



Taxable Benefits News Universities and Public Colleges

This text will update you on the Canada Revenue Agency's new policy on scholarship, bursary, tuition, and employment benefits.

Scholarship, bursary, and tuition benefits

In two recent Tax Court of Canada cases 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, we have revised our position on employer-provided scholarships, bursaries, and tuition for an employee's family member.

Previously, our position was 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.

Effective for the 2007 and later tax years, we have revised our position for employer-provided tuition and scholarships to employees' dependants for post-secondary school. We will accept 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. If a student is eligible to claim an education tax credit, the income may be exempt from tax. However, the payer still has to report the income on a T4A slip.

Our position on scholarship, bursary, and tuition amounts paid to the employee for furthering his or her own education has not changed. Also, our position on other benefits given to employees' family members has not changed. Our revised position does not apply to elementary, secondary, or private school tuition and scholarships.

Amending 2007 and 2008 T4 slips

An employer who included employer-provided scholarship or tuition amounts for an employee's dependant on an employee's 2007 or 2008 T4 slip can amend the slip to exclude income in accordance with our revised policy. To amend a slip, an employer must clearly identify a new slip as amended, and complete all the required boxes on the amended slip—even those that are not changing. Two copies of an amended slip must be sent to the employee, and one copy to the Canada Revenue Agency (CRA), along with a letter explaining the reason for the amendment. For more information on filing and amending T4 information slips, please see Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

Tuition amounts removed from an employee's T4 must be reported on a T4A slip issued to the student.

If an employer wants to claim a refund of Canada Pension Plan (CPP) contributions or Employment Insurance (EI) premiums for income reported on an employee's T4 slip in 2007 or in 2008, the employer can ask for a refund by completing Form PD24, *Application for a Refund of Overdeducted CPP Contributions or EI Premiums*, and sending it to the CRA. A request for a refund of CPP contributions must be made no later than four years after the end of the year of the overpayment. A request for a refund of EI premiums must be made no later than three years after the end of the year of the overpayment.

If an employer has made deductions in 2009

Due to the mid-year revision to the CRA's policy, there may be employers who have withheld income tax, CPP, and EI amounts on scholarships, tuition fees, and bursaries paid to employee's dependants. To correct this, affected employers have the option to retroactively recalculate the deductions required on the benefit, using the new policy, to determine if there is an overpayment of CPP, EI, or income tax.

If there is an overpayment, the employer should reimburse the employee and adjust the payroll records to reflect the reduced deduction. This will result in a credit on the Canada Revenue Agency (CRA) payroll account equal to the employee's and employer's part of the overdeduction. The employer can then reduce a future remittance in the same calendar year. The employer should not include the reimbursed amount on the employee's T4 slip.

If the employer cannot reimburse the overpayment to the employee and reduce a future remittance in the same year, the employer will have to report the total CPP contributions, EI premiums, and income tax originally deducted on the T4 slip of the employee. The employer can ask for a refund by completing Form PD24, *Application for a Refund of Overdeducted CPP Contributions or EI Premiums* and sending it to the CRA.

Other taxable employment benefits

The CRA has recently announced changes to six other taxable employment benefits, including changes to the way gifts and awards and overtime meal allowances are taxed. For a complete list of the affected benefits and for more information, please go to <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/whtsnw-eng.html>.

More information

If you have questions or want more information about the revised policies, please call the CRA Business Enquiries line at **1-800-959-5525**.

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