

# Death of an Employee Guidelines™



The National Payroll Institute's mission statement is Payroll Leadership through Advocacy and Education. The Institute is committed to providing the payroll-related services payroll professionals and their employers need to ensure compliance with over 190 legislative requirements that impact payroll.

All references to legislative requirements are current at the time of publication; however government legislation shall prevail if there are any discrepancies between the guidelines and government statutes or regulations.

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# INTRODUCTION

As the authoritative source of Canadian payroll knowledge, one of the objectives of the National Payroll Institute (NPI) is to publish guidelines that can be referenced as NPI Payroll Best Practices for payroll practitioners and their employers.

A challenge for many payroll professionals is having their employers understand that payroll is mission critical and requires in-depth knowledge and skills to ensure compliance.

The NPI guidelines can assist organizations with preparing for a payroll audit. They can also provide benchmarking tools for designing and/or implementing Payroll Best Practices.

These guidelines were created by a task force of NPI staff and subject matter expert payroll professionals, ensuring both the accuracy of the information and the practicality of its application, based on real-life experiences within various organizations.

The NPI would like to thank the subject matter experts for their participation on the task force and their contributions to these guidelines.

NPI members should direct any legislative questions on these guidelines to:



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## KEYWORD SEARCH AND HYPERLINKS

When viewing any of the NPI's guidelines online, readers can search for keywords appearing within the document. For example, if information is required on a certain word or phrase, type the word or phrase in the search window (activated by pressing the "Ctrl" and "F" keys simultaneously on most applications).

These guidelines contain **hyperlinks** within the document itself. All government forms, guides and websites discussed within the guidelines can also be accessed using these hyperlinks, which were active at the time of publication. Up-to-date links to major government websites such as Canada Revenue Agency, Service Canada, Revenu Québec and employment/labour standards can be accessed through the **Resources → Government Links** page on the NPI's website, **payroll.ca**.

There is a quiz at the end of the document to test your knowledge and you can also take the quiz online by visiting the guidelines section of our website (**payroll.ca → Resources → Payroll Guidelines**).

# DEATH OF AN EMPLOYEE GUIDELINES

As a payroll or human resource (HR) practitioner, one of the most difficult situations you may face in your career is managing the organizational impact of the death of an employee or retiree. Dealing with the administration of the deceased employee's final payments and affairs is a sensitive matter that must be handled in a timely and compassionate manner.

Employees who were close to the deceased employee may also need help to deal with this unfortunate incident. We recommend assessing the amount of support required to effectively manage the situation, and considering your own reaction to the news to better predict the need to involve other resources from within or outside the organization.

The NPI's Death of an Employee Guidelines are intended for use as a NPI Payroll Best Practice. According to the NPI's 2011 Member Census, 45% of payroll practitioners operate alone, managing the payroll and HR function within their organization. These guidelines serve in developing an operational plan from payroll and HR perspectives when an employee dies, including how to deal with final payments and the related reporting.

## Note:

These guidelines provide general information about selected issues concerning payroll legislative and compliance issues and/or employment and taxation laws. It is not legal advice and should not be relied upon as a substitute for legal counsel. Every effort has been made to provide accurate information; however, we advise you to seek legal counsel and advice from a qualified lawyer regarding your specific situation. Legal obligations vary according to the facts and circumstances, as well as the jurisdiction.

# HUMAN RESOURCES CONSIDERATIONS

## STAFF NOTIFICATION

Once becoming aware of the death of an employee, you should notify the appropriate contacts in your organization, such as the president, CEO, other key executives, and immediate managers and/or supervisors. Managers and/or supervisors can then cascade the information to the appropriate teams with the support of HR, if available.

Since news travels quickly, ensure this is done in a timely and sensitive manner. Specific to the immediate team, you may want to gather the employees together for the announcement. If possible, it is recommended that this be done in person. The remainder of the company can be notified through written communications, such as an email or memorandum. Where applicable, contact staff who may be away or on leave. Share only that the employee has passed away and that you will send additional information regarding funeral and other arrangements.

### Note:

A critical incident at the workplace should be handled differently. Depending on the circumstances, you may need to shut down your operations and involve the authorities. This process is explained in the section [Workers' Compensation – Critical Incidents and Fatalities](#).

## EMERGENCY CONTACTS

An emergency contact form is an important part of your organization's hiring process. This will ensure that you have contact information should an emergency arise with a particular employee. If you currently do not have an emergency contact or call-tree process in place, it is recommended that you develop one.

The emergency contact form should have at least three contacts for each employee and include the following:

- Name of employee
- Address
- First, second, third contact
- Relationship to contact
- Primary phone number
- Alternate phone number
- Primary language spoken

For internal managers or executives, include the following:

- Name and title
- Home phone number with alternate cell phone number



## HOW TO PREPARE AND WHAT TO EXPECT

A sudden death can be a traumatic event whether it occurs within or outside of the workplace. Incidents may include an unexpected workplace accident, a known ongoing illness or a sudden, untimely death — all of which can evoke strong emotional, physical and behavioural stress responses. These are normal or anticipated reactions. Support services such as those provided by an Employee Assistance Program (EAP) or assistance from a Workers' Compensation Crisis Intervention Counsellor, where available, may help you and your employees deal with the incident.

### Loss of work productivity and motivation

Expect the organizational impact of the death of an employee to result in lower productivity and motivation for a brief time. Depending on the nature of the death, employers should also keep in mind that some employees may not have their mind on their work, which may also impact their safety.

A debriefing held soon after the announcement will ease the impact of loss, but it cannot be avoided entirely. In time, the staff should return to its normal level of functioning.

#### Possible Internal Responses to a Death

- Create a memorial bulletin board with photos and other meaningful images.
- Hold a workplace event, such as a luncheon or reception, to honour the deceased employee. Where applicable, also consider:
  - Inviting family members and close friends outside of work to share their memories with the group.
  - Creating a memory book filled with stories and sentiments from colleagues and co-workers to give to the family.
- Extend gestures of condolences to the family:
  - Flowers and cards are often appropriate.
  - Holding a fundraiser to give a financial donation to a chosen charitable organization may be appropriate.
- Write an article about the employee for your in-house newsletter.

#### Note:

The relationship an employee had with co-workers may often determine how the organization decides to remember the deceased. Gauge the nature and timing of the event, and be sensitive to the family wishes when assessing proposed expressions of grief and commemorative activities.

## ATTENDING THE FUNERAL OR MEMORIAL SERVICE

Attending the memorial service is an important part of the grieving process. Arrange time for your team(s) to attend the funeral or memorial service if they would like to do so. You may need to hire a temporary worker to answer phones for a few hours so that everyone can attend.

## TRANSITION PERIOD

In the event the death is sudden, delegation and workload reassignment may be necessary to ensure business continuity. Developing a standard process for payroll administration and estate notification can help you to keep things organized and provide relief during what may be a difficult transitional period for staff. This will also ensure a timely response to the affairs of the deceased employee.

Considerations within the Workplace	
<ul style="list-style-type: none"><li>• <b>Desk and personal belongings</b></li></ul>	HR can arrange to have the deceased employee's desk and personal belongings packed up on behalf of the family.
<ul style="list-style-type: none"><li>• <b>Staff coverage for unfinished or future work assignments</b></li></ul>	A temporary, short-term plan can be put into place until a more permanent decision can be made to distribute or delegate unfinished or future work assignments.
<ul style="list-style-type: none"><li>• <b>Changing the voicemail message, retrieving messages (voicemail and email), and handling inquiries intended for the deceased employee</b></li></ul>	Calls and emails to the deceased employee should be rerouted immediately. Arrange with your IT department to route the calls and emails to the immediate manager to handle or distribute accordingly. Consider preparing a brief statement to assist those who reply to calls and/or emails.
<ul style="list-style-type: none"><li>• <b>Office space</b></li></ul>	Out of respect to the deceased and grieving employees, it may be best not to make any abrupt moves in regard to space changes. Depending on the circumstances, you may consider taking up to one month to make such changes.
<ul style="list-style-type: none"><li>• <b>Referring grieving employees to your EAP</b></li></ul>	If one to two months pass and you notice that one of your employees has not returned to his or her normal level of functioning and appears to still be grieving, talk to that employee, give them feedback on what you have observed and share your concerns about them. You may suggest that they seek counseling from your EAP, if available. Often the loss of a co-worker triggers unresolved feelings about previous losses or anticipated losses. This person may need extra assistance in coping with these feelings.
<ul style="list-style-type: none"><li>• <b>The replacement employee</b></li></ul>	At minimum, a new employee needs to be prepared for possible negative comparisons with the deceased employee. If the deceased was well liked, the transition will be even more difficult. It is advisable to give staff notice of the new employee's start date and relevant work background to prepare them for the change. It is a normal part of accepting a loss to welcome someone new.

