BY JAMIE GOLOMBEK

School is in Session

College and university students have many tax credits at their disposal

With students back in school this month, what better time to review the main tax credits and deductions available to post-secondary students, especially given the recent changes announced in the 2016 federal budget.

TUITION, EDUCATION, AND TEXTBOOK CREDITS

Post-secondary students can currently claim three primary tax credits to help them reduce their tax bills: the tuition, education, and textbook credits. The tuition credit is a non-refundable credit, worth 15 per cent of the amount of tuition fees, with no maximum. The education amount is a 15 per cent non-refundable federal credit on $400 for each month of full-time post-secondary education, or $120 a month for each month of part-time schooling. The textbook amount is a similar credit, only available if you can claim the education amount, and is worth $9.75 per month for full-time post-secondary attendance or $3 per month for part-time schooling.

If the student does not have sufficient income to use the credits in the year of attendance, up to $5,000 can be claimed by the student's spouse or partner, or supporting parent or grandparent. Any remaining amount can be carried forward for use by the student in a future year.

This year's federal budget announced the elimination of the education and textbook tax credits effective Jan. 1, 2017. No changes were made to the tuition tax credit and the carry-forward rules will continue to apply for education and textbook tax credits (as well as the tuition credit) that arose prior to 2017 but have not been claimed.

The tuition tax credit is also available to a Canadian student in full-time attendance at a university outside of Canada in a course leading to a degree to the extent that the tuition fees are paid for a course of at least three consecutive weeks. (There is no minimum duration requirement when the program is taken at a Canadian school.)

CREDIT FOR INTEREST ON A STUDENT LOAN

If a student paid interest on a student loan, he or she may be able to claim a non-refundable tax credit for the amount of interest paid. Note that while only the student can claim the student loan interest credit, the interest on the loan itself can be paid either by the student or by someone related to the student, such as a parent.

If the student has no tax payable for the year, either because they had minimal income or had sufficient other credits to reduce tax payable to zero, it makes no sense to claim the interest credit and instead, the student can carry the interest paid forward and claim it on any tax return in the following five years.

So which student loans qualify for the interest tax credit?

The *Income Tax Act* is very specific and states that only loans received under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act* or a similar provincial or territorial government law qualify. This condition can be critical to determining eligibility for the tax credit.

Indeed, a 2013 Tax Court decision (*Mueller et al. v. The Queen, 2013 TCC 3*) involved two sisters and whether interest paid by each of the sisters on their student loans in 2010 was eligible for the student loan interest tax credit. The students, who were represented in court by their mother, had borrowed money under a special student line of credit offered by a bank since they were previously turned down for student loans offered under the government's student loan program because their parents' income was too high.

The program, referred to as the "Student Line of Credit," allowed a student to borrow up to $45,000 for post-secondary education. Promotional material issued by the bank stated that the interest rate on the line of credit was lower than the rate on student loans and that no principal repayments were required until one year after graduation.

Unfortunately, the law in this area is quite clear. As the judge explained, "The tax relief for interest on student loans in...the (*Income Tax Act*) is designed to apply to loans that are provided under legislation aimed at providing financial assistance to students at the post-secondary level." Since the loans provided to the sisters were not eligible under any government program, the interest paid was not eligible for the non-refundable tax credit.

GST/HST CREDIT

Another potential tax benefit that can help students is the goods and services tax/harmonized sales tax (GST/HST) credit. This tax-free quarterly payment is available to lower-income Canadians who are at least 19 years old, making most students eligible. To get the credit, however, the student must file a tax return.

MOVING EXPENSE DEDUCTION

Students who move at least 40 kilometres to attend a post-secondary program on a full-time basis can deduct moving expenses against any income earned while at school, perhaps from a part-time job. Similarly, if the student moved at least 40 kilometres from school during the summer months to earn employment income, those moving costs can also be deducted against any summer earnings.

PUBLIC TRANSIT CREDIT

Finally, students who take public transit should hang on to those passes in order to claim the federal public transit tax credit on their tax returns.

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