

What we need to know about salary conversion during a sabbatical leave

Information shared by Daniel Lefebvre (Office of Vice-Dean Research) 2013-01-15

- ✓ Important to remember that there are two distinct processes :
 - The process concerning the sabbatical leave approval by the faculty to which the researcher is affiliated and by the University
 - The process for requesting a « Salary conversion during a sabbatical leave »

- ✓ Process for a « Salary conversion during a sabbatical leave »:
 - To be eligible, you must be on a Sabbatical leave approved by the University according to the established procedures and policies of the collective agreement (See article 26 of the 2008-2011 Collective Agreement [2012 to come]):
 - Collective agreement of 2008-2011:
<http://www.rh.uottawa.ca/fichiers/conventions/APUO/APUO-2008-2011-final.pdf>
 - Collective Agreements between the University of Ottawa and the APUO:
<http://www.hr.uottawa.ca/policies/agreements/apuo.php>
 - The request for a « Salary conversion during a sabbatical leave » must be sent to the Research Management Services' office (RMS) a **minimum of 3 months before** the sabbatical leave start date.
http://www.rms.uottawa.ca/grants/grants_awa_manag/internal/sab_leave.asp
 - The request must include:
 - A "RE" form duly signed;
 - Instructions: <http://www.rms.uottawa.ca/mforms/index.asp>
 - Form: <https://web30.uottawa.ca/v3/ams/default.aspx>
 - A short description of the research project to be carried out during the sabbatical leave (this description must allow an evaluation of the research to be made);
 - A description of the activities anticipated at the time of the leave in function with the introduced research project;
 - A research budget (budget forecast) associated with the activities anticipated at the time of the leave and with the introduced research project;
 - A budget justification associated with the introduced project;
 - An up to date CV (OCGS format)

This should be a 5 to 6 pages document at most.

- On receipt of the complete request, the University will proceed with an evaluation of the research project, the activities, and the submitted budgets. This to determine the pertinence of the project and of the budgets associated with the research activities introduced.

- Following that evaluation and decision, the researcher, the Faculty and the Pay Service will be advised by the RMS through email;
 - **Researcher:** for their information and **documentation to be retained** in function of the tax law;
 - **Faculty:** for information and researcher's file;
 - **Pay Service:** in order to modify the corporative systems at the salary level and to send out the official documents (T4 and T4A) for the deduction;

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Example: if the researcher earns \$100K annually and asked to convert 25% of his salary as grant funding, at the end of the year he would receive a T4 for \$75K of salary and a T4A for \$25K of grant funding.

You can either choose to receive a lump sum at the beginning of your sabbatical or pro-rated over period of the sabbatical into **your personal bank account**. This funding is **not** directed to your research account at the University.

It is also important to take in consideration the “calendar year” (Jan – Dec) in your planning. Since a large majority of the sabbaticals are from July to June, they cover two governmental fiscal years. Therefore, the “budgeted research expenses” will need to be planned and reported in the governmental fiscal year that they have occurred for taxable purposes.

The researcher must justify to Canada Revenue (via his accountant and annual taxes reports) the research expenses imputable to the deduction approved by the University. It is strongly recommended **to keep all original receipts** (these may not have to be submitted but should be kept for any possible future audits purposes by Revenue Canada).

Important Tip: It is suggested that you write a brief description on the receipt (or to attach a note) to justify the expenses in light of your research activities. These explanatory notes will be VERY USEFUL in the event of an audit (if audited).

Your accountant has the necessary forms to be completed at the time of the taxes reports production. There is also a specific form to complete for research expenses on which you will need to break down each expense.

A challenge to be aware of: demonstrating that you have paid, from the portion of your “converted salary”, the salary of any foreign student hired.

Important TIP: Be sure to have a work plan or a contract. This challenge does not exist with students hired in Canada.

All amount of the salary conversion that is not justified by expenses via the taxes report will become an amount taxable for the researcher again.

Example: In a specific “calendar year” (remember we are working with governmental years [Jan - Dec]) if you only spent 20K of your 25K conversion, the 5K will become taxable in THAT year.

