

Tax Implications for Bursary Benefits

Important Information for Employees Who Have Used the Bursary Program for Dependents or Who Anticipate Using the Bursary Program for Dependents

The tuition bursary program provides the dependents of eligible employees with a financial benefit to be applied towards their tuition fees. Since 2006, McMaster's Tuition Bursary policy has recognized this as a taxable benefit to the employee, as per the direction of the Canada Revenue Agency (CRA), and income tax and CPP has been deducted from the benefit accordingly.

Recently, the CRA has changed their guidelines, clarifying that the tuition bursary is not a taxable benefit to employees, and should be treated as income to the family member receiving the benefit. This memo is to apprise you of the impact of this change for employees who have accessed this benefit in 2007, 2008, 2009 and going forward.

Implications for Employees who have Accessed the Tuition Bursary benefit in 2009

The taxable benefit has been removed from the pay record of employees who have accessed the Tuition Bursary benefit in 2009. The income tax and CPP contributions associated with the taxable benefit will be refunded on November 6, 2009 for Pay Category 01 and October 30, 2009 for Pay Category 02.

In February 2010, the student will be issued a T4A for the full amount of the bursaries received in the 2009 calendar year and the benefit will not be included on the employee's T4 slip.

Implications for Employees Accessing the Tuition Bursary benefit at a Future Date

The Tuition Bursary benefit will not be included in the employee's reported income or on the employee's T4 slip. The benefit will be included on a T4A slip issued to the student.

Implications for Employees who have Accessed the Tuition Bursary Benefit in 2007 and 2008

Employees who accessed the Tuition Bursary benefit in 2007 and 2008 may request a revised T4 slip for the applicable year(s). In this case, a revised T4A slip will be issued to students who received the Tuition Bursary benefit in 2007 and 2008. These employees and students are strongly encouraged to consult a tax expert regarding their individual situations as a reversal of the taxation in the hands of the employee will result in the benefit being taxable in the hands of the student, and both employee and student will be required to request a reassessment of their federal income tax for those years (documents pertaining to reassessment of federal income tax can be found at <http://www.cra-arc.gc.ca/E/pbg/tf/t1-adj/README.html>). Employees who wish to have their 2007 or 2008 T4 slips re-issued should contact Payroll at payroll@mcmaster.ca

QUESTIONS?

If you have questions about the tax application of the Tuition Bursary benefit, please contact Payroll at payroll@mcmaster.ca.

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