INSURANCE INTO AN ESTATE PLAN .....</b>	<b>15-1</b>
15.10	<b>LIFE INSURANCE POLICIES — AN OVERVIEW .....</b>	<b>15-2</b>
15.10.10	“Tax Exempt“Policies of Life Insurance .....	15-2
15.10.10.10	General.....	15-2
15.10.10.20	Taxation on the Disposition of Exempt Life Insurance Policies	15-3
15.10.20	Life Insurance Products.....	15-5
15.10.20.10	Term Insurance.....	15-5
15.10.20.20	Permanent Insurance.....	15-5
15.10.20.20.10	Term-to-100 Insurance Policies .....	15-6

TABLE OF CONTENTS

15.10.20.20.20	Participating Policies .....	15-6
15.10.20.20.30	Whole Life Insurance .....	15-7
15.10.20.20.40	Universal Life Policies .....	15-7
15.10.20.30	Types of Coverage .....	15-8
15.10.20.40	Advanced Death Benefits .....	15-9
15.10.30	International Life Insurance Policies .....	15-10
15.20	USING LIFE INSURANCE IN AN ESTATE PLAN .....	15-11
15.20.10	Protection for Family .....	15-12
15.20.10.10	Mortgage Life Insurance .....	15-12
15.20.10.20	Support Obligations .....	15-12
15.20.10.30	Life Insurance for the Stay-at-Home Parent .....	15-13
15.20.20	Estate Preservation — Paying Tax Liabilities on Death .....	15-13
15.20.20.10	Capital Gains Tax .....	15-13
15.20.20.20	Provincial Probate Taxes .....	15-15
15.20.30	Estate Enhancement .....	15-16
15.20.30.10	Leveraging Life Insurance Policies .....	15-16
15.20.30.10.10	General .....	15-16
15.20.30.10.10.10	Risks of Leveraged Life Insurance Planning .....	15-17
15.20.30.10.10.20	Advantages of Leveraged Life Insurance Planning .....	15-19
15.20.30.10.20	Deductibility of Interest and Premiums .....	15-19
15.20.30.10.20.10	Deductibility of Interest .....	15-20
15.20.30.10.20.20	Deductibility of Premiums .....	15-21
15.20.30.10.30	Leveraging of Corporate-Owned Life Insurance Policies .....	15-22
15.20.30.10.40	Leveraging Arrangements and RCAs .....	15-23
15.20.30.20	Insured Annuities .....	15-25
15.20.30.30	10/8 Strategies .....	15-28
15.20.40	Equalizing an Estate .....	15-30
15.20.40.10	Family Business .....	15-30
15.20.40.20	Vacation Property .....	15-31
15.20.50	Creditor Protection .....	15-32
15.20.60	Business Succession Planning .....	15-34
15.20.60.10	Business-Owned Policies and Premium Deductions .....	15-34
15.20.60.20	Protecting Against the Death of the Founder .....	15-37
15.20.60.30	Life Insurance and Buy/Sell Arrangements .....	15-38
15.20.60.30.10	The Criss-Cross Arrangement .....	15-39
15.20.60.30.20	The Promissory Note Arrangement .....	15-39
15.20.60.30.30	Redemption of Shares by the Corporation Using Life Insurance Proceeds .....	15-40
15.20.70	Transferring Life Insurance Policies .....	15-42
15.20.70.10	General .....	15-42
15.20.70.20	Exceptions to the General Rule .....	15-43