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Key points to consider

- It is highly recommended not to exceed 30 % of the salary during the leave period (if the salary during the leave is reduced to 75 % of the annual salary, an amount representing 30 % of the 75 % is usually acceptable) in salary deduction;
 - Note - If the reduction is more important, Revenue Canada may question how the researcher can survive on, let's say, 50% of their 75% of their normal salary.
 - The research project and the activities related to it during the leave period must be presented so as to allow the University committee to evaluate the activities presented in relation with the submitted research project and the budget forecast;
 - The budget forecast must be justified in function with the research activities and be reasonable.
 - The taxes report must be submitted to Revenue Canada, even if you are temporarily abroad.
 - Since the majority of people will take the leave for 12 months that will be distributed on 2 fiscal years, it is important to take those governmental fiscal years (January to December) into account when planning the leave and the research activities accomplished during that leave.
- ✓ Eligible expenses :
- Direct research expenses during the leave.
 - Conference expenses: these must be justified in function with the research project introduced.
 - Accommodation expenses:
 - Acceptable short stay expenses (1 month or less) in order to find a long term accommodation (**for the Principal Investigator only**). The first month expenses can always be considered as field trip, even if you don't come back.
 - In exceptional cases : On receipt of an official confirmation from the welcoming institution saying that it cannot assign the researcher a working space at the institution (an office), a maximum of 25 % of the total long term accommodation fees could be inscribed. Are office equipment expenses acceptable as research expenses? It depends on location. If you are hosted by an institution, these should be given to you. If not hosted by an institution, you can claim 20%-25% of cost of long-term accommodation as office.
 - Important TIP: Have supporting letter(s) stating that the institution cannot provide you with an office. Revenue Canada is more lenient than tri-council for office supplies. This also includes hardware(s). Software(s) need to be justified on base of research (for example, there would be trouble with software bought by university at large, e.g. Microsoft Office Suite). The key is that you need to justify that every expense is related to your research and research activities.
 - Travelling expenses:

For research activities only ("Field trips") from the residence to the research activity. Subsistence fees? Short stays could be considered like a field trip. When it becomes a longer stay (more than 1 month), accommodation and food are no longer acceptable expenses
 - To get to the destination during the leave (roundtrip). If you wanted to go by car instead of plane (to accommodate family), the acceptable expenses would be the cheapest option (plane ticket for researcher vs. car expenses & hotel for researcher). If there were equipment to ship as well, these could be added to the costs.

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- You have a window of 2 months **before** start of sabbatical to look for accommodation (and for these expenses to be eligible).
- ✓ **Non- eligible expenses:**
 - Long term accommodation expenses (apartment renting fees, phone line, electricity, or other) during a prolonged stay during the leave.
 - Renting a car during the leave
 - Expenses for the family (travelling, accommodation, food, etc.).

Example: Someone asked to convert part of their salary to pay for spending 12 months in Bahamas to write a book. The University would have difficulty justifying this to Revenue Canada; what's the added value? The Research Management Services want every proposal to be accepted.

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Other questions that were raised during the session:

- ✓ Is it necessary to be Principal Investigator of a research project to convert part of the salary? *Yes*
- ✓ Instead of “living abroad”, what about repeated field trips with short-stays (weekends) in Ottawa? *Revenue Canada will not accept it. For field trips, you need to be back in your “permanent resident” (this may become somewhere else than your usual address during your sabbatical) for at least a month.*
- ✓ Combining salary conversion with funding from NSERC: does one exclude the other? *No, although you will probably ask for a smaller salary conversion. Everything needs to be claimed from the right source. Don’t double claim – a prorated approach OK.*
- ✓ What about unexpected additional expenses during the sabbatical, e.g. the institution can’t provide you with an office anymore? *You must send confirmation to the Research Management Services’ office (TBT 159) to adjust the amount of conversion. The research office will in turn advice the Pay office to adjust the amounts.*
- ✓ *One participant has found out from Human Resources that benefits are still covered even when you are abroad. If you needed to pay for extra insurance, this would be an acceptable expense (for the researcher only, not for the family).*
- ✓ Do you have to give a lecture in order to justify the cost of a conference? *No. Must simply make the link between the conference and your research.*
- ✓ What do we have to justify for the networking? For example, professional relationship, such as visiting a colleague in Belgium to prepare a new research project. *It’s eligible. It would be good to indicate the discipline of the researcher, why you meet him, etc. Give all the information to make the link with your research (Avoid to give the impression that you are going on vacation).*
- ✓ Can we make someone come here instead of going on the field? *Yes, for example, make an expert come here who would also be able to give a conference during his visit.*
- ✓ I have a multi-site data collection. Can I be expensing travel costs to these sites? *Yes.*
- ✓ I have an on-going project (not funded by SSHRC) and I have proposed a different project for my sabbatical. Can I ask for salary conversion in this case? *Yes, when submitting your request, explain the difference between the projects.*