

Table of Contents

Volume I

§1.0	Introduction	1-1
§2.0	The Tax Treatment of Damages	2-1
§2.01	Commercial Litigation	2-4
§2.02	Damages Paid or Payable	2-7
§2.03	Damages which Represent Amounts Paid for the Purposes of Gaining or Producing Income, or which Represent Amounts Paid as or on Account of Capital	2-7
§2.04	The General Cases	2-10.3
§2.05	Case (i) The Enduring Benefit Test	2-10.3
§2.06	Case (ii) The Development of the Enduring Benefit Test	2-11
§2.07	Case (iii) Establishment of the Multiple Test Approach	2-14
§2.08	Case (iv) The Application of the Business Principle Test	2-17
§2.09	Case (v) The Application of the Common Sense Test	2-19
§2.10	Case (vi) The Modern Approach — Dealing with Ambiguous Situations	2-21
§2.11	The Specific Cases	2-22.5
§2.12	Case (i) Ordinary Principles of Commercial Trading — Common Business Practices	2-22.5
§2.13	Case (ii) Damages Representing Payments for Goodwill	2-24
§2.14	Case (iii) Termination of a Distributorship	2-28.2
§2.15	Case (iv) Payments Made on Account of Commercial Reality	2-28.4
§2.16	Case (v) The Modern Approach	2-29
§2.17	Case (vi) Canada Revenue Agency's Policy — Interpretation Bulletin IT-467R2 — Damages, Settlements and Similar Payments	2-30
§2.18	Damage Payments Representing Eligible Capital Expenditures	2-36.2
§2.19	Damages Received or Receivable	2-36.3
§2.20	Damages Representing Income from a Business or Property	2-36.8.8
§2.21	Case (i) Material Impact on Income-Producing Apparatus	2-36.19
§2.22	Case (ii) Distinct Business Operations	2-37
§2.23	Case (iii) Substance over Form	2-40
§2.24	Case (iv) Damages in Tort Actions	2-42
§2.24.01	Case (iv)(a) Characterization of Breached Contracts — Indirect Breach of Contractual Relationship	2-44.5
§2.24.02	Case (iv)(b) Forfeited Deposits	2-47
§2.24.03	Case (iv)(c) Compensation for Termination of a Contract	2-48
§2.24.04	Case (iv)(d) Compensation for Breach of Insurance Contract	2-52.14
§2.24.05	Case (iv)(e) Breach of Collective Agreement	2-54.15

§2.25	Case (v) The Canada Revenue Agency's Position	2-54.17
§2.26	Damages Representing Capital Gains from the Disposition of Property	2-55
	§2.26.01 Lifetime Capital Gains Exemption	2-56.2
	§2.26.02 Damages Representing Eligible Capital Receipts ..	2-56.3
§2.28	Damages as Tax-Free Capital Receipts	2-59
§2.29	Where Damages Include Interest	2-62.4
	§2.29.01 Some Practical Considerations	2-62.4
§2.30	Personal Injury Litigation	2-65
§2.31	Taxation of Personal Injury Damages	2-65
§2.32	Taxation after Receipt of an Award	2-70.5
§2.33	Structured Settlements	2-70.5
	§2.33.01 Revenue Canada's Policy	2-70.6
	§2.33.02 Tax Treatment to Claimant	2-72
	§2.33.03 Tax Treatment to Casualty Insurer	2-74.1
	§2.33.04 Non-Tax Considerations of Structured Settlements ..	2-76
	§2.33.05 Tax Policy and the Future	2-78
§2.34	Minors	2-78
§2.35	Taxation Factors and Quantum of the Award	2-79
§2.36	Claims by Person Injured	2-80
	§2.36.01 Taxation of Earnings Lost	2-80
	§2.36.02 Taxation of Invested Award	2-84.4
§2.37	Fatal Injury/Dependents' Relief Cases	2-84.6
	§2.37.01 Taxation of Earnings Lost	2-85
	§2.37.02 Taxation of Invested Award	2-86
§2.40	Damages for Wrongful Dismissal	2-88
§2.41	Deductibility to Employer	2-88
§2.42	Taxation of Employee — the Former Regime	2-92.48
§2.43	The Current Retiring Allowance Regime	2-94
	§2.43.01 General Rules	2-94
	§2.43.02 Tax Deferral Through Rollover	2-96.10
	§2.43.02A Qualifying Retroactive Lump Sum Payments	2-97
	§2.43.03 Requirement for Employer to Withhold Tax	2-98.2
	§2.43.04 Legal Expenses	2-98.3
§2.44	Characterization of Payments as Retiring Allowances	2-100.2.7
	§2.44.01 General Considerations	2-100.2.7
	§2.44.02 Timing and Circumstances of Payment	2-100.8.3
	§2.44.03 Contractual Payments	2-100.9
	§2.44.04 Amount of the Termination Payment	2-100.12
§2.45	Retirement Compensation Arrangements	2-100.12
§2.46	Restrictive Covenants (s. 6(3.1))	2-109
§3.0	Issues in Real Estate Litigation	3-1
	§3.01 Mortgage Foreclosures and Repossessions	3-1
	§3.02 Forgiveness of Debt	3-6.03
	§3.03 Involuntary Dispositions and the Replacement Property Rules	3-6.13
§4.0	Disputes Between Corporations and Their Shareholders	4-1
	§4.01 The Tax Implications of a Corporate Repurchase of Shares	4-1
	§4.02 Individual Shareholders	4-1
	§4.03 Corporate Shareholders	4-4
	§4.04 The Repurchasing Corporation	4-5
	§4.05 The Stop Loss Rules	4-5

