

Back to School!

As you or your children are already preparing to start, or return to, post-secondary studies, we thought you could benefit from a few refreshers and reminders of tax matters as they apply to students.

Scholarship, Fellowship, Bursary

Beginning in 2006, Scholarships, Fellowships and bursaries have become non-taxable.

Research Grants

Research Grants are taxable, and reasonable expenses are allowed for travel, lodging, and fees to assistants.

Student Loans

Student loans are non-taxable and the loan interest is not deductible.

RESP

Deductions are not allowed for contributions made, and education assistance payments are taxable to the student in the year paid.

Tuition Fees/Ancillary Fees

There is a tax credit for tuition fees and ancillary fees, including library fees, lab fees, and computer fees, paid during the year. The student can also claim an education amount of \$400 (\$451 for Ontario taxes) per month for each full or part month in full-time attendance, or \$120 (\$135 for Ontario taxes) per month for part-time students. To support a tax credit for tuition fees and education amounts, the student must obtain a completed form T2202 from the educational institution. Generally, this form can be downloaded from the student's online account with the institution (if the student attends an institution outside Canada, he/she will require the institution to complete form TL11A). Any unused tuition, education, and textbook amounts (see below) are transferable to a supporting spouse, parent or grandparent up to a maximum of \$5,000 per person. The student must complete the designation on the back of Form T2202 to transfer unused amounts to a supporting person. The tuition, education, and textbooks credits that cannot be used or transferred in the current year, can be carried forward and claimed by the student in a subsequent year. If an employer (including a parent's employer) paid the tuition, it cannot be credited to the student unless it is included in the student's (or parent's) income.

Books, Student Fees, Parking & Equipment

Books, student fees, parking and equipment are neither deductible expenses nor are they included in tuition fees. Beginning in 2006, a federal textbook tax credit, based on \$65

per month for full-time education, can be claimed by students eligible for the education tax credit. There is no such tax credit against Ontario tax.

Interest on Students Loans

There is a tax credit for interest paid on student loans in the current year or five preceding years. The official Canada Revenue Agency slip summarizes interest paid for the current taxation year.

Child Care Expenses

Generally, only the spouse with the lower net income (even if it is zero) can claim these expenses. However, the spouse with the higher net income may be able to claim the child care expenses if his/her spouse was enrolled in an education program.

Public Transit Passes

Students or their parents may claim the tax credit related to the public transportation passes for themselves and for their children under the age of 19. Passes should be kept to justify the tax credit claimed by them or their parents, in case it is required by CRA.

Rent and Accommodations

The provinces of Ontario and Manitoba provide refundable property tax credits on rent/property taxes paid in the year for residents of the province on December 31. The province of Quebec provides a property tax refund under similar circumstances. Note that cancelled cheques, or receipts, must be kept available to prove payments were made in the year, if required by CRA.

Moving Expenses to Attend University or Start Employment Within or Outside Canada

All moving expenses incurred either to attend university or to start employment within or outside Canada are deductible against employment, self-employment or research grant income from the new location if the move is at least 40km for the current location. Students can claim moving expenses for each move. The expenses cannot exceed income from the new location; excess moving expenses may be carried forward to the following year to deduct against income from the new location. Eligible expenses include all direct expenses (e.g. travel expenses - including gas, meals and lodging, lease cancellation charges and costs of the sale/purchase of the home). All related receipts must be submitted, if requested by the CRA.

Life- Long Learning Plan

You may be able to "borrow" funds from your Registered Retirement Savings Plan (RRSP) in order to pay expenses incurred when enrolled with a designated educational institution.

This 'n That at Logan Katz...

A Fond Farewell to Carolina Cabañas Leon who has been an exemplary member of our firm since 2002. Carolina has accepted a position with Statistics Canada.

2007-2008

Breakfast Seminars Series Begins!

Stay tuned for your invitation to the first of our new season of Breakfast Seminars. Logan Katz is pleased to present Greg Moore of Scotiabank who will be discussing the challenges facing business owners in obtaining business financing, the importance of a strong and well-thought-out business plan and the different types of financing vehicles available to suit the needs of the small business owner.

More information regarding upcoming seminars will be coming soon!

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Planning Opportunities for Students

Withholding Tax: In years when you expect your personal credits (e.g., basic, tuition, etc.) to offset personal tax on income earned, complete form TD1 so the employer will not withhold tax. This may arise in taxation years where you are in school eight months and working for only four months. As a result, you will not have to wait until April 30 of the following year to obtain a tax refund and, consequently, will improve your current cash flow.

Income Splitting: Interest-free or low-interest loans to related children can be used to generate capital gains, since capital gains do not attribute back to the lender. Parents can pay a salary or wages to children who provide services to their corporation or business, resulting in a deduction to the corporation/business and income to the child. Parents can gift property to children 18 and older and, in doing so, there is no attribution to the parents on income reported by the adult child. Note that in such cases, however, there may be tax consequences for the gifting parents.

Loan from connected corporation: A student, age 18 or older, can borrow from a connected corporation in a year of low personal income. If the loan is not able to be repaid, it is included in the student's income in the year received. As a result the student will have no or low income tax payable when the loan is included in the low income year. You can subsequently repay your loan in a high-income year and a deduction is claimed in the year of repayment.