



DETERMINATION OF EXEMPTION OF AN INDIAN'S EMPLOYMENT INCOME

General Information

- As an employer, you can use this form to determine the type of exemption that applies to an Indian's employment income. However, an Indian's 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.
- We have created this form according to the *Indian Act Exemption for Employment Income Guidelines*.
- If the employee's circumstances change, the employee will be required to complete a new form.
- We use the term "employee" on this form to refer only to an employee who is Indian.
- Keep a completed form on file for each employee. We may ask to review it.

For more information, contact your tax services office.

Employee identification

Last name (please print)	Usual first name and initial(s)	Social insurance number
Address including postal code		
Is the above address located on a reserve? Yes <input type="checkbox"/> No <input type="checkbox"/>		
Is the employee registered or entitled to be registered as an Indian under the <i>Indian Act</i> ? Yes <input type="checkbox"/> No <input type="checkbox"/>		
Does the employee perform employment duties:		
<input type="checkbox"/> 1. entirely on reserve?	<input type="checkbox"/> 2. entirely off reserve?	<input type="checkbox"/> 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 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 and the employer reside on a reserve;
- the employee performs **at least 90%** of the employment duties on a reserve;
- the employee performs **more than 50%** of the employment duties on the reserve, and the employee or the employer resides on a reserve; 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.

Only the employment income for the part of the duties performed on a reserve is exempt from income tax if:

- the employee performs **less than 90%** of the employment duties on a reserve, and the employment income is not exempt from income tax under any of the other situations described above.

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 the reporting requirements, see guide T4001, *Employers' Guide Payroll Deductions (Basic Information)*.