



Collecting First Nations Taxes in a Participating Province

The Government of Ontario and the Government of British Columbia are each introducing a harmonized sales tax (HST) which will come into effect on July 1, 2010. The HST in Ontario and B.C. will be administered by the Canada Revenue Agency (CRA). In Ontario, the HST rate will be 13%, of which 5% is the federal part and 8% is the provincial part. In British Columbia, the HST rate will be 12%, of which 5% represents the federal part and 7% the provincial part.

What is a First Nations¹ tax?

First Nations taxes are imposed by First Nations that have entered into an agreement with the Government of Canada to impose such a tax on the supply of goods and services on their reserves or settlement lands. These First Nations are able to impose a First Nations tax through their own tax law, where authorized by federal legislation and where a tax administration agreement with the Government of Canada is in place. There are two types of First Nations taxes:

1. First Nations tax (FNT) which replaces the GST or federal part of the HST, but is limited in its application to the following listed products: alcoholic beverages, fuel and tobacco products; and
2. First Nations goods and services tax (FNGST) is the broad-based tax which replaces the GST or federal part of the HST on all taxable goods and services.

Note: When a First Nation is authorized to impose a First Nations tax, the CRA publishes a notice to advise the general public. In addition, the CRA Web site maintains a current list of First Nations with an FNT or FNGST along with information on the First Nations taxes at: www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/frstntns.

Who has to pay a First Nations tax?

Everyone, including purchasers who are Indians, has to pay the First Nations tax if they acquire taxable goods and services on a First Nation's lands where an FNT or FNGST applies.

Does the HST affect First Nations taxes?

In participating provinces, the HST consists of a federal part (5%) and a provincial part. Where a First Nations tax applies, it is the federal part of the HST (5%) that is replaced either by the FNT or FNGST. There are currently no federally administered First Nations taxes that replace the provincial part of the HST.

A First Nations tax only replaces the federal part of the HST. Therefore, if an Indian, Indian band or band-empowered entity were to acquire taxable goods or services on reserve lands where a First Nations tax applies, the supply will only be subject to the FNT or the FNGST at the rate of 5%.

¹The CRA recognizes that many First Nations people in Canada prefer not to describe themselves as Indians. However, the term Indian is used in this publication because it has a legal meaning in the *Indian Act*.

Provided the purchaser meets the criteria set out in Technical Information Bulletin (TIB) B-039, *GST/HST Administrative Policy - Application of the GST/HST to Indians*, the provincial part of the HST will be relieved.

To assist vendors in determining if a supply made in British Columbia to an Indian is taxable, partially taxable, or fully relieved, please see the attached chart. This chart provides examples for First Nations in British Columbia only, as there are no affected First Nations in Ontario.

Example 1 – FNT is collected

An Indian individual purchases a package of cigarettes and a magazine from a convenience store on a reserve with an FNT in British Columbia. The individual presents their certificate of Indian status card², at the time of payment for the purchases. The individual will be required to pay the FNT (5%) on the cigarettes. Just the provincial part of the HST (7%) on the cigarettes and the HST (12%) on the magazine will be relieved under TIB B-039.

Example 2 – FNGST and the provincial part of the HST are collected

A Nisga'a citizen wishes to attend a B.C. Elders gathering being held at a resort located on the St. Mary's reserve in British Columbia. The St. Mary's First Nation has imposed an FNGST. The registration fee for the gathering includes a 12% tax composed of the FNGST (5%) and the provincial part of the HST (7%). As tax relief under section 87 of the *Indian Act* no longer applies to the Nisga'a Nation and its citizens, they are required to pay the provincial part of the HST in addition to the FNGST.

Example 3 – HST is fully relieved

A Tsawwassen First Nation member purchases a new sofa from a store in Delta, British Columbia. The individual presents their INAC issued Indian status card at the time of payment for the purchase. The store agrees to arrange delivery of the sofa to the Tsawwassen member's residence on Tsawwassen lands that were formerly reserve lands under the *Indian Act*. The purchase of the sofa is fully relieved of HST as the provisions of TIB B-039 have been met. Although the Tsawwassen are now a self-governing First Nation, members who are Indians are still entitled to a transitional eight-year period of tax relief until April 30, 2017.

