



Rationale

Salary Deferral Plan is an employer-sponsored benefit program which provides an employee with income during an approved leave of absence from employment

Policy

The Catholic Independent Schools, Diocese of Victoria approves the implementation of a program which provides an employee with income during an approved leave of absence from employment.

Regulation

Salary Deferral Plan is an employer-sponsored benefit program which provides an employee with income during an approved leave of absence from employment. The reasons for the leave may be to upgrade education, upgrade employment skills, for recreational purposes, or for personal reasons, as an example a vacation. The employee "pre-funds" his or her leave by making contributions to the Plan out of regular salary, such amounts being invested until the leave of absence begins. These contributions are not subject to tax until the employee begins the leave of absence and is thus receiving payments from the Plan.

There are special rules governing Leave of Absence Plans issued by Revenue Canada. Certain conditions **must** apply in order that the plan contributions retain their tax-deferred status:

- An employee's Plan contributions are to be payroll deducted and cannot exceed 33 and 1/3% of annual salary.
- The tax deferral on contributions applies for a maximum of 6 years from the date that contributions begin.
- Income earned by the employee's contributions is paid to the employee and subject to tax in the year that the income was earned.
- When joining the Plan, the employee must indicate when the leave of absence will commence.
- The leave must be at least 6 consecutive months in length, unless the employee is attending an educational institute on a full-time basis, in which case the leave must be for at least 3 months.
- Once the leave of absence commences, the employee must receive all



deferred salary by the end of the first calendar year following the end of the deferral period.

- The employee must return to work when the leave of absence ends for a period at least as long as the leave.
- The employee cannot receive any salary from the Employer during the leave of absence, although benefits may continue at the employees cost.
- The employer will not claim a tax deduction, where applicable, for that portion of the employee's salary contributed to the Plan until these amounts are paid out to the employee during the leave of absence.

Other important provisions are as follows:

- The Employer may designate who is eligible to participate.
- There are no minimum contribution levels.
- Benefits can be received in monthly payments.
- Benefit payments are taxable to the employee as salary.

The employee must apply to the Superintendent for participation on the Deferred Salary Plan six (6) months prior to commencing. Upon receipt of the application, the Superintendent will review the request with the Local School Council. The employee will be notified 30 days after the request of the decision.

Reference:	Approved
	Date Approved: March 1992
Cross-reference:	Date(s) Revised: September 2001