## STANDARD ESTATE NOTIFICATION AND SUPPORT PROCESS

Considerations for Estate Notification and Support Process
<ul style="list-style-type: none"><li>• <b>Grief Counselling</b> If your company has an EAP, provide the family with the contact number. If the death occurred onsite, you may need to contact a crisis counsellor or the EAP to help support the other employees.</li></ul>
<ul style="list-style-type: none"><li>• <b>Life Insurance Provider</b> If applicable, advise the insurance company of the death. Arrange for the family to receive the appropriate life insurance forms, and give them the contact name and address of the life insurance provider.</li></ul>
<ul style="list-style-type: none"><li>• <b>Benefit Provider(s)</b> Advise the benefit provider(s) of the death. Companies may have multiple benefit providers. Provide the family with the information pertaining to each and any required forms to transfer these benefits to the survivors, if applicable.</li></ul>
<ul style="list-style-type: none"><li>• <b>HR/Payroll</b> Families will have questions regarding HR and payroll. Provide them with the contact information for each department.</li></ul>
<ul style="list-style-type: none"><li>• <b>Last Pay/Pension Deposit Date</b> Communicate the last pay deposit day and which pay period it covers. Let them know if they can expect other payments and when, if applicable.</li></ul>
<ul style="list-style-type: none"><li>• <b>Tax Slips</b> Confirm the current mailing address with the contact of the deceased, and inform the family or trustee when they can expect to receive the final tax slips (T4, T4A, RL-1). Where payments are made in two different tax years, let the contact person know to expect a tax slip for each year. <b>Note:</b> You may be asked to provide tax slips or final earnings details prior to your year-end processing date. See the section <b>Early Issuance of T4/RL-1 Slips.</b></li></ul>
<ul style="list-style-type: none"><li>• <b>Tax Filing</b> Provide the family with the CRA dates for which the employee's last tax filing will need to be completed. Returns are due by April 30 of the year following the taxation year if the death occurs between January 1 and October 31; otherwise, they are due six months following the date of death.</li></ul>
<ul style="list-style-type: none"><li>• <b>Service Canada</b> There are many benefits the family member may need to cancel or for which they may apply. Service Canada can be contacted at 1-800-277-9914 or see its website at <a href="http://www.servicecanada.gc.ca/eng/lifeevents/loss.shtml">http://www.servicecanada.gc.ca/eng/lifeevents/loss.shtml</a> for more information. Some benefits are as follows:<ul style="list-style-type: none"><li>• <b>Death Benefit</b> – Provide the contact information above so that the family can see whether they are entitled to this benefit.</li><li>• <b>Canada/Quebec Pension Plan</b> – If the deceased was collecting this benefit, it needs to be cancelled or possibly transferred to the surviving spouse and/or dependent children.</li><li>• <b>Old Age Security</b> – If the deceased was collecting this benefit, it needs to be cancelled.</li><li>• <b>Social Insurance Number (SIN)</b> – It needs to be cancelled.</li></ul></li></ul>
<ul style="list-style-type: none"><li>• <b>Canada Revenue Agency (CRA)</b> For tax-related questions, direct the family to the following CRA website: <a href="http://www.cra-arc.gc.ca/tx/ndvdl/lf-vnts/dth/menu-eng.html">http://www.cra-arc.gc.ca/tx/ndvdl/lf-vnts/dth/menu-eng.html</a> This website will provide information on a range of topics:<ul style="list-style-type: none"><li>• <b>Goods and Services Tax/Harmonized Sales Tax Credit</b> – If the deceased was receiving these payments, they need to be cancelled or transferred to the surviving spouse.</li><li>• <b>Canada Child Tax Benefit/Universal Child Care Benefit</b> – If the deceased was receiving these payments, they need to be cancelled or transferred to the surviving spouse.</li></ul>In addition, the website provides information on the types of returns that need to be filed, legal representation, clearance certificate, deemed disposition of property, net capital loss, etc.</li><li>• <b>Revenu Québec (RQ)</b> – Similarly, tax-related information can be found for Quebec employees on the following RQ website: <a href="http://www.revenuquebec.ca/en/citoyen/situation/deces/default.aspx?CLR=2">http://www.revenuquebec.ca/en/citoyen/situation/deces/default.aspx?CLR=2</a></li></ul>

### Considerations for Estate Notification and Support Process

- **Provincial Health Card** – The deceased’s provincial health card should be cancelled by notifying the appropriate ministry of health of the death.
- **Survivor/Executor** – Provide the suggested **Survivor/Executor Checklist Template** to assist the executor with the tasks they will need to perform. Suggest the executor/next of kin contact the CRA/RQ, financial planner, bank, etc., for advice and assistance as required.

### Note:

Payroll should not give any financial advice to a deceased person’s executor, spouse or eligible contact.

## INTERNAL COORDINATION

The payroll department may be required to initiate internal coordination with other departments such as Finance, HR and Information Technology (IT) to obtain the information and/or authorization needed to process final payments, adjustments and cancel any company property and computer connection.

Below are a number of common topics with suggested actions to be taken in order to establish your best practice.

### Key Points

#### Automobile and motor vehicle benefits and allowances

- Contact the person in charge of company-owned vehicle to inform them of the recent death of the employee.
- Contact the family to establish the date when the vehicle will be picked up. Make sure to capture the final odometer reading.
- To calculate the final value of the taxable benefit, obtain the final personal/business kilometres (final log book). If this information is not available, you may have to reconstruct the taxable value using reasonable means, for example, based on prior logs submitted or knowledge of business and personal trips made by the employee. Maintain these records and be prepared to validate your calculations.
- Where using a third party provider to administer the automobile taxable benefits, contact them if you need to issue a T4/RL-1 estimate to the estate.
- When an automobile allowance is provided, the terms may include a written agreement requiring reconciliation based on true kilometres driven followed by an end-of-period adjustment. Where this is applicable, obtain the log book information required to finalize the calculation.

#### Last expense report and expense advance

- Before recovering any expense advance from the employee’s last pay, confirm whether there are any outstanding expense reports and supporting receipts to be collected from the family. Reconcile the balances and handle accordingly on the final pay or at a later date.

#### Company loans and mortgage

- Generally companies do not grant loans or mortgages without a signed agreement. Review the agreement for a section related to the death of an employee; otherwise, the termination clause may be applicable. Remember to use caution and remain sensitive to the particulars of this event. Flexible terms may be required to avoid further undue hardship to the deceased’s family.
- Your organization may want to consider a “forgiven loan” process for the remainder of the debt. Note: A forgiven loan generates a taxable benefit equal to the value of the loan at the time forgiven.

## Key Points

### Spousal benefits

If your organization offers spousal benefits (other than group benefits), communicate the termination date and terms of such benefits. Examples of such benefits include:

- Tuition
- Vehicles and automobiles
- Expense cards
- Company rebates or discounts

**Note:** Where such benefits continue to be offered, determine future taxation and reporting requirements.

### Relocation

Consideration should be given to any existing relocation clause within the deceased's employment agreement. Where significant geographical relocation occurred, it may be necessary to assist the family with moving back to their original location.

## PROPERTIES AND ACCESS

Where company properties are outstanding, and building and system access was granted, a collection and deactivation process must be defined. Accordingly, clear ownership of such responsibilities should be pre-assigned, communicated and regularly audited for completion.

Itemized Properties/Access Checklist		
Properties/Access	Action	Completion Date
Company Credit Card(s)	Returned/Cancelled	
Long Distance Telephone Card(s)	Returned/Cancelled	
ID Card/Keys/Entry Pass	Returned/Cancelled	
System Access Code(s)/Login(s)/Password(s)	Cancelled	
Communication Device(s) and Contracts	Returned/Cancelled	
Tools/Other Equipment	Returned	
Computer/Laptop	Returned	
Company Vehicle/Automobile	Returned	
Manual(s)/Book(s)/Document(s)	Returned	
Employee Discount Card	Returned/Cancelled	
Internal Staff Directories	Remove Employee Name	
Mailing List/Contact(s)	Remove Employee Name	
Voicemail/Message Centre	Reset	

## WORKERS' COMPENSATION - CRITICAL INCIDENTS AND FATALITIES

In the event of a workplace fatality or other critical incident, the employer is required to immediately contact the local authorities and request emergency medical support. Most jurisdictions require the employer to notify the Ministry of Labour of the incident and provide the relevant details and circumstances in writing within a specified period of time.

It is advisable to contact your workers' compensation account representative, and where applicable, contact the Occupational Disease and Survivor Benefits Program. The employer can also request assistance with onsite crisis intervention in the case of a traumatic incident occurring in the workplace.

The employer's immediate response and initial responsibilities include the following:

Employer's Responsibilities
• Provide first aid, and make accurate record of the incident and onsite first aid treatment given.
• Arrange and facilitate for transport to a medical treatment facility.
• Pay your worker a full day's wages on the day of the incident.
• Investigate the cause and nature of the incident. Where necessary, record the steps taken to rectify the situation and avoid repeated occurrences.

In addition, following a workplace incident resulting in the death of an employee, survivor assistance and benefits may be available and can include the following:

Survivor Assistance and Benefits
• Funeral and transport costs
• Bereavement counselling
• Payments and/or benefits to the survivor(s)
• Labour market re-entry plan for the surviving spouse

For more information on specific requirements and procedures, contact the workers' compensation board of the jurisdiction under which the deceased employee was covered.

# PAYROLL CONSIDERATIONS

## PAYMENT TO THIRD PARTY PROVIDERS/VENDORS/EXTERNAL STAKEHOLDERS

Relationships and interactions with third party providers, vendors and external stakeholders are integral functions of the payroll department. Following the death of an employee, additional communication may be required beyond the organization's needs, often in support of the estate and beneficiary.

### PAYMENTS TO THIRD PARTY

As per the *Payments to Estates Regulations, 1996*, amounts owed to a deceased individual should be made payable to the estate of the deceased.

The payment of salary and allowances to someone other than the employee, or the employee's estate, is generally prohibited.

### SHORT-TERM DISABILITY/LONG-TERM DISABILITY PAYMENTS

A short-term disability/long-term disability (STD/LTD) plan provides coverage for employees in the event of an illness or disability. If you have an STD or LTD plan in place, refer to the text in your plan documents on how to handle the death of an employee who is receiving STD/LTD benefits.

In general, you should initiate the following:

- Cancel any direct deposits by the employer, if applicable, and make any final payments via cheque to the estate of the deceased employee.
- Advise the third party or case manager of the death and provide any necessary details.
- Provide the spouse or beneficiary with details from the third party benefits provider pertaining to process of claim and what death benefits are available, if any.

Initiating these steps before things have been finalized will prevent any overpayments to the deceased and/or billing to your organization.

### ACCIDENTAL DEATH AND DISMEMBERMENT

Accidental Death and Dismemberment (AD&D) provides a lump sum payment as a result of sudden death. If the death of an employee was accidental and not work related, follow the same steps as above.

## PENSION PLANS AND GROUP BENEFITS

Employment/labour standards do not require employers to provide employee benefit plans. For those employers that do, benefits may continue for a certain period after the death of the employee. Consult your pension plan text and your insurance carrier plan text/contracts for specifics.

