

RESEARCH GRANTS IN LIEU OF SALARY POLICY

University Policy No.: RH8205

Classification: Research

Approving Authority: Board of Governors

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Mandated Review:

1.0 PURPOSE OF POLICY

1.1 The purpose of this Policy is to enable eligible faculty members and librarians, who propose to undertake or continue a research project where the primary purpose involves critical or scientific inquiry aimed at the discovery of new facts or the development of new interpretations or applications, to make an application to receive a portion of their salary as a Research Grant in Lieu of Salary and thereby enable the recipient to pay some of the expenses associated with undertaking the research. All applications are subject to peer review in accordance with this policy. The income tax implications of this grant are discussed in section 6.2 of this Policy and are the responsibility of the Grantee.

1.2 The primary purpose of the Research Grant in Lieu of Salary must be to carry out research. Paragraph 22 of the Canada Revenue Agency Interpretation Bulletin IT-75R4 defines research as involving

"... a critical or scientific inquiry aimed at the discovery of new facts, or the development of new interpretations or applications. It does not include research carried out for the sake of acquiring the experience or skill of conducting research, as may be the case with research carried out by undergraduate students. In order for a grant to be considered a research grant, the terms of the grant must establish that the primary purpose of the grant is to carry out research. The following factors may be helpful in this context:

- If only one of the major purposes of the grant is to enable the recipient to carry out a research project, this does not in itself establish the primary purpose.
- The term or terms relating to the research requirements for the grant must be specific. Vague and general references, such as 'including research,' do not in themselves bring the grant within paragraph 56(1)(o) [Income Tax Act]."

1.3 Because a Grantee will normally intend to deduct research expenses from the amount of a research grant, the University requires evidence that the work to be carried out complies with Interpretation Bulletin IT-75R4 which requires, as a condition of deducting expenses, that the type of research carried out under the

research project be a type of research that is different from the type of research work ordinarily expected of the faculty member or librarian under their terms of employment.

2.0 DEFINITIONS

Applicant is a person who is eligible to apply for a Research Grant in Lieu of Salary in accordance with this policy.

Grantee means a person whose application for a Research Grant in Lieu of Salary has been approved in accordance with this policy.

University means the University of Victoria.

3.0 ELIGIBILITY TO APPLY

A person is eligible to apply for a Research Grant in Lieu of Salary who holds an academic appointment or an appointment as a librarian at the University and who is:

- (a) paid a salary by the University; and
- (b) a resident of Canada for the purposes of the Income Tax Act of Canada.

4.0 AMOUNT OF RESEARCH GRANT IN LIEU OF SALARY

4.1 Limitations on Amount

The amount of a Research Grant in Lieu of Salary

- (a) must be an amount that is reasonably commensurate with an anticipated reduction of the extent of research endeavors that would be ordinarily expected of the Grantee under their terms of employment at the University to enable the Applicant to carry out the research project that is the subject of the application; and
- (b) must not exceed 60% (sixty percent) of the gross annual salary that would become payable to the Grantee during the period of the Research Grant in Lieu of Salary.

4.2 Maximum Amount

Notwithstanding paragraph 4.1, the maximum amount of a Research Grant in Lieu of Salary must not exceed the balance of salary that will normally become payable to the Grantee during the balance of the fiscal year of the University to which the Research Grant in Lieu of Salary applies.

5.0 RESEARCH GRANT PERIOD

The period during which a Research Grant in Lieu of Salary may be paid by the University to the Grantee may not extend beyond two fiscal years.

6.0 TREATMENT OF RESEARCH GRANT UNDER THE INCOME TAX ACT

6.1 Payment of Grant by University as T4A Income

Research Grants in Lieu of Salary under this program are regarded as taxable income under the Income Tax Act. The University will report all research grant payments as T4A income in the taxation year (calendar year) in which the payments are made to the Grantee. Accordingly, no income tax, Canada Pension Plan or Employment Insurance Act premiums will be deducted at source by the University with respect to payments made as a Research Grant in Lieu of Salary. Payment of a Research Grant in Lieu of Salary under this program reduces the salary portion of a Grantee's income that is used for calculating a Grantee's "contribution room" for the purposes of making contributions to an RRSP under the Income Tax Act.

