

Students and Income Tax

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Your opinion counts!

We review this pamphlet each year. If you have any comments or suggestions that would help us improve it, we would like to hear from you.

In 2005, this guide may be available on the Internet only.
If you have any comments, please send them to:



Client Services Directorate (NR)
Canada Customs and Revenue Agency
Lancaster Road
Ottawa ON K1A 0L5

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Table of contents

	Page
Before you start	4
Is this pamphlet for you?	4
Do you have to file a return?	4
Which tax and benefit package should you use?	5
How can you get the tax and benefit package you need?	5
Social insurance number (SIN)	5
Filing your return	6
What date is your return due?	6
What do you include with your return and what records do you keep?	7
What if you are missing information?	8
When can you expect your refund?	8
Types of income you may have	8
Scholarships, fellowships, bursaries, study grants, and artists' project grants	9
Research grants	10
Registered education savings plan (RESP).....	11
Common deductions	11
Moving expenses.....	11
Child care expenses	13
Non-refundable tax credits	13
Interest paid on your student loan	14
Tuition and education amounts.....	14
Other tax credits	21
Goods and services tax/harmonized sales tax (GST/HST) credit	21
Canada Child Tax Benefit (CCTB).....	23
Provincial or territorial credits.....	23

Before you start

Is this pamphlet for you?

This pamphlet is for you if you were a student during the year. It gives helpful information about filing your return.

If you were a foreign student, contact the International Tax Services Office at **1-800-267-5177** about the special rules that may apply to you.

If you are a student with a disability, see our guide RC4064, *Information Concerning People With Disabilities*. That guide gives information about services and programs that may benefit you, and deductions and credits that may apply to you.

The terms **spouse** and **common-law partner**, used throughout this pamphlet, are defined in your tax guide.

Do you have to file a return?

As a student, you should file a return if you have to pay tax for the year or if you have not repaid all of the amounts you withdrew from your registered retirement savings plan (RRSP) under the Lifelong Learning Plan.

Also, you may want to file a return if any of the following situations applies:

- you want to claim a refund;
- you want to apply for the GST/HST credit;
- you or your spouse or common-law partner want to start or continue receiving Canada Child Tax Benefit payments (see page 23);
- you want to carry forward the unused part of your tuition and education amounts (see page 14); or
- you want to report income for which you could contribute to an RRSP.

For a complete list detailing when you have to file a return, see the *General Income Tax and Benefit Guide*.

Which tax and benefit package should you use?

Use the package for the province or territory where you resided on December 31. If you were living in a province or territory other than the one you usually reside in, use the package for your usual province or territory of residence. For example, if you go to school in Alberta but you usually live in Ontario, use an Ontario package.

If you resided in Quebec on December 31, use the package for residents of Quebec to calculate your federal tax. You will also need to file a Quebec provincial return.

How can you get the tax and benefit package you need?

If you filed a return last year or in the preceding year, you should have received the package you need based on our records. However, if you cannot use that package, you can get a **General** forms book and guide (or the return and any of its schedules by themselves) by visiting our Web site at **www.ccra.gc.ca/forms**, or by calling **1-800-959-2221**. In addition, you can get the General forms book and guide for a particular province or territory from any postal outlet in that province or territory.

Social insurance number (SIN)

Before you file your return, you need a SIN. We use your SIN to identify you for income tax purposes and to update your record of earnings for your contributions to the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP). You have to give your SIN to anyone who prepares a tax information slip (such as a T4 slip) for you. Check your slips and, if your SIN is missing or is incorrect, advise the person who prepared your slip.

For more information, or to get an application for a SIN, contact Human Resources Development Canada. You can visit their Web site at www.hrdc.gc.ca/sin, or you can find the telephone number for the office in your area in the government section of your telephone book.

Filing your return

You can file a paper return or you can file your return using **EFILE**, **NETFILE**, or **TELEFILE**.



Your EFILE service provider can complete and file your return for you, or you can complete your return yourself for an EFILE service provider who files client-prepared returns.