Upon notification, the employer, pension trustee and actuary should be sent a copy of the death certificate, if applicable. If the individual was a pensioner, the first indication of a potential death is often the return of a pension payment due to a frozen bank account. A recovery of payments made in error may be required.

As pension plans and group benefit programs are generally under contract with a third party, it is recommended that the employer notify the third party to determine the length of coverage that may be available to the family after the death of an employee.

Section 5.5 of the Revenu Québec guide, **Taxable Benefits (IN-253-V)**, states that the value of the benefit resulting from amounts that you paid to a private health services plan for coverage received after the employee's death by the surviving spouse and dependants is not taxable. Therefore no reporting is required.

## COVERAGE FOR DEPENDENTS OF A DECEASED BENEFICIARY

If coverage for a surviving spouse and/or any dependent children continues under your group plan, it may continue under the same account number as before or, if you prefer, you may submit a new application. The cancellation notice and new application should be submitted together.

A family member's group coverage may be cancelled at the end of the month he/she ceases to be eligible. It may be necessary to complete specific forms to cancel the coverage with the provider.

## PROVINCIAL HEALTH CARE - BRITISH COLUMBIA MEDICAL SERVICE PLAN

The employer has to notify the British Columbia (BC) Medical Service Plan (MSP) of the death. Payments of MSP premiums on the employee's behalf will continue until the end of the month the death occurred. Where applicable, finalize the taxable benefit amount to be included with the final payment.

The MSP premiums are a provincially imposed levy. Where the employer pays the premium on behalf of employees and their family members, it is a taxable benefit to the employee.

Where the employer continues to pay MSP premiums on behalf of an employee's spouse/family after the employee is deceased, the CRA will not generally consider this to be a taxable benefit to the spouse/family member. While the CRA could, under a strict interpretation of the legislation, require that the benefit be included in the surviving spouse's income and reported on a T4A, the Agency has taken the position that after the death of the employee, it does not require a continuing taxable benefit to be included in the income of the surviving spouse.

### NOTE:

This is **NOT** an absolute statement that **ALL** benefits provided to surviving family members of the employee are tax free.



## UNION DUES

In the event of the death of a unionized employee, the employer should notify the union, and prepare and remit the final union deductions. You may also need to provide beneficiary contact and/or change of address information.

## CANADA SAVINGS BONDS

The employer has to notify the Bank of Canada of the death when the deceased employee participated in the Canada Savings Bonds (CSB) Payroll Savings Program. Prepare and remit the final CSB deductions, and provide the beneficiary with details of the CSB process. Further information can be found at the CSB's website: <http://www.csb.gc.ca>.

## GARNISHMENTS

In the event of the death of an employee, the legislation and regulations related to final payment with respect to garnishments, including Requirements to Pay, Third Party Demands, Family Support and Maintenance Orders, and Wage Assignments vary among jurisdictions. For example, in New Brunswick, unless otherwise provided by the court, a Support Order stops when the individual paying the support dies. Unpaid amounts accrued in the 12 months before death become the liability of the individual's estate.

The death of an employee would be considered a termination of employment. You should follow the necessary steps according to your jurisdiction. At minimum you must notify in writing the court or third party who issued the order within a specific time frame that the payments have stopped. Should this situation arise, it is recommended to seek legal counsel and validate the garnishment order for the proper process. Failure to do so may result in exposing your organization to a legal liability.

# FINAL PAYMENTS

Payroll's responsibility following the death of an employee is to ensure that the final payments are calculated accurately and disbursed in a timely manner. Developing a standard process, including an individualized **Deceased Employee Payroll Action Checklist**, will aid in tracking the progress and should be kept in the employee's file so that future inquiries can be addressed promptly. A sample template is included in **Appendix E**.

*Payments to Estates Regulations, 1996*, states that payments of salary payable to a deceased employee are to be issued to the estate of the employee or to a person entitled by law to share in the estate of the deceased employee.

As a best practice, the NPI recommends that such payment(s) be made out to “the Estate of deceased employee's name” and all direct deposits be cancelled. Required T4 and RL1 slips should be issued in the deceased employee's name; however, the CRA has clarified that adding “the Estate of” is also acceptable.

## RIGHTS OR THINGS

Rights or things are amounts that had not been paid to the deceased at the time of his or her death but would have been included in income when received had the person not died. There are rights or things from employment and other sources.

Employment rights or things are salary, commissions and vacation pay, as long as **both** of these conditions are met:

- The employer owed them to the deceased on the date of death.
- They are for a pay period that ended before the date of death.

For more information about rights or things, see the following interpretation bulletins:

- **IT212R3, Income of Deceased Persons - Rights or Things**
- **IT234, Income of Deceased Persons - Farm Crops**
- **IT427R, Livestock of Farmers**

It is recommended to seek legal counsel for specific rights or things payments during final payments of a deceased employee.

### Note:

Generally, the bank account of the deceased person is not frozen until the bank/financial institution is in receipt of the death certificate. The account can be frozen whether individual or joint depending on the circumstances. Often the account co-owner will be required to open a new account. There can be long delays before the death certificate is presented or the bank is notified. As a result, transactions may continue to occur.

## RETROACTIVE PAYMENTS

A retroactive adjustment is an amount owed relating to previous pay periods. When processing adjustments for a deceased individual there are two situations that can occur.

1. The authorization for payment was in place or a collective agreement was signed prior to the employee's death. In these situations, the retroactive adjustment is considered employment income for the deceased, reported on the T4 slip in Box 14 in the tax year paid.
2. A retroactive payment made to deceased employees pursuant to an agreement signed after the employee's death. In this case, the amount is not taxable to the deceased employee, the estate or the beneficiary. However, any interest on the amount is taxable to the estate or the beneficiary of the deceased employee by virtue of paragraph 12(1)(c) of the **Income Tax Act** (ITA).

## UNEXERCISED EMPLOYEE STOCK OPTIONS ON DEATH

An internal CRA technical interpretation (TI) confirms that an employee who holds unexercised employee stock options at the time of death is deemed to have received a benefit in the year of death equal to the stock options' value immediately after death, net of his or her cost of acquisition (TI 2009-0327221I7, December 21, 2012). The deceased's estate is deemed to have acquired the options at a cost equal to their Fair Market Value (FMV).

Employer Reporting Obligations
<ul style="list-style-type: none"><li>• When an employee holds unexercised employee stock options at the time of death, under paragraph 7(1)(e) of the ITA, he/she is deemed to have received an employment benefit in the year of death equal to the options' value immediately after death less any amount that he/she paid to acquire them. (Paragraphs 7(1)(b), (c), and (d) of the stock option rules do not apply if paragraph 7(1)(e) applies.)</li></ul>
<ul style="list-style-type: none"><li>• When an option provides that it is automatically cancelled on an employee's death, its value immediately after death is nil, and no amount is included in the deceased's income under paragraphs 6(1)(a) and 7(1)(e).</li></ul>
<ul style="list-style-type: none"><li>• However, if the option's terms provide that the estate may exercise the option for a limited period—such as one year after the employee's death—then paragraph 7(1)(e) may result in an income inclusion for the employee.</li></ul>
<ul style="list-style-type: none"><li>• The TI states that if a deceased's estate receives an employee stock option, generally paragraph 69(1)(c) deems its added cost base (ACB) to the estate to be its FMV at the time that the estate acquires it. (That ACB is reduced under paragraphs 53(2)(t) and 164(6.1)(b) by the subsection 164(6.1) loss, if any.)</li></ul>
<ul style="list-style-type: none"><li>• In general, if an estate exercises an employee stock option, its ACB is added to the cost of the shares (subparagraph 49(3)(b)(ii)).</li></ul>
<ul style="list-style-type: none"><li>• The CRA says that an option may decline in value after the taxpayer's death, and then the benefit actually realized by the estate on its exercise or disposition is less than the benefit that must be reported by the deceased under paragraph 7(1)(e). Subsection 164(6.1) can provide relief if the option is exercised, expires, or is otherwise disposed of within the estate's first taxation year. If the legal representative elects in the prescribed manner, the loss is deemed to be a loss from the deceased's employment for the year of death. The loss amount (paragraph 164(6.1)(a)) equals the amount of the benefit deemed received by the deceased in the year of death under paragraph 7(1)(e) minus the option's value immediately before its exercise or disposition, net any amount that the deceased paid to acquire the option. If one-half of the option benefit was deducted under paragraph 110(1)(d) vis-à-vis the deceased's income inclusion in the year of death under paragraph 7(1)(e), the loss carry back is reduced by the paragraph 110(1)(d) deduction.</li></ul>

In the year of death, an employer must report the amount of the employment benefit, calculated under paragraph 7(1)(e), on the appropriate information return (form T4 or T4A) in the deceased employee's name.

It is recommended that you validate the information in your plan documents and seek legal counsel on such payments.

## DEATH BENEFIT - CRA

In general terms, a “death benefit” is the gross amount received by a taxpayer in a taxation year less an amount of up to \$10,000 payable to a surviving spouse or named beneficiary in recognition of that employee’s service in an office or employment. It does not include any outstanding wages or vacation owing to the employee.

### Qualifying Payments

The following payments are considered to be the gross amount of a death benefit:

- Payments in recognition of the employee’s service even though the payments continue for a long time on a periodic basis, or for the lifetime of the recipient, if they were made under an employer’s fund or plan that is distinctly separate from certain plans, such as a superannuation or pension fund or plan, a salary deferral arrangement or a retirement compensation arrangement; and
- Payments in recognition of service of an employee who dies prior to retirement that represent a settlement of his or her accumulated sick leave credits to which the employee was entitled under the terms of the office or employment.

