
INTERNATIONAL TAX PLANNING

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ESTATE PLANNING: US-RESIDENT BENEFICIARIES OF A CANADIAN ESTATE — PART 1

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Estate planning offers taxpayers a means of distributing their assets, subsequent to death, in a way that minimizes tax liabilities for both the deceased and their beneficiaries. Serious obstacles can arise if the estate has non-resident beneficiaries and a significant portion of its value is derived from shares of a Canadian investment corporation. The authors of this two-part article examine Canadian and US tax implications for a Canadian resident who wishes to bequeath shares of a Canadian investment corporation to beneficiaries that include both Canadian and US residents. In part 1, the authors review how the residence of an estate is determined pursuant to Canadian rules and US tax rules, the application of US anti-deferral rules, and the resulting unexpected tax liabilities for US-resident beneficiaries. In part 2, they will discuss the use of unlimited liability corporations and other planning strategies that may be used to mitigate the overall tax burden on the deceased and their beneficiaries.

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