TABLE OF CONTENTS

15.20.70.20.10	Non-Arm’s Length Gifts and Distributions from Corporations .....	15-43
15.20.70.20.20	Tax-Free Rollovers to Spouses and Children .....	15-43
15.30	DESIGNATING LIFE INSURANCE BENEFICIARIES .....	15-46
15.30.10	Life Insurance Beneficiary Designation and Revocation.....	15-46
15.30.10.10	Revocable Beneficiary Designation.....	15-46
15.30.10.20	Irrevocable Beneficiaries.....	15-47
15.30.10.30	Immediate Family Members as Beneficiaries .....	15-48
15.30.10.40	Declarations in a Will and Other Instruments .....	15-48
15.30.10.40.10	<i>Carlisle</i> and <i>Taylor</i> .....	15-48
15.30.10.40.20	The Fallout from <i>Carlisle</i> and <i>Taylor</i> .....	15-51
15.30.10.40.30	Other Beneficiary Issues.....	15-51
15.30.10.50	Spousal Rollovers and Rollovers to Children .....	15-52.1
15.30.10.60	Beneficiary Designation Issues .....	15-52.2
15.30.20	Using Insurance Trusts.....	15-52.3
15.30.20.10	Trusts in Law .....	15-52.3
15.30.20.10.10	An Overview of the Law of Trusts .....	15-52.3
15.30.20.20.20	Testamentary Insurance Trusts .....	15-52.3
15.30.20.20	Uses for Insurance Trusts .....	15-53
15.30.20.20.10	When the Beneficiary is a Minor .....	15-53
15.30.20.20.20	Where the Beneficiary is a Spendthrift or Addict ...	15-54
15.30.20.20.30	Protection from the Beneficiaries’ Creditors.....	15-55
15.30.20.20.40	Avoidance of the 21-Year Rule.....	15-55
<b>16.</b>	<b>CHARITABLE PLANNING .....</b>	<b>16-1</b>
16.10	INTRODUCTION.....	16-1
16.20	CHARITABLE DONATIONS.....	16-1
16.20.10	Meaning of Gift .....	16-1
16.20.10.10	“Property” .....	16-2
16.20.10.20	“Voluntary” .....	16-3
16.20.10.30	“Transfer to the Charity”: Conditions and Restrictions.....	16-4
16.20.10.40	Intention to Make A Gift .....	16-6
16.20.10.50	“Consideration” .....	16-9
16.20.10.60	Split-Receipting: The Draft Legislation on Partial Gifts .....	16-12
16.20.10.70	Redefining Gift — From “Gift” to “Eligible Amount of a Gift” .....	16-12
16.20.10.80	Determining the “Amount of the Advantage” .....	16-13
16.20.20	Gifts by Individuals — Tax Credits .....	16-15
16.20.30	Gifts by Corporations — Tax Deductions .....	16-15
16.20.40	The Legislative Framework .....	16-16
16.20.50	Types of Gifts .....	16-18.1
16.20.50.10	Gifts of Capital Property .....	16-18.1
16.20.50.10.10	Deemed Disposition and Election of Donated Value.....	16-18.1

TABLE OF CONTENTS

16.20.50.10.20	Fair Market Value.....	16-20
16.20.50.20	Gifts of Shares.....	16-21
16.20.50.20.10	Capital Dividend Account.....	16-23
16.20.50.20.20	Donating Listed Securities and Bonds.....	16-24
16.20.50.30	Gifts of Flow-through Shares.....	16-26
16.20.50.31	Gifts of Options.....	16-27
16.20.50.40	Ecological Gifts, Total Cultural Gifts and Residual Interests	16-28
16.20.50.40.10	Cultural Property.....	16-28
16.20.50.40.20	Ecological Property.....	16-29
16.20.50.40.30	Residual Interests.....	16-29
16.20.50.50	Testamentary Gifts.....	16-30.1
16.20.50.50.10	Executor's Discretion.....	16-30.1
16.20.50.60	Gifts of Life Insurance.....	16-30.3
16.20.50.60.10	Gifts of Life Insurance During the Donor's Lifetime	16-31
16.20.50.60.10.10	Valuation of Life Insurance.....	16-31
16.20.50.60.20	Gifts of Insurance Proceeds on Death.....	16-32
16.20.50.70	RRSP Designations.....	16-34
16.20.60	Anti-Avoidance Provisions.....	16-34
16.20.60.10	Personal Use Property.....	16-35
16.20.60.20	Non-qualifying Securities and Excepted Gifts.....	16-35
16.20.60.20.10	The Rules Relating to Non-qualifying Securities.....	16-36
16.20.60.20.20	Tax Planning in the Context of the NQS Rules.....	16-39
16.30	PRIVATE FOUNDATIONS.....	16-40
16.30.10	Creating a Private Foundation.....	16-40
16.30.10.10	Why Create a Private Foundation?.....	16-41
16.30.10.20	Issues Related to the Creation of Private Foundations.....	16-45
16.30.10.20.10	Control.....	16-45
16.30.10.20.20	Form of Foundation.....	16-45
16.30.10.30	Steps to be Taken in Establishing a Private Foundation.....	16-46
16.30.10.40	Disclosure.....	16-47
16.30.20	Non-qualified Investments and Section 189 Tax.....	16-47
16.30.20.10	"Non-qualified Investments".....	16-48
16.30.20.10.10	Debt.....	16-48
16.30.20.10.20	Shares.....	16-48
16.30.20.10.30	Excluded Corporations.....	16-49
16.30.20.20	Section 189 Penalty Tax.....	16-49
16.30.20.20.10	Debt.....	16-49
16.30.20.20.20	Shares.....	16-50
16.30.30	Excess Business Holdings Regime.....	16-51
16.30.30.10	Background and Structure.....	16-51

