



Policy



Paper

The Value of Tax Exemptions on First Nations Reserves

Lee Harding



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By Lee Harding



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Executive Summary

Debates over the adequacy of Aboriginal funding usually miss a key and neglected component: tax exemptions. Section 87 of the *Indian Act* dictates such exemptions. This section clearly states that no person living on reserve may be taxed for their work there, nor can any product or service delivered to or on reserve be taxed. This means millions of dollars stay in the hands of First Nations people that would otherwise go into provincial and federal coffers.

Prior to this study, few attempts had been made to estimate the dollar value of tax exemptions on reserves. Thomas Courchene estimated in 1992 that if all Aboriginal reserves constituted a province, it would get \$102 million in provincial income taxes. In 2012, Gormanns and Waslander estimated that the tax exemption on British Columbia's reserves was worth \$20 million.

The author has compiled official figures on tobacco and fuel tax exemptions based on information requests to the provinces with federal exemptions. Due to insufficient data records, estimates had to suffice for sales tax data in every province save Ontario. The author estimated personal income taxes based on survey results of income and taxes paid by registered Indians and others from the last census in 2011. Data were insufficient to estimate business tax exemptions, although sales from Aboriginals were an estimated \$12 billion in 2016.

This study reveals that in 2014-15, tax exemptions on reserves were \$686.1 million for tobacco, \$251.4 million for personal income, \$237 million for sales, and \$97.7 million for fuel. The total approaches \$1.3 billion. This substantial number shows that tax exemptions on reserve deserve more attention, with better data made readily available for governments and the public.



Introduction

Canada's political and First Nations leaders may differ in opinion about the adequacy of government funding for the country's aboriginal population. However, such funding is certainly substantial and clearly delineated from a program perspective. In 2015, Indigenous and Northern Affairs Canada's (INAC) budget of \$7.03 billion had featured exact dollar amounts for grants and contributions in 14 different federal transfer categories.¹ The same holds true for the \$1.03 billion Health Canada spent for the Non-Insured Health Benefits Program (NIHB) for Aboriginals that covers medical transportation, pharmaceuticals, dental care, mental health, vision care, and other expenditures.²

The provinces also designate millions in spending for Aboriginals. For example, Saskatchewan's 2016-17 budget allocates \$2.4 million for First Nations and Métis relations, \$335,000 for treaty land entitlement, \$200,000 for First Nations and Métis consultation, \$3.2 million for the Métis Development Fund, and \$75.6 million under the First Nations Gaming Agreement.³

This financial disclosure stands in stark contrast with that of First Nations tax exemptions. Except for estimates of income taxes in Quebec, this information is not published anywhere. As this paper will demonstrate, the aggregate value of such exemptions exceeds \$1 billion. An exemption of this amount represents a substantial form of indirect aid for registered Indians and a revenue loss for governments. It informs the ongoing debate regarding the tax exemptions themselves and the larger debate on the adequacy of Aboriginal funding in general.

Tax exemptions for economic activity taking place on First Nations reserves, and for individuals living on reserves, have been a source of controversy. Advocacy groups for business owners and taxpayers have complained that such exemptions offer an unfair advantage to those who receive them.⁴ Registered Indians with businesses operating on reserves pay no business tax on earnings, nor taxes on products or services delivered to or on reserve. Registered Indians pay no taxes on earnings from their work on reserves⁵ and purchase tobacco or fuel there tax free.

Despite the implications of such tax exemptions, researchers have made few attempts to ascertain what their dollar value might be. This paper tries to remedy the dearth of information. First, it will review literature relevant to this issue. Next, it will outline the methodology to establish the cash value of the tax exemptions. Provincial and federal responses to information requests follow, along with relevant observations and analysis. Later, I analyze tobacco, fuel, income, and sales taxes individually in a national context. The paper concludes with policy implications and considerations for decision-makers.



Literature Review

Scant literature exists regarding the dollar value of tax exemptions on reserves. As Gormanns and Waslander noted in 2012, “the body of literature assessing First Nation income and earnings is relatively ‘thin’.”⁶ This is even more the case for the tax exemptions. This lack of attention might have been excused in past years because such exemptions were smaller. This is no longer the situation because First Nations business development and earnings have improved significantly, as this paper shall demonstrate shortly.

It is a misconception that the treaties with First Nations establish tax exemptions. In fact, no treaty mentions taxes, save the commissioner’s report in Treaty 8, which reads, “We assured them that the treaty would not lead to any forced interference with their mode of life, that it did not open the way to the imposition of any tax, and that there was no fear of enforced military service.”⁷ The Federal Court of Appeal ruled in 2003 that this did not mean a tax exemption for all time in all circumstances,⁸ leaving the provisions in the *Indian Act* as the primary, if not the sole source of such tax exemptions.

Section 87 of the *Indian Act* lays out tax exemptions on reserves as follows:

87 (1) Notwithstanding any other Act of Parliament or any Act of the legislature of a province, but subject to section 83 and section 5 of the *First Nations Fiscal Management Act*, the following property is exempt from taxation:

- (a) the interest of an Indian or a band in reserve lands or surrendered lands; and
- (b) the personal property of an Indian or a band situated on a reserve.

Idem

(2) No Indian or band is subject to taxation in respect of the ownership, occupation, possession or use of any property mentioned in paragraph (1)(a) or (b) or is otherwise subject to taxation in respect of any such property.⁹

These exemptions are nearly universal in scope, but usually limited to a geographical area, namely First Nations reserve lands. Tax exemptions apply to products delivered to a reserve for a First Nations individual or band, or income earned by a First Nations individual on First Nations land. Products sold at a convenience store on reserve, for example, would not have provincial or federal sales taxes applied to them if the purchaser were a registered Indian. Fuel and tobacco bought there would not bear those taxes either. Limited partnerships between First Nations bands and business entities also allow for loopholes for paying tax on business income that would not be available to off-reserve entities.¹⁰

According to the most recent census data available (2011), Canada has 637,660 registered Indians, but fewer than half (49.3 percent) live on a First Nations reserve or settlement. Quebec (72 percent), New Brunswick (68.8 percent), and Nova Scotia (68 percent) have the highest population on reserves, while Ontario (35 percent), and Newfoundland and Labrador (35.1 percent) have the lowest.¹¹ Moreover, 22 percent of working-age registered Indians were unemployed and listed no employment income.¹² This means at most, 245,000 registered Indians are employed (minus children and seniors). Unless they are working on reserve or off reserve but for a First Nations organization, their employment income is taxed.



