RBC Wealth Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

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Tax planning checklist for students

If you're a student or are considering a return to school, you may want to take advantage of the tax credits and deductions that may be available to you as a student. This checklist provides a useful quick reference for the most common federal tax credits, deductions and tax-assisted programs available to students. Please note that different rules may apply if you're studying in Canada as an international student or if you're enrolled at a foreign educational institution outside of Canada.

Any reference to a "spouse" in this article also refers to a common-law partner.

Tax credits and deductions

Tuition amount

You may be eligible to claim a 15% non-refundable credit for tuition fees you paid. Generally, fees for a course qualify if the course was at the post-secondary level, or, for individuals 16 years of age or older at the end of the year, if it develops or improves skills in an occupation and the educational institution has been certified by Employment and Social Development Canada (ESDC). You may also be able to claim the credit for fees of courses you take outside of Canada if you paid them to a university or other educational institution for your full-time enrollment in a course that is at least three consecutive weeks long and leads to a degree.

The tuition fees you paid to each educational institution in the year must be more than $100 in order for you to claim the credit. Eligible tuition fees include admission fees, charges for the use of library or laboratory facilities, exemption fees, and examination fees that are integral to the program. Other common fees include application fees (but only if you subsequently enroll in the institution); confirmation fees; charges for a certificate, diploma or degree; mandatory computer service fees; and academic fees.

Transfer or carry-forward of unused tuition and other amounts

You must first claim your tuition credit on your own tax return to reduce your taxes payable to zero for that particular year. If you have any unused credits available, you may be able to transfer or carry forward the amounts. You can transfer the unused credits to your spouse or to your or your spouse's parent or grandparent. The maximum amount you can transfer is $5,000, less the amount you used to reduce your own taxes payable. You can carry forward the unused credits to future years.

Prior to 2017, there was an education credit as well as a textbook credit that you could have claimed on your personal income tax return. If you were unable to use these credits in prior years, you will still be able to carry forward any unused education or textbook credits to future taxation years.

Interest paid on student loans

You can claim a 15% non-refundable tax credit for interest you paid on loans made under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Apprentice Loans Act*, or similar provincial or territorial laws for post-secondary education.

You cannot claim this credit for interest paid on any other kind of loan or on a student loan that you combined with another kind of loan. You can also not claim interest paid on a new loan if you renegotiated your student loan with a bank or financial institution. For example, if your existing student loan carries a 5% interest rate, you cannot claim the interest paid on a new loan (presumably at a lower interest rate) that you use to pay off your existing loan. To determine which option is more beneficial for you, compare the tax savings resulting from this tax credit to the savings you could achieve with a lower interest loan.

To the extent that you cannot (because you have insufficient taxes to utilize the credit) or choose not to claim the interest paid in the year you incurred it, you can carry the interest forward and claim it in any of the five subsequent taxation years. This credit cannot be transferred to another person.

Moving expenses

If you moved to be at least 40 km closer to your new school or place of work, you may be able to deduct moving expenses. If you moved to be a full-time student in a post-secondary program at a university, college or other educational institution, you can deduct your moving expenses from certain eligible income. Eligible income is the part of your scholarships, fellowships, bursaries and study grants that are taxable. If your moving expenses are more than the eligible income you report for the year, you can carry forward the unused expenses and deduct them against future eligible income.

If you moved to work, including summer employment, you can deduct your moving expenses from the employment income you earned at your new work location. If you moved

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as a co-operative student, you can deduct the moving expenses you incur at the beginning of each academic period when you move back after a summer break or a work semester, provided you meet the 40 km requirement each time. If your moving expenses are reimbursed by your employer, you can only claim a deduction for your moving expenses if you include the reimbursement in income. If the reimbursement is not included in your income and your employer only partially reimbursed your moving expenses, you can still deduct the moving expenses you incurred in excess of the reimbursement.

