

## Tax Tips for Students

Here are some tips to help students minimize their taxes and save money.

### Tuition Fees and Education Credits

Tuition fees over \$100 for post-secondary courses at a college or university can be claimed as a tax credit. An official income tax receipt is required to claim tuition fees however the receipt does not have to be attached to the income tax return when it is filed.

In addition, students may claim an education amount of \$400 per month for full-time students and \$120 per month for part-time students for each month they were enrolled in college or university.

While many Canadians know that they can claim either tuition or education credits on their tax returns, many may not realize that it is not required that the student physically attend a qualified institution. Participation in on-line courses taken through a recognized post-secondary establishment could also qualify the taxpayer for the same credits.

### Textbook Tax Credit

Students may also benefit from a non-refundable tax credit for textbooks. The amount on which the credit is based is \$65 for each month of full-time post-secondary study and \$20 for each month of part-time post-secondary study.

### Unused Tax Credits

If the student is unable to use all of the education, tuition fee and text book tax credits for the year, they may carry them forward indefinitely to reduce their taxes in the future when their income is likely to be higher. Alternatively, up to \$5,000 of unused credits can be transferred by the student to a supporting person such as a spouse or common law partner (hereinafter, will be referred to as the "partner"), parent or grand-parent. The

transferred credits must be claimed in the year they were incurred.

### Credit for Public Transit Pass

Students aged 19 and over may claim a non-refundable tax credit for public transportation. Monthly transit passes, electronic payment cards or weekly passes for four consecutive weeks (subject to certain conditions) may qualify for the credit. Parents may claim the transit credit for children under the age of 19.

### Tax Credit for Interest on Student Loans

A student may claim a non-refundable tax credit for interest paid on a student loan, even if the payments were made by someone related to the student. To be eligible for this credit the loan must have been received under:

- the Canada Student Loans Act;
- the Canada Student Financial Assistance Act; or
- similar provincial or territorial government laws for post-secondary education.

If an eligible loan is refinanced, it will continue to be eligible for the tax credit provided that the refinancing is completed under the above-mentioned legislation.

Students can claim the tax credit in the current year or it may be carried forward to any of the next five years.

### Moving Expenses

Students in full-time attendance at a post-secondary institution who move at least 40 kilometers for employment purposes or to attend school, may claim costs associated with moving. These expenses can only be deducted against income earned from a full or part-time job in the year that the move occurred or in the following year.



### Scholarships, Bursaries and Fellowship Income

All scholarship, bursary or fellowship income related to post-secondary education or occupational training in a program that entitles the student to get an education tax credit will be exempt from taxation.

If the student is not eligible to claim the education amount then only the first \$500 is tax exempt and the balance must be reported on the tax return.

### RSP / TFSA Contribution Room

Students should be encouraged to file annual tax returns even if their earnings do not result in any tax payable. The underlying principle for this strategy is that the student establishes contribution room for both the Registered Retirement Savings Plan (RSP) and the Tax Free Savings Account (TFSA). The Canada Revenue Agency will only report contribution room on the Notice of Assessment for those individuals who file an annual T1 individual income tax return.

In addition, if the student is 19 years of age or older they may be eligible for a GST/HST credit, however eligibility will be established only if an individual tax return is filed.

### Lifelong Learning Plan (LLP): RSP Education Withdrawals

Students may withdraw amounts from their RSP on a tax free basis to finance training or education for themselves or their partner. The student must:

- enroll in a qualifying educational program at a designated educational institution;
- be a full-time student (or a part-time student if he or she meets the disability conditions); and
- be a resident of Canada..

The maximum withdrawal may not exceed \$10,000 in one year and \$20,000 over a four-year period. Withdrawals are repayable to the RSP over a period of no more than 10 years, starting approximately 5 years after the first withdrawal.

Note that you cannot participate in the LLP to finance your children's training or education, or the training or education of your spouse's or partner's children.

As everyone's situation is different, clients are encouraged to consult with their tax advisors for specific tax advice

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