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Retail Sales Tax

Status Indians, Indian Bands and Band Councils

About this Guide

The information in this guide explains how Retail Sales Tax (RST) applies to purchases of taxable goods and services made by Status Indians, Indian bands and band councils. Please note that this guide replaces the previous version dated July 2005. *Revisions to previous content have been identified by a bar (|).*

Status Indians

Status Indians hold “Certificate of Indian Status” identity cards issued by the federal government. These cards are numbered and contain a photograph, name and the Indian band or registry number of the card holder.

Reserve Defined

A reserve is defined under the federal government statute, the *Indian Act* (Canada). This definition is used for RST purposes, and includes a settlement located on Crown land in which Status Indian residents are treated by the Department of Indian Affairs and Northern Development (Canada) in the same manner as Status Indians living on a reserve.

Exempt Purchases

General

Status Indians, Indian bands and band councils may purchase most goods or services without paying RST, as long as the goods are for use on the reserve. Services, such as commercial parking, transient accommodation, and telecommunication services, must be provided on the reserve in order to be exempt from RST.

To claim an exemption, Status Indians must show vendors their federal “Certificate of Indian Status” identity card. Indian bands and band councils must provide the vendor with a valid Purchase Exemption Certificate (PEC). See ***RST Guide 204 - Purchase Exemption Certificates*** for further details.

Insurance Premiums

The 8 per cent RST does not apply to contracts of insurance entered into by Status Indians, Indian bands or band councils in respect of property located on a reserve.

If a Status Indian ***resident on a reserve*** works for an employer located off-reserve, the premium payments made by both the Status Indian and the employer for group insurance are exempt from RST. RST is also not charged on amounts paid into a benefits plan, either by or for a Status Indian ***resident on a reserve***.

Effective April 1, 2004, RST has been eliminated on premiums paid for all contracts of automobile insurance.

Motor Vehicles

Status Indians, Indian bands and band councils may purchase motor vehicles on-reserve exempt from Retail Sales Tax (RST), including the tax for fuel conservation, regardless of the address to which these vehicles are registered.

When Status Indians, Indian bands and band councils purchase motor vehicles off-reserve and register them to a non-reserve address, they are entitled to an exemption from RST provided the purchaser shows their “Certificate of Indian Status” identity card (individual Status Indians) or issues a valid PEC (Indian bands and band councils) to the vendor, and the vendor arranges to have the vehicle delivered to a reserve.

When motor vehicles are purchased off-reserve and registered to a reserve address, Status Indians, Indian bands and band councils are eligible for an exemption from RST provided the purchaser shows their “Certificate of Indian Status” identity card (individual Status Indians) or issues a valid PEC (Indian bands and band councils) to the vendor.

The vendor must record on the invoice the Status Indian’s federal “Certificate of Indian Status” identity card number, name, and Indian band or registry number to substantiate the non-collection of RST.

Status Indians may claim an exemption from RST when purchasing repair parts over the counter or repairs (parts and labour in a single transaction or labour only) by presenting their federal “Certificate of Indian Status” identity card. The vendor must record on the invoice the Status Indian’s card number, name and Indian band or registry number to substantiate the non-collection of RST. Indian bands and band councils must issue a valid PEC.

Leases of Motor Vehicles

RST does not apply to lease payments, or short-term rentals (i.e., less than 12 months), on motor vehicles leased on-reserve by Status Indians, Indian bands or band councils regardless of the address to which these vehicles are registered.

When Status Indians, Indian bands and band councils lease motor vehicles off-reserve and register them to a non-reserve address, they are entitled to an exemption from RST provided the lessee shows their “Certificate of Indian Status” identity card (individual Status Indians) or issues a valid PEC (Indian bands and band councils) to the lessor, and the lessor arranges to have the vehicle delivered to a reserve.

When motor vehicles are leased off-reserve and registered to a reserve address, Status Indians, Indian bands and band councils are eligible for an exemption from RST provided the lessee shows their “Certificate of Indian Status” identity card (individual Status Indians) or issues a valid PEC (Indian bands and band councils) to the lessor, the address on the lease agreement is a reserve address, the plate is registered to the reserve address (this does not apply to daily/weekly rentals) and the insurance for the vehicle is registered to the reserve address.

The vendor must record on the lease agreement the Status Indian’s federal “Certificate of Indian Status” card number, name, and Indian band or registry number to substantiate the non-collection of RST. Indian bands and band councils must provide the vendor with a valid PEC.

Building Materials

Contractors may purchase building materials exempt from Retail Sales Tax (RST) for certain buildings and structures situated on reserves. To qualify for the exemption, the cost of such projects must be paid for by the band council, and the buildings, such as a community centre, hospital, school, etc., must provide a community service for the reserve. When entering into a construction contract for an exempt community building project, the contract should be made on an RST-excluded basis.