§4.06	Reversed Transactions	4-7
§4.07	Non-Competition Agreement Payments	4-8.9
	§4.07.01 Restrictive Covenants [Non-Competition Agreements] (s. 56.4).....	4-16.2.1
§4.08	Planning Considerations	4-22.3
§5.0	Disputes Between Members of a Partnership	5-1
§5.01	The Taxation of Partnerships Generally	5-1
§5.02	Actions Resulting in Dispositions of Property to Partners.....	5-4.6
§5.03	Tax-Free Transfers of Partnership Property	5-4.6
§5.04	Transfer of Property to a Corporation.....	5-5
§5.05	Transfer of Assets to a New Partnership	5-6
§5.06	Distribution of All Assets to Partners	5-7
§5.07	Continuation of Sole Proprietorship	5-7
§5.08	Non-Competition and Non-Solicitation Agreements.....	5-8
§6.0	The Tax Consequences of Bankruptcy and Insolvency	6-1
§6.01	Bankrupt Corporations.....	6-2
§6.02	Bankrupt Individuals	6-12.2.5
§6.03	Planning Opportunities	6-12.14
§7.0	Issues in Separation and Divorce	7-1
§7.01	Spousal and Child Support.....	7-2
§7.02	Spousal Support: Income Inclusions and Deductions	7-2
	§7.02.1 Child Support.....	7-6.24
	§7.02.2 Support Amounts to be Included in Income	7-6.31
	§7.02.3 Agreements or Orders Made Before May 1997	7-6.32
	§7.02.4 Calculating Annual Income	7-10.14
	§7.02.5 Non-Spousal Support: Income Inclusions and Deductions	7-16
§7.03	Planning Opportunities	7-22.2
§8.0	Trust and Estate Litigation	8-1
§8.01	The Taxation of Trusts: The Basic Rules	8-1
§8.02	Planning Opportunities	8-8.2
§9.0	The Deductibility of Litigation Expenses	9-1
§9.01	Salary Disputes	9-2
§9.02	Regulatory Litigation	9-6.7
§9.03	Income Tax Objections and Appeals	9-6.8.4.1
§9.04	Commercial Litigation Expenses.....	9-6.8.22
§9.05	Disputes Between Shareholders of a Corporation	9-8.7
§9.06	Marital Disputes	9-12.7
§9.07	Criminal Defence Fees	9-14.30
§9.08	Contingency Fees	9-20.11
§10.0	Goods and Services Tax/Harmonized Sales Tax (GST/HST).....	10-1
§10.01	Introduction	10-2
§10.02	Basics of the GST.....	10-6
	§10.02.1 How Does the GST Work?	10-6
	§10.02.2 Zero-rated Supplies	10-10.8.10
	§10.02.3 Exempt Supplies	10-10.8.26
	§10.02.4 Small Suppliers	10-10.8.44
	§10.02.5 Rebates	10-10.8.16
§10.03	Suing for Unpaid GST.....	10-10.30
	§10.03.1 Preconditions for a Claim Under Section 224....	10-10.31