### Non-Qualifying Payments

The following payments are not considered death benefits:

- A payment received out of a superannuation or pension fund or plan, and in general, payments received out of a salary deferral arrangement or a retirement compensation arrangement upon or after the death of an officer or employee;
- Where an employee dies prior to retirement, a payment in respect of accumulated vacation leave;
- A death benefit paid under the Canada or Quebec Pension Plan;
- A payment representing deferred employment income that would have been taxable in the employee’s hands under subsection 6(3) if the employee had not died; or
- A payment representing overtime pay that would have been taxable to the employee under subsection 5(1) if the employee had received the amount before death.

### Retiring Allowance Paid After Death

If an employee ceased employment and was entitled to receive a retiring allowance but dies before the payment is made, the subsequent payment of the amount to a beneficiary of the deceased is included in the recipient’s income under sub-paragraph 56(1)(a)(ii) as a retiring allowance. The tax treatment of a retiring allowance is discussed in the current version of **Interpretation Bulletin IT-337R4, Retiring Allowances.**

The CRA will allow the value of any retiring allowance not received at the time of the taxpayer’s death to be included in the employee’s income in the year of death as a “right or thing.” If an officer or employee dies prior to retirement, any payments made by the employer in recognition of service in an office or employment with the employer is considered to be a death benefit rather than a retiring allowance. This includes the pay out of sick leave credits to which the employee was entitled.

A benefit received on the death of an individual will not qualify as a death benefit unless it is reasonable to conclude that the benefit is in recognition of that individual's service in an office or employment. If no employer-employee relationship existed, the amount received by a beneficiary of the deceased will not be treated as a death benefit. Notwithstanding the existence of an employer-employee relationship, generally, amounts received out of or under a salary deferral arrangement or a retirement compensation arrangement do not qualify as death benefits.

**Note:**

Any unpaid amounts as part of a retiring allowance cannot be transferred to the deceased employee's RRSP account, since, on death, a tax payer can no longer be the annuitant of an RRSP. However, the transfer can be made to the spousal RRSP using the deceased RRSP deduction room, thereby reducing the taxable income on the final return. The deceased individual's legal representative can make contributions to the surviving spouse's or common-law partner's RRSP in the year of death or during the first 60 days after the end of that year provided the deceased individual has RRSP deduction room available.

**Year-end Reporting**

A death benefit, if paid by an employer, should be reported on the T4A slip using Code 106. Enter the gross amount of any payment (including a payment to a surviving spouse, common-law partner, heir or estate) on or after the death of an employee to recognize the employee's service in an office or employment. Remember to obtain the recipient's legal name and social insurance number where applicable.

	Income Tax	CPP	EI	EHT	WCB	T4A Reporting
Death Benefit paid by Employer	Y <sup>1</sup>	N	N	N	N	Code 106

<sup>1</sup> on amounts in excess of \$10,000

**DEATH BENEFIT - REVENU QUÉBEC**

The death benefit is an amount paid to the heirs of a deceased employee, in recognition of services rendered by the employee. Such a benefit may be, for example, an amount reimbursed for sick leave accumulated but not used before the employee's death.

If you pay a death benefit, you must withhold income tax of 14% or 19%, as applicable, only if the death benefit is paid in the year of death or the following year. The beneficiaries of a death benefit can, as a rule, claim an income tax exemption of up to \$10,000 when filing his or her return.

**Year-end Reporting**

Death benefits if paid by the employer are taxed as follows and are reported on the RL-1 slip using Code RK in Box O.

	Income Tax	QPP	QPIP	Health Services Fund	CNT WSDRF	RL1 Reporting
Death Benefits paid by Employer	Y <sup>1</sup>	N	N	N	N	Code RK in Box O

<sup>1</sup> on amounts in excess of \$10,000

## Deceased employee payments - RQ

Where an employee dies during the year, any amounts the employee would have received during the year are subject to source deductions of income tax, employee and employer QPP contributions, the employer contribution to the health services fund and the contribution to the financing of the Commission des normes du travail (CNT).

You must also include such amounts in calculating the total payroll used to calculate your rate of contribution to the health services fund and in the total payroll used to calculate your participation in workforce skills development and, if applicable, your contribution to the Workforce Skills Development and Recognition Fund (WSDRF).

However, such amounts are not subject to employee and employer QPIP premiums. For example, such amounts could be an amount for accumulated vacation at the time of death or retroactive payments under a collective agreement signed before the employee's death. However, if the payment of such an amount was unforeseeable at the time of the employee's death, it is not subject to source deductions and employer contributions. This applies, for example, to a lump sum paid under a collective agreement signed after the employee's death.

### Note:

An amount paid for accumulated sick leave is considered a death benefit and is therefore subject only to source deductions of income tax. Income tax is withheld at a rate of 16% or 20%, if applicable. The beneficiary or beneficiaries of a death benefit may be entitled to a maximum exemption of \$10,000 when filing their income tax return.

## C/QPP CONTRIBUTIONS AND EI/QPIP PREMIUMS

Retiring allowances and death benefits are neither pensionable nor insurable; therefore, neither C/QPP contributions nor EI/QPIP premiums are to be deducted.

## INCOME TAX WITHHOLDING

Retiring allowances and death benefits are subject to income tax using the lump-sum tax rates. The lump-sum tax rates are as follows:

Payment Amount	Federal Tax Rate outside Quebec	Federal Tax Rate in Quebec	Provincial Tax Rate in Quebec
Up to and including \$5,000	10%	5%	14%
Over \$5,000 up to and including \$15,000	20%	10%	19%
Over \$15,000	30%	15%	19%

Do not deduct income taxes from the first \$10,000 of the death benefit.

Example 1	
Death benefit paid to former employee's spouse	\$12,000
Income tax deduction	\$200
• federal $(\$12,000 - \$10,000) \times 10\% =$	
Income tax deduction (Quebec)	
• federal $(\$12,000 - \$10,000) \times 5\% =$	\$100
• provincial $(\$12,000 - \$10,000) \times 14\% =$	\$280

If the employer pays the death benefit to someone other than the spouse, the exemption is limited to any remaining allowable deduction not yet used by the spouse. The \$10,000 exemption is always applied to the amount payable to the surviving spouse first. The \$10,000 exemption may also be split, in proportion to the amount received, between two spouses (spouse as defined under the **Income Tax Act**) or another person if there is no surviving spouse. The total exemption, regardless of how it is distributed, may not exceed \$10,000.

<b>Example 2</b>	
Death benefit paid to former employee's spouse	\$9,000
Death benefit paid to former employee's child	\$3,000
• federal income tax deducted on payment to spouse (payment is less than \$10,000)	0
• federal income tax deducted on payment to child (\$10,000 - \$9,000 = \$1,000)	0
• (\$3,000 - \$1,000 = \$2,000) x 10% =	\$200
<b>WITHIN QUEBEC</b>	
Death benefit paid to former employee's spouse	\$9,000
Death benefit paid to former employee's child	\$3,000
• federal and provincial income tax deducted on payment to spouse (payment is less than \$10,000)	0
• federal income tax deducted on payment to child (\$10,000 - \$9,000 = \$1,000) (\$3,000 - \$1,000 = \$2,000) x 5% =	\$100
• provincial income tax deducted on payment to child (\$10,000 - \$9,000 = \$1,000) (\$3,000 - \$1,000 = \$2,000) x 14% =	\$280

## REGISTERED PENSION PLANS – DPSP AND/OR RRSP

Each registered pension plan (RPP) has a plan document that can be instrumental in assisting with the handling of final payments, beneficiary information and the withdrawal or transfer of such funds. Developing a sound knowledge on the workings of the plan may prove beneficial when dealing with exceptional circumstances such as an employee's death.

### Note:

It is considered a good standard of payroll practice to have similar documents outlining the specifics when offering a Deferred Profit-Sharing Plan (DPSP) or a group RRSP.

### Proposed Action Points related to Registered and Non-Registered Plans

- Stop all direct deposits/cancel all cheques in the name of the deceased.
- Request death certificate.
- Inform actuaries or plan administrators in the case of a defined benefit plan.
- Review pension/RRSP options.
- If deceased is entitled to survivor pension benefits, ensure listed survivor is still living and contact him/her about future payments (obtain direct deposit information and TD1/TP1015.3-V).
- Report periodic payments from an RPP in Box 016 of the T4A slip and in Box A of the RL-2 slip (if necessary).
  - Periodic payments from a non-registered pension plan paid to the survivor are reported in Box 028 and Code 109 on the T4A slip.
  - Income taxes using the regular tax rates are deducted and reported in Box 022 on the T4A slip.
- Report lump-sum payments to the surviving spouse in Box 018 of the T4A slip and Box C of the RL-2 slip (if applicable). If the payments include a single payment accrued to December 31, 1971, this amount must also be reported in Box C-1 of the RL-2 slip (if applicable).
  - Lump-sum payments from a non-registered pension plan are reported in Box 018 and Code 190 of the T4A slip, as well as in Box C and Code C-2 of the RL-2 slip (if applicable).
  - Income taxes using lump-sum rates are deducted and reported in Box 022 of the T4A slip and Box J of the RL-2 slip (if applicable).
- If deceased had no spouse, final pension amounts owing as per plan's terms must be payable to the estate and reported in Box 018 of the T4A slip and Box C of the RL-2 slip (if applicable).
- Pension Adjustment (PA) and/or Pension Adjustment Reversal (PAR) are not reported in the year of death.
- RRSP contributions cannot be made to a deceased individual's RRSP after the date of death. However, the deceased individual's legal representative can make contributions to the surviving spouse or common-law partner's RRSP in the year of death or during the first 60 days after the end of that year. Contributions made to a spouse's or common-law partner's RRSP can be claimed on the deceased individual's return up to that individual's RRSP deduction limit for the year of death.

### Example

Dave died in August 2014. His 2014 RRSP deduction limit is \$7,000. Before he died, Dave did not contribute to either his RRSP or his wife's RRSP for 2014. His wife Paula is 66 years old in 2014. On Dave's behalf, his legal representative can contribute up to \$7,000 to Paula's RRSP for 2014. The legal representative can then claim an RRSP deduction of up to \$7,000 on line 208 of Dave's 2014 final return.

