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## **Tuition Transfer to Parents Can Mean Tax Savings**

When a child heads off to post-secondary education, many parents contribute to tuition and living expenses. Fortunately, there may be some relief at tax time through the transfer of tuition, education and textbook amounts. All post-secondary students receive a T2202A Form either in the mail or they can download it via the school's website. The T2202A shows the amount paid in tuition during the tax year and the number of months a student can claim for the education amount and textbook credit based on number of full-time or part-time months in attendance, during the school year.

Even if the parents paid tuition or residence fees, students must first use the T2202A amount to reduce their tax payable to zero. So if your child worked part-time during the year, they may need some of the amounts to reduce their tax payable.

Once the student's tax payable is reduced to zero, up to \$5,000 can be transferred to a spouse, parent or grandparent to help reduce their tax payable. This means that students must do their own tax returns before their parents can use the T2202A transfer.

Alternatively, a student can carry forward any left over amounts to future years. This could help reduce the tax bill once a student starts a career after graduation. The decision is completely up to the student since the slip is issued in their name.

Is it more tax advantageous to carry forward or transfer? Since tuition and education amounts are non-refundable tax credits, they do not normally generate a bigger tax savings for taxpayers in a higher tax bracket. However, provincial surtax could make a difference. If the parent is a resident of a different province, he or she may also benefit if the rate for converting amounts into non-refundable tax credits is higher than the province in which the student is residing.

If you are using a transfer from the T2202A, you need to keep the paperwork since the Canada Revenue Agency tends to review these amounts later in the year. It is usually just a request for copies of the slips but not sending in the supporting documentation can mean a tax bill. If the paperwork isn't provided to the CRA, they will disallow the credit and calculate your tax payable based on the new numbers.