



Canada Revenue
Agency

Agence du revenu
du Canada

First Nations Goods and Services Tax (FNGST)

Before you start

What's new

Effective July 1, 2006, under proposed legislation, the GST and the FNGST rate will be reduced from 7% to 6%, and the HST rate from 15% to 14%. This booklet contains this proposed change to the law which was current at the time of publication.

Is this booklet for you?

This booklet is for you if you own or operate a business in Canada and you sell or provide goods and services on lands where FNGST applies. It provides information on FNGST such as what is taxable, how to collect and report the tax, and when tax applies.

Internet

You can find information on GST/HST and many of our publications and forms at www.cra.gc.ca. You may want to bookmark this address for easier access to our Web site in the future.

How to contact us

If you need more information about the FNGST, or any GST/HST matter, call our Business Enquiries line at **1-800-959-5525**.

Forms and publications

You can order, view, download, or access forms and publications at www.cra.gc.ca/forms or you can order them by calling us at **1-800-959-2221**.

Your opinion counts

We review our publications each year. If you have any comments or suggestions that would help us improve this booklet, we would like to hear from you.

Please send your comments to:

Taxpayer Services Directorate
Canada Revenue Agency
750 Heron Road
Ottawa ON K1A 0L5

La version française de cette publication est intitulée *Taxe sur les produits et services des Premières nations (TPSPN)*.

Table of contents

	Page
What is the First Nations goods and services tax (FNGST)?	4
How FNGST differs from other taxes	4
GST/HST	5
FNGST	5
FNT	5
No tax	6
Who collects FNGST?	6
Small supplier.....	6
What is subject to FNGST?	7
Goods and services taxable at 6%.....	7
Zero-rated goods and services	8
Exempt goods and services	8
How does FNGST work?	8
What forms do you use?	9
Input tax credits (ITCs)	9
Place of supply	10
Informing your customers.....	11
Self-assessment of FNGST	11
Bringing in goods from inside Canada	11
Importation of services and intangible property from outside Canada	12
Importation of goods from outside Canada	13

What is the First Nations goods and services tax (FNGST)?

The First Nations goods and services tax (FNGST) is a 6% tax on taxable supplies of goods and services on certain First Nations lands. This tax applies when a band council, or other governing body, of a First Nation passes its own law imposing FNGST. The Canada Revenue Agency administers FNGST on behalf of the First Nation. The list of First Nations that have imposed the FNGST is on our Web site at www.cra.gc.ca.

FNGST has the same basic operating rules as the goods and services tax/harmonized sales tax (GST/HST). The same goods and services taxable under the GST/HST are taxable under the FNGST. Administratively, you use the same forms and returns for both GST/HST and FNGST purposes.

On lands where FNGST applies, everyone has to pay the FNGST on most supplies of goods and services (except zero-rated or exempt supplies). The tax rate for FNGST is 6%, identical to the goods and services tax (GST), or the federal part of the harmonized sales tax (HST). You will find more information on GST/HST in the guide RC4022, *General Information for GST/HST Registrants*.

A First Nation (Indian band) may have more than one area of reserve land. Similarly, a self-governing First Nation may have more than one area of settlement land over which it exercises governmental powers. Where a First Nation imposes FNGST, it applies on all of the lands of that First Nation.

How FNGST differs from other taxes

The *Indian Act* provides that personal property of an Indian or an Indian band situated on a reserve is not subject to tax. Under the GST/HST, the tax treatment of purchases by Indians on these lands is consistent with the *Indian Act*. That is, a vendor is not required to charge GST/HST on taxable supplies made on reserve to an Indian but must maintain adequate evidence (e.g., the ten digit registry number or the band name and family number from the Certificate of Indian Status identification card), that the sale was to an Indian.

The First Nations Goods and Services Act (FNGST Act) allows those First Nations listed in the schedule to the FNGST Act to pass by-laws or First Nation laws that impose FNGST. Other First Nations have passed by-laws that impose the First Nations Tax (FNT), which is a tax on three listed products. We administer these taxes on behalf of the First Nations.

Here is a brief description of the basic features of GST/HST, FNGST, and FNT, and situations where no tax applies.

GST/HST

GST is a tax that applies on most taxable supplies made in Canada. The three participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with GST to create the harmonized sales tax (HST). HST applies to the same base of goods and services as GST. Proposed changes to the GST/HST rates came into effect July 1, 2006. This proposed change of law was current at the time of publication.

Before July 1, 2006

GST 7%
HST 15% (7% federal portion and 8% provincial portion)

On or after July 1, 2006

GST 6%
HST 14% (6% federal portion and 8% provincial portion)

GST/HST registrants who make taxable supplies (other than zero-rated supplies) in the three participating provinces collect tax at the HST rate. They collect tax at the GST rate on taxable supplies of goods and services they make in the rest of Canada (other than zero-rated supplies).

