

Articles Program



Tax tips for students

The costs of pursuing higher education continue to rise, especially in Ontario where university tuition fees are among the highest in the country.*

Fortunately, the Canada Revenue Agency (CRA) administers a range of programs and tax credits to help offset some of the costs of college and university. And, in many cases, it's not just the students, but those who help them financially that can file the claims.

Chartered Accountant François Brouard, Director, Sprott Centre for Social Enterprises and Associate Professor at the Sprott School of Business, Carleton University in Ottawa; and Chartered Accountant Joanne Magee, Director, School of Public Policy and Administration at York University in Toronto, share seven tax tips for students in Ontario...and for their supporters.

1. File a tax return - Yes, even if you earned too little to owe taxes! Tax returns are a must to keep track of the Tuition, Education and Textbook Tax Credits. Below a certain income level, you were entitled to a \$100 Ontario Sales Tax Credit (OSTC) when you filed your 2009 tax return. It also made you eligible for the new quarterly HST credit payments as long as you will be 19 before April 2011.

For 2010, this amounts to nearly \$510 a year: about \$250 for the GST credit and \$260 for the new OSTC (replacing the \$100 OSTC received on filing). And because of the new HST, you'll be eligible for a special one-time \$300 Ontario Sales Tax Transition Benefit, the maximum payments of which are being sent in three installments of \$100 each. Finally, filing tax returns creates RRSP room if you earned employment or self-employment income - when your earnings increase, you will be able to defer more taxes.

2. Use technology to make tax filing less tedious - Tax software makes the calculations automatically and checks that you claim everything you're entitled to. The government website <http://www.netfile.gc.ca/sftwr-eng.html> explains the NETFILE process and lists software that the CRA has approved for use.

3. Claim the Tuition, Education and Textbook credits - In addition to tuition, the federal government allows full-time, post-secondary students to claim \$465 as a combined education and textbook amount for each month in school; \$140

for part-time studies. The Ontario amounts are \$481 and \$144 respectively. The credit is calculated by multiplying the claim by the lowest tax rate: 15 per cent for the federal claim and 5.05 per cent for the Ontario claim.

You must have reported some income and owe taxes in order to use the credits, and your school must give you either an official tax receipt or a completed form T2202A. Fill out Schedule 11s (both federal and Ontario), which calculates the claims, and attach them to your return. For 2010, Ontario will allow a limit of \$6,141 in unused claims (earned in a year) to be transferred to a spouse or a parent for federal income tax purposes. Or you can save it to use later. The CRA tracks any outstanding claims, and may even claim them for you in future years.

4. Deduct interest on student loans - Most of the interest paid on money borrowed under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act* or similar provincial or territorial government laws can be claimed as a credit. But only students themselves can claim this credit, even if a relative actually made the payments. Unused claim amounts can be carried forward to any of the next five years.

5. Claim your moving expenses - If moving to attend school brought you at least 40 kilometres closer to the institution, only you, not your parents or partner, can fill out form T1-M to deduct related moving expenses from income you earned while at school. Then, do it again when you move back home to work for the summer.

6. Claim a federal tax credit for your transit costs - Monthly and annual passes for public transit can be claimed at 15 per cent. Under certain conditions, transit fees of shorter duration can also be claimed. Parents can claim for transit passes for children under age 19.

7. Scholarships are tax free - If you're eligible for the Education Tax Credit, scholarships, fellowships or bursaries that you receive for enrolling in a program may be tax-free. For full-time students, the full amount is exempt. But if you're part-time, a 2010 federal budget change limits the tax-exempt amount to the tuition amount you pay. So report the tax exempt amount as income on your tax return and make sure you fill out the Schedule 11s to show that you are eligible for the tax-exempt treatment.

Brought to you by the Institute of Chartered Accountants of Ontario

*Ontario Undergraduate Student Alliance, August 31. *Survey reveals what Ontario university students want* <http://www.ousa.ca/2010/08/30/survey-reveals-what-ontario-university-students-want/>