

**Tax Tip**  
**Week of April 26, 2010**

**Payments to Whistle Blowers**

A recent Tax Court case appears to allow payments to whistle blowers to be tax free. The facts of the case are:

- an individual believed his company's financial statements were knowingly misstated
- when he "pushed" the issue with management, he was fired and received a \$160,000 payment

When the taxpayer filed his return, he believed the amount received should be received tax free as payment to a whistle blower, but CRA believed he received a taxable termination payment.

The Tax Court of Canada ruled that of the \$160,000 received only \$45,000 was taxable. If an individual loses a job because of some type of whistle blowing activity, he or she should seek tax counsel to determine if all or of the payment can be received tax free.