



The Supreme Court rules that stock options donated to charities by an employee are employment income under Quebec’s Taxation Act.

Mr. Yves Des Groseillers worked for a company that granted him stock options, which he donated to registered charities. During an audit of his tax returns, the Agence du revenu du Québec (ARQ) added the value of the donated stock options to his employment income. That meant Mr. Des Groseillers would have to pay more income tax.

Mr. Des Groseillers appealed ARQ’s decision to the Court of Québec, which ruled in his favour. It found he received no benefit for donating his stock options, so their value should not be added to his employment income. The ARQ then appealed to Quebec’s Court of Appeal, which sided with the ARQ and restored the agency’s original decision to add the stock options to Mr. Des Groseillers’ employment income. Mr. Des Groseillers then appealed to the Supreme Court of Canada.

The Supreme Court has dismissed the appeal.

ARQ was correct to add the value of the stock options to Mr. Des Groseillers’ employment income.

In a unanimous ruling, the Supreme Court said the Court of Appeal correctly applied sections 50 and 422 of Quebec’s *Taxation Act*. Pursuant to section 50 of the Act, if an employee transfers stock options received under an employee plan to another person or organization they have no relation to, they are considered to have received a taxable employment benefit equal to the monetary value of those options. Under section 422 of the Act, such donations are considered to have been made at the fair market value of the stock options at the time of the gift.

“Like the Court of Appeal, we conclude that the [ARQ] properly assessed Mr. Des Groseillers for the benefit received”, the Supreme Court said. ARQ was correct to add the value of the stock options to Mr. Des Groseillers’ employment income.

Breakdown of the decision: *Unanimous*: Chief Justice [Wagner](#) and Justices [Karakatsanis](#), [Brown](#), [Rowe](#), [Martin](#), [Kasirer](#) and [Jama](#) dismissed the appeal

More information (case # 39879): [Decision](#) | [Case information](#) | [Webcast of hearing](#)

Lower court rulings (in French only): [judgment](#) (Court of Quebec) | [appeal](#) (Quebec Court of Appeal)