Child care expenses

You may be entitled to deduct child care expenses that you or another person (usually your spouse or your child's parent) paid to have someone look after your child while you attended school. For example, payments made to caregivers, day nursery schools and daycare centres, and education institutions (for the part of the fees that relate to child care services) qualify for the deduction. The child must have lived with you or the other person who paid for the expenses when the expenses were incurred. Your child must have been under 16 years of age or had a mental or physical impairment in order to qualify for this deduction. The person with the lower net income must generally claim the child care expenses.

Goods and services tax (GST)/harmonized sales tax (HST) credit

The GST/HST credit is a tax-free quarterly payment that aims to help you offset all or part of the GST/HST you pay, provided you have a low or modest income and are a resident of Canada. You also have to be at least 19 years of age, have (or previously had) a spouse, or be a parent who lives with your child (or previously were a parent who lived with your child). The Canada Revenue Agency (CRA) automatically determines your eligibility for the GST/HST credit when you file your tax return.

Canada employment amount

If you earn employment income, for example from a co-operative (co-op) position, you can claim this 15% non-refundable tax credit. This credit is provided to recognize that you might have work-related expenses you need to incur, such as purchasing a home computer, uniform or supplies. You cannot claim this amount if you are self-employed.

Canada training credit (CTC)

The CTC is a refundable tax credit that's available to help Canadians with the cost of eligible training fees. You can receive a credit of $250 per year in a notional account if you meet certain criteria, including annually indexed earning thresholds. You can accumulate up to $5,000 in credits in your lifetime. You can find the amount of credit that you're entitled to on your latest notice of assessment or reassessment from the CRA. In order to claim the credit, you must be at least 26 years old and under 66 years old at the end of the year, have incurred eligible tuition fees, have filed your tax return for the year and are resident in Canada throughout the year.

Financing your education

Registered education savings plan (RESP)

If you are a beneficiary of an RESP, now's the time to consider how to use the funds in the plan to fund your education. Original contributions made to an RESP can be withdrawn at any time on a tax-free basis. An educational assistance payment (EAP) is a payment of the income and government grants that have accumulated in the RESP over time and can generally be withdrawn if you're enrolled in a qualifying program. An EAP is taxable to you in the year you receive it. For more information, ask your RBC advisor for an article that discusses withdrawing funds from an RESP.

Lifelong learning plan (LLP)

If you're a resident of Canada, you may be able to withdraw up to $10,000 per year, to an overall limit of $20,000 over a qualifying period, from your RRSP to finance full-time training or post-secondary education for yourself or your spouse. You can participate in the LLP as many times as you would like. However, you must first bring your LLP balance to zero before you can withdraw up to $20,000 again. The amounts you withdraw under the LLP do not have to be included in your income. However, you must repay these borrowed amounts in instalments over a maximum of 10 years. If you do not make the instalment payments, the required repayment amount for the year will be taxable income.

Scholarships, fellowships, bursaries and study grants

If you're a qualifying student in respect of your specific program, you may be able to receive annual scholarships, fellowships, bursaries and certain awards tax-free. If you're not a qualifying student, the first $500 of the post-secondary awards you receive in a year is usually tax-free and the remainder is taxable. Post-doctoral fellowships are generally taxable.

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Research grants

A research grant allows you to carry on research or any similar work for the purpose of discovering new facts or developing knowledge. If you receive a research grant, you only have to include in income the portion that exceeds your allowable expenses. Allowable expenses include expenses for travelling, including meals and lodging while you are travelling, fees paid to assistants, the cost of equipment and supplies, and laboratory fees and charges. Allowable expenses do not include personal or living expenses or expenses for which you've been reimbursed. You cannot use your allowable expenses to reduce your other types of income.

Final thoughts

It may be to your advantage to file an income tax return, even if you have no income for the year, in order to either transfer or carry forward certain credits or to receive the GST/HST credit. If you have any questions or require clarification of any of the points discussed in this article, be sure to contact a qualified tax advisor.