## TABLE OF CONTENTS

16.30.30.10.10 Safe Harbour.....	16-51
16.30.30.10.20 Monitoring Phase.....	16-52
16.30.30.10.30 Divestiture Required.....	16-52
16.30.30.20 Whose Shareholdings Matter?.....	16-53
16.30.30.20.10 “Relevant Persons”.....	16-53
16.30.30.20.20 Trusts.....	16-54
16.30.30.30 Compliance Period.....	16-55
16.30.30.40 Transitional Rule.....	16-55
16.30.30.50 Exempted Shares.....	16-55
16.30.30.60 Substituted Shares.....	16-56
16.30.30.70 Penalties.....	16-57
16.30.30.70.10 General.....	16-57
16.30.30.70.20 Anti-Avoidance Provision.....	16-57
16.30.30.80 Evaluation of Excess Business Holdings Rules.....	16-58
16.40 DONOR-ADVISED FUNDS.....	16-58
16.50 DONATION TAX SHELTERS.....	16-59
16.50.10 Introduction.....	16-59
16.50.20 Charitable Donation Tax Shelters Previously Available.....	16-59
16.50.20.10 Valuation-based Shelters: Buy Low — Donate High.....	16-59
16.50.20.20 Leveraged Donations.....	16-60
16.50.30 Responses to Donation Tax Shelter Schemes.....	16-60
16.50.30.10 Initial Canadian Government Responses to Charitable Donation Tax Shelters.....	16-60
16.50.30.10.10 Definition of Gift.....	16-60
16.50.30.10.20 Flawed Valuations.....	16-61
16.50.30.10.30 Amendment of Personal Use Property Definition ..	16-61
16.50.30.10.40 Amendment of Tax Shelter Definition.....	16-61
16.50.30.10.50 Anti-Avoidance in the Draft Legislation.....	16-61
16.50.30.10.50.10 Subsection 248(35) — Attack on Valuation-based Shelters.....	16-62
16.50.30.10.50.20 Subsection 248(34) — Attack on Leveraged Donation Shelters.....	16-63
16.50.30.20 Caselaw.....	16-63
16.50.30.20.10 Tax Court of Canada and Federal Court of Appeal Require Bulk Valuation.....	16-63
16.50.30.20.20 Tax Shelter Class Action Suits.....	16-64
16.50.30.30 Revocation of Charitable Registration.....	16-65
16.60 DONATIONS USING TRUSTS.....	16-66
16.70 CHARITABLE REMAINDER TRUSTS.....	16-66
<b>17. EMIGRATION AND IMMIGRATION.....</b>	<b>17-1</b>
17.10 INTRODUCTION.....	17-1
17.20 RESIDENCE.....	17-2
17.20.10 Residence of Individuals for Canadian Income Tax Purposes.....	17-2

TABLE OF CONTENTS

17.20.20	Residence of Corporations for Canadian Income Tax Purposes .....	17-5
17.20.30	Residence of Trusts for Canadian Income Tax Purposes.....	17-6
17.20.40	Permanent Resident Status Under the Immigration and Refugee Protection Act .....	17-8
17.30	EMIGRATION.....	17-9
17.30.10	Individuals .....	17-9
17.30.10.10	Deemed Disposition of Property .....	17-9
17.30.10.20	Property Excluded from Deemed Disposition.....	17-11
17.30.10.30	Shares Acquired Under an Employee Stock Option .....	17-13
17.30.10.40	Elective Deemed Disposition.....	17-14
17.30.10.50	Deferral of Departure Tax and Security.....	17-16
17.30.10.60	Post Emigration Losses.....	17-18
17.30.10.60.10	Application of Post-Departure Losses to Emigration Gains .....	17-18
17.30.10.60.20	Stop-Loss Rule.....	17-20
17.30.10.60.30	Credit for Canadian Withholding Tax Paid by Former Resident.....	17-21
17.30.10.70	Foreign Tax Credit .....	17-23
17.30.10.80	Returning Former Resident.....	17-24
17.30.10.80.10	Election in Respect of Taxable Canadian Property .....	17-25
17.30.10.80.20	Election in Respect of Property Other than Taxable Canadian Property .....	17-27
17.30.10.90	Returning Trust Beneficiary .....	17-28
17.30.10.90.10	Election in Respect of Trust Distributions of Taxable Canadian Property .....	17-28
17.30.10.90.20	Election in Respect of Trust Distributions of Property Other Than Taxable Canadian Property .....	17-29
17.30.10.100	Reporting Requirements in the Year of Departure .....	17-30
17.30.20	Corporations .....	17-32
17.30.20.10	Deemed Year-End.....	17-32
17.30.20.20	Deemed Disposition and Reacquisition of Property.....	17-32
17.30.20.30	Additional Tax.....	17-33
17.30.30	Trusts.....	17-33
17.30.30.10	Deemed Year-End.....	17-34
17.30.30.20	Deemed Disposition and Reacquisition of Property.....	17-34
17.30.30.30	Relieving Provisions not Applicable to Trusts .....	17-35
17.30.30.40	Relieving Provisions Applicable to Trusts .....	17-35
17.40	IMMIGRATION .....	17-36
17.40.10	General Comments.....	17-36
17.40.20	Individuals .....	17-37
17.40.30	Trusts.....	17-39
17.40.40	Corporations .....	17-39
17.40.40.10	Deemed Dividend to Immigrating Corporation .....	17-40

