

The following information is provided by the Canadian Association of Postdoctoral Scholars (CAPS) with no warranty whatsoever. The tax situation around PDF is presently unclear. The members of the CAPS executive are not lawyers or tax accountants, and this document is not intended as legal advice. It is merely a guideline reflecting the clearest arguments supporting the right of PDF to claim the recently-introduced exemption for scholarship & fellowship amounts on line 130 in the income tax guide that CAPS has been able to develop. CAPS does not have an official position as to whether or not PDF should claim this exemption, that decision is up to the individual PDF. It may also be advisable to contact a tax professional. Should you decide to claim this exemption, we suggest you may wish to consider the following:

1. The CRA has the final word on who is eligible to claim this exemption, and is legally able to revise your amount owing at a later date, even if no objections are raised to your initial filing. Despite the fact that we believe a strong argument can be made for PDF eligibility for this exemption, the CRA may decide not to accept this argument.
2. DO NOT under any circumstances attempt to conceal income from the CRA. There are significant penalties for filing a false income tax return. Whatever actions you choose to take, make sure you explain clearly what you have done and why, so that it is clear that you are acting in good faith and not attempting to deceive the CRA.
3. Your income must be reported as Scholarship & Fellowship income (box 28, code 05) on a T4A slip (NOT employment income on a T4 slip - if this is how you are paid, you will not be eligible to the best of our knowledge)
4. It is also necessary that your income be tied to postdoctoral studies at an accredited institution (e.g. University)
5. Calculate your taxes without the exemption first. Set the receipts and documentation aside in case the CRA determines at some future date that you are not eligible to claim the exemption.
6. For the same reasons, set aside sufficient funds to cover the amount you calculated above, somewhere you can access them promptly if needed (e.g. don't just spend the money, or lock it up in long-term GICs).
7. The CRA could probably decide to charge you interest if they decide you owe back taxes, although we do not know if they would do so in cases where the problem is due to a lack of information from the CRA itself.
8. The letter on the following pages summarizes CAPS' arguments to the CRA that PDF should be eligible for the exemption in question. Again, we are not lawyers or accountants, and you may be able to come up with something better on your own, but if you so choose, you could print out and submit pages 2 & 3 of this file along with your tax return, or modify it as necessary.

The full *Bekhor v. M.N.R.* ruling of the Tax Court of Canada cited in the letter is available at:

<http://decision.tcc-cci.gc.ca/en/2005/2005tcc443/2005tcc443.html>

Canadian Association of Postdoctoral Scholars  
February 1, 2010

**Petition to be granted the T4A Scholarship / Fellowship Income exemption**

Recent changes in the declaring of Scholarship and Fellowship income on line 130 do not explicitly define the eligibility of individuals such as myself who are undertaking post-doctoral studies ("Post-Doctoral Fellows" – **PDFs**). Although no officially recognized definition of a postdoc exists in Canada, a national working group on the subject has come up with the following interim definition;

*A postdoctoral fellow / scholar is an individual holding a research doctoral degree (or medical professional equivalent) in a temporary period of mentored research and advanced training, linked to a university or an affiliated institution, to acquire competencies for an independent research-intensive career.*

I have claimed the exemptions in question for the following reasons (specific justification below).

1. PDF studies and related income represent a training program as required for this exemption.
2. Inclusion of the PDF training program in the categories embraced by the new legislation is in line with the intent of the legislation
3. I am not considered an employee by my institution or by the CRA for purposes of CPP, EI or other work-related benefits, and to simultaneously deny me employment benefits on the grounds that I am a student, while denying me student benefits on the argument that I am an employee would violate the basic principles of fairness
4. **REMOVE EITHER THIS TEXT OR THE WHOLE OF POINT #4 AS APPROPRIATE** The lack of a form T2202 for this tax year is due to a lack of clarity from the CRA in its treatment of this issue pending resolution of a request for an official ruling by the Canadian Association of Postdoctoral Scholars (document # 2009-030856)

The **INSERT ACADEMIC INSTITUTION HERE** is recognized as a "qualifying educational institution" by the CRA. PDFs are considered to be trainees - not employees - by the University, in what is referred to as the "Postdoctoral fellow training program", and are paid as such. Income is received as T4A Scholarship / Fellowship income, rather than T4 "earned" income, and PDF do not receive benefits of any type **[CUSTOMIZE FOR YOUR SITUATION** other than a recently-instituted PDF-paid health plan **END CUSTOMIZATION]**, are not eligible for employment insurance / federal parental leave, or worker's compensation in case of injury, and are not eligible for RRSP or CPP contributions. The training is primarily research-based, but also includes exposure to advances in the wider scientific community through a variety of departmental and institutional seminar series. The Tax Court of Canada, in Bekhor v. M.N.R., has previously ruled that the status of a PDF "...was one of advanced student and professor, not one of employee and employer. The stipend received was in the

nature of financial assistance provided to a learning postdoctoral fellow, not remuneration for services rendered by an employee to an employer. (Citation 2005TCC443, paragraph 39)"

Per CRA publication P105(E) Rev. 06, entitled "Students and Income Tax", a qualifying educational program is defined as: "...a program that lasts at least 3 consecutive weeks and requires a minimum of 10 hours of instruction or work in the program each week (not including study time). Instruction or work includes lectures, practical training, and laboratory work. It also includes research time spent on a post-graduate thesis.", which description clearly covers post-doctoral studies. Exclusions are then listed in the following paragraph as "A program is not considered a qualifying educational program if the student receives, from a person with whom he or she deals at arm's length, a grant, reimbursement, benefit, or allowance for that program. However, these amounts do not include the amounts listed in the Notes on page 21." where the amounts listed in the Notes on page 21 of that bulletin include "...any scholarship, fellowship, bursary, or prize...", thus PDF T4A Scholarship / Fellowship income clearly qualifies under this designation.

Finally, it is my understanding that the intent of this legislation is to encourage participation of highly qualified individuals in higher education by providing tax relief to partially compensate for the income sacrificed in order to pursue this training. Participants in a PDF training program undertake substantial reductions in earning potential in order to do so. Based on 2004 data from the United States, median income for PDFs ranks between that of high school graduates, and individuals with a Bachelor's degree, or slightly over half the median income for individuals with a Doctorate in society as a whole<sup>‡</sup>. In comparison, the minimum postdoctoral stipend is \$28,100, roughly half of the minimum salary assigned to Scientific Associates, who are employees. This is clearly not a case of individuals employed at a salary commensurate with their level of training looking for a tax loophole, but rather *bona fide* trainees receiving scholarship / fellowship funds in order to support an educational program, as envisioned in the legislation providing for these exemptions.

Thank you for your assistance in this matter. If additional documentation would be helpful, please do not hesitate to contact me. In order to ensure the accuracy of this decision, please also ensure that it takes into account the results of the request for an official ruling on this matter by the Canadian Association of Postdoctoral Scholars, filed in February 2009 (document # 2009-030856).

Insert your name and contact information

**Notes:**

‡ Median incomes:

- Professional Degree: \$72,000
- Doctoral Degree: \$71,000
- Master's Degree: \$55,950
- Bachelor's Degree: \$45,000
- Postdoc Survey Respondent: \$38,000
- High School Diploma: \$28,600

Data drawn from <http://www.sigmaxi.org/postdoc/highlights.pdf>. PDF data from a comprehensive survey of 7,600 PDFs across the United States, comparative data from 2004 U.S. Census

Full reference: Davis, G. 2005. Doctors without orders. *American Scientist* 93(3, supplement).