
Tla'amin First Nation

Taxation & Treaty

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Taxation Chapter

The Taxation Chapter provides that:

- Tla'amin will have direct tax power over treaty beneficiaries on TSL
- Tla'amin, Canada and BC may enter into agreements that expand this power to cover all residents on TSL
 - Tax Co-ordination Agreements set out the following:
 - Description of tax
 - Geographical limits
 - Persons covered
 - Tax room provided by Canada or BC
 - Tax collection
 - Tax Co-ordination Agreements would cover the following tax areas
 - Federal Personal Income Tax
 - Provincial Personal Income Tax
 - Federal HST/GST
 - Provincial HST/Social Services Tax (PST)
 - Property Tax

Taxation Chapter

The Taxation Chapter sets out:

- ❑ The taxation powers of the Tla'amin government
- ❑ Provisions for agreements outside the treaty about:
 - taxing non-Tla'amin Citizens and co-ordination with federal and provincial taxes
 - how the Tla'amin government will be taxed
- ❑ Tax exemptions of the Tla'amin government (for TSL and capital)
- ❑ Phase-out of the tax exemption for Tla'amin Status Indians

Are there any benefits?

- The tax agreements provide Tla'amin with a number of significant benefits
 - ❑ Providing Tla'amin with tax revenues from non status residents on Lands
 - ❑ Expanding the tax base to include sales tax spent off Lands (TSL)
 - ❑ Enabling Tla'amin to raise revenues as other governments do, to help fund Tla'amin's programs and services as a self-governing entity

General Tax Questions

Under what authority are we exempt from paying taxes? And how can that be changed?

- Section 87 of the Indian Act exempts status Indian property on reserves. It is federal legislation which Parliament could modify at any time

Why can't we stay tax free?

- Phasing out of the tax exemption is a fundamental position of Canada and BC in treaty negotiations
- The tax exemption is part of the Indian Act regime which the treaty will replace.

When will the tax exemption be phased out for Tla'amin citizens?

- Currently, Status Indians on reserve are exempt from paying taxes (including sales and income taxes) under section 87 of the *Indian Act*. Through the treaty, these tax exemption will be phased out
- In eight years for sales taxes, and in twelve years for other taxes

General Tax Questions

What taxation powers will the Tla'amin government have?

- The Tla'amin government will have direct taxation powers over Tla'amin citizens on Tla'amin Lands (TSL).
 - taxation of other residents would be provided through side agreements.

What happens with the tax money we pay?

- Tla'amin will enter into a side agreement with Canada and BC so that virtually all of the GST and personal income tax paid to Canada from all residents on TSL and 50% of the provincial sales tax and personal income tax paid to BC from citizens who reside on TSL will be transferred from Canada and BC to the Tla'amin government

What if I don't pay my taxes?

- Depending on the type of tax, actions to collect these taxes may be taken by or on behalf of Tla'amin. Enforcement and penalty provisions under the *Income Tax Act* or Tla'amin *Property Tax Act* could apply

Sales Tax

- Sales tax is a tax applied to retail sales of goods and services
- The s.87 exemption has a requirement that needs to be fulfilled in order to take advantage of the exemption:
 - must make purchase or delivery of goods on a reserve

Impact on Members:

- Loss of s.87 on Sales Tax may impact more members than on income tax but to a lesser extent as generally most purchases are made off reserve.

Implication for Tla'amin government revenues:

- Tax co-ordination agreements would transfer 100% of all federal HST/GST collected from all residents residing on TSL **whether the sale was made on or off TSL**
- Tax co-ordination agreements would transfer 50% of all provincial HST/PST collected from citizens residing on TSL **whether the sale was made on or off TSL**
- A net benefit to the community as revenue received exceeds new expenditures on HST/GST and HST/PST (benefit increases with number of non-status residents)



Sales Tax

How much sales tax revenue will Tla'amin receive?

Currently most residents pay HST as most purchases are made off reserve

- assumed 30% of sales are exempt,
 - reflect utility bills that are tax exempt
 - occasional shopping trips to facilities located on other reserves
 - occasional “big ticket” purchases to residence on reserve

If the treaty and tax agreements were all in effect today

on reserve	TFN members currently pay	Non Status residents currently pay	TFN members pay additionally	New Tax money for TFN
Federal Sales Tax	171,597	243,408	73,542	464,119
Provincial Sales Tax	274,890	na	117,810	196,350
Total	446,487	243,408	191,352	660,469

Personal Income Tax

Personal Income tax is tax that individuals pay on income they earn

- Canadian federal income tax is calculated separately from provincial/territorial income tax. However, both are calculated on the same tax return.
- The tax system is progressive meaning that the higher the amount of taxable income the higher the tax rate
- The process
 - determine income from employment and investment
 - determine gross tax payable (applying tax rates to total income)
 - calculate tax credits, deductions and refundable benefits and subtract from the gross tax payable
- Not all income is taxed
 - gifts and inheritances
 - capital gain on the sale of a taxpayer's principal residence
 - winnings from betting or gambling or lottery
 - various tax benefits and credits (the Goods and Services Tax credit, BC Sales Tax credit, the Canada Child Tax Benefit, etc.)



