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Canada Revenue Agency | Agence du revenu du Canada

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Determination of Exemption of an Indian's Employment Income

The Canada Revenue Agency uses the term **Indian** because it has legal meaning in the Indian Act.

The term **employee** on this form refers only to an employee who is registered under the Indian Act.

Fill out this form if you think your income is fully or partially tax-exempt. Your employer will use your answers in part 1 to help determine the correct tax treatment of your income.

You and your employer should fill out this form, in addition to Form TD1. You must fill out these forms when you start a new job or if your employment situation changes and the employment income is exempt or partially exempt from tax under the Indian Act. For more information about employee and employer responsibilities, go to **canada.ca/tax-filing-form-td1**.

Part 1 – Employee information (to be filled out by the employee)

1.1 Are you registered under the Indian Act?

☐ Yes. Continue to Section 1.2.

☐ No. Do not use this form.

For more information, go to **canada.ca/indian-status**. For more information regarding payroll deductions go to **canada.ca/payroll-deductions-first-nations**.

1.2 Are you a treaty beneficiary of a First Nation with a final or self-government agreement that ends the tax exemption under section 87 of the Indian Act?

☐ Yes. Do not use this form.

☐ No. Continue to section 1.3.

To confirm the effective date of the agreements and the expiry dates, go to **canada.ca/tax-indigenous-end-dates**.

1.3 Fill out your name and address. Continue to section 1.4.

Last name (print)	First name and initials	Social insurance number

Address of principal place of residence including postal code

1.4 Do you live on a reserve? This means it is your principal place of residence and is the centre of your daily routine.

☐ Yes ☐ No

Employee Certification

I certify that the following information is correct and complete:

- I am registered under the Indian Act
- I am **not** a treaty beneficiary of a First Nation with a final or self-government agreement that ends the tax exemption under section 87 of the Indian Act
- If I answered **yes** in section 1.4, I live on a reserve, it is my principal place of residence and is the centre of my daily routine

Signature _____ Date _____

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Part 2 – Employer information (to be filled out by the employer)

2.1 Fill out your name and business address. Continue to section 2.2.

Name of employer (please print)	Type of business
Business address including postal code	

2.2 Employment situation

This section will help you determine whether your employee's employment income is fully or partially exempt or not exempt. For more information go to **canada.ca/payroll-deductions-first-nations**.

Connections to the reserve:

- If you are a resident on a reserve, this means the reserve is the place where the central management and control over the employer organization is actually located
- See section 1.4 of part 1 to determine if your employee lives on a reserve

What is the situation? (Tick one box only)

- ☐ Employee lives on a reserve and you are resident on a reserve. Continue to "Employer certification" because all of your employee's employment income is exempt from income tax.
- ☐ Employee lives on a reserve and you are not resident on a reserve. Continue to section 2.3.
- ☐ Employee does **not** live on a reserve and you are resident on a reserve. Continue to section 2.4.
- ☐ Employee does **not** live on a reserve and you are not resident on a reserve but your employee is required to perform duties on a reserve. Continue to section 2.5.

If your employee's situation is **unusual or exceptional**, **do not** fill out this form. You **must withhold** CPP, EI and income tax as you would for your other employees unless you can confirm that the income is tax-exempt.You can call the CRA at **1-800-959-5525** to review the details of an uncommon situation. For examples of uncommon employment situations, go to **canada.ca/tax-indigenous-uncommon-situations**.

2.3 Employee lives on a reserve and employer is **not** resident on a reserve.

What is the situation?

- ☐ Employee is required to perform **more than 50%** of their employment duties on a reserve. Continue to "Employer certification" because all of your employee's employment income is exempt from income tax.
- ☐ Employee is required to perform **50% or less** of their employment duties on a reserve. Continue to section 2.6.

