

WITHHOLDING OF TAX, CPP AND EI ON PAYMENTS MADE UNDER UBC POLICY #88

Under UBC's Patents and Licensing Policy #88, UBC all faculty, staff, students or "*anyone connected with the University*" who have made a valuable invention or discovery are entitled to receive 50% of the net income derived by UBC from the sale or other disposal by the University of such an invention or discovery. The withholding requirements for payments made by UBC to researchers under Policy #88 will depend in part on the status of such researchers as either employees or students of UBC. The purpose of the table set out below is to summarize the various rules applicable to the payment of such amounts by UBC.

	UBC Current and Former Employees	UBC Students who are also Employees	UBC Current or Former Students and other Non-Employees
Tax on Cash received under Policy #88:	Taxable as " <i>income from employment</i> " under either s. 5(1) (" <i>remuneration</i> ") or s. 6(1)(a) (" <i>benefit</i> ") of the <i>Income Tax Act</i> ;	Taxable as " <i>income from employment</i> " under either s. 5(1) (" <i>remuneration</i> ") or s. 6(1)(a) (" <i>benefit</i> ") of the <i>Income Tax Act</i> ;	Any amount in excess of \$500 is taxable as a " <i>prize</i> " under s. 56(1)(n) of the <i>Income Tax Act</i> ;
Tax on Shares or other Non-Cash consideration received under Policy #88:	<ul style="list-style-type: none"> ▪ Taxable as "<i>income from employment</i>" under either s. 5(1) ("<i>remuneration</i>") or s. 6(1)(a) ("<i>benefit</i>") of the <i>Income Tax Act</i>. ▪ Shares are valued as of the date they are received by the employee from UBC and are included in income in that year in which they were received; 	<ul style="list-style-type: none"> ▪ Taxable as "<i>income from employment</i>" under either s. 5(1) ("<i>remuneration</i>") or s. 6(1)(a) ("<i>benefit</i>") of the <i>Income Tax Act</i>; ▪ Shares are valued as of the date they are received by the employee from UBC and are included in income in that year in which they were received; 	<ul style="list-style-type: none"> ▪ Any amount in excess of \$500 is taxable as a "<i>prize</i>" under s. 56(1)(n) of the <i>Income Tax Act</i>; ▪ Shares are valued as of the date they are received by the employee from UBC and are included in income in that year in which they were received;
Withholding of Income Tax on Cash payments under Policy #88:	UBC must withhold and remit tax;	UBC must withhold and remit tax;	No withholding tax;
Withholding of Income Tax on Shares and other Non-Cash consideration received under Policy #88:	No withholding tax; ¹	No withholding tax; ¹	No withholding tax;
Withholding of CPP and EI from Cash payments under Policy #88:	UBC must deduct CPP and EI contributions;	UBC must deduct CPP and EI contributions;	No deduction of CPP or EI;
Withholding of CPP and EI from Shares and other Non-Cash consideration received under Policy #88:	No deduction of CPP or EI; ¹	No deduction of CPP or EI; ¹	No deduction of CPP or EI;
Filing of T4's and T4A's:	File T4 for value of cash or shares received under Policy #88;	File T4 for value of cash or shares received under Policy #88	File T4A for value of cash or shares received under Policy #88;

¹ Canada Customs and Revenue Agency may disagree, and may suggest that the withholding of tax, CPP and EI for non-cash remuneration (i.e. shares) should be effected through deduction from other cash amounts paid to the employee (e.g. salary).

- This table is only intended to summarize the applicable tax rules regarding researchers who are resident in Canada. If UBC is required to make any payments to researchers who are no longer resident in Canada, the Canadian tax treatment of such payments will have to be considered on an individual basis, and will depend in part on the researchers then current country of residence.
- This table is based on the assumption that any shares transferred to employees or students by UBC are shares of companies that UBC does not control.
- It is important to differentiate between UBC's right to receive, as the owner of any invention or discovery, all royalties and /or other benefits derived from the commercialization of such an invention or discovery; and the inventor's entitlement to indirectly receive from UBC by reason of their status as an employee or student a share in such benefits under the terms of Policy #88.
- The transfer or assignment of any cash or shares received by a UBC employee, student or non-employee under Policy #88 to a third party or a corporation will not affect the tax treatment afforded to such payments. The value of the cash or shares received will still be included in the UBC employee, student or non-employee's income for tax purposes in accordance with the rules as outlined above.