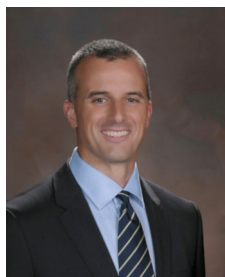


THE NAVIGATOR

THE SIMMONS GROUP



CLINT SIMMONS MBA CIM
Investment Advisor &
Portfolio Mgr
506-458-2256
clint.simmons@rbc.com



ALICIA STEPHENS BBA
Associate
506-458-2253
alicia.stephens@rbc.com

371 Queen Street
Suite 100
Fredericton, NB E3B 1B1

TAX PLANNING CHECKLIST FOR STUDENTS

The content in this article is for information purposes only and does not constitute tax advice. It is imperative that you obtain professional advice from qualified tax advisors before acting on any of the information in this article. This will ensure that your own circumstances are properly considered and that action is taken based on the most current legislation.

If you are a student or are considering a return to school, you may wish to discuss with your qualified tax advisor to ensure you properly report all your income and claim all the tax credits and deductions that are available to you. You may also be eligible to claim provincial or territorial credits, but the checklist below is limited to the federal taxation. Please note that different rules may apply if you are in Canada as an international student, or if you are enrolled at a foreign educational institution outside of Canada.

1. **Tuition fees** – You may be eligible to claim 15% of your eligible tuition fees as a non-refundable tax credit. To qualify, the tuition fees must be paid:
 - To a university, college, or other educational institution in Canada for courses at a post-secondary level; or
 - To a certified institution to

develop or improve your skills in an occupation and you are at least 16 years or older in the calendar year; or

- To a university or other post-secondary institution outside of Canada for your full-time enrollment in a course that is at least 3 consecutive weeks long and that leads to a degree at the bachelor level or higher.

In addition, the tuition fees paid to each educational institution in the year must be more than \$100. Eligible tuition fees also include charges for the use of library or laboratory facilities, administration fees, examination fees that are integral part of the program, mandatory computer service fees, and athletic and health services fees.

2. **Education amount** – You may also be eligible to claim the



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You may be eligible to claim a 15% non-refundable tax credit on interest paid after 1997 on loans made for post-secondary education under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, or similar provincial or territorial statutes.

education credit if you are enrolled each whole or part month in a qualifying program at a designated educational institution. The non-refundable tax credit is equal to 15% of \$400 for a full-time student or 15% of \$120 for a part-time student.

You are considered a full-time student if you are in regular attendance in a qualifying educational program (at least 3 weeks long and 10 hours per week). Similarly, a student who is participating in post-graduate studies on a regular basis in a particular month is ordinarily considered to be enrolled as a full-time student if the student is registered for the regular academic year even though the requirements for attendance in class for such studies are minimal.

Part-time students must have been enrolled in a post-secondary level program that is at least 3 consecutive weeks long and requires at least 12 hours of education per month in order to qualify for this credit.

3. **Textbooks** – If you are entitled to claim the education amount, you may also be entitled to a further credit for textbooks which is \$65 per month if you are a full-time student or \$20 per month if you are a part-time student.
4. **Transfer or carry forward unused tuition, education and textbook credits** – You will be required to first claim your tuition, education and textbook credits earned in a given year to reduce your taxes payable in that particular year to zero. If you have any unused credits available, you may be able to transfer a maximum \$5,000 per year to a spouse (including

a common-law partner). If you do not have a spouse, or if your spouse has not claimed either the spouse or common-law amount or any spousal credit transfers (i.e. age, pension, or disability) you could transfer these unused credits to a parent or grandparent. Alternatively, you may be able to carry forward the unused credits for your own use in future years. Credits carried forward cannot be transferred to anyone else, and must be used to reduce your tax in the first year that you have income tax payable.

5. **Interest on student loans** – You may also be eligible to claim a 15% non-refundable tax credit on interest paid after 1997 on loans made for post-secondary education under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, or similar provincial or territorial statutes.