- Review your company plan and policy to determine how to handle the final employee and employer contributions. Adjust the taxable benefit amount and final reporting accordingly.



## PENSION ADJUSTMENT REVERSAL

Basic Pension Adjustment Reversal (PAR) rules include the following points:

- A PAR is not reported in the year of death or retirement.
- A PAR is only reported upon termination from the pension plan.
- A PAR is only reported when the transfer value is less than the Pension Adjustments (Pas) reported since 1990.
- A PAR is reported on a T10 slip/statement.
- The T10 statements and summary must be filed with the CRA (usually filed by the plan administrator).
- The estate receives a copy of the T10 but they do not file this slip with the CRA.
- A PAR of less than \$50 is not reportable unless the employee or the CRA requests it.
- An amendment to a PAR that has changed by less than \$50 does not have to be issued unless the employee or the CRA requests it.
- Pension information must be kept indefinitely and therefore it is incumbent on the payroll practitioner to maintain and store PA records safely.

## SALARY CONTINUANCE PAID AFTER DEATH

If you have an employee who was receiving a salary continuance with full participation in the company's registered pension plan but died before the end of the salary continuance period, the balance of the payments should be made payable to the estate as employment income, subject to CPP (up to the deceased's maximum). Withhold regular taxes and report it on a T4 to either the deceased or the estate.

### Note:

This type of payment should be paid if the termination or company policy does not state that the salary continuance will end upon the death of the recipient.

## STATUTORY DEDUCTIONS FROM FINAL PAYMENTS

### CANADA REVENUE AGENCY (CRA)

#### Canada Pension Plan (CPP)

Where an employee dies, the annual maximum contribution is prorated over the number of months before and including the month of death. Any refund owing to the deceased employee resulting from this proration is made payable to the “estate of the employee.”

Deduct CPP contributions from monies earned before the death of an employee and not yet paid at the time of death.

Do not deduct CPP from payments you make after an employee dies, except for amounts the employee earned and was owed before the date of death.

Once an employee has had the annual maximum contribution withheld in a taxation year, no further CPP contributions are required for the employee. If the current contribution being withheld brings the employee’s total contribution for the year over the maximum, then only a partial amount is withheld, up to the annual maximum contribution.

Prorating the CPP contributions may also be applicable in a number of other situations related to factors such as age or when in receipt of a disability or retirement pension benefits.

#### Note:

An employee’s maximum pensionable earnings should be adjusted and reported in Box 26 and contributions reported in Box 16 on the T4 slip if applicable.

**Example:**

**Your employee dies in the year.**

Deduct CPP contributions up to and including the last pay dated in the month in which the employee dies. Also deduct CPP contributions from any amounts and benefits that are earned or owed to the employee on the date of death. When prorating, use the number of months up to and including the month of death.

**Check the amount of CPP you deducted.**

1) Prorate the maximum CPP contribution for the year by following these steps:

**Step 1:** Deduct the annual basic exemption (\$3,500 for 2014) from the annual maximum pensionable earnings (\$52,500 for 2014).

**Step 2:** Multiply the result of Step 1 by the number of pensionable months.

**Step 3:** Divide the result of Step 2 by 12 (months).

**Step 4:** Multiply the result of Step 3 by the CPP contribution rate that applies for the year (4.95% for 2014).

To find out about the previous and current exemptions, maximums, and rates, go to CPP contribution rates, maximums and exemptions.

2) Calculate the CPP contribution per pay period and withhold the amount calculated until one of the following happens:

- the maximum prorated contribution for the year is reached; or
- the last pay period for which deductions are required is completed.

3) The correct amount of CPP contributions will be whichever is the lowest.

**Employment Insurance (EI)**

Do not deduct EI premiums from monies earned (such as salary, banked overtime, bonus, vacation, etc.) before the death of an employee and not yet paid at the time of death.

Do not deduct EI premiums from payments made after death.

## REVENU QUÉBEC (RQ)

The term “salary or wages” (**TP1015.G-V**) refers to gross employment income and includes a variety of earnings including the following amounts and any similar payment made to an employee:

- Amount paid after an employee’s death (other than a death benefit), provided the payments were foreseeable at the time of death.

Enter in Box A of a deceased employee’s RL-1 slip all amounts to which the employee was entitled and which he or she would have received during the year (for example, the amount of vacation pay accumulated at the time of death or retroactive salary or wages paid under a collective agreement signed before the employee’s death).

Where an employee dies during the year, any amounts the employee would have received during the year are subject to source deductions of income tax, employee and employer QPP contributions, and the employer contribution to the health services fund and the financing of the CNT.

### Note:

Similar rules as those noted above under CPP apply as it relates to prorating the annual maximum QPP contribution amount.

## QUEBEC PARENTAL INSURANCE PLAN (QPIP)

Do not deduct QPIP premiums from monies earned (such as salary, banked overtime, bonus, vacation, etc.) before the death of an employee and not yet paid at the time of death.

## INCOME TAX – CRA AND RQ

Generally speaking, the type of payment being issued determines income tax calculations. Regular employment income, such as wages, vacation pay for time taken or other payments due as a result of regular pay period frequency disbursements, is subject to calculations using the regular table method. However, exceptional payments, such as vacation on termination, bonuses, banked overtime, may be subject to calculations using the bonus taxation method.

### Note:

Additional information on statutory deductions can be found in the following guides:

- CRA - T4001 – Employer Guide to Payroll Deductions and Remittances:  
<http://www.cra-arc.gc.ca/E/pub/tg/t4001/README.html>
- RQ - TP1015.G-V – Guide for Employers: Source Deductions and Contributions:  
[http://www.revenuquebec.ca/en/sepf/formulaires/tp/tp-1015\\_g/default.aspx](http://www.revenuquebec.ca/en/sepf/formulaires/tp/tp-1015_g/default.aspx)

### Note:

Depending on your system configuration, the timing and the type of payments to the deceased or to the estate of the deceased, a manual override may be required to adjust or turn off the automated calculation and deduction. Statutory withholdings such as EI, QPIP, C/QPP and federal/provincial taxes are subject to special rules. As a result, the pensionable, insurable earnings and hours may also require overriding.

## CRA CLARIFICATION

### - PAYMENTS IN TAX YEAR FOLLOWING YEAR OF DEATH

The CRA has recently reviewed the reporting requirements for payments of employment income accrued and earned prior to the employee's death but paid in a tax year following the year of death. In order to simplify the administrative process, CRA confirms the following reporting requirement:

- Report income on a T4 slip for the year during which it was paid, regardless of when the services are performed or rendered, or if the employee is deceased.

#### Example:

A payment dated in January 2014 covers income earned in the last days of December 2013. That income must be reported on the T4 slip for the year that starts in January 2014, since that is the year it was paid.

### EARLY ISSUANCE OF T4 SLIP

The individual responsible for filing the final tax return for the deceased employee may contact the employer requesting tax slips to prepare the return.

If a slip is requested early you can accommodate the estate and prepare the employee copy of the slip and release it. Maintain the employer and government copies to file on or before the last day of February of the following year.

Individual requesting a T4 slip should be aware that amounts may change due to year end reconciliations. Best practice would recommend that you use the fillable form available on the CRA website and mark as an unofficial copy.

### EARLY ISSUANCE OF RL-1 SLIP

The employer may issue the RL-1 slip prior to the last day of February of the following year to allow for the estate to process the deceased employee's final personal income tax return more expeditiously. In this instance, the employer will keep a copy of the RL-1 slip on file for submission with all of the other RL-1 slips at the end of February of the following year.

It must be noted that the employer is not obligated to adhere to such a request from the estate. In fact, there is no requirement in the Quebec's **Taxation Act** that stipulates any deadline or requirement to produce RL-1 slips for the estate.

Therefore, administratively, the RQ is willing to accept a letter from the employee. However, an RL-1 slip must still be produced within the above-mentioned prescribed guidelines.

## SUMMARY OF ADDITIONAL REPORTING FOR SPECIAL PAYMENTS FOLLOWING DEATH

Information Slip by Type of Income Reported		
Type of income	CRA information slip	RQ information slip
1. Severance pay received because of death: Since this is a death benefit, up to \$10,000 may be non-taxable.	T4A, Code 106	RL-1, Box O, Code RK
2. Future adjustments to severance pay regardless of when the collective agreement was signed	T4, Code 66 and/or 67	RL-1, Box O, Code RJ
3. Refund of pension contributions payable because of death	T4A, Box 018	RL-2, Box B
4. Guaranteed minimum pension payment (this is not a death benefit)	T4A, Box 018	RL-2, Box B
5. Deferred profit-sharing plan payment	T4A, Box 018	RL-2, Box B
6. Pension or superannuation periodic payments	T4A, Box 016	RL-2, Box A
7. I.A.A.C. annuity	T4A, Box 024	RL-2, Box B
8. Income earned in a RRIF after annuitant dies	T4RIF, Box 22	RL-2, Box K
9. Income earned in a RRSP after annuitant dies	T4RSP, Box 28	RL-2, Box K
10. CPP or QPP death benefit, if not reported by the recipient	T4A(P), Box 18	RL-2, Code C-4F

# PRIVACY

## DISCLOSING PAYROLL/MEDICAL/HR INFORMATION ABOUT THE DECEASED

As a payroll or HR practitioner, you may be asked to disclose payroll or other personal information of the deceased to their estate. From a privacy perspective, an employer should be fine to release payroll, financial and other information to the estate of the deceased. However, the employer should exercise due diligence to ensure they are talking to the actual executor, etc.

In certain instances, the employer could release some medical and/or performance information (possibly redacted and possibly only to the heirs). The general rule is set out in the federal **Personal Information Protection and Electronic Documents Act** (PIPEDA) under the disclosure rules. As per section 7(3), an organization may disclose personal information without consent only if the disclosure is:

- (h) made after the earlier of*
  - (i) one hundred years after the record containing the information was created, and*
  - (ii) twenty years after the death of the individual whom the information is about;*

In other words, privacy rights survive the individual and personally identifiable information about them is still protected. However, since the estate of the individual is accountable for discharging the person's fiduciary responsibilities, there should be no issues with releasing financial information to the estate.

