Polasaí agus Nósanna Imeachta/Policies and Procedures

Code	QA322
Title	Scholarships: Exemption from Income Tax
Policy Owner	Bursar
Date	25 October 2023
Approved By	Údarás na hOllscoile

1.0 Purpose

It is University policy to provide students who have been awarded scholarships with the administrative support and clarity in relation to the relevant provisions within the tax code, and that scholarship disbursement is made in an accurate and timely manner.

2.0 Description

To establish entitlement to exemption from income tax in respect of scholarship income as provided for under TCA 1997 S 193 (Section 353 of the Income Tax Act, 1967)[1] the following conditions must be satisfied:

- The student must be in receipt of full-time instruction at an educational establishment.
- The purpose of the scholarship must be the promotion of the education of the holder rather than the promotion of research through the holder.
- There must be no direct element of service between the sponsor and the student, nor must the award arise from an office or employment.

To establish that these conditions are met, a Scholarship Exemption Declaration Form (Appendix 1) must be completed by the student and returned to the unit responsible for the administration of the scholarship prior to payment of the scholarship.

It is important that all parties to the arrangements realise and fully accept that students in receipt of scholarships are not being employed by the university, that there are no PAYE/PRSI deductions, and the recipient is not in "pensionable employment".

3.0 Procedures

Scholarship arrangements that take the form of a regular (monthly) payment covering a timeframe greater than 6 months are administered by the Research Accounts Office (RAO). These scholarship payments are processed through Core Payroll.

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[1] Taxes Consolidation Act, 1997, Section 193 (irishstatutebook.ie)

Scholarships that cover a timeframe less than 6 months (including one-off payments) are administered by the relevant unit (College, School, Professional support unit). On receipt of the correct and completed bank transfer file from the unit, these scholarship payments are processed and paid through Agresso by the Accounts Payable team.

As noted in Section 2.0, a completed Scholarship Exemption Declaration Form is required to be provided by the student to the RAO/relevant unit prior to payment of a scholarship. These forms will be retained by the office administering the scholarships for audit purposes.

Further detail of the University Scholarships available can be found here Scholarships - University of Galway.

4.0 Roles and Responsibilities

Name	Responsibility
Bursar	• Policy owner
Student/Scholarship Recipient	• Comply with this policy, aware of tax exemption conditions. • Complete Scholarship Exemption Declaration Form.
Research Accounts Office (RAO)	• Administer scholarship payments to students that cover a timeframe greater than 6 months. • Ensure a completed Scholarship Exemption Declaration Form is provided by the student prior to payment of scholarship. • Retain a copy of the completed Scholarship Exemption Declaration Forms for all scholarships for audit purposes
Colleges/Professional Support Units	• Administer scholarship payments to students which cover a timeframe of less than 6 months. • Ensure a completed Scholarship Exemption Declaration Form is provided by the student prior to payment of scholarship. • Provide RAO with the completed Scholarship Exemption Declaration Form for record retention purposes. • Admissions Office will retain the Scholarship Exemption Declaration Form for scholarships administered from this office. Refer to the following for a list of the scholarships: Admissions Office - University of Galway • Submit a complete and accurate bank transfer file to Accounts Payable to process the scholarship payment.
Financial Accounts	• Process and pay scholarships that cover a timeframe greater than 6 months through the Core system which are initially set up by RAO (Payroll & Expenses team). • Process scholarship payments which cover a timeframe less than 6 months through Agresso on receipt of a bank transfer request file from the relevant unit (Accounts Payable team). • Ensure the general ledger accounting codes are correct prior to processing scholarship payments.
Director Financial Accounts	• Ensure compliance with Revenue guidelines.

5.0 Related documentation

- FRC/23/A13/10 Procedures for Managing PhD Scholarships (Appendix 2)
- Research Accounts Office – link to Scholarships section of website Scholarships - University of Galway
- Scholarship exemption (revenue.ie)

Scholarship Exemption Declaration Form

Please read the Notes overleaf before completing this Form

1.   Personal Details

Name of Student

Address (include Eircode)

PPSN

2.   Course Details

Name & address (include Eircode) of College / University

Nature of degree / qualification being pursued

Brief summary of course / research undertaken

Hours of attendance

3.   Scholarship Details

Name & address (include Eircode) of Sponsor

Amount of scholarship   €

Period, with dates, of duration of scholarship

4.   Declaration

I declare that -

- I am in receipt of full-time instruction at an educational establishment;

- the object of the scholarship is the promotion of my education rather than the promotion of research through me;

- there is no element of service (directly or indirectly) between the sponsor and I or between the colleges/university and I;

- the scholarship does not arise from an office or employment (directly or indirectly) with the sponsor or with the college/university;

- all the particulars in this form are correct to the best of my knowledge and belief.

