THE INCOME TAX PROFESSIONALS

What Are The Tax Implications For Deceased Estates?

Most people know that income tax is paid to the Australian Taxation Office (ATO) through your salary, wages, investments or business income. However there are tax implications for deceased estates and the assets that are passed to beneficiaries.

When a person dies, their estate is considered as an asset and can pass directly to beneficiaries, directly to a legal representative such as an executor, or from a legal representative to the beneficiary. A beneficiary is considered to have legally acquired the assets of the deceased.

The beneficiary or legal representative will need to finalise the deceased tax obligations. The ATO will need to know if the deceased person had a Tax File Number (TFN), if they lodged a tax return and if they should have lodged a tax return.

Accessing information

The ATO can only disclose information under the Taxation Administration Act 1953 and can only disclose information about a deceased taxpayer to a legal representative who has been granted probate or letters of administration. There may be circumstances where the Commissioner will contact family members who choose not to seek probate or letters of administration on a case by case.

Tax Returns for a Deceased Person

Once the ATO has been notified and if you are the deceased executor or legal representative, you may need to lodge a final individual tax return called a ‘date of death tax return’ and one or more year tax returns on behalf of the deceased person if their tax returns were outstanding. You may also have to lodge a Trust Tax Return for the estate.

A tax return is prepared and assessed in the same manner as when the deceased was alive. General individual tax rates with a full tax-free threshold apply if the deceased was an Australian resident. The Medicare levy and Medicare levy surcharge may also be payable. Your tax agent will be able to help you lodge these tax returns.

Trust Tax Returns

An executor must lodge a tax return on behalf of the deceased from the start of the financial year until the date of their passing. For the remainder of the year, a tax return may need to be lodged for the trust income received from the assets of the deceased. A trust tax return may need to be lodged every financial year until the estate is fully administered.