If you complete your return using computer software, this fast, secure system lets you file it over the Internet. Visit www.netfile.gc.ca for more information.



You may be able to file your return by telephone for free. To find out, visit www.ccra.gc.ca/telefile or call 1-800-959-8281.

What date is your return due?

Generally, your return for the tax year has to be filed **on or before April 30 of the following year**.

Note

If you file your return after April 30, your GST/HST credit and Canada Child Tax Benefit (CCTB) payments may be delayed. In addition, you may have a late-filing penalty and interest to pay. For details, see the *General Income Tax and Benefit Guide*.

What do you include with your return and what records do you keep?

If you are filing a paper return, attach one copy of each of your information slips. These slips show the amount of income that was paid to you during the year, and deductions that were withheld from that income.

Some common information slips are:

- T4 slips, which show employment income and payroll deductions;
- T4A slips, which show scholarship and bursary income, or payments from a registered education savings plan; and
- T5 slips, which show investment income such as interest from bank accounts or from Canada Savings Bonds.

Notes on each slip tell you where to report the income on your return.

Information in your tax package or on other forms tell you what supporting documents, such as certificates, forms, schedules, or official receipts, you need to attach to your return.

Even if you do not have to attach certain supporting documents to your return, or if you are filing your return electronically, keep them in case we select your return for review. Generally, you should keep your supporting documents for six years.

You should keep a copy of your return and the related *Notice of Assessment*, and any *Notice of Reassessment*. These can help you complete your return for the following year. For example, your *Notice of Assessment* will show the tuition and education amounts you can carry forward.

What if you are missing information?

If you have to file a return, file it **on time** even if some slips or receipts are missing. If you know that you will not be able to get a slip by the due date, attach a note to your return stating the payer's name and address, the type of income involved, and what you are doing to get the slip. To calculate the income to report, and any related deductions and credits you can claim, use any cheque stubs you may have and attach them to your return.

To get a missing slip or receipt, contact the person who should have sent it to you. For example, if you are missing a T4 slip, contact your employer.

When can you expect your refund?

We usually process paper returns in **four to six weeks**. We can process most returns filed electronically in as little as eight business days.

Note

If you have an outstanding government debt, such as a Canada Student Loan or a training allowance overpayment, we may have to apply your refund to your debt.

Types of income you may have

Most income you receive is taxable and you have to include it on your return. However, you do not have to include your GST/HST credit and Canada Child Tax Benefit payments, lottery winnings, or most gifts and inheritances.

The most common types of income you may receive as a student include:

- employment income;
- tips and occasional earnings;

- investment income;
- scholarships, fellowships, bursaries, study grants, and artists' project grants;
- research grants; and
- registered education savings plan income.

The following pages include information on some of these types of income. For more information on these or other types of income, see the *General Income Tax and Benefit Guide*.

Scholarships, fellowships, bursaries, study grants, and artists' project grants

To calculate how much to report on your return, add up all the amounts you received in the year (box 28 of your T4A slips) and report the amount that exceeds your exemption. Include the result on line 130 of your return. You may claim only one exemption each tax year. Your exemption is the greater of:

- \$500; or
- \$3,000 of the scholarship, fellowship, or bursary income you received (or an artist's project grant if it was received in respect of a scholarship, fellowship, or bursary) for a program for which you can claim the education amount for the year.

Note

To claim the \$3,000 exemption, **make sure** to complete Schedule 11, even if you have no tax to pay and you are transferring all or part of your tuition and education amounts to a supporting person (see "Transferring and carrying forward amounts" on page 20).

If you received an artists' project grant that you used in producing a literary, dramatic, musical, or artistic work, you can subtract the exemption (see above) **or** your expenses, whichever you prefer. If you claim expenses,

attach a list of them to your return. However, the exemption or expenses you claim cannot be more than the grant. In addition, you cannot claim:

- personal living expenses while at your usual place of residence;
- expenses for which you can be reimbursed; or
- expenses that otherwise are deductible when you calculate your income for the year.

