

Questions and Answers Regarding the Co-operative Education Tax Credit

This document is intended to provide general information on the Co-operative Education Tax Credit (CETC) but does not replace the relevant legislation or regulations. For precise conditions and limitations of the tax credit, please refer to the legislation and regulations available at www.e-laws.gov.on.ca.

2009 Ontario Budget Announcement:

Enhancing the Co-operative Education Tax Credit

The Co-operative Education Tax Credit (CETC) is a refundable tax credit available to businesses that employ postsecondary students enrolled in qualifying co-operative education programs at eligible educational institutions. Currently, the CETC is a 10 per cent refundable tax credit (15 per cent for small businesses) on salaries and wages paid, to a maximum credit of \$1,000 per work placement.

This Budget proposes enhancements to the CETC, effective for eligible expenditures incurred after March 26, 2009, that would:

- increase the 10 per cent CETC rate to 25 per cent and the enhanced 15 per cent rate for small businesses to 30 per cent; and
 - increase the maximum tax credit available from \$1,000 to \$3,000 per work placement.
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1. Are the proposed changes to the CETC announced in the 2009 Budget in force?

Yes. The necessary legislative amendments are contained in Schedule 28 of Bill 162, the *Budget Measures Act, 2009* (Ontario), which received Royal Assent on June 5, 2009.

2. If not can we still promote it to our employers?

See question Number 1.

3. The Budget indicates that the proposed changes to the CETC will take affect after March 26, 2009. How do these changes affect employers who hired students for the winter 2009 co-op work placement term?

The 2009 Budget increased the maximum tax credit to \$3,000 from \$1,000 for qualifying work placements that commence after March 26, 2009.

Qualifying work placements completed before March 27, 2009 will be subject to a maximum credit of \$1,000.

Qualifying work placements that start after March 26, 2009 will be eligible for a maximum credit of \$3,000.

Qualifying work placements that start before March 27, 2009 and end after March 26, 2009 will have a prorated maximum credit. The prorated credit will be the total of two amounts: first, the amount determined by multiplying 1,000 by the number of the weeks of the placement completed prior to March 27 and divided by the total number of weeks in the placement; and second, the amount determined by multiplying \$3,000 by the number of weeks completed after March 26 and divided by the total number of weeks in the placement.

4. When will the government's web page be updated?

The legislation has been enacted and the Canada Revenue Agency and Ontario Ministry of Revenue websites will be updated in the near future.

5. In these uncertain economic times, co-operative education work placements are being displaced in some sectors. Institutions have had to look at alternative ways for students to meet the co-operative education program criteria. Some institutions have cut co-operative education program hours to a minimum 24 hours per week for 14 weeks. Would employers hiring at these minimums be entitled to the tax credit?

Programs that meet the requirements for a qualifying co-operative education program are eligible for the tax credit. The legislation does not contain an hourly per week minimum requirement; rather, the program or course of study must include either of the following to qualify:

- a) Multiple work placements, each of which is at least 10 consecutive weeks and half of which are mandatory. These work placements must not total less than 30 per cent or more than 75 per cent of the time spent in required academic study.
- b) One optional work placement of at least 8 consecutive months and not more than 16 consecutive months. This work placement must not total less than 30 per cent or more than 75 per cent of the time spent in required academic study.

Please see s. 88(5) for details.

6. If a student is doing a work placement at the end of their academic semesters, is the employer still entitled to the tax credit?

A work placement that occurs at the end of a student's academic semesters does not automatically disqualify the employer from the CETC. All **optional** work placements in the qualifying co-operative education program must be completed before the start of the final academic term (see s. 88(5)(3) of the *Taxation Act, 2007*.) As such, any work placement that occurs after the completion of academic study must be a mandatory work placement.

7. Will the CETC criteria still be the same?

The 2009 Budget enhanced the tax credit rate and the maximum claim per work placement.

The Budget did not propose any changes to the eligibility criteria.

8. Do internship programs qualify for the CETC?

Programs that meet the requirements for a qualifying co-operative education program in s.88(5) of the *Taxation Act, 2007* are eligible for the CETC. "Internships" may qualify for the CETC, if they meet the requirements of the legislation, which include requirements such as:

- a) The program or course of study formally integrates students' academic studies with work placements.
- b) The program or course of study meets the work placement time requirements (outlined in the answer to question 6).
- c) The program or course of study provides credit towards a post-secondary degree, diploma or certificate granted by an eligible educational institution in respect of qualifying co-operative education programs.

Please see s. 88 of the *Taxation Act, 2007* for complete details and additional requirements.

9. If an employment agency hires a co-op student and the student is on the agency's payroll and not the actual co-op student's employer's payroll, who is eligible to claim the CETC?

The actual employer of the student (in this case the client of the employment agency) is eligible to claim the CETC (see s. 88(10)(2)).

10. If an employer is receiving the SJS (summer job service) subsidy, can the employer claim the remaining expenses under the CETC? For example, an employer is paying a student \$12.00 an hour and receiving a \$2.00 SJS subsidy. Can the employer claim the remaining \$10.00 under the CETC?

The credit is based on the total of all eligible expenditures, which is the amount determined by s. 88(10), less government assistance (see s. 88(11)). Therefore, the employer in the example can claim the remaining \$10.00, if the payments qualify as eligible expenditures.

In addition, these are the initial questions that were asked on the call, as well as our responses.

Q. Are internships eligible for the CETC?

A. The CETC is available for work placements that meet the requirements of a qualifying co-operative education program. Generally, the CETC is not available for work placements that are apprenticeships, internships, or for students enrolled in leading-edge technology programs.

Q. Would employers be eligible for the CETC if they hire students on a part-time basis e.g., 24 hours per week, over 12 weeks?

A. There is no minimum hourly requirement for a co-op student to be working. The only time requirement is that work placements must be for a minimum duration of 10 weeks and a maximum duration of 16 weeks and the maximum number of work placements and tax credits that an employer can claim per student is four.

Q. Will the CETC bulletin be updated?

A. The CETC bulletin will be updated after legislation enacting the 2009 Budget enhancements are passed into law.