First Nations peoples represent a demographic that is growing faster than the non-Aboriginal population. Between 2006 and 2011, First Nations populations grew by 22.9 percent,¹³ whereas population growth was just 5.9 percent in Canada overall.¹⁴

The growing presence of urban reserves, especially in Saskatchewan, mean more opportunities for First Nations people who live off reserve to enjoy tax exemptions because they work at, or make purchases at, an on-reserve business. This is especially so when those purchases are for tobacco or motor fuel, both of which are highly taxed. Estimates of the national averages made by the Canadian Taxpayers Federation (CTF) in May 2016 placed the taxation cost at 37 percent of gasoline and 32 percent of diesel, amounting to 37 cents and 29 cents per litre, respectively.¹⁵ At least three different taxes apply to tobacco everywhere it is sold in Canada (provincial excise tax, federal excise duty, and federal GST) and in some jurisdictions the provincial or harmonized sales tax applies as well. As of July 2016, a carton of 200 cigarettes is taxed \$55.03 in Quebec and up to \$95.53 in Manitoba.¹⁶ In Quebec, tax amounts to 62 percent for a carton that costs \$88.12 and in Manitoba, tax counts for 71 percent of a carton that costs \$134.79.¹⁷

Few have attempted to capture or estimate a comprehensive picture of forgone revenues due to Aboriginal tax exemptions. Thomas Courchene and Lisa M. Powell made a trailblazing effort in their 1992 paper, "A First Nations Province".¹⁸ Using census data, they estimated that if all First Nations reserves comprised a province, it would have raised \$102 million worth of income tax in 1991 (assuming prevailing provincial tax rates). This represents \$158 million in today's dollars.¹⁹ The figure in this hypothetical scenario excluded sales tax revenue due to inadequate data. Its focus also excluded what the federal government would have received if First Nations functioned as a single province.

In 1991, the Department of Finance conducted tax potential studies of five communities whose names were withheld to protect data confidentiality. The average personal income tax exemption was \$700 per capita (\$1,087 in 2016 dollars). Sales taxes payable averaged \$120 per capita (\$186 in 2016 dollars).²⁰ If the \$186 had been multiplied by the 337,000 registered Indians currently on reserve, the total sales taxes collected would have been \$62.7 million in 2016 dollars.

The impacts and dollar values of tax exemptions gained some attention from advocacy groups and governments in the following years. Tanis Fiss, a Métis who once advocated on behalf of the CTF, penned a 30-page policy paper in 2004 entitled "Apartheid: Canada's Ugly Secret." Fiss took her title from the comments of a Canadian judge in a 1995 decision highlighted in the *Globe and Mail*, as she explains:

No surprise Justice [Francis] Muldoon of the Federal Court [in 1995] declared the *Indian Act* a "racist" document that favours aboriginal people over the rest of society. He went further and said, "It makes financial dependents of those who pay no taxes as an eternal charge on those who are taxed to meet the expense of such dependency."²¹ Along with treaties, he declared the *Indian Act* fosters the establishment of apartheid in Canada.²²

Fiss's polemical treatment of the exemptions does illustrate how sizeable a dollar amount they can reach on an individual level. By her comparison, a registered Indian on an Ontario reserve who made \$56,000 a year would take home \$55,228, losing only \$772 to Employment Insurance deductions. Others with the exact same pay in Ontario would pay \$11,990 in income tax, \$1,831 in Canada Pension Plan premiums, and \$772 in EI premiums, taking home just \$41,407. Fiss summarizes these differences, stating that "[t]he tax-free status of reserves and on reserve businesses distorts the economy by giving an advantage to individuals living on the reserve and reserve-based businesses."²³



She further stated that taxation “at all levels (municipal, provincial, and federal) should be phased in for Indians over a period of ten years.”²⁴

Fiss also pointed out that the tax exemptions facilitated fraudulent activity. In 2001, fraud artists used registered Indians to buy vehicles since a particular Kelowna Toyota dealership would deliver the vehicles tax free to a First Nations reserve. From there, the vehicles were re-sold to numbered companies and found their way to the United States. Governments forfeited 17 percent of the normal vehicle cost because of unpaid taxes. This left the B.C. Finance Ministry slapping the dealership with an unpaid tax bill of \$564,000. In 2001, the Quebec government uncovered 70 cases that led to tax losses of \$25 million. The federal government suspected that similar frauds were happening nationwide.²⁵

For First Nations people, Canada Pension Plan (CPP) premiums, which may be interpreted as payroll taxes, are mandatory in some circumstances and optional in others.²⁶ If a person is employed off reserve, income is taxable and CPP premiums are mandatory. A First Nations employer on reserve can choose to pay into CPP and have his employees do the same, in which case they are required to pay such premiums.²⁷ Self-employed registered Indians on reserve can likewise choose for themselves whether to make such earnings pensionable.

