Canada Revenue Agency | Agence du revenu du Canada

DETERMINATION OF EXEMPTION OF AN INDIAN'S EMPLOYMENT INCOME

General Information

- To ensure correct information is entered, we suggest that this form be completed by the employer, in the presence of the employee.
- We use the term "employee" on this form to refer only to an employee who is an Indian.
- As an employer, you can use this form to help determine if an Indian's employment income is exempt from income tax. For the purpose of this exemption, an Indian is someone who is registered with Aboriginal Affairs and Northern Development Canada as an Indian, according to the terms of the *Indian Act*, or who is entitled to be so registered.
- The employment income from a particular employment will not be exempt from income tax where one of the main reasons for the existence of that employment relationship is to establish a connecting factor to a reserve. A connecting factor is a fact which connects income to a reserve. For example, the fact that the employer is resident on a reserve is a connecting factor.
- We have created this form according to the *Indian Act Exemption for Employment Income Guidelines*. For a complete description of the Guidelines and examples where income is exempt and where it is not exempt, go to **www.cra.gc.ca/aboriginalpeoples**.
- If the employee's circumstances change, the employee will be required to complete a new form.
- Keep a completed form on file for each employee. We may ask to review the form to verify that the income earned qualifies to be exempt from income tax based on the circumstances of the employment.
- For more information, contact your tax services office.

Employee identification

Last name (please print)	Usual first name and initial(s)	Social insurance number

Residential address including postal code

Is the above address located on a reserve? Yes ☐ No ☐

Is the employee registered as an Indian under the *Indian Act*? Yes ☐ No ☐

Is the employee entitled to be registered as an Indian under the *Indian Act*? Yes ☐ No ☐

Does the employee perform employment duties:

☐ 1. entirely on reserve? ☐ 2. entirely off reserve? ☐ 3. partially on and partially off reserve?

If you chose 3 above, indicate the percentage of the employment duties the employee performs on the reserve: _____ %

Type of exemption (check the box beside the situation that applies)

All of the employee's employment income is exempt* from income tax if any one of the following situations apply:

☐ the employee performs **at least 90%** of the employment duties on a reserve (guideline 1);

☐ the employee and the employer reside on a reserve (guideline 2);

☐ the employee performs **more than 50%** of the employment duties on a reserve, and the employee or the employer resides on a reserve (guideline 3); or

☐ the employee's employment duties are connected to the employer's non-commercial activities carried on exclusively for the benefit of Indians who, for the most part, reside on reserves and the employer resides on a reserve; **and** the employer is:

- an Indian band that has a reserve or a tribal council representing one or more Indian bands that have reserves; **or**
- an Indian organization controlled by one or more such bands or tribal councils and is dedicated exclusively to the social, cultural, educational, or economic development of Indians who, for the most part, reside on reserves (guideline 4).

*** Proration rule may apply:** When less than 90% of the duties of an employment are performed on a reserve and the employment income is not exempted by another guideline, the exemption is to be prorated. The exemption will apply to the portion of the income related to the duties performed on the reserve.

Employee certification

I certify that the information given in this return is, to the best of my knowledge, correct and complete.

Signature _____ Date _____

Employment-related income

Employment Insurance benefits, retiring allowances, Canada Pension Plan payments, Quebec Pension Plan payments, registered pension plan benefits, or wage loss replacement plan benefits will usually be exempt from income tax when they are received as a result of employment income that was exempt from tax. If a portion of the employment income was exempt, then a similar portion of these amounts will be exempt.

Note: For information on the requirements to deduct Canada Pension Plan contributions and Employment Insurance premiums, and for instructions on reporting requirements, see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

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