

MEMORANDUM

To: Research Grant in Lieu of Salary applicants

From: Senate Research Committee

Subject: **Leave/Non-Leave
Research Grant in Lieu of Salary (RGLS) Program**

Attached please find the new revised program guidelines for the Leave/Non-Leave Research Grant in Lieu of Salary (RGLS) Program approved by the Senate Research Committee on October 28, 2011. The program revisions were necessary to make Lakehead University compliant with Canada Revenue Agency's Income Tax Act and Interpretation Bulletin [IT-75R4](#).

More and more frequently, the Senate Research Committee is being asked to peer-review the RGLS applications. These grants are funded by the researchers themselves in the form of a "research grant in lieu of salary." This in turn is associated with a tax benefit to the researcher.

Diversion of one's salary into support of research is commendable, given the limited availability of research dollars. However, the perception seems to exist with many Lakehead University faculty members that any activity automatically qualifies as research and, therefore, for the above form of tax benefit. This is not necessarily so and **applicants are strongly urged to read and comply with the University guidelines and Income Tax Act Interpretation Bulletin [IT-75R4](#)**. In its deliberations, the Senate Research Committee is obliged to apply the definition of research provided by the Taxation Act:

"Research involves 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...." **Income Tax Act Interpretation Bulletin [IT-75R4](#)** (p 22).

The second sentence is self-explanatory. The first sentence, however, leaves any human activity potentially open to a definition as research. It is then up to the applicant to convince the Senate Research Committee (and ultimately the Canada Revenue Agency) that the activity will be "critical and scientific." Each application should include the research question being asked, the hypothesis being tested, the data acquisition and analysis methods to be used, and the relationship between the cost of proposed research and the proposed budget. Statements (perhaps elaborated) such as: "I want to write a book on HIV epidemiology in Northwestern Ontario" or "I want to travel to South Africa to study the equipment used in crowd control" are simply not adequate in defining **research** activity (please refer to CRA Bulletin [IT-75R4](#) (p22)).

What is the bottom line? All academic disciplines have a concept of what acceptable research topics and methods are. If the proposed research would not be supported by the appropriate

tri-council granting agency (NSERC, SSHRC, CIHR) it is probably not eligible for an RGLS. Please conform to the standards of your discipline in making research proposals to the Senate Research Committee.

**Lakehead University Leave/Non-Leave
Research Grant in Lieu of Salary (RGLS) Program
Policy and Procedures
Approved by the Senate Research Committee: October 28, 2011**

DEADLINE DATES FOR SUBMISSION TO THE OFFICE OF RESEARCH ARE 4:30 pm as follows:

MARCH 10 – RGLS to begin July 1

OCTOBER 10 – RGLS to begin January 1

Late applications will not be considered. Retroactive applications (ie. requesting funds for expenditures already incurred) will not be considered.

1.0 PURPOSE OF POLICY

1.1 The purpose of this Policy is to enable eligible Leave/Non-Leave faculty members and librarians, to make an application to receive a portion of their salary as an RGLS and thereby enable the grantee to pay some of the expenses associated with undertaking the research. Applicants must propose to undertake 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. 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 RGLS 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 Interpretation Bulletin [IT-75R4](#)**]."

1.3 For Non-Leave Applicants only who intend to deduct research expenses from the amount of the RGLS, 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 his or her terms of employment.**

2.0 DEFINITIONS

Leave Applicant is a person who is eligible to apply for an RGLS in accordance with this policy and who has been approved for a sabbatical leave by the University President.

Non-Leave Applicant is a person who is eligible to apply for an RGLS in accordance with this policy and who wishes to undertake research at Lakehead University outside the scope of scholarship which they would “ordinarily” be expected to perform as part of his/her employment with the University.

Grantee means a person whose application for a RGLS has been approved in accordance with this policy.

University means Lakehead University.

3.0 ELIGIBILITY TO APPLY

A person is eligible to apply for a RGLS who holds a full-time tenure-track or tenured academic appointment at the University, and who is:

- (a) paid a salary by the University;
- (b) is a member of the Lakehead University Faculty Association (LUFA); and
- (b) a resident of Canada for the purposes of the Income Tax Act of Canada.

4.0 AMOUNT OF RGLS

4.1 Limitations on Amount

Non-Leave Applicants

The amount of a RGLS:

- (a) must be an amount that is reasonably commensurate with the value of the reduction in the non-specific research component of the faculty member’s normal responsibilities that would be ordinarily expected of the Grantee under his/her terms of employment at the University. University faculty members whose duties of employment include research responsibilities are not entitled to treat a portion of their regular salaries as a research grant when they engage in the type of research work ordinarily expected of them under their terms of employment.;
- (b) must be a minimum of \$5,000 and not exceed 50% (fifty percent) of the gross annual salary that would become payable to the Grantee during the period of the RGLS.
- (c) must refer to one calendar year only.

