

ONTARIO ESTATE TAX

The First Dealings Exemption

How some Ontario homes can pass to the next generation without paying Estate Administration Tax.

When someone dies in Ontario, their executor usually has to ask the court for a Certificate of Appointment of Estate Trustee. Most people call this *probate*. Probate triggers Estate Administration Tax, which is roughly 1.5% of the value of everything the deceased owned in their own name.

The first dealings exemption is a niche rule inside the land registration system. If your home qualifies, the property can, under the right circumstances, pass directly to the beneficiaries without going through probate. No probate on that property means no Estate Administration Tax on its value.

ON A \$1,000,000 HOME

A typical GTA family home value, used here to show the size of the savings the exemption can produce.

WITHOUT THE EXEMPTION

\$14,250

Estate Administration Tax owing on this property's value.

WITH THE EXEMPTION

\$0

on this property's value.

Ontario Estate Administration Tax is \$0 on the first \$50,000 of estate value, then \$15 per \$1,000 above \$50,000. The same arithmetic applies to a cottage, a rental, or any other major real estate in the estate.

Why does this exemption exist?

Decades ago, Ontario moved millions of properties out of the old Registry system into the modern Land Titles system. Properties that were converted, rather than registered in Land Titles from the start, are flagged on title as **Land Titles Conversion Qualified**, often abbreviated **LTCQ**.

The government did not investigate every owner's title at conversion. To keep things fair, the law treats the first transfer after conversion as if the property were still in the old Registry system, where land could pass on death without a Certificate of Appointment. That first transfer is the "first dealing" the exemption is named after.

THE FIVE-BOX TEST

Does Your Home Qualify?

All five boxes need to be ticked. Your lawyer confirms by pulling the title; the answers are not always obvious from the deed alone.

1 The property is in Ontario.

Land outside the province is governed by other rules. A Quebec cottage or a Florida condo is not eligible.

2 The title is registered as Land Titles Conversion Qualified (LTCQ).

Properties registered as *Land Titles Absolute*, including most newer subdivisions and condominiums, do not qualify.

3 The deceased was the registered owner at death.

Either as sole owner or as a tenant in common. Joint tenancy property usually passes by survivorship and does not need this exemption.

4 No transfer has been registered since the LTCQ conversion.

The transmission of the property to the estate would be the first dealing on title since the conversion.

5 No Certificate of Appointment has been issued for an estate that includes this property.

If probate has already been taken out and this property was listed, the exemption is no longer available.

Common reasons people are surprised they don't qualify

- The deceased **bought the property after the LTCQ conversion**. The purchase itself counted as the first dealing.
- The property originated in the Land Titles system and was never in the Registry system to begin with.
- The land was **severed, consolidated, or part of a plan of subdivision** after conversion.
- The property is **Land Titles Absolute**. Many properties first registered in the last few decades fall into this category.

Qualifying is only half the equation

- **The simplest path to the saving is having a will in place, with the property as the only asset of the estate.**
- **If there are other assets that require probate, multiple-will planning is needed** to keep the home outside the probate application and capture the saving.
- **The exemption is not always practical to take advantage of.** Speak to your lawyer to find out whether it makes sense for your situation.

What to do next

STEP 1 Bring us the basics. The deed, or just the property address and parcel number, is enough for us to start.

STEP 2 We pull and review the title. We confirm whether the property is LTCQ and check every registration since conversion for anything that would count as a prior dealing.

STEP 3 We tell you where you stand. Whether the exemption is likely available, whether multiple-will planning makes sense to capture the saving, and how it fits the rest of your estate plan.