GP WEALTH MANAGEMENT

INDEPENDENT THINKING WORKING FOR YOU

Tax Tips for Parents and Students

1. Save for the cost of your child's education with a Registered Education Savings Plan (RESP). Paying for your child's education with a RESP is much more cost-effective than dipping into your own savings. If you draw on your Registered Retirement Savings Plan (RRSP) or liquidate mutual funds – which triggers capital gains tax – you could incur a significant tax hit. While it's true that your children will also have to pay tax on the money they withdraw from a RESP, it is bound to be relatively negligible as student incomes, and therefore tax rates, are generally low.

2. Encourage your children to begin filing tax returns when they become students. Even though their income and tax bill may be low, they can still begin to learn about tax-effective financial strategies, and there are other benefits as well. The credits they incur from paying tuition, for example, can be carried forward to a year when they have tax payable or they can be transferred to a supporting person. Plus, they begin to establish RRSP contribution room.

3. There are a number of tax credits available to students for expenses such as transit, text books and rent. The rent tax credit is for students paying rent while attending school away from home, but not if they are in a residence operated by the school. The text book credit is set at $65 for each month a full-time student qualifies ($20 for part-time students).

4. If a student moves more than 40 kilometres away from home to attend a post-secondary institution full-time, they can claim moving expenses against any taxable income. This tax break also applies to students who move to take up a summer job.

5. Scholarships are now tax-free for students enrolled in a qualifying educational program as a full-time student (previously, only the first $3,000 was tax exempt).

6. Interest on government student loans is deductible if some of the loan is repaid during the year.

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