

PhD Post-docs Get Tax Break in Canada's 2021 Federal Budget

- Income earned in postdoctoral fellowship to boost RRSP contribution limit – **RETROACTIVELY**

Canada's 2021 – 2022 federal budget tabled by Deputy Prime Minister and Finance Minister Chrystia Freeland on April 19th includes a proposal to make postdoctoral fellowship income "earned income" for RRSP (Registered Retirement Savings Plan) purposes.

Under existing rules income earned from a postdoctoral fellowship is subject to personal income tax, but does not count as "earned income" that creates or adds to the individual's RRSP contribution limit. Hence a person could work as a post-doc fellow for years and find themselves with no access to the potentially significant tax savings created by an RRSP.

The proposed change would take effect for income received in 2021 and potentially retroactively as far back as 2011.

However, in order to gain access to the retroactive increase in RRSP contribution limit, the taxpayer must make a written request to CRA (Canada Revenue Agency) for an adjustment; while the process for this has not yet been defined it would presumably entail providing proof of eligible income for the requested years.

Note that this is a "proposed" measure and must be enacted into law by a parliamentary vote; since at present Canada has a minority government this will require the support of another political party.

About Scitax

Scitax Advisory Partners LP is a Canadian professional services firm with specialist expertise in all aspects of planning, preparing and defending Scientific Research and Experimental Development (SR&ED) tax credit claims.

We offer a multi-discipline team of engineers, chartered public accountants and tax lawyers to ensure that your SR&ED issues are covered from every angle.

While we normally work in concert with our client's existing accountants, our affiliated tax-dedicated chartered public accounting firm - Cadesky Tax - is an expert resource for advice on any taxation matter such as may arise either during the planning and preparation of your claim or while dealing with CRA afterwards.

In addition to planning and preparing new claims, we also engage on claims that have been challenged by CRA auditors or that have received negative assessments for either scientific or expenditure eligibility. If a satisfactory settlement cannot be achieved with CRA at the local office level, we will appeal your assessment through either Notice of Objection or Tax Court of Canada procedures with the assistance of our affiliated firm of tax lawyers.



DIRECTORS:

David R. Hearn, Managing Director
Michael C. Cadesky, FCPA FCA BSc MBA

Scitax Advisory Partners LP

Exchange Tower, 130 King Street West, Suite 2300, PO Box 233, Toronto ON M5X 1C8 | 416-350-1214
| www.scitax.com

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