Signature _____ **Date** _____

NOTE: It is an offence to make a false declaration for the purposes of obtaining a tax exemption.

Notes re Scholarship Exemption

Section 193 Taxes Consolidation Act 1997

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Section 193 Taxes Consolidation Act 1997 provides that income arising from a scholarship is exempt from tax where the following conditions are satisfied:

    (a) the individual in receipt of the scholarship must be in receipt of full-time instruction at an educational establishment;

    (b) the object of the scholarship must be the promotion of the education of the holder rather than the promotion of research through the holder;

    (c) there must be no element of service (directly or indirectly) between the sponsor and the student;

    (d) the award must not arise from office or employment (directly or indirectly) with the sponsor;

    (e) Scholarship payments from a trust fund or scheme to persons connected to the sponsor cannot exceed 25% of all such trust or scheme payments. A connected person is an employee, a member of the employee's household, a director or a member of the director's household.

The scholarship holder must complete and sign the attached Scholarship Exemption Declaration Form. The completed form should be returned to, and retained by, the appropriate administration office in the college / university.

Exemption from income tax in respect of scholarship income is on a self-assessment basis. This exemption applies to income arising from scholarships in respect of undergraduate and postgraduate courses. It is Revenue's view that the exemption does not apply to income in respect of a fellowship.

The information in this document is provided as a guide only and is not professional advice, including legal advice. It should not be assumed that the guidance is comprehensive or that it provides a definitive answer in every case.

The Revenue Commissioners collect taxes and duties and implement customs controls. Revenue requires customers to provide certain personal data for these purposes and certain other statutory functions as assigned by the Oireachtas. Your personal data may be exchanged with other Government Departments and agencies in certain circumstances where this is provided for by law. Full details of Revenue's data protection policy setting out how we will use your personal data as well as information regarding your rights as a data subject are available on our **Privacy** page on **www.revenue.ie**. Details of this policy are also available in hard copy upon request.

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Sharon Bailey, Bursar / Chief Financial Officer

Procedures for Managing PhD Scholarships

- **Externally funded Scholarships:**

  o Stipend must be paid at the maximum permissible within the budget. This will be checked and enforced by RAO at set up stage.
  o Any shortfall in fees must be waived by the host College, using QA200, QA203 or Credit Note, unless the student is in a position to fund the shortfall.
  o Student levy must be paid by the student unless stipulated by the external funder whereby it is waived using QA203.
  o Internal funding may not be used to cover overtime / write up fees.

- **Internally funded Scholarships:**

  o New and existing scholarship stipends will be paid at current national agreed rate where this can be accommodated within local budgets.
  o Fees must be waived by the host College for a maximum of four years for full-time students, with a list of approved waivers communicated by Colleges to the Fees Office.
  o Student levy must be paid by the student.
  o PhD Scholarships should sit in the research ledger (RII internally funded research accounts). A new RII will be set up annually for each College/ Central funding source with annual transfers of internal income.
  o Internal funding may not be used to cover over-time / write up fees.

- **Implementation**

  o Version 1 of this policy came into effect on 1st September 2021.
  o Version 2, of this policy, came into effect on 1st September 2022.
  o Version 3 of this policy, if approved, will come into effect on 1st September 2023.

S. Bailey, Bursar.
19th May 2023.

Version 1: Approved: Research Committee 4th June 2021, UMT 15th June 2021, FRC 17th June 2021, Údarás 24th June 2021

Version 2 – amendment of "should" to "must", inclusion of maximum permission length of waiver of fees and inclusion of overtime / right up fees.

Version 3 – amendment of internal scholarship amount and inclusion of mechanism for approval of fee reduction and waiver.

QA200 is the PhD International Merit Scholarship (to waive fee from Non-EU to EU)

QA203 is for Marie Curie Scheme and Chinese Scholarship Council (to waive full fee)

Credit Notes are used to waive the fee difference between the external funding amount and the EU fee e.g. EU Fee = 5,750, External Funding (SFI) = 5,500, Credit note is used to waive €250 (currently the waiver is for €26 as the fee is €5,526).

Further information available at: Graduate studies - University of Galway

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