In 2012, Gormanns and Waslander Informetrica offered a report to INAC, then known as Aboriginal Affairs and Northern Development Canada, estimating the value of the income taxes not applied to First Nations in B.C.²⁸ Their methodology was to align the census income as closely as possible with total income, as defined by the Canada Revenue Agency (CRA). From there, the authors applied average tax rates for B.C. taxpayers by ranges of total income, age, and gender. The authors compensated to adjust for differences between First Nations and non-First Nations regarding the use of credits to spouses or dependants, and the education and tuition credits.²⁹

Gormanns and Waslander used data from the 2006 Census Hierarchical Public Use Microdata File and T1 returns from the CRA for their research. The estimated personal income of \$140 million reported in the census by First Nations people in B.C. differed from the \$120 million reported to the CRA as taxable income. Since other relevant factors had been accounted for, the authors assumed the tax exemption caused this \$20 million gap. An important reason for this low dollar amount for tax exemptions was low income. In 2006, nearly 50 percent of First Nations people made too little money to be subject to tax, compared to 25 percent of the general population of B.C.³⁰ As the authors demonstrated, “This \$20 million would be paid almost entirely by only 8% of First Nation people who pay no income tax but have income in the taxable range, and who would pay at least \$1,000 of tax in the absence of the tax exemption, as we calculated.”³¹

The TD Economics report showed that in the 10 years leading up to 2011, the Aboriginal market had grown by seven percent annually whereas Canadian nominal GDP had grown four percent. The report anticipated this trend would continue through 2016.³² This suggests that tax exemptions, while once small, have also grown substantially and will continue to do so. The growth in dollar amounts for such exemptions comes at a bad time for governments expecting higher health-care and pension costs as baby boomers age. This situation is further stressed by the drop in the number of workers per retiree from just under five today to only 2.7 by 2030.³³

The new landscape means governments, researchers, and policy-makers should give attention to two increasingly relevant questions: what is the impact of such exemptions on government budgets and taxpayers? And what, if anything, should be done about it? This paper attempts to answer both questions.



Methodology

This paper lays out the information on tax exemptions as exact figures wherever possible and with estimates when necessary. I made information requests to the federal and all provincial governments. The inquiry generally requested “the total amount of tax revenues refunded or never issued due to tax exemptions on reserves, with dollar figures for each tax for the most recent fiscal year, including sales taxes, business income taxes, personal income taxes, tobacco taxes, and fuel taxes, and any other for which you may have records.”

Most provincial information authorities asked for clarification on my requests. These interactions allowed me to ask them whether information for previous years could reasonably be facilitated, and the answer was usually affirmative. These cases shed further insight on whether the dollar value of the tax exemptions is static, growing, or diminishing from year to year.

Information requests to the federal government were less successful. The Department of Finance received my information request for records regarding “the total amount of tax revenues refunded or never issued due to tax exemptions on reserves” on March 16, 2016. The reply on April 18 read: “I must inform you that, after a thorough search, no records exist in the Department of Finance Canada concerning this request.”³⁴ A subsequent request was received by the CRA on June 14, 2016, and on July 13, 2016. The agency responded by saying a 60-day extension would be required “since meeting the original time limit would unreasonably interfere with the Canada Revenue Agency’s operations.”³⁵ Yet on July 8, the information contact in Ontario informed the author by email: “We reached out to the CRA and to Department of Finance Canada for consultation on the disclosure of one record,”³⁶ a record that was subsequently released on Aug. 5.

Disclosure from the federal government would have been helpful regarding point-of-sale fuel tax or tobacco tax exemptions, but not all was lost. I have estimated them based on provincial numbers. For B.C. and Alberta the exact number of litres of exempted fuel was disclosed, which allows for an easy calculation of the 10 cents per litre excise tax. I derived estimates of sales taxes and federal excise taxes from the price of fuel for the year, building on the work of market estimates and calculations on gas prices and the GST per litre.

Income tax losses are impossible to know with precision, but estimates are again possible. Quebec was the only province to provide this author with an estimate, as it publishes these estimates each year in the *Dépenses fiscales*. First Nations individuals living on reserve do not disclose on-reserve income because it is not taxable, making T1 return data less useful to discover the value of tax exemptions. However, First Nations people are more likely to report personal income on census data. This paper takes the effective tax rates of each income bracket for people who are not registered Indians and applies them to registered Indians of those same tax brackets. Taxes that should have been paid are calculated for each bracket. Taxes actually paid are then subtracted from each bracket. This renders the dollar value of exemptions at each tax level. Census data in 2006 and 2011 show registered Indians pay less income tax in every bracket, save for one exception in each census year. The net totals from each bracket suggest on-reserve tax exemptions between \$250 million and \$300 million in both census years.

Sales tax data were even harder to come by. The Manitoba government estimated the value of sales tax exemptions and the Ontario government disclosed its portion of HST exemptions at the point of sale. Provincial sales taxes do not exist in Alberta, making the exemption value nil. Other estimates are



approximations at best. B.C. did publish its PST rebate amounts, but these only occurred when the PST had been paid when it should not have been. It did not reflect the actual total value of sales tax exemptions. Household consumption statistics also have limited value in making estimates because no one knows what percentage of First Nations spending is done on reserve. Surveys, even if attempted, would only be reliable to answer this question at a local level.

Are governments giving these amounts adequate attention? Are they considering policy changes or other responses? To answer these questions, information requests were made of the federal government and a handful of provinces for all documentation regarding government consideration of the tax exemptions and efforts or options to mitigate the dollar amounts. I withdrew such requests later because the financial costs to search for and disclose such documents were prohibitive. Some governments, most notably Ontario, pointed me towards publicly available reports. Provincial governments seemed most concerned with complying with the *Indian Act* and often did not view mitigating tax losses as an option.

Although this paper is more comprehensive than past efforts, it also has blind spots. Property taxes are not examined here. The *Indian Act* precludes reserve lands being owned *fee simple*. Some First Nations do collect property taxes on leaseholds on reserve land. However, because such lands cannot be bought or sold; a market value cannot be determined. This makes it difficult to say what the lands would be worth if property rights available off reserve were available there. A reasonable comparison with adjacent municipalities, each with its own mill rate, would also be necessary to get an accurate picture.

