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## **Moral Damages – Not Taxable?**

An employee sued his former employer for: a) wrongful dismissal, and b) oppression under the Canada Business Corporation Act. The Tax Court of Canada found that a portion of the settlement amount was non-taxable moral damages.

To the extent that it is reasonable to characterize a portion of the settlement amount as moral damages, it may be reasonable to treat this portion as non-taxable. In negotiated settlements, the parties often have some latitude in framing the settlement, and how they describe the damages. The portion allocated to moral damages will have a direct effect on the after-tax cash available to the plaintiff.

*Get my help to quantify your client's damages*

*This newsletter is not providing legal advice. For legal advice, please contact a lawyer.*

*2017 TCC 223 CanLII – Jacques Abenaim v. Her Majesty the Queen*