6.2 Responsibilities of Grantee

The Grantee is responsible for complying with provisions of the Income Tax Act and Regulations and the requirements of the Canada Revenue Agency including:

- (a) Reporting all Research Grant in Lieu of Salary as income to the Canada Revenue Agency in the year in which the funds are received and claiming any deductible research expenses that may be permitted by the Income Tax Act. Applicants should consult the Canada Revenue Agency Interpretation Bulletin IT-75R4 dated June 18, 2003, and any subsequent revision thereof. In particular, Paragraphs 31 - 36 of the Interpretation Bulletin provide information on the deductibility of research expenses and the taxation year in which research expense may be deducted. The University is not in a position to provide more detailed tax information to Applicants or Grantees. Furthermore, the University will not provide a Grantee with assistance in the preparation of tax returns or presentation of a case to the Canada Revenue Agency. Any questions about the taxation of a Research Grant in Lieu of Salary, including questions about the taxation year or years in which research expenses may be deducted, should be referred to the Canada Revenue Agency or the Applicant's personal tax advisor. Any questions with respect to the eligibility of expenses that have been claimed as a deduction against income for income tax purposes must be resolved between the Grantee and the Canada Revenue Agency. It is the responsibility of the Grantee to support claims for deductions by supplying The Canada Revenue Agency with detailed records and receipts. The Grantee is solely responsible for any additional income tax that may become payable as a result of the payment to the Grantee of a Research Grant in Lieu of Salary.
- (b) Making all required statutory deductions for persons employed by the Grantee and remitting the deducted funds and any required

employer contributions to Receiver-General of Canada or other government authority. Please consult the Canada Revenue Agency Interpretation Bulletin IT-75R4 or the Canada Revenue Agency for further information regarding payments to research assistants.

7.0 TREATMENT OF RESEARCH GRANT WITH REGARD TO PAYMENT OF GST

Persons having in excess of \$30,000 taxable revenues from the supply of goods and services must become registered with the Canada Revenue Agency for the purposes of the assessment of Goods and Services Tax and must remit a seven per cent (7%) tax thereon to the Receiver-General of Canada less any eligible input tax credits. A self-funded Research Grant is regarded by the Canada Revenue Agency as constituting a contract by the Grantee to supply research services to the University. Therefore, any Grantee who receives a Research Grant in Lieu of Salary and whose aggregate income from the supply of goods and services in a taxation year (including the amount of the Research Grant in Lieu of Salary) exceeds \$30,000 will be subject to the above requirements.

8.0 EQUIPMENT PURCHASE - OWNERSHIP

Ownership of equipment purchased with a Research Grant in Lieu of Salary rests with the Grantee. Purchase of equipment with funds from a Research Grant in Lieu of Salary is a personal transaction and should not be made through the University's Purchasing Department or the Grantee's academic Department. The cost of maintaining and insuring the equipment remains the responsibility of the Grantee.

9.0 TERMINATION OF EMPLOYMENT WITH UNIVERSITY

If, at any time during the period of a Research Grant in Lieu of Salary, the Grantee ceases to be an employee of the University or ceases to be in receipt of income from the University:

- (a) the Research Grant in Lieu of Salary shall be deemed to have been terminated by mutual agreement as of the date when the Grantee ceased to be an employee of the University or in receipt of income from the University;
- (b) no further payments by way of a Research Grant in Lieu of Salary will be made to the Grantee; and
- (c) where funds have been advanced that have not been earned by the Grantee, such funds are a debt owing by the Grantee to the University.

10.0 PROCEDURES

Procedures for the implementation of this Policy, including, without limiting the generality of the foregoing, for the application and approval process for Research Grants in Lieu of Salary, the method of payment, and expenses eligible for payment out of the grant funds, will be established and amended, as required from

time to time, by the Vice President Research and Innovation in consultation with the Vice-President Academic and Provost.