TABLE OF CONTENTS

17.40.40.20	Foreign Affiliate .....	17-40
17.40.40.30	Branch Tax .....	17-41
17.40.40.40	Paid-up Capital Adjustment and Deemed Dividend by Immigrating Corporation .....	17-41
17.40.50	Immigration Trusts .....	17-42
<b>18.</b>	<b>INTERNATIONAL PLANNING .....</b>	<b>18-1</b>
18.10	INTRODUCTION .....	18-1
18.20	RESIDENCE OF A TRUST .....	18-1
18.30	SECTION 94 OF THE ITA — NON-RESIDENT TRUSTS DEEMED RESIDENT IN CANADA .....	18-5
18.30.10	Background .....	18-5
18.30.20	Section 94 .....	18-6
18.30.20.10	When Does Section 94 Apply? .....	18-6
18.30.20.20	Resident Contributor .....	18-7
18.30.20.30	Resident Beneficiary .....	18-8
18.30.20.40	Connected Contributor .....	18-9
18.30.20.50	Contributor .....	18-11
18.30.20.60	Contribution .....	18-11
18.30.30	Deemed Transfers .....	18-12
18.30.30.10	Paragraph 94(2)(a) — Increase to Net Value of Trust Assets .....	18-12
18.30.30.20	Paragraph 94(2)(c) — Indirect Transfer .....	18-13
18.30.30.30	Paragraph 94(2)(d) — Guarantees and Financial Assistance .....	18-13
18.30.30.40	Paragraph 94(2)(f) — Services .....	18-15
18.30.30.50	Paragraph 94(2)(g) — Issue of Shares, Partnership Interest, Debt, Trust Interest, Options .....	18-15
18.30.30.60	Paragraph 94(2)(k.1) — Benefit of Employee Services .....	18-17
18.30.30.70	Paragraph 94(2)(q) — Specified Fixed Interest in a Trust .....	18-17
18.30.30.80	Supporting Rules .....	18-17
18.30.30.90	Arm’s Length Transfer Exception .....	18-18
18.30.30.100	Restricted Property .....	18-19
18.30.40	Saving Rules .....	18-20
18.30.40.10	Paragraph 94(2)(u) — Pre-October 11, 2002 Transfers .....	18-20
18.30.40.20	Paragraph 94(2)(v) — Loan from a Specified Financial Institution .....	18-21
18.30.50	Consequences of Section 94 .....	18-21
18.30.50.10	Consequences of Section 94 to the NRT .....	18-21
18.30.50.20	The Resident and Non-Resident Portions .....	18-23
18.30.50.30	Becoming and Ceasing to be a Section 94 Deemed Resident Trust .....	18-28
18.30.50.40	Consequences of Section 94 to the Beneficiaries .....	18-29
18.30.50.50	Consequences of Section 94 to the Contributor .....	18-30

