

Free T1 offer: Things to consider

Free T1 offer to medical and dental students from Grant Thornton LLP

As a medical or dental student, you've likely incurred significant costs throughout your education—many of which qualify as credits and deductions under the Canada Revenue Agency's guidelines. Let Grant Thornton take the guesswork out of preparing your taxes this year. Here, we've outlined some things to consider prior to your tax preparation:

Province of residence

As a general rule, you must pay provincial tax to the province in which you were a resident on December 31 of the taxation year. If you had ties to multiple provinces during the year, then you are considered a resident of the province in which you had the most significant residential ties. In complex situations, or if your province of residency may not be clear, the Canada Revenue Agency's (CRA) policy is to apply the same criteria to your provincial residency determination as they would to determine whether you are a factual resident of Canada or another country.

Please discuss with your Grant Thornton tax adviser if your province of residency is not self-evident.

Tuition fees, education tax credits, and textbook tax credits

In the past, the CRA has held the position that medical residents do not qualify for education and textbook credits as they are not enrolled in a "qualifying educational program" as full-time

students at "designated educational institutions." A recent Tax Court of Canada

case disagreed with this position and ruled in favour of nine separate medical residents employed in university-affiliated residency programs to qualify for education and textbook tax credits under *Section 118.6 of the Income Tax Act* (the Act).

Since the court case, the CRA is inconsistent in applying this decision as eligibility is dependent on each particular institution and program. As well, this court decision does not align with current CRA policy which does not consider such programs to be "qualifying educational programs." These factors are ultimately hindering their willingness to apply the court decision against other cases.

If you received a T2202A from your university and were required to personally pay the tuition fee that entitles you to the tuition tax credit, then you should be eligible to claim the federal and provincial education tax credits and textbook tax credits.

Unused tuition, education, and textbook tax credits can be carried forward, or transferred to a spouse or parent.

Examination fees

Examination fees paid to the Medical Council of Canada (MCC) are eligible for the tuition tax credit, as long as the exams were written in 2011 and/or subsequent taxation years.

The tuition tax credit receipt is usually made available for printing on February 1 of the year following the year in which the examination was taken. Make sure to log on-line into your



respective MCC account to print off a copy of the tax receipt and provide it to your Grant Thornton tax adviser.

Union, professional, and like dues

If you personally paid for an annual professional membership that was required to maintain your professional status (e.g. medical associations, the College of Physicians and Surgeons of Canada, or a respective provincial or territorial college), those costs are generally deductible. In addition, union dues, such as those paid to a provincial residency association (e.g. PARIM, PAIRO, PAIR-S, etc.) are also generally deductible if you paid for them.

Make sure to keep official receipts from the association or union in case they are requested by the CRA.

Moving expenses

If you moved, you may be eligible to deduct certain moving expenses from income earned at your new place of employment. You may be eligible to deduct moving expenses if all of the following apply:

- your move was in order to earn salary, wages, or self-employment income in a new location in Canada;
- you are now at least 40 kilometres closer to your new work place than you were prior to your move; and
- you no longer work at your former location.

Eligible moving costs include, but are not limited to: travel costs, transportation costs for belongings and meals during travel, as well as lodging for a reasonable period while you are waiting for the new residence (up to a maximum of 15 days). Lease cancellation costs as well as the costs of selling a former residence (including advertising, legal fees, real estate commissions and mortgage penalties) are also eligible.

Deducting moving expenses on your personal tax return is a complex issue as there is the option of claiming a deduction for certain expenses incurred, or by claiming flat rates as determined by the CRA. If you moved during

the year, contact your Grant Thornton tax adviser to determine the best option to maximize your deduction.

First-time home buyers' tax credit

You may claim the \$5,000 non-refundable credit if you purchased a qualifying home after January 27, 2009. The maximum credit of \$750 is calculated at the lowest marginal tax rate of 15 percent on an amount of \$5,000. The credit may be split between you and your spouse or common-law partner, or between two individuals buying the qualifying home on a joint basis. This credit can only be claimed if neither you nor your spouse, common-law partner, or other individual purchasing on a joint basis, owned and lived in another home in the year of purchase or any of the five preceding calendar years.

Student loan interest

To be eligible for the 15 percent non-refundable federal tax credit on student loan interest, the loan must be made under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act* or a law of a province governing the granting of financial assistance to students at the post-secondary level.

To receive the credit, you must provide a copy of the loan statement for the calendar year that summarizes the total amount of interest paid on any qualifying student loan.

Incorporating your medical practice

Upon completion of your residency training, you may benefit from the tax advantages of incorporating your future medical practice. Incorporation allows for the deferral of taxes by retaining profits within the corporation. In addition, incorporation allows for the set-up of a corporate structure to include family members as shareholders that will ultimately allow them to receive income and decrease the total family tax liability.

Since every situation is unique, it's best to discuss the possibility of incorporation with your Grant Thornton adviser to determine if it's beneficial to you.

Manitoba tuition tax rebate (Form T1005)

If you graduated with a degree, diploma, or certificate from a post-secondary institution recognized by the Canada Revenue Agency on or after January 1, 2007 and now work and pay taxes in Manitoba, you can benefit from the Tuition Fee Income Tax Rebate. It doesn't matter if your post-secondary training took place in Manitoba or elsewhere.

You are entitled to receive a 60 percent income tax rebate on your eligible tuition fees to a maximum benefit of \$25,000. You can claim your rebate over as little as six years or as long as 20 years as long as you are employed in Manitoba.

All you need to provide to your Grant Thornton tax adviser is a copy of your diploma and all T2202A slips beginning in 2003 until the year of graduation.

Manitoba rent credit

If you rented an apartment, you may be eligible to receive a refundable tax credit up to \$700. Simply provide your Grant Thornton tax adviser with the address of your apartment, number of months at the residence in the tax year, total rent paid for the year, names of any individuals who shared accommodation with you during the year, and the name of your landlord. This will ensure the tax credit is claimed on your personal tax return.

Manitoba medical student/resident financial assistance

Financial assistance paid by the Manitoba government to medical students/residents is generally taxed as employment income.

The Educational Assistance Option (EAO), which assists medical undergraduates and medical residents during their medical training, is available to:

- third and fourth year medical students studying at the University of Manitoba, Faculty of Medicine
- Manitoba students attending third and fourth year medical studies in French at the University of Ottawa

- medical residents at the University of Manitoba enrolled in a post-graduate program approved by the College of Family Physicians of Canada (the CFPC), the Royal College of Physicians and Surgeons of Canada, or the MSRFAP Review Committee
- Canadian medical graduates (MDs) from the University of Manitoba Faculty of Medicine or the University of Ottawa who are in approved post-graduate medical programs at other Canadian and American universities

If you are the recipient of the above-mentioned financial assistance and received a T4A tax slip from the Province of Manitoba, provide a copy of the T4A and financial assistance contact to your Grant Thornton tax adviser to determine the proper tax treatment of the financial assistance.

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Provincial tax credits and tuition cash-back programs

For details on the provinces that offer tax credits and incentives to university graduates who wish to live and work there, refer to the following government websites:

Manitoba:

manitoba.ca/tuitionrebate/index.html

Nova Scotia:

novascotia.ca/finance/en/home/taxation/personalincometax/graduatetaxcredit

Ontario:

health.gov.on.ca/en/pro/programs/rliip/default.aspx

Prince Edward Island:

gov.pe.ca/ial/index.php3?number=1019851&lang=E

Saskatchewan:

<https://www.saskatchewan.ca/residents/education-and-learning/graduate-retention-program/about-the-graduate-retention-program>

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