



Canadian Association of University Teachers
Association canadienne des professeurs et professeurs d'université

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September 16, 2009

MEMORANDUM: 09:31

TO: Presidents and Administrative Officers
Local and Federated Associations

FROM: Neil Tudiver, Assistant Executive Director

RE: Tuition Scholarships, Waivers and Bursaries

On August 12, 2009, the Canada Revenue Agency issued new guidelines for employer-paid educational costs. The section on *Tuition, scholarships, and bursaries paid for employees' family members* is germane to members of Academic Staff Associations.

In two cases before the Tax Court of Canada the judge ruled that scholarship or tuition amounts paid to an employee's family member were benefits to the family member, not to the employee. These cases were upheld on appeal to the Federal Court of Appeal.

As a result, the CRA revised its position on employer-provided scholarships, bursaries, and tuition for an employee's family member. Previously, the CRA held that scholarships, bursaries, and tuition provided to an employee's family member were taxable for the employee, unless the scholarship was awarded to a limited number of individuals selected on the basis of objective criteria that focused on the accomplishments of the recipients.

The CRA now accepts that when an arm's length employer provides scholarships, bursaries, and free tuition to employees' family members, it is income to the family member, not the employee, regardless of the criteria used to award the amounts.

Retroactive to the 2007 taxation year free tuition provided to an employee's family member will no longer be included in the employee's income. Instead the amount must be reported as a scholarship on a T4A slip for the family member.

If the value of free tuition, a tuition waiver, scholarship or bursary for a family member was included in your members' income for 2007 or 2008, the employer is now obliged to amend members' T4 slips for those years and issue T4A slips for the family member who received the benefit.

Many employers have already announced the change and indicated they will abide by the new guideline. We are sending this note so that you can inform your members and ensure your employer is taking appropriate steps to follow the guideline.

A copy of the guidelines is attached. You can also see the guidelines and additional information at the following website:

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/dctn/ttn-eng.html>

For further information, or advice on negotiating the benefits in light of the new guidelines, contact Neil Tudiver: Tudiver@caut.ca; 613.726.5182.

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Encl.

cc: Chief Negotiators



Canada Revenue Agency

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Tuition fees, scholarships, bursaries

We have developed guidelines on employer-paid educational costs to help you determine if there is a taxable benefit for your employees.

When the training is mainly for your benefit, there is **no** taxable benefit whether or not the training leads to a degree, diploma, or certificate. A taxable benefit arises when the training is mainly for the employee's benefit.

The guidelines consider three broad categories of training:

- **Specific employment-related training**

We generally consider that courses taken to maintain or upgrade employment related skills are mainly for your benefit when it is reasonable to assume that the employee will resume his or her employment for a reasonable period of time after he or she completes the course.

For example, tuition fees and other associated costs such as books, meals, travel, and accommodations that you pay for courses leading to a degree, diploma, or certificate in a field related to your employee's current or future responsibilities in your business are **not** a taxable benefit.

- **General employment-related training**

We generally consider that other business related courses, although not directly related to your own business, are taken mainly for your benefit.

For example, fees you pay for stress management, employment equity, first aid, and language courses are **not** a taxable benefit.

- **Personal interest training**

We consider that courses for personal interest or technical skills not related to your business are taken mainly for the employee's benefit and, therefore, are a taxable benefit.

If the tuition fees you paid (or reimbursed) your employee are a taxable benefit according to the guidelines above, you have to include the amount in the employee's income for the year you made the payment.

If you paid (or reimbursed) tuition fees to employees and there is no taxable benefit according to the guidelines above, the employees are not entitled to claim the non-refundable tuition or education tax credit on their return for those fees. You should inform them of this.

A student, during or right after employment with you, may arrange with you to receive a scholarship or bursary from you on condition that the student returns to your employment. In this situation, the amount of the scholarship or bursary is the student's employment income.

If your employee is entitled to claim the education tax credit, **do not** calculate deductions based on scholarships, fellowships, or bursaries. These amounts must, however, be reported on a T4 slip. If the employee meets certain criteria, the income may be exempt, and he or she may be able to exclude the amount from income on his or her individual return. If you get any questions from your employee about the income, you can refer them to [Scholarships, fellowships, bursaries, study grants, and artists' project grants](#), or to their General Income Tax and Benefit Guide.

Tuition, scholarships, and bursaries paid for employees' family members

Starting with the 2007 tax year, if, as a post-secondary educational institution, you provide free tuition to an employee's **family members**, **do not** include the benefit's FMV in the employee's income. Instead, report the amount as a scholarship on a T4A slip for the family member.

Starting with the 2007 tax year, if you operate a scholarship program for the family members of your employees, **do not** include scholarship amounts awarded in the income of the employee. Instead, report the amount on a T4A slip for the family member.

Do not include in your employee's income the FMV of tuition fees, books, and supplies you paid or reimbursed for his or her family member. Instead, report the amount as a scholarship on a T4A slip for the family member.

If the individual meets certain criteria, the income may be exempt, and the person may be able to exclude the amount from income on his or her individual return. If you get any questions from your employee about the T4A slip issued to the family member, you can refer them to [Scholarships, fellowships, bursaries, study grants, and artists' project grants](#), or to their General Income Tax and Benefit Guide.

Notes

If you included the FMV of tuition fees or a scholarship award for a family member in an employee's income for **2007** or **2008**, you may amend that employee's T4 slip for those years, and issue a T4A slip for the family member.

The change to the employee's income for **2007** or **2008** may mean that you overpaid your share of the CPP contributions and EI premiums. To find out how to recover your share of these amounts, go to [CPP overpayment and recovering CPP contributions or EI overpayment and recovering EI premiums](#) for more information.

If you have already deducted and remitted these amounts in **2009**, go to [Deduction errors](#) and [How to correct remitting errors](#) for more information.

GST/HST, payroll deductions, and reporting

Certain tuition fees may be subject to GST/HST. If paying tuition fees results in a taxable benefit for an employee and the fees are subject to GST/HST, include GST/HST in the value of the benefit.

Payroll deductions

If the benefit is **taxable**, it is also pensionable. Deduct CPP contributions and income tax.

If the taxable benefit is paid in cash, it is insurable. Deduct EI premiums. If it is a non-cash benefit, it is not insurable. Do not deduct EI premiums.

Reporting the benefit

If the tuition fees, scholarship or bursary is taxable, you must report the employee's benefit on a T4 slip in **box 14** "Employment income" and in the "Other information" area under **code 40** at the bottom of the slip. For more information, see [T4](#).

If you are reporting tuition fees, scholarships, or bursaries for the **family member** of your employee, you must report it on a T4A slip in **box 28** "Other income," and in **box 38**, enter **code 5**. For more information, see [T4A](#).

Forms and publications

- [IT75, Scholarships, Fellowships, Bursaries, Prizes, Research Grants and Financial Assistance](#)
- [IT470, Employee's Fringe Benefits](#)
- [IT516, Tuition Tax Credit](#)
- [IC75-23, Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools](#)
- [Technical News No. 13](#)

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