If an Indian band or band council rents reserve housing to individual Status Indians, and the cost of the housing construction is paid directly by an Indian band or band council, the contractor may purchase the materials incorporated into the housing exempt from RST by giving suppliers a valid PEC. The rental of housing by an Indian band or band council is considered to be the provision of a community service. Indian bands and band councils should request that contractors quote tenders on an RST-excluded basis.

The exemption for contractors applies only to the preceding conditions detailed in this section. Contractors, including contracting corporations owned by Status Indians, Indian bands and band councils, must pay RST on items purchased for a building or structure, such as a house, built for Status Indians on a reserve. Since contractors are the end consumers of all items purchased for real property contracts, they are responsible for determining how RST applies when entering into this type of contract.

Individual Status Indians can purchase building materials exempt from RST if the materials are purchased for their own use on a reserve. The vendor must record the Status Indian's federal "Certificate of Indian Status" card number, name, and Indian band or registry number on the invoice.

Taxable Purchases

Off-Reserve Goods purchased off-reserve are taxable when they will be **used** or consumed off-reserve. For example, Status Indians, Indian bands and band councils must pay RST on goods delivered to an **off-reserve address**. Transient accommodation (i.e., lodging for stays of less than one month), prices of admission over \$4.00, telecommunication services, and parking are also taxable when rendered off the reserve.

Prepared Foods Status Indians, Indian bands and band councils must pay RST on purchases of take-out meals and prepared food products, costing more than \$4.00, when these products are **picked up** by the Status Indian, Indian band or band council for consumption on or off the reserve, or are delivered to an address off the reserve.

RST does not apply if the prepared food products are **delivered directly** to a Status Indian, Indian band or band council on the reserve for consumption on the reserve.

Alcoholic Beverages Status Indians, Indian bands and band councils are required to pay RST on alcoholic beverages purchased off the reserve, regardless of whether the beverages are consumed off or on the reserve. Sales of alcoholic beverages are exempt from RST only when they are sold on the reserve to Status Indians, Indian bands or band councils for consumption on the reserve. Sales of alcoholic beverages made on reserves to anyone other than Status Indians, Indian bands or band councils are taxable.

Taxable Purchases (*continued*)

- Other Persons** Taxable goods and services acquired on reserves by persons other than Status Indians, Indian bands or band councils are subject to Retail Sales Tax (RST).
- Corporations** The RST exemptions for Status Indians, Indian bands and band councils are **not available to corporations owned by Status Indians, Indian bands or band councils**. Such corporations must pay RST on taxable goods, taxable services, and insurance premiums, in the same manner as other corporations.

Vendor Responsibilities

At the time taxable goods or services are purchased, Status Indians, Indian bands and band councils may claim an exemption from RST, provided the items will be used on a reserve.

Note:

Exceptions are detailed under Taxable Purchases in this guide. If a Status Indian, Indian band or band council takes the purchases with them, vendors should note the Status Indian's federal "Certificate of Indian Status" card number, name, and Indian band or registry number, and a brief description of the goods or services sold, in their records.

Vendors are authorized to accept only the federal "Certificate of Indian Status" card to support the RST exemption for purchases made by individual Status Indians.

- Indian bands and band councils must provide a valid PEC. A federal identification card **cannot** be used when buying on behalf of the Indian band or band council.

When goods are delivered to a reserve, the delivery slip or bill of lading should contain enough information (i.e., place of delivery) to prove that the RST exemption was valid. These records should be kept for audit purposes.

- Businesses situated and operating on a reserve are required to register with the Ministry of Finance if they sell taxable goods or provide taxable services. These businesses are required to charge, collect and remit RST on all taxable sales, unless the purchaser provides a PEC. Status Indians purchasing taxable goods from vendors on a reserve are not required to pay RST, provided the goods will be used on a reserve and they show their "Certificate of Indian Status" card to the vendor.

Refunds

Status Indians, Indian bands and band councils, and contractors who believe they have incorrectly paid RST, may apply to the Ontario Ministry of Finance for an RST refund within four years of the date they paid the RST by completing a **General Application for Refund of Retail Sales Tax** form.

Legislative References

Retail Sales Tax Act, paragraphs 7(1) 59 and 7(1) 60; clause 2.1(8)(f);
Regulation 1012, sections 1 and 6
Regulation 1013, section 15

For Further Information

For information related to the "Certificate of Indian Status Card", please contact Indian and Northern Affairs Canada at 1-800-567-9604. Recorded information is available by telephone at 819-953-7915. Information is also available from the Indian and Northern Affairs Canada website at www.ainc-inac.gc.ca

The information contained in this publication is only a guideline. For more information, please contact the nearest Ontario Ministry of Finance Tax Office listed under Taxes Provincial (Retail Sales Tax) in the blue pages of your telephone directory, call our TAX FAX Service at 1-877-4-TAX-FAX (1-877-482-9329), or visit our website at www.trd.fin.gov.on.ca.

*Ce guide est disponible en français sous le nom
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Vous pouvez obtenir un exemplaire en appelant le 1-800-668-5821.*

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