1. **STATEMENT OF POLICY**

1.1 It is University policy to support its students who are awarded Scholarships or Fellowships by endeavouring to ensure that a maximum tax advantage is made available to them within the tax code, and that disbursement is made in an accurate and timely manner.

1.2 Scholarship/Fellowship arrangements which take the form of regular (monthly) payment generally fall into one of two categories, i.e. University funded or Research Account funded.

2. **CONDITIONS OF TAX EXEMPTION**

2.1 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) the following conditions must be satisfied: -

2.2 The student must be in receipt of full-time instruction at an educational establishment.

2.3 The object of the scholarship must be the promotion of the education of the holder rather than the promotion of research through the holder.

2.4 There must be no direct element of service between the sponsor and the student nor must the award arise from an office or employment.

2.5 To establish that these conditions are met, the following forms should be completed and returned to the Faculty or Research Accounts office, as appropriate: –

- Fellowship Award/Renewal Form
- Fellowship Scholarship Exemption Form

2.6 It is important that all parties to the arrangements realise and fully accept that students in receipt of scholarships/fellowships are NOT being employed by the University, that there are no PAYE/PRSI deductions, and that the recipient is not in a ‘pensionable employment’.
3. **PROCEDURES**

3.1 University funded fellowships are administered by the relevant faculty office. Each faculty office publishes conditions of tenure and application forms which may differ slightly from one faculty to the next. Application forms are available from the relevant faculty office. The three appendices herewith must be completed in all cases.

3.2 Research funded fellowships are administered by the Research Accounts office which also publishes application forms and from whom such forms may be obtained. The three appendices herewith must similarly be completed in all cases.

3.3 The University will treat as tax exempt, University Fellowships and similar awards where it is clear that the qualification criteria/tax exception conditions are met and the value of the award is less than €15,000 P.A.

3.4 In all other cases, where a doubt exists as to the qualification for exemption, the completed forms in the appendices together with a copy of any rules or agreement governing the scholarship should be forwarded to the Director of Financial Accounting. A separate letter of application for formal approval may be necessary to the Revenue Commissioners, Taxes Secretariat, Dublin Castle, Dublin 2, where the value of the award exceeds €15,000 P.A.

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**Stiúrthóir Cuntasaíochta Airgeadais.**

Meitheamh 2003

*FRC/M16/9(b)*
Dear Administrator,

**RE: Scholarship Exemption under section 193 TCA, 1997.**

I wish to address some problems we are experiencing with the administration of the above scheme.

As you know the scheme has been operated on a self-assessment basis since 2001. Based on problem issues that have come to our attention I believe that some clarification with regard to the completion of the scholarship declaration form is required both from the students’ point of view and also from an administrative point of view. It is intended that the attached guidelines (appendix 1) will both address the problems we are experiencing and assist you in dealing with applications to our mutual benefit. In addition a notice for distribution to students or for display in a suitable location on campus is enclosed (appendix 2).

We do appreciate that some problems that have arisen relate to form design. We are currently addressing this and hope to have new forms available electronically by the end of the current academic year with a lead in time for their use. To update our records:

- Please send in a list of all the scholarships awarded by and through the college(a list of recipients is not necessary). The list should include the exact title of the scholarship and its financial source. Please include an up to date set of terms and conditions for each scholarship that is awarded. New scholarships should be notified to this office as they come on stream and terms and conditions supplied.

- It has come to our notice that a sizeable proportion of funding given to students as scholarships through third level institutions (hereafter called “college(s)”) do not seem to have any specific formal terms and conditions or similar. This causes difficulty in determining the validity of the scholarship and therefore impinges on assessing the eligibility of the student for exemption. To help us assess if the scholarship is genuine we require from now on that in cases where there are no formal terms and conditions an undertaking from the college be given. This undertaking...
should assert that the intention of the scholarship award is philanthropic in nature and only for the benefit of the student. Appendix 3 gives the details of the content we require. This is required to help demonstrate the bona fides of the scholarship and to ensure that students are not in receipt of money for “duties” or “provision of services” or any other obligations to the sponsor or the college that can be regarded as taxable responsibilities. It is advisable to check with us before an award is made if there is any doubt as to the status of the scholarship.

- To date anywhere from two hours to a maximum of six hours pedagogical training has been accepted as the norm. However, as courses vary greatly across disciplines and from college to college, we will be looking at this area with a view to standardizing the norm from an income tax perspective. We will be in contact with you in due course in this regard.

