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SUBJECT Prescribed Prizes - Olympic Athletes

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PRINCIPAL ISSUES: 1. Taxation of cash prizes awarded to Olympic athletes.

POSITION: 1. Cash prizes do not qualify as a prescribed prize.

REASONS: 1. The legislation.

March 27, 2014

XXXXXXXXXX

Dear XXXXXXXXXXXX:

The office of the Right Honourable Stephen Harper, Prime Minister of Canada, sent me your correspondence of February 20, 2014, about the taxation of Olympic athletes.

I understand you believe that successful Olympic athletes should not have their cash prizes taxed. This is a sensitive issue that comes up at every Olympics.

Canadians are proud of their Olympic athletes' accomplishments, and the Government of Canada recognizes that sports are a defining part of Canada's identity. Our Government is committed to supporting Canada's amateur athletes through tax measures and its partnerships with the Canadian Olympic Committee and the Own the Podium Program.

However, under the Income Tax Act, all amounts a taxpayer receives in a tax year as, or on account of, a prize for achievement in a field of endeavour ordinarily carried on by the taxpayer, other than a prescribed prize, must be included in the taxpayer's income for that tax year. The performance awards athletes receive from programs like the Athlete Excellence Fund do not qualify as a prescribed prize. However, in many cases, the performance awards may be contributed to an amateur athlete trust. The funds held in the trust are not taxable until the date they are distributed to the athlete or eight years after the last year in which the athlete was eligible to compete as a Canadian national team member.

The CRA administers and enforces the Act passed by Parliament. The Department of Finance Canada is responsible for changing tax policy and amending the Act. I invite you to send your comments on this subject to Finance Canada's Tax Policy Branch, 17th Floor, East Tower, L'Esplanade Laurier, 140 O'Connor Street, Ottawa ON K1A 0G5.

I trust the information I have provided is helpful.

Yours sincerely,

Kerry-Lynne D. Findlay, P.C., Q.C., M.P.

Minister of National Revenue

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