For more information, see Interpretation Bulletin IT-75, *Scholarships, Fellowships, Bursaries, Prizes, Research Grants and Financial Assistance*.

Research grants

Subtract your expenses from the grant you received and include the net amount in income. Your expenses cannot be more than your grant.

Expenses you **can** claim include:

- travelling expenses, including all amounts for meals and lodging while away from home in the course of your research work;
- fees paid to assistants; and
- the cost of equipment, fees, and laboratory charges.

Expenses you **cannot** claim include:

- personal living expenses (other than the travelling expenses mentioned above);
- expenses that have been reimbursed, except when the amount reimbursed is included in the grant received;
- expenses that otherwise are deductible when you calculate your income for the year;
- expenses that are unreasonable under the circumstances; and

- expenses paid for you by a university, hospital, or similar institution.

Attach to your return a list of your expenses. Do not attach the receipts, but keep them in case we ask to see them.

For more information, see Interpretation Bulletin IT-75, *Scholarships, Fellowships, Bursaries, Prizes, Research Grants and Financial Assistance*.

Registered education savings plan (RESP)

If you received educational assistance payments (income earned in an RESP, such as interest), report the total amount you received, which is shown in box 42 of a T4A slip. For more information, see the information sheet RC4092, *Registered Education Savings Plans (RESPs)*.

Common deductions

The most common deductions that apply to students are moving expenses and child care expenses. For additional information on other types of deductions, see the *General Income Tax and Benefit Guide*.

Moving expenses

You can deduct moving expenses if you move to attend courses as a **full-time student** (defined on the next page). However, you can **only** deduct these expenses from the taxable portion of scholarships, fellowships, bursaries, certain prizes, and research grants.

You can also deduct moving expenses if you move to take a job, including summer employment, or to run a business. However, you can **only** deduct these expenses from employment or self-employment income you earn at the new location.

Your new home must be at least 40 kilometres closer to the new educational institution or place of work than your previous home was. You can claim moving expenses that you incur at the start of each academic period, as long as you meet the 40-kilometre limitation. You also can claim such expenses when you move back after a summer break, or a work semester in the case of a co-operative student.

Full-time student

You are a full-time student if you regularly attend a college, university, or other educational institution that offers courses at a post-secondary school level **and** you take, during a semester, 60% or more of the usual course load for the program in which you are enrolled.

You are **not** a full-time student if you take less than 60% of the usual course load for the program for the semester. For the purpose of moving expenses, do not include correspondence courses as part of your course load.

If you are a **co-operative student** who attends an educational institution for an academic period and then you work for a similar period in a business or industry that relates to your academic studies, you are considered a full-time student **only** during the months you attend the educational institution. You start full-time attendance at the start of each academic period.

Notes

If you moved in the year but could not claim all your expenses on your return for that year, you may be able to claim the remaining expenses on your return for the following year.

In addition, if you moved after 1997, even if you paid your expenses in a later year, you now may be able to claim them on your return for the year you paid them, and carry forward the unused amounts until you have enough income to claim them. If this affects how you would have filed your return for a previous year, you can ask us to change it.

For a list of allowable moving expenses and the instructions for claiming them, see Form T1-M, *Moving Expenses Deduction*.

Child care expenses

You or your spouse or common-law partner may have paid someone to look after your child so one of you could earn income, go to school, or conduct research. These expenses may be deductible if, at some time in the year, the child was under 16 or had a mental or physical infirmity.

Generally, only the spouse or common-law partner with the lower net income (**even if it is zero**) can claim these expenses. However, if you have the higher net income, you may still be able to claim the child care expenses if you were enrolled in an educational program or if another specific situation applied. For more information on other situations, or to make your claim, see Form T778, *Child Care Expenses Deduction for 2003*.

Non-refundable tax credits

Non-refundable tax credits reduce your income tax. However, if the total of these credits is more than the amount of your income tax, you will not get a refund for the difference.

The most common non-refundable tax credits that apply to students are for interest paid on student loans, and for the tuition and education amounts.