Corporate taxes are also hard to ascertain. A corporation does not have Indian status *per se*. This has led to some First Nations forming partnerships or other business structures to avoid paying taxes.³⁷ A tax bulletin written by the B.C. Ministry of Finance explains that, "General partnerships and LLPs with a First Nation partner(s) are entitled to an exemption from motor fuel tax and carbon tax on their fuel purchases on First Nation land. The exemption is proportional to that First Nation partner's interest in the partnership."³⁸ Limited partnerships, like general partnerships, are eligible for exemptions if all involved are First Nations people. Otherwise, it is much less straightforward, as the B.C. tax bulletin explains:

... For example, if the partnership agreement does not identify the ownership of assets and the general partner is a First Nation individual or band, then the entire purchase of fuel on First Nation land is fully exempt from motor fuel tax and carbon tax provided that all the criteria for exemption are met.

If the limited partnership agreement does not state who owns the partnership assets where the limited partner is a First Nation individual or band and the general partner is not, then the purchase of fuel on First Nation land is not exempt from motor fuel tax and carbon tax ... The law relating to partnerships is complicated.³⁹

The lack of data on corporate taxation and the complexity of analysis required are beyond the resources or scope of our examination. Total exemption values for CPP premiums are another area beyond this paper's scope. (The comfort for governments is that future payouts of pension benefits will be reduced accordingly.) Despite these limitations, this paper represents the most current and comprehensive effort available to estimate the total value of First Nations tax exemptions. Table 1 demonstrates what the author received in response to information requests.



Table 1				
Disclosures to Author by Province for First Nations Tax Exemption Amounts				
Province	Tobacco	Fuel	Sales	Income
BC	Y	Y	N	N
AB	Y	Y	n/a	N
SK	Y	Y	N	N
MB	Y	Y	E	N
ON	Y	Y	Y	N
QC	Y	Y	N	E
NB	N	N	N	N
NS	Y	Y	N	N
PEI	Y	Y	N	N
NF	Y	Y	N	N

Y = Yes to exact dollar amounts, N = No totals or estimates, E = Estimates given

Provincial Findings

British Columbia

Category	Amount
Forgone Motor Fuel Tax Act Revenues	\$ 3,549,986.94
Forgone Carbon Tax Act Revenues on Fuel	\$ 1,873,105.84
Motor Fuel Tax Act Refunds	\$ 1,014,025.83
Provincial Sales Tax Act Refunds	\$ 146,175.39
Carbon Tax Act Refunds	\$ 606,429.71
Tobacco	\$ 42,824,629.45
Total	\$ 50,014,353.16

British Columbia produced exemption numbers on behalf of this author for roughly \$150. By the time the request was complied with, the “latest fiscal year” requested had become 2015-16. In Table 2 above, the rows with forgone revenues for tobacco and fuel are for sales right on reserves. The refunds apply in various circumstances, including the occasions when the fuel purchaser does not have the necessary documentation when buying the fuel that is supposed to be tax free. A tax bulletin from the B.C. Ministry of Finance explains:

If the purchaser claims they are purchasing fuel on behalf of a friend or family member who is an eligible purchaser, but the purchaser does not possess a Certificate of Indian Status card in their own name, you must collect the motor fuel and/or carbon tax.

If you must collect the tax, as in the situations above, and your customer claims they are eligible for exemption, you should advise them to apply to the ministry for a refund.⁴⁰

Compared to the overall taxes collected, tax exemptions and rebates for First Nations represent a negligible percentage in all categories except tobacco. Here the \$42 million rebated to reserves represents more than five percent of the total tobacco tax revenues.

Tax Revenue Category	Taxes Collected	Taxes Exempted	Taxes Rebated	Total	Total as % of Revenues
Provincial Sales	5,956,000,000	Not available	146,175.39	146,175.39	0.002%
Fuel	941,000,000	6,437,118.61	1,014,025.30	7,451,144.44	0.792%
Carbon	1,216,000,000	1,873,105.84	606,429.71	2,479,535.55	0.204%
Tobacco	755,000,000	42,824,629.45		42,824,629.50	5.672%

Note: Taxes collected based on projections in 2016 Budget and Fiscal Plan.



Alberta

As taxes increase, so does the value of tax exemptions. The Alberta government increased gas and diesel taxes from nine cents per litre to 13 as of April 1, 2015, the start of the fiscal year.⁴¹ Tobacco taxes increased on Oct. 28, 2015. This meant that tax on a carton of cigarettes rose from \$45 to \$50 and that the tax on loose tobacco rose from 33.75 cents to 37.5 cents per gram.⁴² Compared to B.C., fuel tax refunds to Alberta First Nations represent a slightly higher percentage, and a slightly lower percentage for tobacco.

Table 4						
Table 4: Alberta Fuel Tobacco Tax Revenues and First Nations Refunds, 2014-16						
Fiscal Year	Tobacco Tax Revenues	Tobacco Tax Refunds	Refunds as % of Total	Fuel Tax Revenue	Fuel Tax Refunds	Refunds as % of Total
2014/15	896,000,000	40,706,205	4.54%	944,000,000	6,831,510	0.72%
2015/16	980,000,000	47,851,354	4.88%	1,370,000,000	10,415,132	0.76%

Saskatchewan

Disclosure from Saskatchewan offered amounts for tobacco and fuel tax exemptions back to fiscal 2000-01. Fuel and tobacco tax exemptions were under \$4 million each in 2000-01 but quickly mushroomed to \$8.7 million and \$25.2 million respectively just two years later. They rose steadily until 2009-10.

