

# Tax help for the student: a partial guide

The following help with your tax questions as a student was given to the Gem by an officer from the Charlottetown office of Revenue Canada Taxation. Good luck with it!

## Some students do pay income tax

A Canadian student who receives income should file an income tax return. You may have enough income to become taxable or, as a student, you may find that when you deduct your personal exemptions and other deductions such as tuition fees, you are left with a taxable income of zero. If you were employed for part of the year and had income tax, Canadian Pension Plan contributions and Unemployment Insurance premiums deducted from your earnings, you have to file a return to get back any overpayment.

## Types of income

### Scholarship income

A scholarship, bursary, fellowship or prize for achievement in your normal field of endeavor is to be included in your income for tax purposes but a repayable student loan received from a government is not taxable.

There is an exemption of \$500 allowed against such sources of income. That is, you take the total of such amounts that you receive for this year, subtract \$500, and include the remainder in your income. Please note that any reimbursement of course fees received by you from your employer would not qualify for this exemption.

### Training allowances

Amounts received by a student under the National Training Act (sponsored by the federal government and administered by the provinces) are to be included in income.

Sometimes the amount received by a student under the Act includes a personal or living expense allowance while taking training away from home. This latter allowance is not part of the amount to be included in income.

### Research grants

Research grants are to be included in income for tax purposes. Work done under a research grant usually involves expenses, and any expense incurred in the year for the purpose of carrying on the work may be deducted from the research grant income. Deductible expenses may not exceed the amount of the research grant. Allowable expenses would not include personal or living expenses but would include any travel expenses while away from home in carrying on the work (including meals and lodging) and expenses related to the research such as the cost of minor equipment and fees paid to assistants.

The \$500 exemption mentioned earlier does not apply to research grants.

### Other income

As in the case with any other taxpayer, all income you receive, whether from salary or wages, registered education savings plans, tip or gratuities, self-employment, investments or other sources is to be included in your income for tax purposes. The Guide that accompanies your income tax return contains detailed information on most sources of income.

### Deductions from your income

You are entitled to the normal personal exemptions and deductions that apply to all taxpayers, such as the basic personal exemption and the deductions for medical expenses and charitable donations. But there are certain other deductions specifically applicable to students.

### Tuition fees

As a student, you may deduct tuitions paid to an educational institution in Canada provided the total fees paid to that institution is more than \$100. Tuition fees include fees specifically related to a program. Other expenses such as Students' Association fees, and fees for athletic and health services, while part of the total cost of a course or program, are not considered to be fees for tuition and are therefore not deductible.

Although the cost of books ordinarily does not come within the meaning of tuition fees, an exception is made if a student is enrolled in a correspondence course given by an educational institution in Canada, and the cost of the books which form part of the course is included in the fees paid for the course.

Tuition fees paid to educational institutions outside of Canada may be deducted only if you were in full-time attendance in a degree course for not less than 13 consecutive weeks. This 13-week limitation does not apply to students living near the border who commute to take post-secondary courses in the United States.

Tax is paid on a calendar year basis but tuition fees are usually paid for an academic year. You may, if you wish, deduct tuition fees paid for any 12-month period that begins in the calendar year for which you are calculating your income.

Educational institutions issue an approved form of receipt, stating the amount of tuition fees you have paid. This receipt must be attached to your return if you are claiming tuition fees. The receipt will normally show the fees you have paid

for the academic year rather than the calendar year, so if you wish to claim on a calendar year basis, you have to specify how much of the fee paid apply to the calendar year for which you are making the claim. The remainder would be claimable in the following year.

You may deduct tuition fees whether you pay them yourself or someone else pays them for you. If your employer pays for you, however, you can deduct them only if the amount paid by your employer has been included in your income. You may not deduct tuition fees paid by your parent's employer unless the amount has been included in your parent's income.

### Education deduction

Students full-time attendance at a designated educational institution and enrolled in a qualifying educational program may claim an education deduction of \$50 per month. However the claim must be supported by a certificate from the educational institution. The months for which the deduction is allowed include the month in which the school term starts and the month in which it ends.

Full-time attendance at a university outside Canada in a degree course of at least 13 weeks duration also qualifies. This 13-week limitation does not apply if you live near the border and commute to schools in the United States.

Courses must be of at least three consecutive weeks duration requiring a minimum of 10 hours class time weekly. This includes all forms of direct instruction, such as lectures, practical training or laboratory work, but not time spent reviewing course material or studying on your own. However, if you are a postgraduate student, the time you spend on research for your thesis qualifies. A student taking four full courses or more will be considered to be enrolled in a "qualifying educational program." Where a student is taking only three full courses, the educational institution must ensure that the work in the program satisfies the 10 hours per week requirement mentioned earlier.

You are not considered to be in full-time attendance when you are taking only a few subjects at evening classes or when, as a day student, you are carrying only a minor course load and at the same time devoting so much of your time and energy to earning money that this clearly is your primary occupation.

If you have no taxable income, or if the education deduction has the effect of reducing your taxable income to zero, your parent, spouse or supporting relative may claim all or part of the education deduction (see "the student as a dependant").

### Moving expenses

Students in full-time attendance at a university or other post-secondary educational institution in Canada who move to take a job (including summer employment) or to start a business may claim a moving expense deduction. Eligible moving expenses may only be deducted to the extent of any income earned at the new location, not from any income that may have been earned before the move.

If you moved to attend full-time courses at a university or other post-secondary educational institution in Canada, you may deduct moving expenses — but only against net award income such as scholarships, fellowships, research grants and similar awards.

To claim moving expenses, you must attach a copy of form T1-M to your income tax return. This form, and a leaflet called "Moving Expenses", explaining what expenses are deductible, can be obtained from district offices.

### Employment expense deduction

The employment expense deduction may not exceed \$500 or 20 per cent of your employment income for the year, whichever is less. This deduction may not be claimed by a student whose income for the year came solely from a scholarship, bursary or fellowship, nor may income of this nature be used in calculating 20 per cent of any income against which the employment expense deduction would apply. After any allowable expenses have been deducted from a research grant, however, the remainder may be included as part of your employment earnings for the purpose of the employment expense deduction, as well as any training allowances.

### Provincial tax credits

Tax credits are available in certain provinces. Even if you do not have any taxable income, you may be eligible for these provincial tax credits providing you resided in the province on December 31 and are over 16 years old. Check the provincial tax credit form, if any, that accompanies the income tax return.

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