Residents of all provinces and territories except Quebec calculate their provincial or territorial non-refundable tax credits on Form 428, separately from federal non-refundable tax credits. Federal non-refundable tax credits are calculated on Schedule 1. The same rules apply for claiming both kinds of credits, but, for most provinces

and territories, the amounts used in calculating them are different.

Interest paid on your student loan

A loan may have been made to **you** under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, or similar provincial or territorial government laws for post-secondary education. If so, you can claim an amount for most of the interest you, or a person related to you, paid on that loan after 1997.

You can claim an amount only for interest you have not previously claimed. If you do not wish to claim these amounts on the return for the year they are paid, you can carry them forward and apply them on your return for any of the next five years.

Note

You **cannot** claim interest paid on any other kind of loan, or on a student loan that has been combined with another kind of loan. In addition, you cannot claim interest paid in respect of a judgment obtained after you failed to pay back a student loan.

Tuition and education amounts

Claim your eligible tuition and education amounts for the year, and any unused amounts carried forward from previous years that are shown on your latest *Notice of Assessment* or *Notice of Reassessment*.

Complete Schedule 11. Depending on your province or territory of residence, you also may need to complete Schedule (S11). Attach these schedules to your return.

Eligible tuition fees

You can claim only the fees paid for courses you took in the year. **More than \$100** for the year must have been paid to each educational institution whose fees you claim.

You **can** claim tuition fees paid to any of the following institutions:

- a university, college, or other educational institution in Canada for courses at a post-secondary school level;
- an educational institution in Canada certified by the Minister of Human Resources Development for courses (if you were 16 or older at the end of the year) to develop or improve skills in an occupation;
- a university, college, or other educational institution in the United States for courses at a post-secondary school level if you lived in Canada near the border throughout the year and you commuted to the school; and
- a university outside Canada, if you were in full-time attendance, for courses that were at least 13 consecutive weeks long, and that will lead to a degree.

Note

You are **not considered** to be in full-time attendance at a university outside Canada if you are taking courses through a distance learning program, or over the internet.

You **cannot** claim the following tuition fees:

- fees paid or reimbursed by your or your parent's employer, where the amount is not included in your or your parent's income;
- fees paid by a federal, provincial, or territorial job training program where the amount is not included in your income; and
- fees paid (or eligible to be paid) under a federal program to help athletes, where the payment or reimbursement has not been included in your income.

Eligible tuition fees include:

- admission fees;
- charges for the use of library or laboratory facilities;
- examination fees;
- application fees (but only if the student later enrolls in the institution);
- charges for a certificate, diploma, or degree;
- mandatory computer service fees;
- academic fees;
- the cost of any books that are included in the total fees for a correspondence course; and
- fees, such as athletic and health services fees, paid to a university, college, or other educational institution in addition to your tuition for post-secondary courses, when such fees are required to be paid by all students. If not all students are required to pay them, then amounts eligible are limited to \$250.

You **cannot** claim the following as tuition fees:

- students' association fees;
- medical care;
- transportation and parking;
- meals and lodging;
- goods of lasting value that you will keep, such as a computer, microscope, uniform, or an academic gown;
- initiation or entrance fees to a professional organization; or
- cost of books (other than books that are included in the total fees for a correspondence course).

Contact us if you are not sure whether you can claim your fees.

Forms

- If you are claiming tuition fees paid to an educational institution in Canada, your institution has to give you an official tax receipt or a completed Form T2202A, *Tuition and Education Amounts Certificate*.
- If you are claiming tuition fees paid to an educational institution outside Canada, your institution has to complete and give you Form TL11A, *Tuition Fees Certificate – University Outside Canada*, Form TL11C, *Tuition Fees Certificate – Commuter to the United States*, or Form TL11D, *Tuition Fees Certificate – Educational Institutions Outside Canada for a Deemed Resident of Canada*, whichever applies.
- If you are claiming tuition fees paid to a flying school or club in Canada, your school or club has to give you a completed Form TL11B, *Tuition Fees Certificate – Flying School or Club*.

Education amount

The terms **designated educational institution** and **qualifying educational program**, mentioned on page 18, are defined on pages 19 and 20.