PROCEDURES FOR THE IMPLEMENTATION OF POLICY RH8205 (RESEARCH GRANTS IN LIEU OF SALARY POLICY)

Procedural Authority: Board of Governors
Procedural Officer: Vice President Research and
Innovation

Effective Date: January/06
Supersedes:
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The following Procedures have been established for the implementation of Policy Number RH8205, Research Grant in Lieu of Salary and must be read in conjunction with the Policy. Words in this document have the same meaning as defined in Policy Number RH8205.

1.0 APPLICATIONS FOR A RESEARCH GRANT IN LIEU OF SALARY

1.1 Application Deadlines

Applications must be submitted to the Office of Research Administration by May 1, July 1, November 1 or March 1 for Research Grants in lieu of salary that will commence on or after July 1, September 1, January 1 or May 1, respectively.

1.2 Form of Application

An application must be made on a form that is available from the Office of Research Administration and must include the following information:

- (a) A description of the research project with sufficient detail to enable adjudication by the adjudication panel.
- (b) A description of how the type of research proposed to be carried out under the research project is different from the type of research that is ordinarily expected of the Applicant under their terms of employment with the University. The research must be of a type that is separate and apart from the research ordinarily carried on by the Applicant. This description must be written so as to be comprehensible to scholars unfamiliar with the Applicant's specialized field of study.
- (c) The amount requested as a Research Grant.
- (d) A research budget completed in accordance with the application form depicting how the requested amount of the Research Grant will be spent.
- (e) The period during which the Research Grant in Lieu of Salary will be paid to the Grantee and deducted from the Grantee's salary.

1.3 Approval of Applicant's Chair and Dean

The Chair of the Applicant's Department (in a departmentalized Faculty) and the Applicant's Dean, or, in the case of a Librarian, the University Librarian, must:

- (a) state whether the Applicant's proposed research project is beyond the extent of research endeavours that would be ordinarily expected of the Grantee under their terms of employment at the University; and
- (b) where the research project will be conducted at the University of Victoria, state whether the Department and Faculty or Library can accommodate any space requirements or resource requirements that are in addition to those specified in the application for the Research Grant in Lieu of Salary.

Where the Applicant holds a joint appointment, agreement must be obtained from the Chair or Director of each academic unit in which the Applicant holds an appointment.

2.0 ELIGIBLE EXPENSES

The proposed expenditures from a Research Grant in Lieu of Salary must be described in the application and must be warranted in relation to the proposed program of research. This Policy describes the type of research expenses that may be approved by the Adjudication Panel as part of the adjudication of an application (refer to paragraph 6.2.1 of this Policy). However, the deductibility of expenses for income tax purposes is determined by the Canada Revenue Agency in accordance with the Income Tax Act and Regulations.

2.1 Assessment of Proposed Expenses

An Adjudication Panel will assess the proposed expenses from a Research Grant in Lieu of Salary in relation to the research project and the costs of research that are normally allowed by federal granting councils. The Adjudication Panel may disallow any proposed expense.

2.1.1 Eligible expenses may include:

- (a) Equipment purchases;
- (b) Service contracts on equipment including computer service contracts;
- (c) Payments to research assistants for research, translation and fact checking (refer to Paragraph 11.2.b of this Policy);
- (d) Copying charges;
- (e) Proof reading and editing charges;

- (f) Books and journals of an academic or technical nature that are directly related to the research project and that are not in the University of Victoria libraries;
- (g) Conference registration fees of the Grantee;
- (h) Travel and accommodation expenses that are directly related to the research project. Only expenses that adhere to the University's policies are eligible. Only economy fares are eligible expenses. Where the use of a personal vehicle is required, only the University's approved kilometer rate will be permitted as an eligible expense;
- (i) Travel from one temporary location to another; and
- (j) Travel on field trips connected with the research project.