Table 5						
Saskatchewan Tobacco and Fuel Tax Exemptions for First Nations, Fiscal 2000-2016 ⁴³						
Fiscal Year	Tobacco Tax Revenues	Tobacco Exemptions	Exemptions as % of Revenues	Fuel Tax Revenues	Fuel Exemptions	Exemptions as % of Revenues
2000-01	122,000,000	3,099,000	2.5%	345,136,000	3,617,000	1.0%
2001-02	120,000,000	7,150,000	6.0%	353,765,000	7,605,000	2.1%
2002-03	158,500,000	25,154,000	15.9%	331,512,000	8,713,000	2.6%
2003-04	176,700,000	30,951,000	17.5%	356,773,000	10,483,000	2.9%
2004-05	187,000,000	37,600,000	20.1%	361,039,000	11,001,000	3.0%
2005-06	171,100,000	44,514,000	26.0%	376,426,000	12,631,000	3.4%
2006-07	190,300,000	46,154,000	24.3%	383,576,000	13,269,000	3.5%
2007-08	190,400,000	52,301,000	27.5%	406,434,000	14,770,000	3.6%
2008-09	199,100,000	54,025,000	27.1%	429,162,000	15,138,000	3.5%
2009-10	196,868,000	57,743,468	29.3%	441,533,000	15,477,496	3.5%
2010-11	237,507,000	55,209,808	23.2%	463,147,000	14,906,233	3.2%
2011-12	242,853,000	47,573,482	19.6%	475,452,000	14,341,295	3.0%
2012-13	253,353,000	46,964,625	18.5%	495,955,000	14,619,789	2.9%
2013-14	276,234,000	55,587,381	20.1%	509,814,000	14,978,202	2.9%
2014-15	260,696,000	55,962,349	21.5%	515,400,000	14,812,112	2.9%
2015-16	263,686,000	59,959,613	22.7%	479,259,000	15,884,760	3.3%

In Saskatchewan, tobacco tax rebates on reserve businesses are substantial in comparison to the overall tax figures, though the same is not the case for fuel. Exemptions equalled 29.3 percent of tobacco revenues in 2009-10 and 22.9 percent in 2015-16. For fuel, however, the figures are much more modest. They peaked at 3.6 percent of revenues in 2007-08 and were 3.3 percent of revenues in 2015-16. Record dollar totals were set in 2015-16 for tobacco and fuel exemptions.

Dollar values for tobacco tax exemptions dropped in 2010-11 even though cigarette taxes went up by 68 cents to \$5.25 per pack. This was because the former three-carton limit per First Nations member per week was limited to one. Whereas a band member could get 24 packs with 600 cigarettes in all each week, thereafter he or she could only get eight packs with 200 cigarettes.⁴⁴

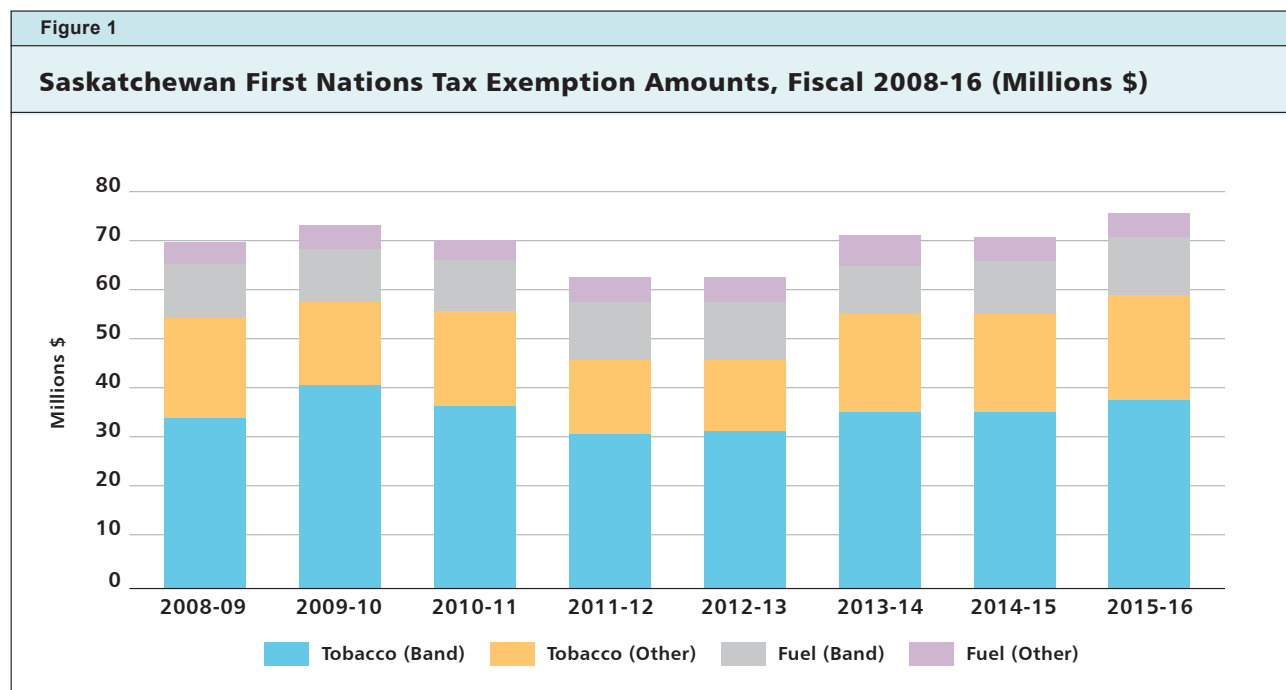
On March 24, 2010, CBC News reported:

The provincial government said the change would help First Nations people cut back. Reserves have relatively high rates of smoking, the province said.

Health promotion groups applauded the change. Many of the serious health conditions that are chronic among First Nations people — such as heart disease, strokes and cancer — are directly linked to smoking, said Rhae Ann Bromley, spokesperson for the Heart and Stroke Foundation.

The government said it also wants to stop tax-free tobacco from getting into the hands of non-First Nations people.⁴⁵

More on-reserve stores have sprung up in recent years. In 2008-09, there were 47 privately owned retailers and 57 band-owned retailers.⁴⁶ By 2015-16, there were 50 privately owned stores and 61 band-owned stores. Dollar amounts divided by ownership are shown below.