You can claim a **full-time** education amount for each whole or part month that you were enrolled in a qualifying educational program at a designated educational institution and any of the following apply:

- you were enrolled full-time;
- you were enrolled part-time and you can claim the disability amount; or
- you were enrolled part-time because of a mental or physical impairment, but you do not qualify for the disability amount.

You can claim a **part-time** education amount for each whole or part month that you are enrolled in a **specified**

educational program (defined on page 20) at a designated educational institution.

You can claim only **one** education amount for each month – the full-time amount **or** the part-time amount.

If you were under 16 at the end of the year, you can claim the education amount only for courses you took at the post-secondary level.

Your educational institution will send you Form T2202, *Education Amount Certificate*, or Form T2202A, *Tuition and Education Amounts Certificate*. It will show the number of months you were enrolled in a qualifying educational program or a specified educational program.

You **cannot** claim the education amount if you:

- received a grant or were reimbursed for the cost of your courses, other than by award money received;
- received a benefit as part of a program (such as free meals and lodging from a nursing school);
- received a salary or wages while taking a course related to your job (such as if you were employed by an accounting firm and you took courses leading to an accounting degree); or
- received an allowance for a program such as a training allowance.

Note

A grant, reimbursement, benefit, or allowance does not include any scholarship, fellowship, bursary, or prize you received, or any benefit you received under the *Canada Student Financial Assistance Act*, *Canada Student Loans Act*, or *An Act respecting financial assistance for students of the Province of Quebec*.

These amounts also do not include any financial assistance provided under Part II of the *Employment Insurance Act* (as shown in box 20 of your T4E slip), a labour-market development agreement as part of a similar provincial or territorial program, or a program developed under the authority of the *Department of Human Resources Development Act*.

What is a designated educational institution?

Designated educational institutions include:

- Canadian universities, colleges, and other educational institutions providing courses at a post-secondary school level;
- Canadian educational institutions certified by the Minister of Human Resources Development as offering non-credit courses that develop or improve skills in an occupation;
- universities outside Canada where a Canadian student is enrolled in a course that lasts at least 13 consecutive weeks and leads to a degree; and
- universities, colleges, or other educational institutions in the United States that give courses at the post-secondary school level if the student is living in Canada (near the border) throughout the year and commutes to that institution.

What is a qualifying educational program?

This is a program that lasts at least 3 consecutive weeks and requires a minimum of 10 hours of instruction or work in the program each week (not including study time). Instruction or work includes lectures, practical training, and laboratory work. It also includes research time spent on a post-graduate thesis.

A program is **not** considered a qualifying educational program if the student receives, from a person with whom he or she deals at arm's length, a grant, reimbursement,

benefit, or allowance for that program. However, these amounts do not include the amounts listed in the Note on page 18.

In addition, a program does not qualify if it is taken by the student during the period the student receives income from an office or employment in connection with or as part of the duties of that office or employment. An example of this would be articling students taking an accounting course while working in an accounting field to get an accounting professional designation (for example, CGA and CMA).

What is a specified educational program?

This is a program that lasts at least 3 consecutive weeks and requires at least 12 hours of instruction each month.

Transferring and carrying forward amounts

You have to claim your tuition and education amounts first on your own return, even if someone else paid your fees. However, you may be able to **transfer** the unused part to your spouse or common-law partner, or to your or your spouse or common-law partner's parent or grandparent.

You can **carry forward** and claim in a future year the part of your tuition and education amounts you cannot use and do not transfer for the year. However, if you carry forward an amount, you will not be able to transfer it to anyone. You have to claim your carry-forward amount in the earliest year possible.

Complete the back of either Form T2202, *Education Amount Certificate*, or Form T2202A, *Tuition and Education Amounts Certificate*, to designate your transfer. Also, complete Schedule 11 to calculate your federal transfer and, if it applies, the amount you are carrying forward. Depending on your province or territory of residence, you may have to complete Schedule (S11) to calculate your provincial or territorial transfer or carry-forward amounts. Attach these schedules to your return.

