



CESTNICK

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TAX MATTERS

## Education during the pandemic can provide tax relief

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There are thousands of Canadians who have decided that pursuing further education makes good sense during COVID-19 since there are fewer jobs available today. A young man I know, Jason, has decided to pursue his master's degree this summer – in natural resources conservation. His school of choice? Paul Smith's College in New York State. The real reason Jason chose this school is because it has a champion-calibre log-splitting team, and Jason can wield an axe with the best of them. No, really.

It's also a fact that I've invited Jason to our cottage this summer for some physical-distance fun, but mostly because I want him to practise his log-splitting on a few dead trees we have. I also offered to provide him with some tax advice around the tuition costs for his master's program. Let's take a look at what our tax law says about the tuition tax credit.

### THE RULES

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Our tax law is pretty specific about the entitlement to claim a tax credit for tuition. As a general rule, our tax law allows you to claim a credit for eligible tuition paid to educational institutions in Canada, outside Canada, to certain commuter schools in the United States if you cross the border to attend classes, and for fees paid to certain organizations for occupational, trade or professional exams.

How much in taxes can you save? The actual amount depends on your province of residence, but the average across Canada is 26 per cent of your eligible tuition. So, if your tuition paid in a calendar year is \$10,000, you could save about \$2,600 in taxes – which is meaningful.

In order to claim tuition, the total fees paid in the year need to exceed \$100, unless the fees are paid to a university outside of Canada, in which case there's

no minimum. “Tuition fees” are considered to include most ancillary fees and charges paid to the institution (but not books – sorry about that). The school is responsible to identify what costs are counted as “tuition fees” and will include the total on a T2202A slip for you. There are some tuition fees that won’t qualify, most notably non-taxable fees paid on your behalf (or to be reimbursed) by a government program, or those paid by an employer (or a parent’s employer).

## THE SCHOOLS

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There’s no all-inclusive list of universities, colleges or other educational institutions that provide courses to allow for a tuition tax credit. To be sure, however, the course(s) you take have to be at a postsecondary level to qualify you for the credit. Clearly, universities and colleges in Canada can offer these courses. But other organizations that provide educational courses at a postsecondary level to its members can qualify you for the tax credit, too. As long as one minimum qualification for membership is secondary school graduation, then the organization likely qualifies.

Generally, a professional organization that is empowered, under federal or provincial legislation, to make regulations governing the certification and licences to practise the profession, and which offers courses at the postsecondary level, will be considered an educational institution, qualifying you for the tuition tax credit.

What about schools outside of Canada? Jason was glad to learn that students studying abroad can claim a tax credit for tuition fees paid in the year provided

the student is in full-time attendance in a course leading to a degree at not lower than the bachelor or equivalent level. “Full-time” attendance at a university outside of Canada can be met through online attendance, provided the university establishes that your enrolment constitutes full-time attendance. In addition, our tax law requires that any course at a school outside of Canada be at least three consecutive weeks for each course within a program of study.

I should mention, however, that because of a court decision two years ago (Fortnum v. the Queen, 2018 TCC 126), the CRA made a pronouncement that it’s willing to adopt a flexible approach to this three-week requirement for each course offered by a foreign school. In the Fortnum case, the judge applied the three-consecutive-week requirement to the summer semester as a whole, rather than to each individual course in the semester (the taxpayer took 11 courses over the semester, each being one to two weeks in duration, and the judge allowed the tuition tax credit).

## THE MORAL

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The moral of the story? It may be a very good time to upgrade your qualifications or skills if you’re not working full-time at the moment. Just make sure you claim all the tax relief you can for tuition costs you incur.

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