

December 12, 2024

## Tax Court of Canada Finds in Favour of Russell Martin and Joshua Donaldson

Davies recently acted for former Toronto Blue Jays players Russell Martin and Joshua Donaldson in a tax dispute. The case centered on the correct computation of their income earned in Canada under the *Income Tax Act*, specifically the proper allocation of employer contributions to Retirement Compensation Arrangements (RCAs) and their exclusion from taxable Canadian-source income.

The Tax Court of Canada ruled in favour of Martin and Donaldson, rejecting the Crown's method of excluding RCA employer contributions from their total employment income before allocating between Canada and the United States. The Tax Court of Canada concluded that the RCA regime is a purely Canadian tax mechanism, meaning RCA contributions should be excluded from Canadian-source income only. This decision affirms that Canada does not have jurisdiction over non-resident foreign source income, leading to significant adjustments in the income tax payable by Martin and Donaldson in Canada.

The Davies team included Marie-France Dompierre and Marc Pietro Allard.