- Please pass a copy of this letter on to all the relevant departments in your institution. We do not wish to impinge on the internal workings of the college but to avoid delays and confusion, we would prefer a single point of contact within an institution. However, if forms need to be submitted from different areas within a college, uniformity of submission is vital.

I hope that I have clarified matters on a substantial amount of issues. If there are other issues that cause problems for you and which I have not addressed please let me know so that we can examine same.

Thank you for your co-operation,

Yours faithfully,

Hilda Mulligan
Direct Taxes: Business Income Tax
• In Part B, question 3., please specify hours of attendance per week where possible for example, 20 hours p/w lectures etc.
• In Part B question 4., we need a brief summary of the course or research project undertaken not entries such as "PhD in Maths" or “Business course".
• In Part C question 1., please give exact dates i.e. “21 October 2004 to 29 September 2005” not “Oct 04 to Sept 05”.
• In Part C questions 2. and 3. do not use abbreviations.
• Declaration forms must be sent in to Revenue via the college administration only. Forms received directly from students are not valid.

Additional Administrative Issues:

• It is preferable that forms are submitted without amendments or as few as possible to avoid the increased workload involved for all concerned in returning the form to the student via yourselves (the college).
• A standard covering letter signed by the area Administrator stating that the student fulfills the necessary requirements number 1. to 5. inclusive as laid out in the appendix to the current declaration form should be sent in with the students' forms. It is not necessary to send in an individual covering letter for each student if forms are being sent in en masse – it is sufficient to list the names of the students claiming exemption in the batch being sent with the covering letter. This helps authenticate applications. Declaration forms received without the appropriate covering letter will not be accepted. Complimentary slips will no longer be accepted in this regard.
• Question 1 Section C asks for the amount of the scholarship per annum.
Where students obtain a renewal or extension and it is only for part of the year the proportionate amount of the scholarship is all that is required. In these circumstances only as the college is the payer, notifying us (by way of an attached letter) of the correct amount (if amount filled in by the student is incorrect or multiplied up to the annual figure) to avoid returning the form to the student is acceptable.
• Backdated forms will not be accepted except in exceptional circumstances. We would ask that you the college submit applications as soon as they have
been received and checked by you. It is not acceptable to receive declaration forms in December which have been dated for example, in the previous August.

- It is mandatory that the scholarship is not given for the performance of duties that are tantamount to taxable employment. It is accepted that as part of a students' full time instruction programme and pedagogical training some demonstrating, research etc is necessary. However any duties performed outside the ambit of a student’s full-time instruction are not eligible for scholarship exemption and are subject to income tax.
STUDENT NOTICE

Exemption of Scholarship Income under section 193, Taxes Consolidation Act, 1997

General:--

Section 193 of the Taxes Consolidation Act, 1997 exempts from income tax certain scholarships, exhibitions, bursaries or other similar educational endowments received by individuals receiving full-time instruction at a university, college or other educational establishment. Exemption from income tax in respect of such income is on a self-assessment basis.

Your attention is drawn to the following points:--

- You the student are responsible for the correct and accurate completion of the declaration form.
- Please note that altered, amended, incomplete or incorrectly filled declaration forms will no longer be accepted and will be returned to you via your College/University/Institute.
- If your form is returned you have failed to establish your entitlement to scholarship exemption under the above section and income tax and PRSI deductions will apply to your income.

Please contact the relevant area in your College/University/Institute for more information.
Award of Scholarship: ………….[Title of scholarship] ………………

By/SponsoredBy(delete as appropriate)-………………………………
……………………[Scholarship source i.e. specify if college funds, business, trust or individual and give details of same]……………………………….

The objective of the Scholarship:-

• is solely for the promotion of the education of the student and not for the promotion of research through the student
• involves no element of service either directly or indirectly between the sponsor and the student
• the award does not arise from an office or employment (directly or indirectly) with the sponsor
• does not oblige the student to carry out any duties for the sponsor either during the duration of the scholarship or after the expiry of the award
• the sponsor does not have exclusive access to the research undertaken by the scholarship holder during the period covered by the scholarship or for a set period thereafter
• if provided directly or indirectly by the sponsor (i.e. a body corporate, unincorporated body, partnership, individual or other body or person connected with any of the aforesaid) from a trust fund or scheme to persons connected directly or indirectly with the sponsor (i.e. an employee, a member of the household of an employee, a director, the spouse, family, dependents or servants of such an employee or director) not more than 25% of all payments from such fund or scheme are in respect of such scholarships

Signed: __________________________

[This letter should be signed by the Administrator of the area dealing with the scheme on behalf of the college]