Manitoba

In 2014-15, the value of First Nations tax exemptions in Manitoba was \$34 million for tobacco and \$10.2 million for fuel. The Department of Finance estimated their retail sales tax exemption to be \$70 million. These totals represent a three percent loss for the province for fuel and sales tax revenues, but 13.3 percent for tobacco.

Table 6			
Manitoba Tax Revenues and First Nations Exemptions, 2014-15 ⁴⁷			
Tax	Revenue	Exemptions	Rebates as % of Total
Fuel	334,500,000	10,200,000	3.0%
Tobacco	256,000,000	34,000,000	13.3%
Sales	2,204,600,000	70,000,000	3.2%
Total	2,795,100,000	114,200,000	4.1%

Sources: Information request, 2014-15 Public Accounts Vol. 3.

Comments from Manitoba Finance in response to the information request illustrate how unclear the figures for sales taxes are, even for governments: "It should be noted that the retail sales tax figure provided is a rough working estimate based on economic purchase data of taxable goods purchased in, or shipped directly to, a reserve. The department does not have records as to the actual value of the exemptions for this tax since it is point-of-sale related (not pre-collected as fuel and tobacco taxes are). Manitoba Finance also lacks records for foregone tax revenue on personal income tax and corporate income tax."⁴⁸

Ontario

Each year, the Ontario government publishes estimates of forgone tax revenue. However, the "Income of Status Indians and Indian Bands on Reserve" is one of 11 non-taxable income "Items for Which an Estimate is not available."⁴⁹ Status Indians also pay no sales tax, fuel tax, or tobacco tax for on-reserve purchases. Status Indians employed on a reserve do not pay the employer health tax, while those living on a reserve are exempt from the debt retirement charge on electricity.⁵⁰

First Nations in Ontario are eligible for tax-free coloured fuel.⁵¹ The total dollar amount of forgone revenue for such fuel was \$215 million in 2015,⁵² but not all of this can be attributed to First Nations, since there are seven other types of users for such fuel.⁵³

Table 7

Ontario Tobacco and Fuel Tax Revenues and First Nations Exemptions, Fiscal 2012-2016

Fiscal Year	Tobacco Tax Collected	Tax Value of Sold Tobacco Allocation	Exemptions as % of Revenues	Gas Tax Collected	Amount Approved for Gas Tax Exemption	Exemption as % of Revenues
2012-13	1,142,000,000	41,146,692	3.60%	2,390,000,000	n/a	n/a
2013-14	1,110,166,339	42,920,350	3.87%	2,363,021,552	20,479,789	0.87%
2014-15	1,162,503,240	48,551,470	4.18%	2,446,753,297	16,332,890	0.67%
2015-16	1,163,000,000	n/a	n/a	2,383,000,000	18,743,680	0.79%

Ontario Finance disclosed point-of-sale exemptions for each month during 2013, 2014, and 2015. This facilitated totals for two fiscal years. The Ontario government reported online in 2010 that “The Ministry of Finance is experiencing an increase in the number and size of refund applications related to the Ontario HST Refund for First Nations.”⁵⁴ This trend seems to have continued as rebates totalled \$846,720.81 in 2013, \$86,388.68 in 2014, and \$987,929.59 in 2015. For our purposes, these calendar year totals into fiscal year totals are estimated as three-quarters of the amount of the initial calendar year, and one-quarter of the amount of the calendar year following. Sales tax exemptions far outweigh the refunds, suggesting that similar refunds in B.C. represent a similarly small fraction of sales taxes there.

Table 8

Ontario HST revenues and First Nations Rebates and Exemptions, Fiscal 2013-2015

Year	Revenues	Exemptions	Rebates	Total	Total as % of Revenues
2013-14	718,000,000	29,392,256	856,638	30,248,894	4.2%
2014-15	738,000,000	29,520,058	911,774	30,431,832	4.1%

Note: Estimates in italics. Rebates for fiscal years estimated by 9/12 of initial year and 3/12 of year following.

As a percentage of total revenues, tobacco exemptions represent four percent of revenues, and fuel and sales less than one. However, tax exemptions are only a tiny fraction of the revenue losses to government compared to contraband cigarette sales. Rob Cunningham, a senior policy analyst for the Canadian Cancer Society, said in 2009: “We know that perhaps 95 percent of the contraband in Canada originates in illegal operations located on four First Nations reserves, the most important of which by far is the U.S. side of Akwesasne near Cornwall, Ont. There is also Kahnawake near Montreal, Tyendinaga near Belleville, and Six Nations near Brantford.”⁵⁵

In 2009, the Canadian Tobacco Manufacturers’ Council (CTMC) reported that 48.6 percent of cigarettes bought in Ontario were illegal, followed by Quebec at 40.1 percent. Nationally, the figure is estimated at roughly 33 percent, costing governments \$2.4 billion in taxes each year.⁵⁶ In 2009, the National Coalition Against Contraband Tobacco (NCACT) collected 19,770 cigarette butts at 110 Ontario high schools and found 30 percent were illegal due to their markings. The coalition was launched by the Canadian Convenience Stores Association (CCSA), whose members on average lose \$115,000 in sales annually due to illegal cigarettes.⁵⁷ The financial loss for governments is staggering. A 2012 report by the CTF estimated that federal and provincial governments were losing between \$742 and \$1.2 billion annually in tobacco taxes on sales in Ontario alone.⁵⁸



Quebec

Quebec is the only province that publishes estimates on the dollar amounts of First Nations tax exemptions on income. In the 2015 edition of the *Dépenses fiscales*, Quebec listed the “*Non-imposition du revenu des Indiens situés dans une réserve.*”⁵⁹ The years 2010-2013 were estimated, and 2014 and 2015 were projected as shown in the chart. The Quebec government also released information on the number of registered Indians on reserve in the province. From this, we know that the \$62 million exemption in 2015 represented just 0.23 percent of all the \$27.547 billion in provincial income taxes collected in Quebec. It would also mean the average First Nations Quebecois would have paid \$2,989 in income tax, somewhat below the roughly \$3,300 paid per capita by others in the province. The province did not disclose the methodology for its estimates. However, they seem inordinately higher than results produced via other methods, as will be demonstrated later.