Personal Income Tax

- Tax credits and deductions
 - basic personal amount
 - spousal amount
 - children amount
 - Allowable expenses (education, medical, etc)
 - credits: CPP, EI, Employment credit, GST, PST
- Refundable Benefits
 - the federal amounts for Goods and Services Tax Credit,
 - the Working Income Tax Benefit
 - the Universal Child Care Benefit
 - the provincial amounts for the Harmonized Sales Tax credit
 - the Family Bonus
 - the Earned Income Benefit
 - the Climate Action Tax Credit
 - the Canada Child Tax Benefit and the National Child Benefit Supplement



Personal Income Tax (2012)

Total Income	Fed. Tax	Prov. Tax	Refundable Benefits	Net Tax Payable
Single Individual				
10,000	0	0	1,742	-1,742
20,000	1,035	41	752	325
40,000	3,832	1,400	137	5,094
60,000	7,951	2,909	0	10,860
One-Earner Family of Four				
10,000	0	0	12,731	-12,731
20,000	0	0	12,905	-12,905
40,000	1,911	967	7,230	-4,352
60,000	6,030	2,476	4,618	3,888



Personal Income Tax

Impact on Members:

- For a number of members there will be no impact as they do not qualify for s87 exemption
- The s.87 exemption has a number of requirements that need to be fulfilled in order to take advantage of the exemption for employment income:
 - over 90% of duties of employment occur on a reserve
 - employer and employee reside on reserve
 - 50% of duties occur on reserve and either employer or employee reside on reserve
 - the employer is an Indian band or agency on reserve and the duties are non commercial.
- Generally the main impact of income tax is upon Band employees as most other employed members work off reserve and already pay tax
 - increased revenue to the Tla'amin resulting from the tax sharing agreements could be used to help offset this impact.



Personal Income Tax

How much income tax revenue will Tla'amin receive?

- Canada and BC will levy income tax on residents on TSL and remit a portion of the money collected back to the Tla'amin government.
- Canada will return approximately 95% of all revenue collected from residents on TSL, and BC will return 50% collected from citizens residing on TSL

Currently many residents pay income tax as they work off reserve

If the treaty and tax agreements were all in effect today

on reserve	TFN members currently pay	Non Status residents currently pay	TFN members pay additionally	New Tax money for TFN
Federal Income Tax	60,327	737,405	184,764	933,371
Provincial Income Tax	22,043	na	67,510	44,777
Total	82,370	737,405	252,274	978,148

Property Tax

- The assessment and taxation of real estate in British Columbia has existed since before 1860
- Property tax is a tax levied by the government upon property owners on the value of property (building and land) they own
- Property assessment and taxation in British Columbia is a two-step process involving BC Assessment and the various tax authorities
 - BC Assessment determines the classification, value and exemption status of property
 - Government will then apply their tax rates to assessments
 - $\text{Property tax} = \text{value of property} * \text{tax rate}$
- Property tax revenues are used to provide transportation, health services, recreational facilities, police and fire protection, water, sewer systems and garbage disposal

Property Tax

- Property tax is paid by owners of property and if the owners are exempt then the occupants of the property.
- The exception to this is Social Housing
 - renters of homes and property owned by the Tla'amin government are exempt from property tax if the property qualifies as a social home.
 - 3 conditions to be met
 1. occupant is renting the home from a tax exempt entity
 2. occupant income levels are below the Core Housing Need Thresholds
 - e.g., 2 bedroom \$35,000
 3. the home also has to be properly occupied
 - e.g., cannot have 1 person in a 4 bedroom home

Property Tax

- Tla'amin residential property tax estimates based on 2010 Property Assessments completed by BC Assessment Authority (24 properties) and 2010 Tla'amin Tax Rate
- Home owners grant (\$770, min tax \$350) and seniors grant (\$1,045, min tax \$100) are existing grants in effect (2012 grant levels)
- Following table shows average results for 2 locations and both grants
- Waterfront fee simple land adds ~\$300K; inland fee simple adds \$100K

	Assessed Value	Property Tax before Grants	Tax after applying Home Owners Grant	Tax after applying "Seniors" Grant
Waterfront (6) Communal land restricted sales	113,233	824	350	100
Waterfront (6) fee simple	420,233	3,057	2,287	2,012
Inland (18) Communal land restricted sales	135,317	984	350	100
Inland (18) fee simple	231,633	1,685	915	640



Property Tax

Impact on members

- When system is mature, all residents on TSL will be taxable on the FMV of their homes at rates imposed by the Tla'amin government
- This could impose a sudden hardship on low income homeowners who had previously been tax exempt
- Possible solutions:
 - reduce the general tax rate, but this would reduce the tax revenues collected from non-citizen leaseholders and other high income individual residents,
 - put restrictive covenants on land transfers to reduce FMV,
 - property value may be limited to the physical structure depending on how Land will be treated under your Land Code

Property Tax

- Possible solutions (cont'd):
 - offer a grant program that rebates a portion of the tax to certain classes of tax payers e.g., elders, low income households, etc.
 - must be offered to all taxpayers, regardless of citizenship,
 - grants potentially could be considered to be income and reduce entitlements for social assistance
 - reduce or waive property taxes for low income tax payers
 - solves to problem of grants being treated as income, but not acceptable to the province
 - impose tax at full rates, but forgive low income taxpayer's tax debts
 - more awkward than reducing or waiving tax, but may be acceptable to the province (province is investigating this possible solution).
- Other options exist for low income renters (Social Housing Classification)
- Redesign the HOG: increase the grant or use lower minimum taxes

Summary

- 8 years after effective date, sales tax exemption ends for Tla'amin residents and citizens
- 12 years after effective date, income tax and property tax exemption ends for Tla'amin residents and citizens
- Tla'amin will levy and collect property tax from all residents on TSL
- Numerous options are available and will be explored to minimize the impact of property tax to citizens
- Tla'amin, separately with Canada and BC will enter into tax sharing agreements whereby Canada and BC will collect income and sales tax and remit all or a portion back to the Tla'amin government
- We estimate that Tla'amin will receive over \$660,000 in sales tax revenue and over \$975,000 in new income tax revenue annually as a result from the tax agreements – much of this money currently remains with BC and Canada

Further Questions?

If you have any further questions or points that you would like clarified or discussed please send me an email at

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And I will respond to you ASAP