

Minister of Finance



Ministre des Finances

Ottawa, Canada K1A 0G5

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2010FIN314433

2010FIN314828

Dr. Marianne Stanford
Chair
Canadian Association of Postdoctoral Scholars
canadianpostdoc@gmail.com

Dear Dr. Stanford:

Thank you for your correspondence of March 8, 2010, a copy of which was referred by the Office of the Prime Minister, the Right Honourable Stephen Harper, regarding the tax treatment of post-doctoral fellowships. Please excuse the delay in replying.

In Budget 2006, our Government introduced a full tax exemption for post-secondary scholarships, fellowships and bursaries to help foster academic excellence by providing tax relief to post-secondary students. The scholarship exemption applies to amounts received in connection with the student's enrolment in an educational program that entitles the student to the Education Tax Credit.

Unlike post-secondary students enrolled in courses and pursuing a degree or diploma, post-doctoral fellows can be compared to a number of other professionals, such as lawyers, medical residents and accountants, where there is a period of paid training at the beginning of their careers. Similar to these other professionals, the compensation received by post-doctoral fellows is taxable.

To that end, Budget 2010 proposes to clarify that a post-secondary program that consists principally of research will be eligible for the Education Tax Credit and the scholarship exemption only if the program leads to a college or CEGEP diploma, or a bachelor, masters or doctoral degree (or an equivalent degree). The proposed clarification also includes a "reasonableness" test to ensure that the amount exempted is in proportion to the costs and length of the program. Finally, in the case of part-time students, the exemption will generally be limited to the cost of tuition and materials, except if the part-time program is undertaken by a student with a disability. Students who are entitled to the Disability Tax Credit, or who cannot be enrolled on a full-time basis because of a

mental or physical impairment, will continue to be eligible for a full tax exemption for their post-secondary scholarships, fellowships and bursaries.

Our Government is committed to supporting world-leading, discovery-oriented research. Canada ranks first among the G-7 countries in terms of expenditures on research and development in the higher education sector as a share of the economy.

We consider investments in post-secondary education, research and innovation to be essential for creating a stronger, more innovative economy, as well as a more prosperous Canada. Through Budgets 2006, 2007, and 2008, our Government provided an additional \$2.2 billion in new funding for science and technology initiatives between 2005-06 and 2009-10. Canada's Economic Action Plan built on these investments by providing an unprecedented \$4.9 billion in additional funding for research infrastructure, research, highly skilled people and commercialization, including:

- \$2 billion for maintenance, repair and construction projects at post-secondary institutions through the Knowledge Infrastructure Program; and
- \$750 million to support the modernization of research infrastructure at post-secondary institutions across the country through the Canada Foundation for Innovation.

Budget 2010 continues this momentum by providing additional new funding in support of post-secondary education, research and innovation. Notably, \$45 million over five years will be provided to the granting councils to establish and administer the Canada Postdoctoral Fellowships Program. When fully implemented, the program will annually fund 140 new taxable two-year post-doctoral fellowships valued at \$70,000 each per year. Other support includes the following:

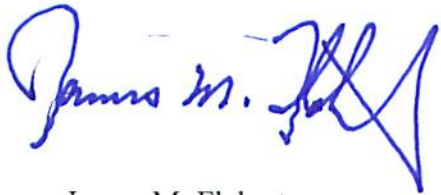
- \$32 million per year to the granting councils to enhance their support for researchers at Canada's universities, colleges and research hospitals;
- \$8 million per year for the Indirect Costs Program to help post-secondary institutions support the additional research activities to be funded by the granting councils;
- \$15 million per year to the College and Community Innovation Program to support additional research collaborations between businesses and colleges;
- \$126 million over five years to support research and commercialization activities at TRIUMF, Canada's premier national laboratory for nuclear and particle physics research;
- \$75 million in 2009-10 to Genome Canada to allow it to launch a new targeted research competition focused on forestry and the environment as well as sustain funding for the regional genomics innovation centres;

- \$135 million for the National Research Council's regional innovation clusters program to foster partnerships among businesses, academia and other levels of government; and
- \$40 million to launch a new Small and Medium-sized Enterprise Innovation Commercialization Program.

Our Government remains committed to ensuring that research and development continues to contribute to a more prosperous economy.

Thank you for communicating your concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read "James M. Flaherty". The signature is stylized and cursive, with a large initial "J" and "F".

James M. Flaherty