TABLE OF CONTENTS

18.30.50.60 Electing Contributor .....	18-31
18.30.60 Information Reporting .....	18-32
18.30.60.10 Contributors .....	18-32
18.30.60.20 Beneficiaries .....	18-32
<b>18.40 CANADIAN RESIDENT TRUSTS WITH NON-RESIDENT</b>	
<b>BENEFICIARIES .....</b>	<b>18-32</b>
18.40.10 Deductibility of Amounts Payable to Beneficiaries and Part XII.2	
Tax .....	18-33
18.40.10.10 Common Law Canadian Resident Trust .....	18-33
18.40.10.20 Section 94 Deemed Resident Trust .....	18-35
18.40.20 Distributions to Non-Resident Beneficiaries — Withholding Tax .....	18-36
18.40.20.10 Common Law Canadian Resident Trust .....	18-36
18.40.20.20 Section 94 Deemed Resident Trust .....	18-37
 <b>19. U.S. GIFT AND ESTATE TAX ISSUES AFFECTING CANADIANS .....</b>	 <b>19-1</b>
<b>19.10 OVERVIEW OF U.S. TRANSFER TAX SYSTEM .....</b>	<b>19-1</b>
19.10.10 U.S. Citizens and Domiciliaries .....	19-4
19.10.10.10 Gift Tax .....	19-4
19.10.10.20 Estate Tax .....	19-4
19.10.10.30 Generation-Skipping Transfer Tax .....	19-5
19.10.10.40 Spousal Planning .....	19-6
19.10.10.50 Issues with Portability .....	19-7
19.10.20 Canadian Resident NRAs .....	19-7
19.10.20.10 U.S. Situs Assets .....	19-7
19.10.20.20 Treaty Benefits and Planning .....	19-8
19.10.20.30 Spousal Planning .....	19-9
19.10.30 Compliance .....	19-10
19.10.30.10 Gift Tax .....	19-10
19.10.30.20 Estate Tax .....	19-11
19.10.30.30 Generation-Skipping Transfer Tax .....	19-11
<b>19.20 USE OF TRUSTS IN U.S. ESTATE PLANNING .....</b>	<b>19-12</b>
19.20.10 Overview .....	19-12
19.20.20 Typical Types of Trusts .....	19-12
19.20.20.10 Irrevocable Life Insurance Trusts (ILIT's) .....	19-12
19.20.20.20 Irrevocable Grantor Trust .....	19-13
19.20.20.30 Marital (Spousal) Trust .....	19-13
19.20.30 Common Features of U.S. Estate Planning Trusts .....	19-14
19.20.30.10 Rights of Withdrawal .....	19-14
<b>19.30 PLANNING SCENARIOS .....</b>	<b>19-15</b>
19.30.10 U.S. Citizen Spouses Resident in Canada .....	19-15
19.30.10.10 Lifetime Planning .....	19-15
19.30.10.20 Will Design .....	19-15
19.30.20 Married Couple, One U.S. Citizen, One Not, Resident in Canada .....	19-16
19.30.20.10 Lifetime Planning .....	19-17



TABLE OF CONTENTS

19.30.20.20 Will Design .....	19-17
19.30.30 Canadian Parents of U.S. Citizen or Resident Children .....	19-19
19.30.30.10 Lifetime Planning.....	19-19
19.30.30.20 Will Design .....	19-19
19.30.40 Canadians Holding U.S. Assets .....	19-19
19.30.40.10 Purchasing or Acquiring Initially .....	19-19
19.30.40.20 Already Owning Individually .....	19-21
19.30.50 Canadian Moving to United States.....	19-22
<b>20. U.S. INCOME TAX ISSUES INVOLVED IN CANADIAN TAX AND ESTATE PLANNING .....</b>	<b>20-1</b>
20.10 U.S. INCOME TAX RULES FOR INDIVIDUALS AND TRUSTS.....	20-1
20.10.10 Individuals .....	20-1
20.10.10.10 U.S. Citizens .....	20-1
20.10.10.20 U.S. Permanent Residents (“Green Card” Holders) .....	20-1
20.10.10.30 Substantial Presence Test .....	20-2
20.10.20 Trusts.....	20-3
20.10.20.10 Grantor Trusts.....	20-4
20.10.20.20 Simple Trusts.....	20-4
20.10.20.30 Complex Trusts.....	20-4
20.10.20.40 Foreign Trusts .....	20-5
20.10.20.40.10 “Grantor” .....	20-5
20.10.20.40.20 “Non-Grantor” .....	20-5
20.20 U.S. ANTI-DEFERRAL RULES .....	20-6
20.20.10 Corporate.....	20-7
20.20.10.10 CFC .....	20-7
20.20.10.20 Passive Foreign Investment Company .....	20-8
20.20.10.30 Tax Compliance.....	20-8
20.30 PLANNING SCENARIOS .....	20-9
20.30.10 Canadian Immigrating into US.....	20-9
20.30.20 U.S. Citizen Immigrating into Canada (No Expatriation) .....	20-10
20.30.30 Estate Planning for Canadian Parents of U.S. Citizen or Resident Children .....	20-10
20.30.40 Eliminating or Avoiding Accumulation Distribution from Existing Foreign Non-Grantor Trusts .....	20-10
20.30.50 Income Tax and Estate Planning for U.S. Citizens Resident in Canada .....	20-11
20.40 SUMMARY OF U.S. EXPATRIATION RULES (FOR CANADIAN RESIDENTS OR RETURNING CITIZENS) .....	20-110
<b>INDEX .....</b>	<b>INDEX-1</b>