Faculty Requests for Salary to be paid as a Research Grant – DRAFT 12/3/13

1. OVERVIEW

A faculty member may apply for a portion of his/her salary to be paid as a Research Grant during a period of Sabbatical Leave or Education Leave approved under the Faculty Collective Agreement (See Sabbatical Leave clause 16, Education Leave clause 7).

The Canada Revenue Agency Interpretation Bulletin “S1-F2-C3 Scholarships, Research Grants and Other Education Assistance” (http://www.cra-arc.gc.ca/tx/tchncl/ncmtx/fls/s1/f2/s1-f2-c3-eng.html) describes the acceptable conditions under which part of an individual's income may be designated as a research grant. THIS SHOULD BE READ CAREFULLY BY ALL APPLICANTS. Note the requirement that the research be “new”. Although such a grant must be reported as taxable income, certain expenses are tax deductible. Any portion of the grant not acceptable to the Canada Revenue Agency will be subject to tax. The Canada Revenue Agency also requires that requests not exceed realistic expectations of expenses. Although tax is eventually paid on those portions of requests that are in excess, inaccuracies of this kind in effect create loans from The Canada Revenue Agency, and these are not encouraged. APPLICANTS ACCEPT LIABILITY FOR THE COSTS OF ANY ADVERSE DETERMINATIONS BY CRA.

Because research grants under this program are considered to be taxable income, they are reported on a T4A form for tax purposes. The regular salary or stipend will be reduced by the amount of the grant. No income tax will be deducted by Western for such income, nor will it be subject to Employment Insurance premiums or Canada Pension Plan contributions. The faculty member is responsible for reporting the income to The Canada Revenue Agency and declaring against it all eligible expenses. The award will be dispersed in equal monthly installments together with an individual's remaining salary.

2. APPLICATIONS

The proscribed application must be completed and submitted to the faculty member’s Dean (with copy to the Chair) for review and approval. It is the responsibility of the faculty member to ensure that all conditions are met and that the application is complete and submitted to the Dean by the required date.

Applications must be received by the Dean at least two months prior to the month of implementation. Implementation cannot begin sooner than the first month on which the Sabbatical Leave or Educational Leave commences.

Late, ineligible or incomplete applications will not be accepted.

3. LIMITATIONS

- The Canada Revenue Agency requires any reduction in salary to be reasonably commensurate with the reduction in time spent on the faculty member’s normal employment activities.
- Requests for funds to attend conferences should be reasonable and in line with the amount of time the faculty member will be away from campus (and therefore his/her normal duties).
- The maximum grant will be determined by the leave salary of the applicant. The total award requested should allow for sufficient salary to be retained and paid in the usual manner, in order to maintain University benefits coverage. Questions dealing with this issue should be directed to the Payroll Officer in the Compensation Department.
• The Dean must review the application carefully and be willing to attest to its acceptability with regard to the amount of the request, the research activity and anticipated expenditures, any certification requirements, and the required reduction in normal employment activities.

• The maximum duration of the award will be 12 months and research-related expenses must be incurred in the same tax year. The faculty member is encouraged to plan his/her annual expenditures carefully to ensure they match the correct tax year as awarded. If the request crosses over into another tax year and the expenses are not evenly balanced throughout the period, we recommend that the faculty member complete one application, but include two budgets, one for each tax year. The two budgets may be submitted simultaneously. Failure to plan carefully may result in The Canada Revenue Agency disallowing the claim.

• The faculty member must acknowledge that he/she accepts responsibility for any subsequent adverse determination by CRA.

• As a matter of University policy, staff may not be employed using awards removed from salary.

4. DOCUMENTATION, RECORD KEEPING, & ELIGIBILITY OF DEDUCTIONS

The recipient of a grant must assume responsibility for the administration of the funds, including their reporting as taxable income and the claiming of allowable expenses under the Income Tax Act. Western research accounts will not be established to administer the funds for the faculty member. The individual will be responsible for all purchasing, personnel, and documentation. Detailed records of research expenses should be kept, including receipts, for possible inspection by The Canada Revenue Agency.

Although the University may approve the award, any questions regarding the eligibility of deductions must be resolved between the recipient and The Canada Revenue Agency. The faculty member will be responsible for any additional income tax and penalties that may be assessed. The University will not become involved in discussions or negotiations with The Canada Revenue Agency.