

CRA Views in Focus: Compensation paid for clinical research studies

Title: Compensation paid for clinical research studies

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Glossary term: Business income; Returns, assessments, payments and appeals

The CRA was asked whether monetary compensation paid to participants in clinical research studies is taxable income and whether the payer is required to issue a tax slip to the participant.

It is the CRA's general view that monetary compensation provided to participants in clinical research studies is an amount paid for services rendered by the participants and is not a windfall, donation, or the payment of damages for injury or death. Generally, compensation provided for services rendered will be taxable as either employment income or business income, depending on the circumstances.

Where an employment relationship exists between the participant and the organization, the compensation received by the participant would generally be taxable pursuant to section 5 or 6 of the Income Tax Act and subsection 200(1) of the Regulations requires the payer file a T4 slip in respect of the compensation. For purposes of the Act, the determination of whether the relationship between parties is that of employer/employee or an independent contractor is a question of fact. For further information, refer to Guide RC4110, Employee or Self-employed?.

Where no employment relationship exists, compensation received for services rendered to another party would generally constitute business income for purposes of the Act. In this case, subsection 200(1) of the Regulations requires the payer to file a T4A slip in respect of the compensation.

The requirement to file a T4 or T4A slip cannot be waived under the Act. However, the CRA has an administrative position that generally waives the T4A filing requirement if the payment is \$500 or less and no income tax was deducted from the payment.

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