**RESEARCH GRANT INFORMATION SHEET: Faculty Requests for Research Grant In Lieu of Salary – Revised 6/1/15**

**1. OVERVIEW**

A faculty member may apply for a Research Grant to be paid in lieu of a portion of his/her salary under the Faculty Collective Agreement (See *Sabbatical Leave* clause16, *Education Leave* clause 7, *Exchange Leave* clause 7 and *Compensation and Benefits,* clause 52).

The Canada Revenue Agency (“CRA”) has issued Income Tax Folio “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>) which describes the conditions under which a research grant may be made to an employee in lieu of a portion of his/her salary. **THIS SHOULD BE READ CAREFULLY BY ALL APPLICANTS AND APPLICANTS ARE RESPONSIBLE FOR ENSURING THEIR OWN ELIGIBILITY.** Note, in particular, the requirement that the specific research project for which the research grant is made must be unrelated to the faculty member’s normal employment duties.

Although the full research grant must be reported by Western University to faculty members, certain expenses are deductible from the grant and only the net amount is required to be included in the faculty member’s taxable income. The above CRA Income Tax Folio describes the types of expenses that qualify for deduction. Any portion of the grant that exceeds permissible deductions will be subject to tax in the hands of the faculty member. The faculty member has responsibility for determining the deductibility of expenses and reporting the net amount of the research grant on his/her tax return filed with the CRA.

Because research grants under this program are taxable income, they are reported by Western on a T4A form for tax purposes. Accordingly, the regular salary or stipend that the faculty member would otherwise be entitled to receive during the period for which the grant is made, will be reduced by the amount of the grant. No income tax will be deducted by Western on the research grant, nor will it be subject to Employment Insurance premiums or Canada Pension Plan contributions. The award will be dispersed in equal monthly installments together with an individual's remaining salary.

**IN APPLYING FOR AND RECEIVING A RESEARCH GRANT, THE APPLICANT ACCEPTS RESPONSIBILITY FOR ALL LIABILITIES INCLUDING THE TAX CONSEQUENCES OF ANY ADVERSE DETERMINATION BY THE CANADA REVENUE AGENCY REGARDING THE CHARACTERIZATON OF THE RESEARCH GRANT AND/OR THE PERMITTED DEDUCTIONS, AS REQUIRED BY THE FACULTY COLLECTIVE AGREEMENT, COMPENSATION AND BENEFITS ARTICLE, CLAUSE 52.4.**

**2. APPLICATIONS**

The 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 include a description of the research work to be undertaken, a statement indicating how the application meets the conditions outlined in Income Tax Folio “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>), and a detailed budget for anticipated expenses.

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, Educational Leave or Exchange Leave commences, as applicable.

**Late, ineligible or incomplete applications will not be accepted.**

**3. ADDITIONAL TERMS AND CONDITIONS**

* CRA policy 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 as part of the research project 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 research workload portion of the salary of the applicant that is payable for the period covered by the research grant subject to the requirement that the approval of a research grant shall not result in the salary payable to the applicant in each applicable calendar year being reduced below the Year’s Maximum Pensionable Earnings under the Canada Pension Plan.
* The request should allow for sufficient salary to be retained and paid in the usual manner, in order to maintain University benefits coverage. Questions dealing with pension and benefits coverage and the implications of a research grant on coverage should be directed to the appropriate Department/School/Faculty Administrative Officer. Note that salary on which pension contributions are made and other income-based benefit coverage is maintained are final and will not be revised in the event of a CRA or judicial determination regarding the characterization of the research grant for tax purposes.
* 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 proposed and anticipated expenditures, any certification requirements, and the required reduction in normal employment activities to facilitate the research project.
* The maximum duration of the grant will be 12 months. Research-related expenses must be incurred in the same tax year as the grant is paid to the faculty member. 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, the faculty member should 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 CRA disallowing the deductions against the research grant.
* As a matter of University policy, staff may not be employed using research grants made in lieu of salary.

**4. DOCUMENTATION, RECORD KEEPING, & ELIGIBILITY OF DEDUCTIONS**

The recipient of a research grant must assume responsibility for the administration of the funds, including reporting the grant as taxable income, less any related expenses that are properly deductible 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 and documentation. Detailed records of research expenses should be kept, including receipts, for possible inspection or audit by the Canada Revenue Agency (CRA).

Although the University may approve the research grant, any questions regarding the eligibility of deductions must be resolved between the faculty member and the CRA. The faculty member will be responsible for any additional income tax and penalties that may be assessed against him/her or the employer, as described in the Faculty Collective Agreement, *Compensation and Benefits* article, clause 52.4. **The University will not become involved in discussions or negotiations with the CRA.**

Revised June 2015

*Request for Research Grant in Lieu of Salary*

Date:

Name of Requesting Party:

Faculty: Department:

To: Director of Compensation, Human Resources

I hereby request that Western University approve payment to me of a Research Grant in the amount of $\_\_\_\_\_\_\_\_\_\_\_ for the period (insert start date\*) to (insert end date) in lieu of a portion of my regular salary.

I acknowledge a Research Grant is intended to cover research related expenses for a specific research project where the research to be undertaken is beyond what is ordinarily expected of me under my terms of employment. I have made the necessary arrangements respecting academic responsibilities to allow me to conduct the proposed research project. The details of the specific research project that I propose to undertake are in the application attached to this letter which indicates approval by my Dean.

I confirm that the amount of the Research Grant requested does not reduce the salary I receive below the Year’s Maximum Pensionable Earnings under the Canada Pension Plan.

I understand that my base salary will be reduced by the amount of the Research Grant that is approved and the amounts paid as a Research Grant will be paid in equal monthly installments as T4A income not subject to deductions.

I confirm that I am responsible for claiming research related expenses on my personal income tax return and that I anticipate my deductible research related expenses in respect of which this request is made will meet or exceed the amount of the Research Grant for each calendar year. I understand that any expenses in excess of the Research Grant are not tax deductible and will not be reimbursed by Western.

I accept responsibility for any liabilities that result from making payment in accordance with this request and, in the event of an unfavourable decision by the Canada Revenue Agency, agree to indemnify the employer for damages arising, as outlined in the Faculty Collective Agreement, *Compensation and Benefits* article, clause 52.4 and I hereby authorize the employer to recover such damages through payroll deduction.

I have read, understand and accept the terms and conditions set out in the *Research Grant Information Sheet* and confirm that this request complies with the terms and conditions set out therein.

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Name of Requesting Party Date:

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Witness Date:

\*This date must be at least 30 days later than the date the notice is given to the Dean.

cc. Dean

cc. Human Resources (Payroll)

cc. Finance

cc. Research Services