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PURPOSE

1. To exempt certain specific types of income from the financial resources available to the applicant.

PRINCIPLE

2. Efforts should be made to reduce obstacles to employment that may confront the applicant.
3. Educational initiatives directed toward self-sufficiency should be supported.
4. Funds raised or provided to meet the special needs of the applicant should be available for that purpose and not considered a cash asset.
5. When an applicant has reduced income because of involuntary deductions that are ordered by a court or by administrative authority (i.e. garnishees, tax recoveries, overpayments) he/she must seek relief from the agency that sets the deduction amount. These monies are not exempt from the calculation of financial resources.

POLICY

6. **Earnings Exemption (Regulation 13(5)(e))**
 - (a) For purposes of this policy, earnings are defined as wages, salaries, commissions, tips, training allowances and self-employed earnings. People who continue to receive employment insurance payments while on federally-sponsored training are considered to be receiving a training allowance to which the earnings exemption will apply.
 - (b) The exemption applies to the combined net earned income of the head and spouse.
 - (c) For families, the exemption is 100% of the first \$125 plus 10% of the balance of net earned income.

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(d) For single persons, the exemption is 100% of the first \$75 plus 10% of the balance of net earned income.

(e) This exemption applies to applicants as long as there is earned income.

7. **Self-Employment Income**

For farmers, fishers, tradespersons, babysitters and other self-employed persons, refer to Instruction 4-8 - Income from Self-Employment. Also refer to Instruction 4-9 for direction in determining net income for clients receiving tips as part of their income.

8. **Irregular Non-Insurable Income (Regulation 13(5)(f))**

Income received on an irregular basis that is considered non-insurable under the *Employment Insurance Act* (Canada) is exempt to a maximum of \$50.00 per month.

9. **Insurance Settlements (Regulation 13(5)(g))**

(a) Insurance settlements may be exempt if it is essential that the items for which the monies were payable be replaced or repaired.

(b) The exemption ceases to apply if the items are not replaced within six months of the receipt of such payments.

10. **Donations or Fund Disbursements (Regulation 13(5)(h))**

(a) Money received from a non-profit group, organization or community fund-raiser is exempt if it is for the purpose of alleviating need resulting from disaster or misfortune.

(b) Money in excess of that required to purchase basic or special need items, and interest earned on that excess, shall be considered income, if available to the applicant for basic living expenses.

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- (c) Loss of Property - Funds in excess of those required to replace the lost property would be considered a cash asset if available to the applicant.
- (d) Personal Injury, Illness or Disability - Money raised is usually for a specific purpose or special need and may not otherwise be available to support the applicant. This should be reviewed on an annual basis and any unused interest shall be considered income.
- (e) Where staff are uncertain about how to interpret a trust fund arrangement, they should consult with the designated authority.

11. **Room and Board Allowance (Regulation 13(5)(i))**

The room and board portion of a federal, provincial or employer training allowance is exempt if the applicant is required to live in a place other than his/her principal residence in order to attend the training course.

12. **Involuntary Deductions (Regulation 13(5)(j))**

- (a) There is an exemption from the gross income of an applicant for the “standard deductions” taken involuntarily from the salary, wages or money owing an applicant.
- (b) Such deductions may include E.I., C.P.P., life insurance and group medical premiums, income tax, and regular employer pension contributions if not accessible to the applicant.
- (c) Voluntary deductions such as Canada Savings Bonds, profit-sharing plans or accessible savings plan contributions are not exempt.
- (d) Court-ordered deductions or payments such as garnishees, maintenance payments, orderly payment of debts, E.I. overpayments, income tax recoveries, and similar actions are not exempt. In such instances, it is expected that the applicant will renegotiate his/her payment based on his/her current situation (i.e. reduced or no income). Any exception to this situation must have the approval of the designated authority.

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13. **Dependant Children (Regulation 13(5)(k) and 13(5)(l))**

As an education incentive to dependant children of Social Assistance recipients, all income earned by pre-school children or full-time students is exempt. This exemption is not intended to include monies from federal government sources (CPP or DVA) or private pensions as these are clearly intended for the basic costs of care for a dependant child. However, where CPP or DVA benefits are extended beyond 18 years of age because a child is continuing his/her education, as with earned income, these benefits for that child are exempt.

14. **Student Loans (Regulation 13(5)(m))**

As an incentive to applicants attending school in accordance with Instruction 4-5, there is an exemption of that portion of money received from a Canada Student Loan that is used to cover the cost of tuition, books, educational supplies and transportation costs.

15. **Foster Care Payments (Regulation 13(5)(n))**

There is an exemption for income or monies derived by an applicant for providing care to a foster child under a foster home program sponsored by the Department. This exemption applies to level fees, care category payments, special care supplements, etc.

16. **Canada Child Tax Benefit (Regulation 13(5)(o))**

There is an exemption for all *Child Tax Benefits* provided through the Income Tax Act.

17. **Awards for Pain and Suffering (Regulation 13(5)(p))**

There is an exemption for any awards or portions of awards made for pain and suffering, or for grief or sorrow (usually awarded as a result of the victim's death).

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18. **Windfall or Lump Sum Payments (Regulation 13(5)(q))**

“Windfalls” such as gifts, inheritances, lottery wins or insurance settlements shall be exempted to the limit established in regulation for liquid assets. Any remaining amount shall be considered a cash asset for determining eligibility, or as income in calculation of benefits. For retroactive payments from other income support programs such as DVA, CPP, OAS, etc., or retroactive pay increases, see policy instruction 4-6-2 - Recovery of Retroactive Payments.

19. **Income Tax Refunds (Regulation 13(5)(r))**

There is an exemption for income tax refunds received by an applicant up to the limits established in regulation for liquid assets.

20. **Goods and Services Tax (Reg. 13(5)(s))**

There is an exemption for Goods and Services Tax credits received by an applicant.

21. **Registered Educational Savings Plan (Regulation 13(5)(t))**

There is an exemption for funds held in a Registered Educational Savings Plan, provided the funds stay in the plan or, if cashed, are used for educational purposes.

22. **Registered Disability Savings Plan (RDSP)**

There is an exemption on RDSP income up to the point that combined RDSP income and Departmental benefits meet the provincial low income rates. There is also complete exemption of RDSP assets, until they are converted into income to the disabled person.

23. **Divorce/Separation Settlements**

Where divorce or separation agreements result in cash transfers to a spouse from sale of a family home, those funds may be exempted from consideration as a financial resource for a 90-day period to allow the spouse to apply these monies to the purchase of a home. Similarly, proceeds from the sale of the family vehicle may be used for the purchase of a replacement vehicle. This decision must be authorized by the regionally designated authority. Where these funds are not used for the purchase of a home or a vehicle, they shall be considered as a “windfall” as in paragraph 18.

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24. **Universal Child Care Benefit**

There is an exemption for the Universal Child Care Benefit as the purpose of this benefit is to offset child care related costs.

25. **Working Income Tax Benefit**

There is an exemption for the Working Income Tax Benefit received by applicants.

CROSS REFERENCE:

- 3-12 Calculation of Eligibility/Benefits
- 3-4 Minors Living Apart from Parents
- 4-5 Income - Dependants at School
- 4-6-2 Recovery of Retroactive Payments
- 4-7 Income - Employment Insurance Penalties