Using a provincial example, **BC's Privacy Act** states:

*An action or right of action for a violation of privacy or for the unauthorized use of the name or portrait of another for the purposes stated in this Act is extinguished by the death of the person whose privacy is alleged to have been violated or whose name or portrait is alleged to have been used without authority.*

In other words, any breach-related actions based on an infringement of an individual's privacy under BC's public sector privacy law ends with the individual's death. A similar provision is also outlined in **Saskatchewan's Privacy Act** and other jurisdictions may follow the same approach.

**Quebec's An Act Respecting the Protection of Personal Information in the Private Sector** contains the following provision (but nothing on payroll or employees):

*31. The spouse and the direct ascendants or descendants of a deceased person are entitled to receive, in accordance with the procedure provided for in section 30, communication of information relating to the cause of death contained in the person's medical file, unless the deceased person recorded in writing, in his file, his refusal to grant such right of access.*

### Note:

It is recommended to seek legal counsel and advice from a qualified lawyer regarding your specific situation. Legal obligations will vary according to the facts and circumstances, as well as the jurisdiction.

## RETIREE PAYROLL PROCESS (PENSIONER)

If the person who passes away is a former employee and the employer maintains the retiree payroll or have outsourced the pension administration to a third party but the former employee still deals with the employer, further review and possible action will be required by the former employer.

If the retiree payroll is maintained by a pension administrator or other third party (insurance company, etc.), contact the third party and notify them of the death. You can also instruct the beneficiary to contact the third party and to provide them with a copy of the death certificate (funeral director's statement of death) and who the contact for the Estate is. The third party will review the file and take any possible action directly with the estate contact or beneficiary.

When speaking with whomever provided the death notification of the former employee, let them know whether the retiree payroll is administered by a third party or by the employer so they can know who to expect further contact with. Sometimes the person notifying of the death may not be the surviving spouse or beneficiary. Therefore caution should be exercised to prohibit giving information to the wrong party.

### FINAL RETIREE PAYMENT PROCESS

The following are basic guidelines when administering the final payment process or arranging for the pension to be transferred to the surviving spouse/estate. In most cases, payment of the pension is still made in the month of death. If that is the case, let the person know to expect this payment and when it is payable.

Normally, you should have beneficiary information on hand or your third party will have this information. When contacted, ensure you address the following topics:

- Obtain the name of contact and their relationship to the deceased (spouse, executor, etc.).
- Obtain the address of contact to send necessary documents to action payout/transfer of pension payments to survivor benefits.
- Ask if there is a surviving spouse (if applicable) in order to send out the right forms. Get their contact information if not the same as the deceased retiree.
- If possible, let them know which forms/documents may be required so they can start getting them ready.
- Once the date of death is provided (even if the death certificate has not been provided yet), review the file. Depending on the pension option chosen, there may be a pension benefit payable to the surviving spouse or a beneficiary.
- The amount payable to the spouse or beneficiary may be at the same amount the former employee was receiving or at a reduced amount.
- Calculate the amount payable to the survivor/beneficiary. If there is income leveling, it may also need to be factored in, as it may end when the former employee passes away or it may continue to the spouse or beneficiary depending on the plan rules.
- Check to see if there are any deductions (other than income tax) being taken from the pension payment. If there are, determine whether these deductions should continue to the new payee. It may depend on who the new payee is: spouse or beneficiary.



- Sometimes the amount payable may be a lump sum instead of a monthly pension.
- Contact the survivor or beneficiary and let them know whether the pension continues or ends. If it ends, let them know and inactivate the payment file so no further payments are produced. Send the T4A now if possible. Failing that, send it by the regular deadline of February 28.
- If there is an amount payable, request the necessary information from the survivor/beneficiary. Once the information is received, either transfer the pension to the new payee by setting them up in the system so they receive future payments or set up the lump sum payment.

**Note:**

If the beneficiary is a minor, the Public Trustee or a named trustee may need to be involved. If the payment is payable to the estate of the deceased, the Will may need to be reviewed to determine who the executor is.

- If paying out by lump sum, ensure the lump sum tax rates are used according to the amount of the payout.
- If paying out monthly, request the TD1 so the appropriate taxes are withheld. When reviewing the TD1, watch for extra tax or no tax credit, as they may have other income and do not want the basic tax credit.
- If the pension is payable to a survivor, check to see if the survivor is receiving his or her own pension from the same employer. This may require some adjustments to his or her pension.

This process may take some time, so any missed payments will need to be paid once the new payee is set up. There may have been an overpayment to the deceased former employee if the death notification was not received in a timely manner. If there is an overpayment, it needs to be collected from the estate.

Sending out retiree confirmation letters may be a proactive method of receiving timely notification of deaths.

# PREPARING FINAL INFORMATION RETURNS FOR DECEASED PERSONS

Payroll is often the point of contact for employees and their families. Although it is not advisable to provide personal tax information, a general understanding of personal filing requirements can provide insights into what may otherwise appear as recurring requests. More information can be found in the CRA's **Chart 1 – Returns for the year of death.**

Period When Death Occurred	Due Date
January 1 to October 31	April 30 of the following year
November 1 to December 31	Six months after the date of death

## **CRA (T4011)**

Generally, the final return and any amount owing are due on or before the above dates.

When the final return is late and there is a balance owing, CRA will charge a late-filing penalty together with interest on both the balance owing and any penalty. The penalty is 5% of any balance owing, plus 1% of the balance owing for each full month that the return is late, to a maximum of 12 months. The late-filing penalty may be higher if inclusive of a late-filing penalty on a return for any of the three previous years.

## **RQ (IN-117-V)**

Generally, the final return and any amount owing are due on or before the above dates. However there are special circumstances, which may allow for some exceptions.

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

## **ISSUING A RECORD OF EMPLOYMENT FOR A DECEASED EMPLOYEE**

General issuance rules for Record of Employment (ROE) production remain applicable in the case of a deceased employee. The ROE should be issued in the deceased employee's name and use reason Code K with a comment in Block 18: "Deceased." Although Service Canada suggests limiting the use of Block 18 comments, additional relevant details can be provided in this instance. Out of respect for the survivor(s), the employee's copy does not need to be mailed out.

## SUMMARY

There are few events for which we can neither plan nor entirely prepare. Unlike regular business transactions, dealing with the death of an employee can result in a number of unique situations. As most experts recommend, plan for the unexpected and ensure the leadership team is prepared to offer the required support. Also allow for a reasonable period of lowered expectation related to productivity and a certain degree of flexibility as individuals work through the grieving process. Before long, normality will return. The compassion experienced by your employees during this period will go a long way in reflecting your organization's values and reinforcing its desirable culture.

## FEEDBACK

The NPI appreciates your comments and welcomes your suggestions as we seek to continually improve our member resources. Please direct any feedback on these guidelines to:

Janet Spence, CPM  
Manager, Compliance Services and Programs  
The National Payroll Institute  
Email: [guidelines@payroll.ca](mailto:guidelines@payroll.ca)

## TEST YOUR KNOWLEDGE

Please read each scenario and select the correct response. (The answers are provided and explained on the next page.)

1. If an employer continues Medical Service Plan (MSP) coverage for the family of a deceased employee in BC, would this be a taxable benefit to the spouse/family member. If so, what are the tax and reporting requirements?
  - A. This is a taxable benefit and is reported on the T4 in Boxes 14 and 40.
  - B. This is not considered a taxable benefit and there is no tax reporting.
  - C. This is a taxable benefit and is reported on the T4A using Code 118.
  - D. This is a taxable benefit and is reported on the T4 in Box 14.
2. Following the death of an employee, an Estate account has been set up to transfer the shares to the “Estate,” which will allow the beneficiary (spouse) to transact upon these shares. Are federal and provincial income taxes withheld from the Estate transactions? **Note: The stock options were not transferred to the employee’s spouse prior to the employee’s death.**
  - A. Yes
  - B. No
3. An employee in Ontario passed away during your last pay cycle. His payroll went through as normal and his earnings were deposited into his bank account. He is still owed remuneration for vacation, statutory holidays, etc. earned prior to his death. What are the withholding requirements, if any?
  - A. All statutory withholdings apply
  - B. Deduct income tax and EI only
  - C. Deduct income tax and CPP but not EI
  - D. No withholding applies
4. We have to pay out approximately \$30,000 to an employee after death due to unpaid commission. Do we make the payment out to “the Estate of the deceased employee” or the deceased employee?
  - A. All payments should be made to “the Estate of the deceased employee.”
  - B. All payments should be made to the surviving spouse/beneficiary.
  - C. All payments should be made to the employee.

5. An active employee passed away recently while away from home on company business. The employer agreed with his family to reimburse the cost of having his body transported to his hometown. The employer would have covered his transportation back if he were still living, and it would have been treated as a normal business expense. Do you consider the reimbursement for the cost of transporting his body (while on business trip) as a taxable benefit subject to CPP and taxes, and reported on the estate of the T4?
- A. Yes, this is considered a taxable benefit to the employee.
- B. No, this is not considered a taxable benefit to the employee.

## ANSWERS

1. If an employer continues Medical Service Plan (MSP) coverage for the family of a deceased employee in BC, would this be a taxable benefit to the spouse/family member. If so, what are the tax and reporting requirements?

A. This is a taxable benefit and is reported on the T4 in Boxes 14 and 40.

**B. This is not considered a taxable benefit and there is no tax reporting.**

C. This is a taxable benefit and is reported on the T4A using Code 118.

D. This is a taxable benefit and is reported on the T4 in Box 14.

**The correct answer is B.** The BC Medical Service Plan premiums are a provincially imposed levy, and where the employer pays the premium on behalf of employees and their family members, generally it is a taxable benefit to the employee.