2.4 Employee does **not** live on a reserve and employer is resident on a reserve.

What is the situation? (Tick one box only)

- ☐ Employee is required to perform **more than 50%** of their employment duties on a reserve. Continue to "Employer certification" because all of your employee's employment income is exempt from income tax.
- ☐ Employee is required to perform **50% or less** of their employment duties on a reserve. Continue to section 2.6.
- ☐ You are a band as defined under the Indian Act that has a reserve or a tribal council representing one or more of those bands. Your employee's duties of employment are in connection with your non-commercial activities carried on exclusively for the benefit of Indians who for the most part live on reserves. Continue to "Employer certification" because all of your employee's employment income is exempt from income tax.
- ☐ You are an organization controlled by one or more bands as defined under the Indian Act that have reserves, or one or more tribal councils representing one or more of those bands, and the organization is dedicated exclusively to the social, cultural, educational, or economic development of Indians who for the most part live on reserves. Your employee's duties of employment are in connection with your non-commercial activities carried on exclusively for the benefit of Indians who for the most part live on reserves. Continue to "Employer certification" because all of your employee's employment income is exempt from income tax.

2.5 Employee does **not** live on a reserve and employer is **not** resident on a reserve but the employee is required to perform duties on a reserve.

What is the situation?

- ☐ Employee is required to perform **at least 90%** of their employment duties on a reserve. Continue to "Employer certification" because all of your employee's employment income is exempt from income tax.
- ☐ Employee is required to perform **less than 90%** of their employment duties on a reserve. Continue to section 2.6.

2.6 Prorating exempt income

The exemption may be prorated if your employee is required to perform some of their duties on a reserve and those duties are not merely incidental to duties they are required to perform off a reserve. The exemption will apply **only** to the portion of the income related to the duties your employee is required to perform on the reserve.

What is the percentage of the employment duties the employee is required to perform on a reserve? _____ %

Did the employee also fill out Form TD1

- ☐ Yes. Continue to "Employer certification."
- ☐ No. Ask the employee to fill out and give you Form TD1, and then continue to "Employer certification."

For more information, go to **canada.ca/tax-filing-form-td1**.

Employer certification

I certify that the information given in part 2 of this form is correct and complete.

Signature _____ Date _____

If you receive a Form TD1-IN with doubtful information, you should ask for proof from your employee such as proof of address, or call the CRA at **1-800-959-5525** for assistance. It is an offence to knowingly accept a Form TD1-IN containing false statements.

Personal information (including the SIN) is collected and used to administer or enforce the Income Tax Act and related programs and activities including administering tax, benefits, audit, compliance, and collection. The information collected may be disclosed to other federal, provincial, territorial, aboriginal or foreign government institutions to the extent authorized by law. Failure to provide this information may result in paying interest or penalties, or in other actions. Under the Privacy Act, individuals have a right of protection, access to and correction of their personal information, and to file a complaint with the Privacy Commissioner of Canada regarding the handling of their personal information. Refer to Personal Information Bank CRA PPU 120 on Info Source at **canada.ca/cra-info-source**.

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What to do with this form

- fill out all applicable parts
- employee and employer sign the certification areas
- employer keeps a signed copy for their records in case the CRA asks to see it

What happens if the employment situation changes

Fill out a new Form TD1-IN in the following situations:

- a change in the location of the employment duties, on or off reserve resulting from a new position with the same employer
- a change in the percentage of employment duties that are required to be performed on reserve
- a change in the employee's residence, on or off reserve
- a change in the employer's residence, on or off reserve

Do not fill out a new Form TD1-IN in the following situations:

- the employee performs seasonal work (for example, snow removal or landscaping)
- the employee performs employment services that depend on the location of the clients or customers (for example, home repair services, social worker, or personal service work)

More information for employees

- To learn about the benefits, credits and requirements that apply to employees whose income is eligible for the tax exemption under section 87 of the Indian Act, go to **canada.ca/taxes-benefits-indigenous**
- Tax-exempt salary or wages paid to employees are **not** subject to Canada Pension Plan (CPP) contributions. However, an employee can elect to participate in the CPP. For more information, go to **canada.ca/cpp-ei-explained-indigenous**
- Tax-exempt salary or wages paid to employees are subject to Employment Insurance (EI) premiums. For more information, go to **canada.ca/cpp-ei-explained-indigenous**

More information for employers

- Employers and payers have a legal obligation to report all income and deductions on a T4 or T4A slip for First Nations workers regardless of whether the income is taxable or exempt. For more information, go to **canada.ca/payroll-deductions-first-nations**
- An employee is considered to be **required** to perform their duties on a reserve if both the employee and employer have agreed to a specific work location under the terms of an employment contract or a formal hybrid work arrangement. This includes home offices located on reserve. The agreement need not be in writing but must be clearly understood by both the employee and the employer.