Goods and services tax/harmonized sales tax (GST/HST) credit

The GST/HST credit helps individuals and families with low and modest incomes offset all or part of the GST or HST that they pay. To receive this credit, **you have to apply for it**, even if you received it last year.

Eligible individuals who apply for the GST/HST credit on a return filed on time will receive payments in **July** and **October** of that year, and in **January** and **April** of the following year. For example, Stephen applies for the GST/HST credit on his 2003 return and he files the return by the due date, April 30, 2004. Stephen will receive his GST/HST credit payment in July and October of 2004, and January and April of 2005.

Are you eligible for the credit?

You must be a resident of Canada to be eligible for the GST/HST credit. Generally, you also must be **19 or older**.

If you are **under 19**, you are eligible **only** if:

- you have (or had) a spouse or common-law partner; or
- you are (or were) a parent and live (or lived) with your child.

Note

You can apply for the credit when you are filing your return if you will **turn 19 before April 1** of the following year. You will start getting the credit on the first payment date after the month of your 19th birthday. Although in most cases you have to be 19 or older to receive payments, you can be younger than 19 to apply for the credit.

How do you apply for the credit?

To apply, **you have to file a return**, even if you have no income to report. On page 1 of your return, check the “Yes” box in the GST/HST credit application area and enter your marital status in the Identification area.

If you have a spouse or common-law partner, only one of you can receive the credit. **No matter which one of you applies, the credit will be the same.**

How do we calculate your credit?

Your credit is based on your net income added to the net income of your spouse or common-law partner, if you have one, as well as the number of children you have. This information is also used to calculate any payments from certain related provincial programs.

We will base the GST/HST credit you receive for your children on Canada Child Tax Benefit (CCTB) information. See page 23 for information about this benefit. If you chose not to receive the CCTB, or you do not yet qualify, you still may be able to receive the GST/HST credit for your children.

If you apply for the GST/HST credit on your return, we will send you a *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Credit* notice in July. It will tell how much you will receive, if any, and how we calculated the amount.

To find out how to calculate your credit, or for more information, click on the “GST/HST credit” link on our Web page at www.ccra.gc.ca/benefits, see the pamphlet RC4210, *GST/HST Credit*, or call 1-800-959-1953.

Canada Child Tax Benefit (CCTB)

If you are responsible for the care and upbringing of a child who is under 18, you can apply for the CCTB for that child.

To do so, file a completed Form RC66, *Canada Child Tax Benefit Application*, along with any documents required, as soon as possible after the child is born or starts to live with you. This application is also used to apply for payments from related provincial or territorial programs.

To find out how to calculate your benefit, or for more information, click on the “Canada Child Tax Benefit (CCTB)” link on our Web page at www.ccra.gc.ca/benefits, or get the pamphlet T4114, *Your Canada Child Tax Benefit*, from our Web page at www.ccra.gc.ca/forms, or call 1-800-387-1193.

Provincial or territorial credits

If you lived anywhere in Canada except Quebec on December 31, you may be eligible to claim provincial or territorial credits on your return. Check your package to see if there are any provincial or territorial credits you can claim.

If you lived in Quebec on December 31, you have to complete a Quebec return to claim your provincial credits.

Do you need more information?

If, after reading this pamphlet, you need more information, you can visit our Web site at www.ccra.gc.ca or you can write or call any of our tax services offices.

To get personal and general tax information, use our automated T.I.P.S. (1-800-267-6999) service.

You can get forms or publications you need from our www.ccra.gc.ca/forms Web page or calling us at 1-800-959-2221.

Teletypewriter (TTY) users – If you have a hearing or speech impairment and use a TTY, an agent at our bilingual enquiry service (1-800-665-0354) can help you during the hours of service indicated in your tax guide.

Community Volunteer Income Tax Program – If you need help to complete your tax return, your income is low, and your tax situation is simple, our volunteers are specially trained to help you. For more information about this free program, or if you want to become a volunteer, call us at 1-800-959-8281.

Think recycling!



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