Some supplies, such as basic groceries and certain medical devices, are also taxable, but at a rate of 0%. These supplies are referred to as zero-rated goods and services. A number of supplies of goods and services are exempt from GST/HST—that is, no GST or HST applies to them.

Generally, only certain provincial and territorial governments or Indians and Indian bands acquiring property on reserve do not always pay GST/HST on their purchases. Call us for more information about collecting tax in these circumstances.

FNGST

FNGST is a 6% tax on supplies of most goods and services on First Nations lands where FNGST applies. Everyone has to pay FNGST on the taxable supplies (that are not zero-rated) they buy on First Nations lands where FNGST applies, except some provincial and territorial governments. FNGST applies to the same supplies of goods and services on these lands and in the same way that the GST/HST applies to supplies of goods and services within the rest of Canada. When FNGST applies to a supply, then the GST does not.

FNT

The FNT is a tax on the supply of listed products on the lands of a First Nation that has passed a by-law imposing this tax. A listed product refers to alcoholic beverages, fuel, and tobacco products that are specifically mentioned in the band's by-law. On reserves where FNT applies, everyone has to pay FNT on the listed products they buy.

The tax rate for FNT is 6%, the same as GST, FNGST, and the federal part of HST. When FNT applies to a listed product, then GST, the federal part of the HST, and FNGST do not. The usual rules will continue to apply to supplies of other goods and services on these reserves. You will find more information about FNT in the booklet RC4072, *First Nations Tax (FNT)*.

No tax

Provided FNT or FNGST does not apply, Indians, Indian bands, unincorporated band-empowered entities, and incorporated band-empowered entities purchasing goods for band management activities, can purchase goods on reserve without paying GST/HST, provided they have the appropriate documentation to show the vendor. They can also purchase goods off reserve without paying GST/HST provided they show the vendor the appropriate documentation and the goods are delivered to a reserve by the vendor or the vendor's agent.

Services performed totally on reserve for an Indian who is on reserve at the time the service is performed, e.g., a haircut given on a reserve, are not taxable.

With some exceptions, services acquired on or off reserve by an Indian band or band-empowered entity for band management activities or for real property on reserve, are not taxable. For more information, see the Technical Information Bulletin B-039R2, *GST/HST Administration Policy – Application of the GST/HST to Indians*.

Who collects FNGST?

GST/HST registrants who make taxable supplies of goods and services on lands where the FNGST applies have to collect the FNGST. If you are already registered for GST/HST, you are automatically registered for FNGST.

All businesses, including those owned by Indians, Indian bands, or band-empowered entities, must register for the GST/HST if they are not a small supplier and are making taxable supplies in Canada. All registrants must collect the FNGST from everyone who purchases taxable supplies of goods and services on First Nations lands where FNGST applies.

You have to register if:

- you provide taxable goods and services in Canada; and
- you are not a small supplier.

Small supplier

If you sell or provide taxable goods and services in Canada you have to register for the GST/HST and charge tax on your taxable supplies, unless you are a small supplier. When you register for GST/HST, you automatically become registered for FNGST.

You are a small supplier if your worldwide revenues from taxable supplies of goods and services, including zero-rated supplies, have been \$30,000 (or \$50,000 if you are a public service body) or less for the past four consecutive calendar quarters and in any single calendar quarter. Your total worldwide revenues from taxable supplies include goods and services supplied on the lands of a First Nation. You also have to include all of your associates' revenues when you calculate your taxable supplies. However, you do not include sales of capital property and supplies of financial services or goodwill.

If you are a small supplier and decide not to register for the tax, then you do not charge GST/HST or FNGST to your customers and you cannot claim input tax credits to recover the GST/HST or FNGST you paid or owe on your purchases and operating expenses.

If you are a small supplier and decide to register voluntarily, you have to charge FNGST (or GST/HST, in cases where FNGST does not apply), on your taxable supplies and you may claim input tax credits to recover the FNGST or GST/HST you paid or owe on your purchases and operating expenses.

Exception

Taxi and limousine operators must register for GST/HST for their taxi operations, even if they are small suppliers.

If you would like more information on how to register for the tax, visit our Web site at www.cra.gc.ca or call us at 1-800-959-5525.

What is subject to FNGST?

All taxable supplies of goods and services made on First Nations lands where FNGST applies are subject to 6% FNGST (except zero-rated supplies). When FNGST applies to the supply, then the GST does not. However, while FNGST applies to taxable supplies made on First Nation lands where FNGST applies, the usual GST/HST rules continue to apply to taxable supplies of goods and services you make off these lands. You will find more information on GST/HST in the guide RC4022, *General Information for GST/HST Registrants*.

Goods and services taxable at 6%

Supplies of goods and services subject to FNGST at the rate of 6% are called taxable goods and services.

