

# news from CUASA

Volume 19, No. 1

Editor: R. Bird

July, 1988

## RESEARCH GRANTS IN LIEU OF SALARIES

Carleton University management has reached an agreement with Revenue Canada making it possible for academic staff to receive part of their salary as a research grant, provided of course, that the individual has a bona fide research project. Research expenditures can then be deducted from the research grant. Previously this arrangement had been limited to academic staff proceeding on sabbaticals.

But faculty considering this option should be aware of certain factors.

### Government Attitudes

The Quebec Government has challenged several Laval professors over a similar Provincial arrangement there and so far faculty have lost every appeal. There also seems to be some concern that if Revenue Canada perceives that faculty are abusing this system as a means of avoiding taxes, rather than paying for genuine research, Revenue Canada could use one or two abuses to justify abolishing the arrangement for everyone.

### Ownership

There has been no clear statement from Revenue Canada concerning ownership of equipment purchased with research grants of the type described above. The view of the CAUT Tax Consultant however is that physical equipment purchased and retained by the researcher from the grant would give rise to a taxable benefit to that researcher/taxpayer. Consequently, it has been suggested that research tax arrangements should be set up so that the ownership of the equipment remains with the university. For grants given by NSERC, for example their regulations state:

1) all equipment and material (including specialized books and publications, small items such as cameras, small calculators, binoculars, tents skis, etc.) purchased with NSERC grant funds belong to the University and not to

the individual grantee.

2) When a researcher is moving to another Canadian university and wishes to move equipment or other material purchased with NSERC grant funds, the Council encourages the university to accede to such a request provided the equipment is not necessary for the research activities of other researchers at that university. Assets so moved will then belong to the new university.

As long as the equipment remains the property of the university, even though it is being used exclusively by the researcher, there would be no taxable benefit attributable to the individual grantee.

### Use of Equipment

Equipment purchased under a research grant must be used initially for the designated research project. If the equipment is owned by the university, then it may be used subsequently for any purpose related to the employment relationship of the taxpayer, i.e. for faculty members' teaching or other research work. This is particularly important when dealing with computers. If a computer purchased on this arrangement is used at home some documentation of its use for research purposes should be maintained. If the computer is used at home for children's games or to keep household accounts, a faculty member in such a situation may be open to re-assessment by revenue Canada.

### Resale

If the grant-financed equipment is subsequently purchased by the faculty member at less than "fair market value" there is a taxable benefit attributable to the individual. It is therefore, necessary to provide evidence that a "fair market value" price was paid for the equipment. Once again, it is in regard to computers and other



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