CESTNICK

TAX MATTERS

8 tax ideas to put money back in the pockets of students

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Our neighbour's son, Zach, is at university studying journalism. Zach has always wanted to be an investigative reporter and, earlier this year, he was named the editor of his university newspaper.

While he was telling me how he'd love to do exciting stories about scandal and corruption, I suggested his paper publish something a little less exciting, but still a must-read: tax tips for students. He loved this, so I shared some ideas. Here are the top eight tips that will put money back in the pockets of students.

File a tax return. As a student you should file a tax return each year. The reason? If you have any earned income, you'll create RRSP contribution room which can save you tax later when you contribute to an RRSP. In addition, you could get a refund of any tax you paid in the year if it turns out you owe no taxes because your income is below the basic personal amount ($15,000 in 2023) and other tax credits. Finally, you could be entitled to the GST/HST credit and climate action incentive (more on these below).

Tuition tax credit. You're able to claim a tax credit for your tuition costs, and if you don't have sufficient income to use up this credit you can transfer up to $5,000 to a supporting parent, grandparent or spouse for them to use. Or you can carry the tuition amount forward for use in a future year. Make sure you receive a T2202 slip from your Canadian postsecondary school (or form TL11A for a school outside of Canada).

Scholarships and awards. If you're enrolled full-time at a Canadian postsecondary school, then any scholarships, bursaries, fellowships or prizes are generally exempt from tax. The grant portion of amounts received under a provincial student assistance program is also generally tax free. If you receive a distribution from a registered education savings plan (RESP), some of these amounts reflect the growth earned inside the RESP over time and will be taxable (you'll receive a T4A slip for these education assistance payments). Apply for tax-free scholarships and awards as a great way to help cover the cost of your education.

Students, don't take the first credit card offered to you, even if it comes with a freebie

Moving expenses. If you're a student who has moved at least 40 kilometres when returning home for the summer, and you're earning income while at home, you can claim moving expenses. You can also claim expenses when moving back to school if you move at least 40 kilometres and have to report taxable scholarships, fellowships, bursaries or similar study grants.

Childcare expenses. If you have eligible children and you're also attending school, you may be able to claim child care expenses. The lower-income spouse must normally claim these, but there's an exception if the lower-income spouse is enrolled full- or part-time in an eligible program at a postsecondary school.

Student loan interest. If you borrow money for school under the Canada Student Loans Act, Canada Student Financial Assistance Act, the Apprentice Loans Act, or similar provincial or territorial laws, then you can claim a tax credit for interest paid. If you can't use the credit to save tax because your income is so low, you can carry it forward and claim it in any of the next five years. Be sure to avoid consolidating or refinancing your student loan with other debt since you could lose your eligibility to claim this credit.

Free credits and incentives. If you're looking for free money from the government, there's some available. The GST/HST credit is available to lower-income (which includes most students) people aged 19 or older on Dec. 31, is paid quarterly, and is worth up to $496 for the year for a single person. Also, you may be eligible for the Climate Action Incentive Payment (CAIP) which is a tax-free amount paid quarterly and worth a few hundred dollars annually, depending on your province. It's available to residents of Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland and Labrador, Nova Scotia, New Brunswick and Prince Edward Island.

First home savings account. At some point, every person should have both a registered retirement savings plan (RRSP) and tax-free savings account (TFSA). Students should add a first home savings account (FHSA) to this list. Since many students will qualify as first-time homebuyers, it makes sense to contribute up to $8,000 annually to a FHSA to save for an eventual home purchase. And if you don't end up buying a home, you can simply transfer the FHSA assets to your RRSP later, even if this is over and above your usual RRSP contribution room.

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