2.1.2 Proposed expenditures that will not normally be approved by the Adjudication Panel include:

- (a) Salary of the Grantee;
- (b) Conference or course fees of an assistant;
- (c) Membership fees in professional societies;
- (d) The fees associated with obtaining Visas;
- (e) Medical insurance;
- (f) Office rental;
- (g) Proportion of mortgage and other expenses for an in-home office;
- (h) Personal and living expenses of the Grantee (other than traveling and travel; accommodation expenses) incurred by the Grantee while away from home in the course of carrying out the research project (refer to limitations contained in the Canada Revenue Agency Interpretation Bulletin IT-75R4, paragraphs 32 and 32);
- (i) Amounts paid for meals and lodging while temporarily residing at another place outside Greater Victoria;
- (j) Travel expenses of spouse and children, except in accordance with University travel policy;
- (k) Commuting costs while sojourning; and
- (l) Expenses for which the taxpayer will be reimbursed by the University or other research sponsors.

3.0 ADJUDICATION OF APPLICATIONS

3.1

- (a) Each Dean of an academic Faculty and the Head of the Division of Medical Sciences will designate one Faculty member and the University Librarian will designate one Librarian to be available to serve as representatives on Adjudication Panels for the review of applications for a Research Grant in Lieu of Salary.
- (b) Each application will be reviewed by an Adjudication Panel convened by the Vice-President Research and Innovation or designate, comprised of:
 - (i) The Vice-President Research and Innovation or designate, as Chair;
 - (ii) A representative of the Faculty Association;
 - (iii) The representative of the unit (Faculty, Division or Libraries) in which the Applicant holds an appointment; and
 - (iv) Representatives from two other units, selected by the Chair.

3.2 Functions of Adjudication Panel

The functions of Adjudication Panel are to:

- (a) determine whether the proposed research project qualifies under this policy;
- (b) assess the scholarly quality of the proposed research project;
- (c) assess the Applicant's ability to carry out the proposed research project in relation to the Applicant's past research record;
- (d) determine the justification of the budget submitted by the Applicant in relation to the proposal;
- (e) determine the eligibility of the proposed expenses in accordance with paragraph 6 of this Policy; and
- (f) make a recommendation to the Vice-President Academic and Provost.

3.3 Consultations by Adjudication Panel

The Adjudication Panel may consult the Applicant's Chair, the Dean, the Vice-President, Academic, the University Librarian (where the Applicant is

a Librarian) and any referees named by the Applicant or the Adjudication Panel.

4.0 APPROVAL OF APPLICATION

4.1 If the Adjudication Panel determines that the application

- (a) complies with Policy 1220 and these Procedures; and
- (b) should be approved pursuant to these Procedures,

the Adjudication Panel will recommend approval of the Research Grant in Lieu of Salary to the Vice-President Academic and Provost and will forward to the Vice-President Academic and Provost the grant application, together with their recommendation for final approval.

4.2 When an application has received final approval, the approved Research Grant in Lieu of Salary is no longer considered to be salary but constitutes a research grant, which is subject to:

- (a) the regulations of this policy;
- (b) the research related policies of the University; and
- (c) the Income Tax Act and Regulations.

5.0 PAYMENT OF RESEARCH GRANT IN LIEU OF SALARY

5.1 Payment of a Research Grant in Lieu of Salary may be made either monthly or quarterly in advance except no advance payment will be made in one fiscal year with respect to funds that would not otherwise be earned by the Grantee until the next fiscal year.

5.2 The Grantee's salary for the period of the Research Grant will be reduced by an amount corresponding to the total amount of the Research Grant in Lieu of Salary that will be paid to the Grantee during that period.

5.3 The University will not make any alteration to salary payments that have already been made to the Grantee prior to the approval of the research grant.

6.0 REPORT TO THE OFFICE OF RESEARCH ADMINISTRATION

A person who has received a Research Grant in Lieu of Salary must submit a report to the Office of Research Administration with a copy to the Grantee's Dean within three months after the conclusion of the period of the Research Grant. The purpose of the report is to describe the outcome of the scientific inquiry or scholarly activity that was conducted with the Research Grant in Lieu of Salary.