Examples of goods and services taxable at 6% include:

- sales and leases of automobiles;
- car repairs;
- soft drinks, candies, and potato chips; and
- clothing and footwear.

Zero-rated goods and services

Zero-rated supplies refer to a limited number of goods and services that are taxable at the rate of 0%. This means there is no FNGST charged on the supply of these goods and services, but GST/HST registrants can claim an input tax credit for the GST/HST/FNGST they pay or owe on purchases and expenses made to provide them.

Examples of goods and services taxable at 0% include:

- basic groceries (e.g., milk, bread, and vegetables);
- most agricultural products (e.g., wheat, grain, raw wool, unprocessed tobacco); and
- most fish products (e.g., fish for human consumption).

Exempt goods and services

A small number of supplies of goods and services are exempt from FNGST and GST/HST—that is, no tax applies to them. Generally, if you provide only exempt goods and services, you cannot register for GST/HST. This means that you do not charge your customers FNGST (or GST/HST) on your supplies of goods and services, and you do not claim input tax credits.

Examples of **exempt** goods and services include:

- long-term residential accommodation (of one month or more);
- most health, medical, and dental services performed by licensed physicians or dentists for medical reasons;
- bridge, road, and ferry tolls (ferry tolls are zero-rated if the ferry service is to or from a place outside Canada); and
- many educational services such as courses supplied by a vocational school leading to a certificate or a diploma, which allows the practice of a trade or a vocation, or tutoring services made to an individual in a course that follows a curriculum designated by a school authority.

How does FNGST work?

As a registrant, you are responsible for collecting FNGST from your customers when you supply taxable goods and services on lands where FNGST applies. You collect GST/HST when you supply taxable goods and services off these lands but within the rest of Canada. You hold this tax in trust until you remit it to us by way of a GST/HST tax return.

You need to calculate your business's net tax for each reporting period and report this on your GST/HST return. To do so, you calculate the FNGST (and GST/HST) collected and collectible on your taxable supplies made during the reporting period, and the FNGST and GST/HST paid and payable on your business purchases and expenses for which you can claim an input tax credit (ITC).

The difference between these two amounts (your tax collected and collectible and your ITCs), including any adjustments, is called your **net tax**. If you charged more FNGST and GST/HST than you paid or owe, send us the difference. If you paid or owe more FNGST and GST/HST than you charged, you claim a refund of the difference.

What forms do you use?

You use the same tax return you use to report GST/HST, the personalized Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, which contains pre-printed information about your account. Where both types of taxes are collected (i.e., where you provide GST/HST taxable supplies off the lands of a First Nation, and FNGST taxable supplies on the lands where FNGST applies), you add them together and report the total amounts. You do not need to separate your FNGST sales from your GST/HST sales.

If you do not have a personalized GST/HST return, you can use Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-Personalized)*, which is available from your tax services office. Call us if you need one sent to you.

In addition to using the same tax return to report your tax collected, for FNGST purposes you use the same election forms, rebate applications, or other returns you use for GST/HST purposes.

Input tax credits (ITCs)

You recover the tax you pay or owe on your purchases and expenses related to your commercial activities by claiming an input tax credit (ITC) on your GST/HST return. For example, if you buy taxable goods to resell in your store, you can recover the FNGST and GST/HST you paid on the purchases of those goods by claiming an ITC. You cannot claim an ITC to recover the tax you paid or owe on purchases related to your supplies of exempt goods and services, or those for personal use.

Most registrants claim their ITCs when they file their GST/HST return for the reporting period in which they made their purchases. However, generally you can claim your ITCs on any subsequent return that you file by the due date of the return for the last reporting period that ends four years from the end of the period in which the ITC could have first been claimed.

Place of supply

To determine whether a supply is subject to FNGST, the place of that supply must first be established. Generally, a supply of goods takes place on the lands where the goods are sold from or delivered to. For services, the supply is normally made on the lands where the service is performed. If these supplies take place on First Nations lands where FNGST applies, these supplies are subject to the 6% FNGST (unless the supplies are zero-rated or exempt).

Example

An Indian individual lives on the lands of a First Nation where FNGST applies. He orders a bicycle by telephone from a department store catalogue. He asks that the bicycle be delivered to his residence. The bicycle is being delivered to lands where FNGST applies, so there is no tax relief available under the *Indian Act*. The 6% FNGST applies to the supply.

Exception to place of supply rules for vehicles leased for periods of more than 3 months

The lease of a vehicle for 3 months or less follows the same general place of supply rules as set out above. However, under the FNGST, there is an exception for vehicles leased for periods of more than 3 months.

The place of supply for the lease of a passenger vehicle by an individual for a period of more than 3 months is made on the lands of the First Nation if the individual ordinarily resides on the lands of a First Nation where FNGST applies at the time the supply is made. Consequently, FNGST applies to the lease payments.

