Payments to Students – Employment or Student Award?

The University frequently makes payments to students which can be categorized in a number of ways. The choice of payment type has significant implications for the university and the student, including the assessment of taxes, CPP, EI and Worksafe BC coverage, labour standards, liability and ownership of intellectual property. It is therefore very important that the correct determination be made. The correct payment type and reporting for tax purposes is determined by the nature of the payment.

Employment Income

Students are frequently hired by the university in an employee-employer relationship. For example, students may be hired to work in the cafeteria, bookstore, or laboratories (research assistants or teaching assistants), or they may be paid to tutor other students or mark exams. In these cases, the existence of an employment relationship will likely be quite clear, and the university will pay the student employment income through the payroll system withholding and remitting income tax, Canada pension plan (CPP) and employment insurance (EI) and reporting these payments on a T4 slip. The university is also required to make CPP, EI and WorksafeBC employer contributions.

Generally, a payment is considered to be employment income if:

- there is a condition of service in return for the payment;
- the university is the primary benefactor of the related services (e.g., the university would have needed to hire someone to perform the related duties);
- the university controls how and when the work is carried out and provides the facilities and equipment used to carry out the work.

Student Awards

Student Awards consist of scholarships, bursaries and fellowships. Generally, a payment is considered to be a student award if:

- it is made primarily to advance the student’s education
- there is no employee-employer relationship
- the payment is not consideration for services rendered, and
- the student is the primary beneficiary of the related service

Student awards are paid by the university through the Accounts Payable system with no deductions for income tax, CPP or EI and reported on a T4A slip. There are also no contributions (or coverage) for WorksafeBC.

The following decision diagram has been developed to assist in the determination of the appropriate type of payment.

- **Decision Diagram** – Employment of Student Award

If you are still uncertain after reviewing this document, please contact Accounts Payable (askacct@uvic.ca / 472-4525) or Payroll (payroll@uvic.ca / 721-7034) for assistance.

April 2015