For more information regarding First Nations and their citizens who are required to pay the GST/HST please refer to GST/HST Notice 238, *First Nations Having a Self-Government Agreement Ending Indian Act Tax Relief – Determining Tax Relief for Indian Members Who Are Not Citizens*.

Informing your customers

You need to let your customers know if tax is being applied to their purchases. You can use cash register receipts, invoices, or contracts to inform your customers or you can post signs at your place of business. There is no need to change your cash registers or invoicing systems to show the FNGST separately from the GST/HST. You also need to provide specific information to your customers who are registrants claiming input tax credits. See Guide RC4022, *General Information for GST/HST Registrants*, for more detailed information about informing your customers.

Enquiries by telephone

Technical enquiries on the GST/HST: 1-800-959-8287

General enquiries on the GST/HST: 1-800-959-5525 (Business Enquiries)

If you are located in Quebec: 1-800-567-4692 (Revenu Québec)

All technical publications on GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthsttech.

² The CRA will accept as proof of registration under the *Indian Act* the *Certificate of Indian Status* card issued by Indian and Northern Affairs Canada (INAC). Vendors should make a notation on the invoice or other sales document of the registry number or the band name and family number.

Application Chart of HST – First Nations in British Columbia (Effective July 1, 2010)

	Place of acquisition: Where taxable goods are purchased or delivered by a vendor or vendor's agent Where taxable services are performed in their entirety		
Taxable goods and services provided to:	Reserves ¹ under the <i>Indian Act</i> (no FNT ² - no FNGST ³)	Reserves of <i>Indian Act</i> band with FNT or FNGST	Rest of B.C. (any place that is not an Indian reserve ⁴)
Indians on presentation of a Certificate of Indian Status Card ⁵	Tax relieved ⁶	5% FNT ⁷ /FNGST	12% HST ⁸
Citizens of a self-governing First Nation that no longer have tax relief ⁹	12% HST	12% HST ¹⁰	12 % HST ¹¹

¹ In the case of the Tsawwassen First Nation, the First Nation itself and its government bodies are subject to GST/HST on or off Tsawwassen lands. However, Tsawwassen Indian members are still entitled to a transitory 8-year period of tax relief until April 30, 2017, and Tsawwassen lands that were formerly reserve lands are treated as reserve lands for purposes of tax relief under the *Indian Act* for the same 8-year period.

² The First Nations tax (FNT) replaces the GST or the federal part of the HST for only three listed products: alcoholic beverages, fuel and tobacco products. Please note that on the Sliammon First Nation reserve, the FNT applies only to fuel and tobacco products.

³ The First Nations goods and services tax (FNGST) replaces the GST or the federal part of the HST on reserves of First Nations that have a Tax Administration Agreement with the Government of Canada.

⁴ Includes settlement land of a self-governing First Nation, as this land is no longer reserve land.

⁵ Includes Indian members that retained tax relief as they opted not to become citizens and beneficiaries of the self-governing First Nation that no longer has tax relief. Also includes all Tsawwassen Indian members still entitled to tax relief until April 30, 2017.

⁶ Technical Information Bulletin B-039, [GST/HST Administrative Policy - Application of the GST/HST to Indians](#) provides more information on the requirements for tax relief to apply.

⁷ Applies only to alcoholic beverages, fuel and tobacco products (or on the Sliammon First Nation reserve, to fuel and tobacco products only). All other goods and services relieved if conditions of TIB B-039, [GST/HST Administrative Policy - Application of the GST/HST to Indians](#), are met.

⁸ If the lands belong to a self-governing First Nation with an FNGST, the HST consists of the 5% FNGST and the 7% provincial part of the HST (e.g. Nisga'a lands).

⁹ E.g., Nisga'a Nation (See GST/HST Notice238, [First Nations Having a Self-Government Agreement Ending Indian Act Tax Relief - Determining Tax Relief for Indian Members Who Are Not Citizens](#)).

¹⁰ The HST consists of 5% FNT/FNGST and the 7% provincial part of the HST.

¹¹ If the lands belong to a self-governing First Nation with an FNGST, the HST consists of the 5% FNGST and the 7% provincial part of the HST (e.g. Nisga'a lands).

