

ADMINISTRATIVE BULLETIN



TO: Deans, Directors, and Department Heads

UNIVERSITY OF MANITOBA No. 89 Issued February 18, 2005

**UNIVERSITY
OF MANITOBA**

SUBJECT: Budget Transfers Related to University Employees Instructing Continuing Education Courses Above Normal Load

In accordance with Policy #609 (Procedures for Additional Payments to Full-Time Staff) University of Manitoba practice in the past has been to allow Continuing Education to transfer funding to a professor's faculty in lieu of payment of a stipend for above load teaching assignments. In doing so, the faculty or school was required to use these funds for general purposes and not for the direct benefit of the professor teaching the course. At the time Canada Revenue Agency ("CRA") sanctioned this practice and considered these transfers non-taxable to the professor, provided that no direct benefit accrued to the professor after the transfer was made.

Recently, Financial Services has become aware of a change in CRA's position on the taxability of these budget transfers. CRA has challenged the use of budget transfers in a number of western universities and has now deemed the transfers to be taxable to the professor teaching the course. As a result, whether a stipend is paid to the professor or a budget transfer is made to the professor's home faculty or school, CRA considers both forms of payment to be taxable. Given this development, Financial Services is now required to include budget transfers of this nature as a taxable benefit on the Faculty member's T4.

As a result, effective immediately, the practice of making a budget transfer in lieu of a stipend to a faculty member is being discontinued. Should a professor insist that a budget transfer still be made, faculties and schools should advise the Comptroller's Office so that a taxable benefit can be added to the professor's T4 for the year. It should be noted that in the event of an audit by CRA, failure on the part of the University to properly assess taxable benefits will result in a reassessment by CRA of employee tax deductions and penalties and interest will normally be payable by the University. As a result, your cooperation and attention in this matter is important.