Where the employer continues to pay MSP premiums on behalf of an employee's spouse/family after the employee is deceased, the CRA will not generally consider this to be a taxable benefit to the spouse/family member.

While it is certainly true that the CRA could, under a strict interpretation of the legislation, require that the benefit be included in the surviving spouse's income and reported on a T4A, it has taken the position that, in general, after the death of the employee, it does not require a continuing taxable benefit to be included in the income of the surviving spouse.

### NOTE:

This is **NOT** an absolute statement that **ALL** benefits provided to surviving family members of the employee are tax free.

Section 5.5 of the Revenu Québec guide, **Taxable Benefits (IN-253-V)**, states that the value of the benefit resulting from amounts that you paid to a private health services plan for coverage received after the employee's death by the surviving spouse and dependents is not taxable. Therefore no reporting is required.

2. Following the death of an employee, an Estate account has been set up to transfer the shares to the "Estate," which will allow the beneficiary (spouse) to transact upon these shares. Are federal and provincial income taxes withheld from the Estate transactions?

**Note:** The stock options were not transferred to the employee's spouse prior to the employee's death.

A. Yes

**B. No**

**The correct Answer is No.** In this case, subparagraph 7(1)(e) of the **Income Tax Act** applies and the benefit is deemed to be received as employment income by the employee for the tax year in which he/she died. Furthermore, the employer must report this amount on a T4 in the name of the employee that passed away (to be reported on deceased employee's terminal T1 tax return). **No withholding (income tax, CPP) is required** on this amount since this is a deemed acquisition and no shares are actually issued/purchased (no exercise occurred).

If the stock options were not transferred to the employee's spouse prior to the employee's death, subparagraph 7(1)(e) of the Act will apply. Essentially, if an employee owns **unexercised** rights under a stock option agreement immediately before death, paragraph 7(1)(e) provides that a benefit, equal to the fair market value of the rights immediately after death less any amount paid by the employee to acquire the rights, is deemed to be received as employment income by the employee for the taxation year in which the employee died.

3. An employee in Ontario passed away during your last pay cycle. His payroll went through as normal and his earnings were deposited into his bank account. He is still owed remuneration for vacation, statutory holidays, etc. earned prior to his death. What are the withholding requirements, if any?

A. All statutory withholdings apply

B. Deduct income tax and EI only

**C. Deduct income tax and CPP but not EI**

D. No withholding applies

**The correct answer is C. Deduct income tax and CPP but not EI on income earned prior to death.**

4. We have to pay out approximately \$30,000 to an employee after death due to unpaid commission. Do we make the payment out to "the Estate of the deceased employee" or the deceased employee?

**A. All payments should be made to "the Estate of the deceased employee."**

B. All payments should be made to the surviving spouse/beneficiary.

C. All payments should be made payable to the employee

**The correct answer is A.** As a best practice, the NPI recommends that such payment(s) be made out to "the Estate of *deceased employee's name*" and all direct deposits be cancelled. Required T4 and RL1 slips should be issued in the deceased employee's name. However, the CRA has clarified that putting "the Estate of" is acceptable.

5. An active employee passed away recently while away from home on company business. The employer agreed with his family to reimburse the cost of having his body transported to his hometown. The employer would have covered his transportation back if he were still living, and it would have been treated as a normal business expense. Do you consider the reimbursement for the cost of transporting his body (while on business trip) as a taxable benefit subject to CPP and taxes, and reported on the estate of the T4?

A. Yes, this is considered a taxable benefit to the employee.

**B. No, this is not considered a taxable benefit to the employee.**

**The correct answer is B.** In the scenario, the employee was on a business trip when he passed away. The employer reimbursed the travel costs to transport the body back to his hometown. In the CRA's view, the reimbursement of the cost to transport the body would not constitute a taxable benefit received in respect of employment. The business nature of the trip does not change because of the unfortunate circumstances; therefore the costs are business, not personal.



## APPENDIX A – STAFF MEMO – DEATH OF AN EMPLOYEE

**Organization Name Here**

Internal Memo

To: [Desired staff salutation]

From: The management team (or individual name)

CC:

Date:

Re: Deceased Employee Notification

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It is with sincere regret that we announce the passing of [employee name] in [place] on [date].

[Employee name] was a respected member of our organization and was responsible for [department or team – you may wish to include a brief bio of the employee here]. [Employee name] will be sadly missed by all.

Effectively immediately, the roles and responsibilities of [employee name] will be handled by [employee name] until a permanent replacement is found.

(Where applicable) If you require help during the grieving process, please contact your EAP or HR department: [name and number and/or relevant website information]

(Where applicable) Please note that an EAP representative will be onsite in [location] on [date or date range].

Funeral arrangements are as follows:

[Funeral arrangements with visiting hours, etc.]

The management team wishes to thank you in advance for your added efforts and support. Your cooperation and understanding during this difficult time is appreciated.

[Desired salutation]

The management team (or individual name)

## APPENDIX B – SURVIVOR SAMPLE LETTER

**Organization Name Here**

[Date]

[Name of deceased beneficiary/estate administrator/executor]

[CONFIRMED mailing address]

[Desired salutation]

---

We are very sorry for the loss of [name of employee] and extend our condolences to you and your loved ones.

This package outlines the benefits and assistance available to you as a spouse, dependent, family member or beneficiary. If you have questions or would like assistance, please contact: [HR contact]

**Counseling** [delete if EAP is not available or insert relevant third party provider retained]

Short-term counseling is available at no cost to family members through our Employee Assistance Program (EAP). Call [third party main contact] (anytime, 24/7) within [number] days to express your interest and make an appointment.

### Salary

A final payment of salary and any other earned entitlements will be paid by cheque (made out to the estate) and mailed to the employee's home address on file. If you have any questions after receiving the final payment, call [HR or Payroll contact]

**Life Insurance** [delete if employee did not have benefits]

The life insurance claim has already been initiated. The beneficiary or executor of the estate will be contacted with an explanation of the benefit and instructions on next steps.

Where applicable:

(The beneficiary may request a funeral advance from the life insurance proceeds by calling [third party contact].)

**Benefits** [delete if employee did not have benefits]

- Payment of Medical Service Plan premiums [ends the month of the death, insert date].
- Extended health and dental coverage will continue until [the end of the month following the death, insert date].

If there are any expenses that have not yet been claimed, make sure to complete the claim(s) before the claiming deadlines: [date]. Complete the forms included at the back of this package and send them to [third party contact], or follow the instructions at [website or other].

[Print and attach the required forms to this package]

### **Medical Services Plan (MSP)** [delete if employee did not have benefits]

Payment of MSP premiums on the employee's behalf will continue until the end of the month. After this, MSP will start billing you. Contact MSP if you need to update your mailing address or if you do not receive a billing notice within the next 60 days. (Visit <http://www.health.gov.bc.ca/msp/infoben/contacts.html> for contact information.)

### **Extended Health & Dental Coverage** [delete if employee did not have benefits]

If you wish to maintain extended health and dental coverage with [benefits carrier], you can convert to a private policy within [number] days of the ending of your coverage under the [name of plan]. Conversion means that the general pre-existing conditions provision and waiting periods will be waived.

Call for details: [contact]

Note: The benefits and costs under a private policy [are/may] not be the same as the coverage previously provided.

### **Pension** [delete if employee did not contribute to the pension plan]

We have notified the [pension carrier] so they can begin processing any benefits that are payable to you. A letter will be mailed to the beneficiary or executor.

To contact the [pension provider], call: [contact number].

### **Canada/Quebec Pension Plan**

You may be eligible for survivor benefits through the Canada Pension Plan.

For information, call 1-800-277-9914 or visit

<http://www.servicecanada.gc.ca/eng/services/pensions/after-death.shtml>.

You may be eligible for survivor benefits through the Quebec Pension Plan.

For information, call 1- 866 268-4474 or visit

[http://www.rrq.gouv.qc.ca/en/services/services\\_en\\_ligne/regime\\_rentes\\_quebec/Pages/prestations\\_survivants.aspx](http://www.rrq.gouv.qc.ca/en/services/services_en_ligne/regime_rentes_quebec/Pages/prestations_survivants.aspx).

### **Private Insurance**

If you have an additional private insurance policy, contact that company directly to initiate the claim.

### **Survivor/Executor Checklist Template: Please View the Attached List**

Please accept our deepest sympathy, our thoughts are with you and your family, and we wish to assure you that we are here to assist you during this difficult time [You may need to adjust this sentence depending on who you're writing to.]

[Preferred salutation],

[Reporting manager name and contact info]

## APPENDIX C – SURVIVOR/EXECUTOR CHECKLIST TEMPLATE

Advise family, friends and other interested parties (employer(s), unions, associations, organizations, church/synagogue, doctor, dentist, etc.), as applicable.

Locate and review the Will.

Obtain Death Certificate.

Carry out funeral arrangements.

If necessary, apply for Will search through jurisdictional Vital Statistic Agency:

<http://www.statcan.gc.ca/health-sante/vital/2012001/con-eng.htm>

Contact lawyer for advice and assistance, retain for probate, etc.

Attend to any trusts created by the Will.

Contact Public Trustee if minors involved or competency issue.

Assist lawyer in preparation of documents to apply for a Grant of Probate.

Obtain and complete forms required for an Application for Letters Probate (Court Registry, Probate Division).

Make out Declaration of Citizenship, if applicable.

Have documents sworn before a Commissioner for Taking Oaths.

Mail the Notice of Application.

File the documents at Court Registry, Probate Division.

Pay all probate fees.

Determine if any matrimonial agreement may affect the distribution of the assets.

Defend or commence lawsuits as necessary.

Notify beneficiaries in accordance with instructions in Will.

Register mail redirect or change of address with post office.

Locate and contact bank(s) so accounts can be dealt with accordingly. Determine amount in each and reconcile balances.

Check safety deposit box and list any contents.

Where applicable, open Estate bank account.

Locate and value other assets (real property(s), furniture, jewelry, art, investment accounts, securities, business interests, etc.)