Interest paid on any other kind of loan, or on a student loan that has been combined with another kind of loan, will not be eligible for this credit. For example, if your student loan carries a 7% interest rate, you cannot claim the interest paid on a second loan (presumably at a lower interest rate) that you use to pay off the first loan. You may wish to consult with your qualified tax advisor to determine whether it would be beneficial for you to lower your interest rate by repaying the interest deductible student loan with a second loan.

If you do not need to claim the interest in the year that it was paid because you do not have to pay taxes, you are able to carry forward the claim and apply it on your tax return for any of the subsequent five

If you are entitled to receive the education amount tax credit, you may be able to receive annual scholarships, fellowships, bursaries, and certain awards tax free.

years. However, this amount cannot be transferred to another person.

6. **Scholarships, fellowships, bursaries and study grants** – If you are entitled to receive the education amount tax credit, you may be able to receive annual scholarships, fellowships, bursaries, and certain awards tax free. If you are not able to claim the education amount, the first \$500 of the post-secondary awards you receive in a year is usually tax-free and the remainder is taxable. For post-doctoral researchers, they are usually not considered to be students and thus the compensation received by post-doctoral fellows are generally taxable.
7. **Moving expenses** – If you move to be at least 40 km closer to your new educational institution or place of work in order to attend a post-secondary educational institution in or outside of Canada as a full-time student, or to take a job, including summer employment, or to start a business you may be able to deduct your moving expenses against your taxable income such as scholarships, fellowships, research grants, employment and business income. However, your deduction will be limited to the extent of the taxable income you earn at the new location. Unlike the education tax credit, moving expenses are deducted

from your income and save taxes at your marginal tax rate. If your moving expenses are more than the income you report for the year, you can carry forward and deduct the unused part of those expenses from the same type of income you receive and report on your return for the following years.

8. **Childcare expenses** – As a student, you may be entitled to deduct childcare expenses against any income earned in the year. The general rule governing the deduction of childcare expenses is that the lower income spouse or common-law partner is required to claim the childcare expenses. However, if you are enrolled in an educational program, then your higher income spouse or common-law partner may be able to claim the childcare expenses.
9. **Lifelong Learning Plan (LLP)** – So long as you are 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 or common-law partner. The withdrawals can only be made over a maximum period of four calendar years. However, you can participate as many times as you'd like by bringing your LLP balance

to zero and then withdrawing up to \$20,000 over a new qualifying period. The amounts withdrawn from your RRSP will have to be repaid over a maximum of 10 years. For more information, please ask your advisor for a copy of the article titled "The Lifelong Learning Plan".

10. **Research grants** – If you receive a research grant, you may be able to deduct expenses for traveling, including meals and lodging, while you are away from home in the course of doing your research work, fees paid to assistants and the cost of equipment, fees and laboratory charges. The amount of the grant remaining after deducting expenses is usually included as income on your tax return. You cannot deduct expenses incurred for personal or living expenses, expenses that are reimbursed, are unreasonable, or if the expenses were paid by others.
11. **Educational assistance payments (EAP)** – If you receive an EAP from a Registered Education Savings Plan (RESP), you will have to report the EAP received as taxable income on your tax return in the year that the EAP is received. Original contributions withdrawn from the RESP are not taxable.
12. **GST credit** – If you are 19 years old or older and a resident of Canada, you may be entitled to receive

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the GST credit. You must apply to receive the GST credit by filing a tax return every year.

13. **Public transit amount** – You may be able to claim a non-refundable tax credit for the cost of public transit passes of specified durations (e.g. monthly or weekly pass) that you purchase. The passes must be used by you, your spouse or common-law partner or your

children (or children of your spouse or common-law partner) who are under 19 years old. As well, you must have not been reimbursed for the passes. You should keep your receipts and passes as proof of purchase to substantiate your claim of the tax credit.

14. **Canada Employment Credit** – Effective July 1, 2006, you can claim this non-refundable tax credit if

you have employment income for the year.

Even if you have no income for the year, it is to your advantage to file an income tax return to either transfer or carry forward certain amounts or to receive GST credit. If you have any questions or require clarification of any of the points discussed in this document, do not hesitate to discuss your concerns with your qualified tax advisor.