Leave Applicants

The amount of a RGLS:

- (a) must be a minimum of \$5,000 and the maximum grant will be determined by the leave salary of the applicant;
- (b) the total grant request should allow for at least 20% of the applicant’s regular 100% salary to be retained and paid in the usual manner, in order to maintain University benefits coverage; and

(c) the applicant may request a research grant to cover the whole leave period.

5.0 TREATMENT OF RESEARCH GRANT UNDER THE INCOME TAX ACT

5.1 Payment of Grant by University as T4A Income

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 an RGLS. Payment of an RGLS 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. However, research grants in lieu of salary under this program are regarded as taxable income under the Income Tax Act (against which the individual would deduct research related expenses). If an individual wishes, additional income tax may be deducted at source by Lakehead University. Furthermore, under the Income Tax Act, a research grant does not qualify for "compensation" for purposes of registered pension plans. Therefore, this income is not pensionable and contributions are not required to be made by the employee/employer to the Lakehead University pension plan.

5.2 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 RGLS 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 an RGLS, 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 an RGLS.

(b) Making all required statutory deductions for persons employed by the Grantee and remitting the deducted funds and any required employer

contributions to the 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.

c) The grantee is responsible for ensuring that adequate records are maintained for the grant and that the supporting documentation is available for Canada Revenue Agency's review. It is recommended that Grantees keep these records for a minimum of 5 years.

6.0 TREATMENT OF RESEARCH GRANT WITH REGARD TO PAYMENT OF HST

Persons having in excess of \$30,000 taxable revenues from the supply of goods and services in a calendar year must become registered with the Canada Revenue Agency for the purposes of the assessment of Harmonized Sales Tax and must remit a thirteen per cent (13%) tax thereon to the Receiver-General of Canada less any eligible input tax credits. An RGLS 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 RGLS and whose aggregate income from the supply of goods and services in a calendar year (including the amount of the RGLS) exceeds \$30,000 will be subject to the above requirements. Please refer to the following website for additional information:

<http://www.cra-arc.gc.ca/E/pub/gp/rc4022/README.html>

7.0 EQUIPMENT PURCHASE - OWNERSHIP

Ownership of equipment purchased with a RGLS rests with the Grantee. Purchase of equipment with funds from a RGLS 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.

8.0 TERMINATION OF EMPLOYMENT WITH UNIVERSITY

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

(a) the RGLS 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 RGLS 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.

9.0 PROCEDURES

Procedures for the implementation of this Policy, including, without limiting the generality of the foregoing, for the application and approval process for RGLS, 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 Office of Research in consultation with the Senate Research Committee and Office of Financial Services.

**APPLICATION PROCEDURES
RESEARCH GRANTS IN LIEU OF SALARY**

1.1 Application Deadlines

Applications must be submitted to the Office of the Vice-President Research by March 10 or October 10 for Research Grants in lieu of salary that will commence on or after July 1 or January 1 respectively.

1.2 Form of Application

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

- (a) A description of the research project with sufficient detail to enable adjudication by the Senate Research Committee.
- (b) For Non-Leave Applications, 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 her or his terms of employment with the University. 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 RGLS will be spent.
- (e) The period during which the RGLS 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) For a Non-Leave RGLS state whether the Applicant's proposed research project is beyond the extent of research endeavours that would be ordinarily expected of the Grantee under her or his terms of employment at the University; and
- (b) where the research project will be conducted at Lakehead University, 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 RGLS.

2.0 ELIGIBLE EXPENSES

The proposed expenditures from a RGLS 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 Senate Research Committee 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

The Senate Research Committee will assess the proposed expenses from an RGLS in relation to the research project and the costs of research that are normally allowed by federal granting councils. The Senate Research Committee 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 (conference must be related to the research project; conference expenses alone are not eligible unless situated within the context of a research project);
- (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 Senate Research Committee 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 33);
 - (i) Amounts paid for meals and lodging while temporarily residing at another place outside Thunder Bay;
 - (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** Each application will be peer reviewed by the Senate Research Committee.

3.2 Functions of Senate Research Committee

The functions of Senate Research Committee 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 Research, Economic Development and Innovation.

3.3 Consultations by the Senate Research Committee

The Senate Research Committee may consult the Applicant's Chair, the Dean, the Office of Research, and any referees named by the Applicant (supplied upon request) or the Senate Research Committee.

4.0 APPROVAL OF APPLICATION

- 4.1** If the Senate Research Committee determines that the application
- (a) complies with this policy and procedures; and

(b) should be approved pursuant to these procedures, the Senate Research Committee will recommend approval of the RGLS to the Vice-President Research, Economic Development and Innovation and will forward RGLS grant application, together with their recommendation for final approval.

4.2 When an application has received final approval, the approved RGLS 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 Canada Revenue Agency's Income Tax Act and Regulations.

5.0 PAYMENT OF RGLS

5.1 Payment of an RGLS 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 RGLS 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

A person who has received a RGLS must submit a report to the Office of Research Administration with a copy to the Grantee's Dean and Chair 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 RGLS.