Example

An Indian university student who ordinarily resides on the lands of a First Nation where FNGST applies temporarily lives on campus that is located off First Nations land. She leases a passenger vehicle for a period of three years. The FNGST applies to the lease payments because the student is considered to ordinarily be residing on the lands of a First Nations where FNGST applies.

For persons other than individuals (such as an Indian band), a lease of a passenger vehicle for a period of more than 3 months is made on the lands of a First Nation where FNGST applies if the ordinary location of the vehicle is on those lands at the time the supply is made. Where the First Nation has imposed the FNGST, the lease is taxable at 6%. Normal GST/HST rules apply if the vehicle is not ordinarily located on lands where FNGST applies.

Example

A band on the lands of a First Nation where FNGST applies signs a long-term lease on an eight-passenger van to transport band members' children to a school located off those lands. The vehicle is kept in a secure parking facility on the school's property. FNGST does not apply to the lease payments, because the usual location of the vehicle is outside the lands of the First Nation. In this example, normal GST/HST rules apply to the lease.

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 add the FNGST separately from the GST/HST.

You also need to provide specific information to your customers who are registrants claiming ITCs. See the guide RC4022, *General Information for GST/HST Registrants* for more detailed information about informing your customers.

Self-assessment of FNGST

Bringing in goods from inside Canada

If you are an Indian or an Indian band, you purchase goods on a tax-relieved basis under the *Indian Act*, and you bring the goods onto lands of a First Nation where FNGST applies, you have to self-assess the FNGST. This means that you have to declare and pay the tax yourself. However, if you buy goods off First Nations lands and pay GST/HST, you do not have to self-assess the tax when you bring the goods onto the lands of a First Nation where FNGST applies.

Example

An Indian individual, who qualifies for tax relief under the *Indian Act*, purchases a new mobile home from a dealer on a reserve. He arranges to have a friend move the mobile home from the reserve onto the lands of a First Nation where FNGST applies. As the individual qualified for tax relief at the time of purchase, he did not pay tax. However, as he brought the mobile home onto the lands of a First Nation where FNGST applies, the individual is required to self-assess the 6% FNGST.

How do you remit the tax

Registrants

If you are a registrant for GST/HST purposes and you bring goods for consumption, use, or supply primarily (more than 50%) in commercial activities onto lands of a First Nation where FNGST applies, you must self-assess the FNGST on your GST/HST return. Report the tax in the reporting period that covers the period when the goods are brought onto First Nations lands where FNGST applies.

Enter this amount on **line 405** of your GST/HST return. You may be entitled to claim an ITC for the tax you self-assess on the goods depending on the percentage of use in your commercial activities. For more details on claiming ITCs, see the guide RC4022, *General Information for GST/HST Registrants*.

However, if you bring goods that are not primarily (50% or less) for use in commercial activities onto lands of a First Nation where FNGST applies, use the remitting procedures for non-registrants as explained below.

Non-registrants

If you are an Indian or an Indian band that is not a registrant for GST/HST purposes and you have to self-assess the FNGST, you must pay the FNGST to the Receiver General and file Form GST531, *Tax Return for Self-Assessment of First Nations Goods and Services Tax (FNGST)*. The form and payment are due no later than the last day of the month following the calendar month in which the goods are brought onto First Nations lands where FNGST applies.

Importation of services and intangible property from outside Canada

If you are a registrant

You have to self-assess the FNGST on intangible property (such as the right to use a patent in Canada) or services (such as architectural services for a building in Canada) in the following situation:

- you are registered for GST/HST;
- you buy the intangible property or service outside Canada; and
- you acquire the intangible property or service to use less than 90% in your commercial activities.

You have to report the FNGST on **line 405** of your GST/HST return and remit the tax directly to us. The tax is calculated on the amount you were charged for the service or intangible property and is payable in the reporting period in which the amount for the service or intangible property was paid or became payable.

If you are not a registrant

If you are not registered for GST/HST, you still have to pay tax on imported services or intangible property. You use Form GST59, *GST/HST Return for Imported Taxable Supplies*, to remit the tax. The form and payment are due no later than the last day of the month following the calendar month in which the amount for the services or intangible property was paid or became payable.

Importation of goods from outside Canada

Goods you import into Canada are subject to GST (6%) or the federal part of HST (6%), except for items specified as non-taxable importations. Examples of non-taxable importations are:

- zero-rated goods (goods that are specifically zero-rated in Canada such as prescription drugs);
- goods imported by a charity or public institution that have been donated to the charity or institution; and
- warranty replacement property and replacement parts supplied by a non-resident at no charge except for shipping and handling.

GST/HST is collected at the border when the goods are imported, so you are not required to self-assess the FNGST when you import the goods onto lands of a First Nation where FNGST applies.