Arrange for the transfer of jointly held assets.

Draft and maintain detailed list of assets and debts.

Buy/sell any assets as required by Will.

Safeguard and ensure all assets and properties are insured.

Publish a notice to creditors (not mandatory).

Contact employer or business associates. Ask HR to send information on all benefits provided by the company and any necessary forms to complete the claims (group life insurance, company pension plan, etc.).

Research land titles.

Transfer titles on properties, home and auto insurances, utilities, etc.

Apply for the balance of any accounts payable for life and other insurance (AD&D/travel).

Contact appropriate federal and provincial departments to notify them of the death and apply for death benefits as applicable. Also check any survivor benefits.

Canada/Quebec Pension Plan

Old Age Security

Workers' Compensation

Office of the Public Trustee (if involved due to incompetency)

Official Administrator (if no survivors)

Department of Veterans' Affairs

Notify government and private pension/retirement and health care offices and/or providers.

Notify landlord/mortgage company/insurance companies/condominium corporation.

Cancel subscriptions, memberships and association dues.

Cancel charge accounts, and obtain final statements.

Contact Service Canada/CRA/RQ/appropriate provincial ministry:

Cancel SIN.

Calculate and file income tax payable for the year of death and any other years owing.

Obtain clearance certificate.

Cancel GST or other payments.

Cancel Driver's License.

Cancel or transfer of vehicle(s) registration.

Determine your (executor) fee and reimburse yourself necessary expenditures. Obtain approval of the beneficiaries or a Court Order.

Prepare and have all beneficiaries sign a release.

Pay outstanding accounts (funeral, taxes and debts), and legal and administration fees (including executor). Funeral expenses generally do not have to go to Probate. Most banks will pay the account(s) from the deceased's bank account.

Distribute the remaining assets of the Estate according to the Will.

Prepare final accounting and reconciliation of the administration of the Estate.

Refer to the CRA's **Guide T4011, Preparing Returns for Deceased Person.**

Refer to the RQ's **Guide to Filing the Income Tax Return of a Deceased Person (IN-117-V).**

## APPENDIX D – EMPLOYER CHECKLIST

Communication	
	Contact the manager to ensure he/she is aware of the situation. Discuss how he/she wishes to communicate the news to the immediate team. The news should be communicated on the same day that the manager/HR is informed.
	Inform the manager of any EAP services available to assist the team.
	Discuss with the manager a communication strategy to inform any relevant outside clients/vendors/brokers.
	Advise the VP of the business unit and determine how he/she wishes to manage a communication to the business unit/company once the team has been advised.
	Suggest the senior manager of the employee compose an email announcing the passing of the employee. The communication can be based on what is listed in the obituary, which could also be included in the announcement.

Administrative	
	Redirect employee voicemail and email accounts to appropriate person.
	Once the news has been communicated, remove employee's name from internal and external communications, documents and materials, as applicable.
	Manager to complete employee timesheet, if applicable.
	If personal items remain, make arrangement suitable to the family for their return.
	It is recommended that the employee's department send a formal letter/card of condolence to the family along with flowers or a charity donation (to be paid for by the department).
	Decide who should attend the employee's funeral.

EAP Services (where applicable)	
	Contact the EAP program to request onsite assistance.
	Advise the EAP that the situation is of an urgent/traumatic nature to ensure immediate review of the situation.
	Determine an appropriate time to have a counsellor onsite.
	Secure a private location onsite for the EAP counselor to be available for employees to speak confidentially.

Survivor/Beneficiary Information	
	Provide a member of the family with a contact person (preferably in HR) to whom they can reach out if they have questions regarding benefits, etc.
	Advise the family that the last pay will be paid via cheque mailed to the estate.
	Discuss with the family any company property that the employee may have in his/her possession.
	Advise the immediate family of the EAP program as resource, if applicable.
	Explain to the family that those dependents covered under the flexible benefits plan at the passing of the employee will continue to be covered and for how long (specify the details of your plan).
	Provide family member with contact information for external vendors.

Legal Matters	
	If the employee's estate is being represented by legal counsel or notary, HR may require a letter from the family allowing HR to disclose information to the lawyer and/or the requesting parties. The letter confirms that the lawyer or the notary is noted as the legal representation of the employee's estate.
	The noted beneficiary will be required to complete the life insurance form. If a beneficiary is not identified, the Estate will be responsible for completing the life insurance form. If there is more than one beneficiary, each beneficiary will have to complete and sign the form.
	<b>Submitting the life insurance claim: The Benefits Administrator, once advised of the death coordinates the submission of the life insurance claim.</b>

## APPENDIX E – DECEASED EMPLOYEE PAYROLL ACTION CHECKLIST

Employee name: \_\_\_\_\_ SIN: \_\_\_\_\_  
 EE #: \_\_\_\_\_ Date hired: \_\_\_\_/\_\_\_\_/\_\_\_\_ Date of death: \_\_\_\_/\_\_\_\_/\_\_\_\_  
 mm / dd / yy mm / dd / yy  
 Last day paid: \_\_\_\_\_ Former employee: Yes No

Death Certificate, Funeral Director's Certificate or other proof received? Yes No  
 Change Payee to Estate for any final payments: Yes No  
 Change payment method to cheque from direct deposit (if applicable): Yes No

### Executor/Next of Kin Information

Name: \_\_\_\_\_ Relationship: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Contact number(s): #1 \_\_\_\_\_ #2 \_\_\_\_\_  
 Mailing address for year-end information (e.g., T4, T4A, RL-1, etc.):  
 \_\_\_\_\_

**Treat with sensitivity, empathy and respect. Offer condolences as appropriate.**

***Executor, beneficiary and next of kin may be different. Caution is advised when information is given to ensure the appropriate person is being dealt with.***

Item	Action to be taken	Done
Notification of death	Official written proof of death received (death certificate, funeral director's Statement of death, etc.)	
Former Employee	If former employee being paid from retiree payroll, go to section A – Retiree Death.	
Last pay	Prepare pay for last period worked.	
	Is there a need to prorate CPP contributions?	
Vacation pay	Calculate and pay any outstanding or recover any taken but not earned. ES rules (stop future vacation accruals).	
Other pay	Calculate and pay any other outstanding payment amounts (unused sick days, profit sharing, bonus, severance pay, retiring allowances, etc.).	
Death benefit	Does it exist? [\$10,000 exemption]	
Canada Savings Bonds	Cancel future deductions and provide contact information for Bank of Canada.	
Pension Plan/group RRSP	Notify pension department/administrator of EE's death.	
	Advise executor of options.	
	Return forms.	
Union	Notify union of death.	



Item	Action to be taken	Done
Extended benefits (medical, dental)	Cancel or continue for spouse/family until _____	
	Complete any necessary paperwork.	
Short-term/long-term disability	Advise Case Manager of death	
Life insurance	Advise insurance company of death and provide beneficiary with any required forms.	
AD&D	Was death accidental? Forms?	
	Obtain original enrollment card.	
Provincial health	Cancel      Continue until or      Not applicable	
Car allowance	Stop payments.	
Personal/business kilometres	_____	
Employer-owned/leased vehicle	Obtain log book and calculate taxable benefit.	
Company loan	Repay by _____	
Company mortgage	Still eligible? Yes _____ No _____	
Expense advance	Deduct from final pay [ES rules].	
Company credit card(s)	Returned or cancelled	
Long distance telephone card	Returned or cancelled	
ID card/Keys/Entry pass	Returned or cancelled	
Computer access codes	Cancelled	
Tools, cell phones, PDAs	Returned	
Computers or other equipment	Returned	
Manuals, books, other documents	Returned	
Employee discount card	Returned or cancelled	
Internal staff directories	Remove employee's name.	
Mailing lists	Remove employee's name.	
Voicemail	Reset	
Grief counseling	Provide information or brochure of services, if applicable.	
Provide contact information for company HR/payroll contact.		
May provide any tax information for income tax filing prior to next February. (DO NOT duplicate T4/T4A information slips.)		
Suggest executor/next of kin/beneficiary contact CRA, accountant, financial planner, etc. for advice and assistance as required.		
Provide Survivor/Executor Checklist Template.		

Item	Action to be taken	Done
<b>Section A – Retiree Death</b>		
Deductions from payment other than income tax	<ul style="list-style-type: none"> <li>• CSB</li> <li>• Extended health</li> <li>• Life insurance</li> <li>• Provincial health</li> <li>• Company loan</li> <li>• Company mortgage</li> <li>• other</li> </ul>	
Does pension end?	<b>Yes</b> <ul style="list-style-type: none"> <li>• Send final letter.</li> </ul>	
	<b>No</b> <ul style="list-style-type: none"> <li>• Calculate new amount (if applicable).</li> <li>• Send letter requesting documents and information (name, address, phone number, birthdate, SIN, banking documents and information received).</li> <li>• Set up new payee.</li> <li>• Send letter with first payment.</li> </ul>	
Provide contact information for company HR/payroll contact.		
May provide any tax information for income tax filing prior to next February. (DO NOT duplicate T4/T4A information slips.)		
Suggest executor/next of kin/beneficiary contact CRA, accountant, financial planner, etc. for advice and assistance as required.		
Provide Survivor/Executor Checklist Template		

## RESOURCES

### CRA – RETURN FOR RIGHTS OR THINGS

<http://www.cra-arc.gc.ca/tx/ndvdl/lf-vnts/dth/ptnl/rghs-eng.html>

### UNIVERSITY OF ALBERTA - LIFE EVENTS DEATH OF AN EMPLOYEE

<http://www.hrs.ualberta.ca/en/benefits/lifeevents/deathemployee.aspx>

### WSIB – SURVIVOR BENEFITS GUIDE

<http://www.wsib.on.ca/cs/groups/public/documents/staticfile/c2li/mdey/~edisp/wsib012715.pdf>

### SPECIAL CONTRIBUTOR

John Wunderlich is an information security and privacy consultant whose website can be found at [www.wunderlich.ca](http://www.wunderlich.ca)

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