§10.03.2 Can the Supplier Sue if the Conditions of Section 224 Are Not Met? 10-10.32

§10.03.3 Can the Supplier Sue for Interest and Penalties? .. 10-15

§10.04 Who Bears the GST When the Contract is Silent? 10-16

§10.05 GST on Breach of Contract-Section 182..... 10-31

§10.05.1 Conditions 10-32

§10.05.2 Subsection 182(1)..... 10-34

§10.05.3 Transitional Rules for Pre-1991 Contracts — Paragraph 182(1)(b) 10-34.1

§10.05.4 Scope of Subsection 182(1)..... 10-34.1

§10.05.5 Subsection 182(2)—Extinguishment of Debt..... 10-34.2

§10.05.6 Subsection 182(3)—Exclusions..... 10-34.2

§10.05.7 Planning Issues..... 10-34.2.1

§10.06 Suing in Tort vs. Suing in Contract..... 10-34.3

§10.07 GST on Awards of Costs by a Court 10-34.4

§10.08 Foreclosures, Seizures and Repossessions—Section 183... 10-34.6

§10.08.1 Subsection 183(1)—No GST on Seizure or Repossession 10-34.13

§10.08.2 Paragraphs 183(1)(c) and (d)—Input Tax Credit or Rebate for Embedded Tax on Real Property 10-34.13

§10.08.3 Subsection 183(2)—Sale or Lease of Seized Property 10-34.14

§10.08.4 Subsection 183(3)—Court Seizures 10-34.15

§10.08.5 Subsection 183(4)—Use of Real Property..... 10-34.15

§10.08.6 Subsection 183(5)—Use of Personal Property Seized Before 1994..... 10-34.16

§10.08.7 Subsection 183(6)—Use of Personal Property Seized After 1993 10-34.16

§10.08.8 Subsection 183(7)—Sale of Seized Personal Property 10-34.17

§10.08.9 Subsection 183(8)—Lease of Seized Personal Property 10-34.18

§10.08.10 Subsection 183(9)—Quitclaim or Other Voluntary Transfer..... 10-34.19

§10.08.11 Subsection 183(10)—Power of Sale..... 10-34.19

§10.08.11.1 Subsection 183 (10.1) Redemption of Property 10-34.19

§10.08.12 Subsection 183(11)—Receivership..... 10-34.20

§10.09 Transfer of Property to Insurer on Settlement of Claim 10-34.20

§10.10 Timing of Liability-Appeals 10-34.20

§10.11 Legal Aid and Legal Services..... 10-34.21

§10.12 Directors' Liability..... 10-34.22.2

§10.13 Rules of Thumb..... 10-34.49

§10.13A Relief Under Fairness Provisions 10-36.6

§10.14 Directors Held Liable 10-36.11

§10.15 Directors Held Not Liable 10-42.20

§10.16 Joint and Several Liability of Directors 10-56.5

§10.17 Bibliography 10-60

§11.0 Directors' Liability - The Cases and the Rules of Thumb 11-1

§11.01 Introduction and Comments 11-1

§11.02 Rules of Thumb..... 11-8.1

Table of Contents

v

§11.02A Relief Under Fairness Provisions	11-8.4.1
§11.02B Quasi-Criminal Consequences.....	11-8.4.14
§11.03 Case Digests.....	11-8.5
§11.04 Directors Held Liable	11-8.5
§11.05 Directors Held Not Liable	11-26.13

Volume II

§20.0 Statutory Materials	20-1
§25.0 Interpretation Bulletins/Income Tax Folios	25-1
§26.0 CRA Guide.....	26-1
§27.0 Forms	27-1
§30.0 Information Circulars	30-1
§35.0 GST/HST Memoranda	35-1
§40.0 GST/HST Policy Statements	40-1
§45.0 Structured Settlements	45-1