

Tax Tip
Week of June 21, 2010

Losses and Gains from Theft

If a business suffers a loss from theft or embezzlement the amount of the loss is normally deductible for income tax purposes. However, there are a number of exceptions to this general rule. These include:

- if the theft is from a senior manager or shareholder the loss is not deductible
- if the item taken was a capital asset, it is treated as a disposition as the time the loss is discovered for purposes of the capital cost allowance calculation. Any insurance proceeds will offset the amount of the loss

The individual who stole the funds is required to self-report the income from theft, but it is safe to assume there is a high level of non-compliance in this area of taxation.