

the SmallBiz Builder

your monthly newsletter



Padgett

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This Month:

- Non-Refundable Tax Credits for Students
 - Other Deductions for Students

Non-Refundable Tax Credits for Students

The most common post-secondary non-refundable tax credits that apply to students relate to interest paid on student loans and tuition fees.

Interest on Student Loans

A tax credit can be claimed for interest paid either by the student or a person related to the student. Note, however, that if it is paid by a related person, it's the student who is entitled to the tax credit.

Only interest paid on the following types of loans qualify:

- the Canada Student Loans Act;
- the Canada Student Financial Assistance Act;
- the Apprentice Loans Act;
- or a law of the province or territory, which governs the granting of financial assistance to students at the post-secondary level.



Personal or family loans will not qualify. Also, if you renegotiate your student loan with a bank or included it in an arrangement to consolidate your loans, the interest on the new loan does not qualify for this tax credit. Credits that are not needed to offset income taxes are available for carry forward for up to five years.

Tuition

As with the student loan interest, only the student can claim this credit, even if it was paid by someone else. The student must claim this credit first to reduce their income tax to zero and any remaining tuition can either be carried forward or up to \$5 000 of the current year's unused tuition fees can be transferred to a spouse/common law partner, parent, or grandparent.

[continued...]

Non-Refundable Tax Credits for Students (continued)

Generally, a course qualifies for a tuition tax credit if it was taken at a post-secondary education institution or for individuals 16 years old at the end of the year, it develops or improves skills in an occupation and the educational institution has been certified by Employment and Social Development Canada.

Eligible tuition fees include:

- admission fees
- charges for use of library or laboratory facilities
- exemption fees
- examination fees (including re-reading charges) that are integral to a program of study
- application fees (but only if the student subsequently enrolls in the institution)
- confirmation fees
- charges for a certificate, diploma or degree
- membership or seminar fees that are specifically related to an academic program and its administration
- mandatory computer service fees
- academic fees

Examination fees for licensing or certification

- Examination fees paid to an educational institution, professional association, provincial ministry or other similar institution, to take an occupational, trade or professional examination that is required to obtain a professional status recognized by federal or provincial statute, or to be licensed or certified as a tradesperson, to allow the student to practice the profession or trade in Canada, are eligible for the tuition tax credit.
- Ancillary fees or charges exceeding \$250 and paid in respect of an occupational, trade, or professional examination are not eligible tuition fees unless they are required to be paid by all individuals taking the examination.

Other Deductions for Students

Moving Expenses

If you move to attend courses as a full-time student in Canada, you can deduct moving expenses but only against income from scholarships, fellowships, and research grants. Since most scholarships and fellowships are tax-exempt, the deduction is limited. However, if the student moves to take up summer employment or to start a business, or for a co-op period of employment, then the moving expenses can be claimed against that income. The new home must be at least 40 kilometers closer to the new school or place of work than the previous home.

Child-Care Expenses

Parents who are full-time students, or single parents who study full-time, can deduct child-care expenses on their tax returns. Part-time students may qualify for partial deductions.



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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.