



CESTNICK

TAX MATTERS

Postsecondary students should take advantage of tax benefits

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My son had a bunch of friends from university over on the weekend. I asked the group: “Do you all have exams this week?” One of the young men announced that he had written his math exam already. “How did it go?” I asked. “I think my chance of passing is about 40-40” he said. “If I had a dime for every math exam I’ve ever failed, I’d have \$1.05 by now” he continued.

I then asked the group if they had filed their tax returns yet. Not one hand went up. So I embarrassed my son and spent a few minutes talking about tax tips for students. Let me share the key ideas.

1. File a tax return. Really. File a tax return, for a couple of reasons. First, even if you didn’t have enough income in 2023 to be taxable, you’ll create RRSP contribution room if you had earned income. This will save you tax when you eventually contribute to an RRSP. Next, if you’re 19 or older you may be eligible to receive the tax-free GST/HST credit which is paid quarterly, and to collect the Canada Carbon Rebate (formerly called the Climate Action Incentive) if you live in Alberta, Saskatchewan, Manitoba,

Ontario, New Brunswick, Nova Scotia, PEI or Newfoundland and Labrador.

2. Claim your tuition. If you had enough income in 2023 you may be able to claim a tuition tax credit for your tuition paid. If your income wasn’t high enough to claim the full amount to reduce your taxes to zero, you can either (1) transfer up to \$5,000 of your tuition to a spouse or common-law partner, or a parent or grandparent, or (2) carry the unused tuition forward to be claimed in a future year. Make sure you get a T2202 slip from your school, and if you attend a school outside of Canada ask them to complete form TL11A, TL11C or TL11D.

3. Claim student loan interest. If you received a qualifying loan under the Canada Student Loans Act or similar provincial legislation, you’ll be entitled to a tax credit for your loan interest. You should receive an official tax slip to support the claim. Try to avoid consolidating your student debt with other debt, because you’ll lose the ability to claim this tax credit.

4. Contribute to a FHSA. If you're a student, you are also likely to be considered a first-time homebuyer. In this case, make sure you open a first-time homebuyer savings account (FHSA) if you hope to buy a home in the next 15 years. You can contribute \$8,000 per year, up to \$40,000 in a lifetime. You'll get a tax deduction for the contribution and won't face tax on withdrawals made to purchase a home. If you don't buy a home you can transfer the funds to an RRSP over and above your usual RRSP contribution room.

5. Defer claiming certain deductions. If you expect your taxable income to be much higher in the next two or three years (perhaps after you graduate), consider deferring some deductions until you're in a higher tax bracket to save more tax. I'm thinking specifically about RRSP and FHSA deductions for contributions to those plans. This might also include capital cost allowance on assets on which you're entitled to claim depreciation if you have a business, for example.

6. Claim an exemption for scholarships, fellowships and bursaries.

If you received any of these amounts in 2023 for your full-time enrolment in a program for 2022, 2023 or 2024, the amounts are generally tax-free. Research grants are generally taxable (although you may be entitled to some deductions). Go to www.canada.ca and lookup instructions for Line 13010 for more details.

7. Claim moving expenses. You can claim moving expenses if your move to school, or home again, is at least 40 kilometres. You'll need to earn income (which includes taxable research grants or other awards when moving to school) in the new location to claim moving costs.

8. Sign up for My Account. If you haven't already signed up for My Account, make sure you do this. It lets you go online to check the status of your tax returns, benefit payments, RRSP and TFSA contribution room, and much more. You'll need access to My Account to send information to the Canada Revenue Agency and to check all correspondence they might have sent to you.

9. Take a class on personal finance. If you're able to choose some electives at school and the school offers a course on personal financial planning, do yourself a favour and enroll. It could be the most practical course you ever take.

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