

Back-to-School Tax Tips

Canadian university students are often looking for deals wherever they can be found. As students venture into the world of academia, it may be helpful to seek the advice of an accountant for some insight on where to look for those extra savings.

John Wonfor, a national tax partner at BDO Dunwoody, in conjunction with the Institute of Chartered Accountants of Ontario, released a list of 10 tax tips that students should heed before they venture off into the world of academia.

One tax deduction that many students will want to take advantage of is related to moving expenses. "As long as the person has income — a job or a scholarship — they can deduct moving costs," says Wonfor.

He adds that the tax credit also applies to students who need to move somewhere else for a summer job.

One important change to Canada's tax laws is that scholarships are now tax-free. Prior to 2006, only the first \$3,000 was exempt, but now any amount can be used without taking a tax hit.

Students can also claim textbook expenses. The ICAO says the tax credit equals \$65 for each month a student qualifies for the full-time education tax credit. That drops to \$20 for part-time students.

Wonfor points out that the textbook credit is a bit misleading, as students don't actually have to save their receipts — as long as they're in school, they'll get the credit whether they buy books or not.

It's important for students to know that they don't have to use their tax credits right away. They can be pushed back indefinitely. "Claim them if you have tax payable," says Wonfor. "If you don't, then carry the credit forward."

Most people know that post-secondary students can write off tuition itself, which could amount to big savings. Full-time students can claim tuition of up to \$465 a month, or \$3,720 over an eight-month school year. However, the credit is worth only 15% of that, so students would get back \$70 per month.

Ontario has a similar credit — students can claim \$468 dollars a month, but the credit is worth 6.05%. Therefore, the student would be credited \$28 per month.

There are other expenses that can be claimed — transit and rent to name two — but nothing will happen if the student doesn't file a tax return, which a number of them don't.

"Students should always file, even if they don't owe tax," says Wonfor. "They want to file a return to report their tuition, so they can carry it over or transfer the credit to a supporting person."

It's also important to file in order to establish RRSP contribution room. Wonfor says most students won't be contributing to their RRSPs, but when they do, they'll want the space that was accumulated during their school days.

While the tax credits are useful, all students really care about is how they're going to pay the rent. That, says Wanfor, is another reason to file. "The government might owe you money," he says. "So file a tax return to get that cash back."

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