Tax losses due to exemptions to First Nations represent only one percent of the \$1.1 billion collected in tobacco taxes each year. However, this is not the whole story. The Quebec government estimates that tobacco tax evasion costs the province \$125 million annually.⁶⁰ As mentioned in the Ontario section of this paper, much of it has to do with contraband tobacco from reserves. In 2009, the CTMC reported that 40.1 percent of cigarettes bought in Quebec were illegal.⁶¹ That same year, the NCACT looked at 14,064 butts from 75 Quebec high schools and found 45 percent were contraband.

Table 9			
Quebec Tobacco Tax Revenues and Reserve Exemptions, Fiscal 2011-2015, \$			
Fiscal Year	Tax Revenues	Reserve Exemptions	Exemptions as % of Revenues
2011-12	913,000,000	9,820,574	1.08%
2012-13	907,000,000	9,093,526	1.00%
2013-14	1,010,000,000	11,559,965	1.14%
2014-15	1,069,000,000	13,304,110	1.24%

Table 10							
Quebec First Nations Population and Income and Fuel Tax Exemptions and Income and Fuel Tax Revenues, 2010-2015							
Year	Registered First Nations	Income Tax Revenues for Fiscal Year Ending that Calendar Year (millions of \$)	Estimated Income Tax Exemptions (millions of \$)	Exemptions as % of Revenues	Fuel Tax Revenues for Fiscal Year Ending that Calendar Year (millions of \$)	Fuel Tax Exemptions (\$)	Exemptions % of Revenues
2010	22,374	17,352	52	0.30%	1,698	2,343,467	0.14%
2011	22,927	18,835	56	0.30%	1,910	3,944,738	0.21%
2012	23,013	24,498	57	0.23%	2,064	2,576,536	0.12%
2013	21,665	25,070	57	0.23%	2,150	2,514,154	0.12%
2014	20,740	26,203	59	0.23%	2,310	1,905,074	0.08%
2015	n/a	27,547	62	0.23%	2,215	2,077,313	0.09%

New Brunswick

New Brunswick entered into First Nations revenue-sharing agreements in the early 1990s. As this paper explains shortly, advocacy groups and off-reserve businesses complained that the way that rebates function in the province creates an unfair advantage for the on-reserve businesses. The government recently decided to revise the revenue-sharing agreements. This represents one example of government rethinking the issue of how it deals with First Nations taxation.

In a news release dated Feb. 20, 2014, CTF Atlantic Director Kevin Lacey brought to light agreements made between the province and each of 13 First Nations between 1994 and 2008. Under such agreements, Aboriginal retail businesses only had to remit five percent of the provincial taxes collected on gas and tobacco on reserve, keeping the other 95 percent. Lacey stated that gas taxes should be redirected to roads, not into First Nations' pockets. He further asserted that, "These agreements place non-aboriginal competitors at a significant disadvantage to neighbouring band retailers."⁶²

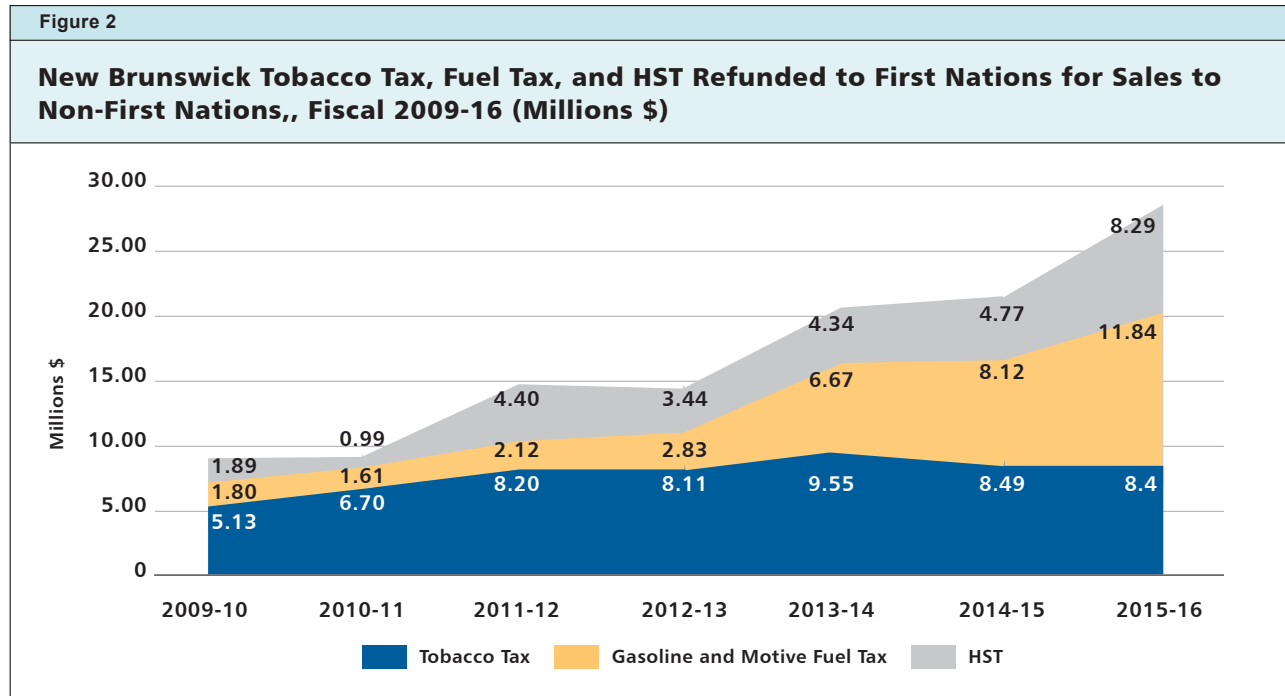
In a later commentary Lacey further explained:

