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## What's new



## Children's Fitness Tax Credit

The Government of Canada proposes to allow, starting in 2007, a non-refundable tax credit on eligible amounts of up to \$500 paid by parents to register a child in an eligible program of physical activity.

The following information about the proposed tax credit is for parents of children under the age of 16. If you are part of an organization providing programs of physical activity for children under the age of 16, please see [Information for organizations providing eligible programs of physical activity](#).

### Information for parents

#### Amount of the tax credit

The proposed children's fitness tax credit will allow parents to claim a maximum of \$500 per year for eligible fees paid for each child who is under 16 at any time during the year. As with most other non-refundable tax credits, the credit is calculated by multiplying the eligible amount by the lowest marginal tax rate (15.5% in 2007).

#### Example:

Mary registered her three children, Julie (9 years old), Samantha (10 years old), and Eric (15 years old) in an eligible program of physical activity and paid fees of \$750 for each child on January 16, 2007. To calculate the amount that she can deduct from her taxes owing on her 2007 income tax return, she uses the following formula:

#### Step 1:

\$500	(maximum allowable amount per child)
<u>x 3</u>	(number of children enrolled in an eligible program of physical activity)
\$1,500	(total allowable amount eligible for the tax credit)

#### Step 2:

\$1,500	(total allowable amount eligible for the tax credit)
<u>x 15.5%</u>	(lowest marginal tax rate for 2007)
<b>\$232.50</b>	(total amount that can be used to reduce the taxes owing on Mary's 2007 income tax return)

## Eligible activities

The Department of Finance has indicated that, in order to qualify for the tax credit, a program must be:

- ongoing (either a minimum of eight weeks duration with a minimum of one session per week or, in the case of children's camps, five consecutive days);
- supervised;
- suitable for children; and
- substantially all of the activities must include a significant amount of physical activity that contributes to cardio-respiratory endurance plus one or more of: muscular strength, muscular endurance, flexibility, or balance.

You can only claim fees that are related to the cost of registering a child in an eligible program of physical activity. For more information about the criteria for eligible programs of physical activity, click [here](#).

Organizations providing eligible programs of physical activity will determine the part of the fee that qualifies for the tax credit.

## Claiming the tax credit on your 2007 income tax return

You can claim the tax credit for each child who was under 16 at any time during the year, provided that another person has not already claimed the same fees and that the total claimed does not exceed the maximum amount that would be allowed if only one of you were claiming the tax credit.

The year in which the tax credit can be claimed is determined by the date when the fees are paid, not when the activity takes place.

### Example:

Mary registered...

...her daughter Julie in an eligible physical activity program and paid the eligible fees of \$750 on August 30, 2006. This program started on September 15, 2006, and ended on April 21, 2007.

...her son Eric in an eligible physical activity program and paid the eligible fees of \$750 on December 20, 2006. This program started on January 6, 2007, and ended on April 28, 2007.

...her daughter Samantha in an eligible physical activity program and paid the eligible fees of \$750 on January 2, 2007. This program started on January 6 and ended on April 28, 2007.

On her 2007 income tax return, Mary will only be allowed to claim the maximum amount of \$500 for Samantha's program because the other two were paid in 2006.

### **Don't forget to ask for a receipt**

Starting in 2007, you should receive, or ask for, a receipt from organizations providing eligible programs of physical activity in which your child is enrolled. The organizations will determine the part of the fee that qualifies for the tax credit.

You will need to keep the receipts issued by the organizations that deliver the programs. You will not need to submit receipts when you file your tax return, but you must keep them in case we ask for them when verifying your claim. Receipts should be kept for six years.



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