

# YOUR GUIDE TO ESTATE PLANNING: PRIVATE COMPANY SHARES

## HOW CAN COMPANY OWNERS REDUCE TAXES ON DEATH?

### Estate Administration Tax (aka Probate Fees):

In most cases, your executor will have to apply to court for probate after your death. Probate serves as proof of death and proof of a valid Will (or lack thereof). Banks and other financial institutions usually require probate before they will release any estate funds. Estate administration tax (also called probate fees) will be payable on the fair market value of your estate, including your worldwide assets other than foreign real property, when your executor submits a probate application. This tax is payable whether you have a Will or not. It is in addition to income tax, which is calculated separately based on individual marginal rates.

Currently, estate administration tax amounts to approximately 1.5% of all estate assets. It is specifically calculated as follows:

- \$5 for every \$1,000 of estate assets up to \$50,000; and
- \$15 for every \$1,000 of estate assets over \$50,000.

For example, an estate valued at \$500,000 would be subject to an estate administration tax of \$7,000. For an estate valued at \$1,500,000, the estate administration tax would be \$22,000.

### Multiple Wills:

If you own a private company, you can avoid estate administration tax on your shares through the use of two separate Wills. Your primary Will would contain all of your assets that require probate. All assets not requiring probate would fall under your secondary Will– this would include your private company shares, as well as household goods, personal effects, and certain real property. Estate administration tax would only be payable on the assets falling under your primary Will.

Unfortunately, if you elect to have only one Will, your private company shares would be subject to estate administration tax.

The use of multiple Wills is an extremely useful estate and financial planning strategy in Ontario, particularly for those

with private companies having high share values and significant retained earnings.

### More:

There are other ways to reduce estate administration tax on your general estate, including joint ownership of assets, beneficiary designations on certain assets, and the use of inter vivos trusts. Please feel free to speak to us for more information on these mechanisms.



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