While the tax deals with aboriginal bands specifically state they cannot use their special tax status to undercut prices on gas and tobacco, groups that follow prices, like the Atlantic Convenience Stores Association say that's exactly what is happening. The deals are unfair to competing businesses off-reserve. Every business should have the same opportunity, and compete on a level playing field.⁶³

At first, the province indicated it would not rescind the agreements. However, by Aug. 21, 2014, it announced it would do just that. The government gave the First Nations 90 days' notice that the agreements were ending, being phased out over five years. Then-Finance Minister Blaine Higgs commented: "The issue is looking at fairness in terms of other businesses that are either associated with or in the proximity of First Nations communities and saying they pay tax and the other business that's on the First Nation community gets it refunded."⁶⁴

Information requests by CTF revealed the revenue forfeited by the province under such agreements from 2009 to 2014,⁶⁵ while information requests by this author revealed the later figures. The first chart below shows the amounts for the 95 percent refund of taxes for sales to non-Aboriginals by such on-reserve businesses.





First Nations tax exemptions for on-reserve sales to registered Indians are much less for fuel but much more for tobacco, as shown in Table 11.

Table 11

Sales, Fuel, and Tobacco Tax Rebates to New Brunswick First Nations, 2014-15 (millions of \$)

Tax	Revenues	Exemptions for Sales to First Nations	%	Exemptions for Sales to Non-First Nations	%	Total Exemptions	Total %
Sales	1,239.8	Not available	n/a	4.77	0.4%	4.77	0.4%
Fuel	240.0	2.54	1.1%	8.12	3.4%	10.66	4.4%
Tobacco	140.0	12.07	8.6%	8.49	6.1%	20.56	14.7%
Total	1,619.8	14.61	0.9%	21.38	1.3%	35.99	2.2%

Tax exemptions for sales of tobacco and fuel to First Nations were even higher in 2015-16 at \$12.28 million for tobacco and \$2.99 million for fuel.

Nova Scotia

In an April 27, 2016 reply to this author, Nova Scotia Finance and Treasury Board indicated it had no records regarding dollar amounts for First Nations tax exemptions and no other department or agency had such records, either.

Nova Scotia's neighbouring province, New Brunswick, is useful as a reference point to provide estimates. The percentage of the population that is registered Indian is nearly identical — 0.00137 for Nova Scotia and 0.00136 for New Brunswick,⁶⁶ and the percentage of those who live on reserve are also very similar (68.8 percent and 68.0 percent respectively). Nova Scotia collected \$206.3 million in tobacco taxes in 2014-15. If Nova Scotia had a similar percentage of tobacco tax revenues exempted as New Brunswick did (5.7 percent of revenues), then the value of the tobacco tax exemptions would be \$11.8 million.

Prince Edward Island

Tobacco and fuel tax rebates have been static for First Nations in Prince Edward Island. Abegweit and Lennox Island are the only two First Nations there. Fuel tax exemptions nearly doubled in 2012-13 when the Abegweit band opened its gas station, and have plateaued since. Tobacco and fuel tax rates dropped April 1, 2013, but tobacco taxes rose again in 2015, with commensurate impacts on tobacco and fuel tax exemptions on reserve.

Tobacco taxes on reserves would represent three percent of the provincial total if they were applied. For fuel taxes, the figure is half a percentage point.

Table 12						
PEI Tobacco and Fuel Tax Revenues and First Nations Rebates, Fiscal 2011-16 (millions of \$)						
Fiscal Year	Tobacco Revenues	Tobacco Rebates	Tobacco Rebates as % of Revenues	Gasoline Tax Revenues	Gasoline Tax Rebates	Rebates as % of Revenues
2011-12	37,040,000	1,272,972.76	3.4%	41,787,000	94,497.07	0.2%
2012-13	36,354,000	1,272,972.76	3.5%	41,122,000	182,409.04	0.4%
2013-14	31,255,000	1,130,941.52	3.6%	35,108,000	167,623.75	0.5%
2014-15	30,259,000	1,130,941.52	3.7%	35,398,000	175,689.70	0.5%
2015-16	32,000,000	1,239,393.28	3.9%	36,500,000	195,315.03	0.5%

Newfoundland and Labrador

In response to the author's information request, the Newfoundland and Labrador government granted tobacco and fuel tax rebate amounts from 2010-15. Their note on the initial fiscal year is interesting, given that the tobacco rebates exceeded \$1 million in just six weeks: "Note: Fiscal 2011 includes only Feb 16 - Mar 31, 2011 as gasoline exemption did not commence until Feb 16, 2011." Gasoline rebates barely register in Newfoundland's finances and tobacco rebates only represent one percent of revenues.

Table 13						
Newfoundland and Labrador Tobacco and Fuel Tax Revenues and First Nations Rebates, Fiscal 2011-16 (millions of \$)						
Fiscal Year	Tobacco Revenues	Tobacco Rebates	Tobacco Rebates as % of Revenues	Gasoline Tax Revenues	Gasoline Tax Rebates	Rebates as % of Revenues
2010-11	135,000,000	1,491,440.70	1.10%	168,902,000	77,476.91	0.05%
2011-12	137,821,000	1,665,101.70	1.21%	168,566,000	351,188.30	0.21%
2012-13	146,000,000	1,592,494.50	1.09%	170,684,000	363,939.64	0.21%
2013-14	148,017,000	1,643,879.72	1.11%	185,666,000	332,972.84	0.18%
2014-15	157,078,000	1,833,278.83	1.17%	185,858,000	366,532.37	0.20%



Provincial and National Comparisons by Tax

Tobacco

Government	Population (Millions)	Registered Indians	Registered Indians Living on Reserves ⁶⁷	Tobacco Tax Exemptions by Government (\$ millions)	Tobacco Tax Rebates as % of Revenues	Tobacco Tax Exempted per Overall Population	Tobacco Tax Exemptions per Registered Indians	Tobacco Tax Exemptions per Registered Indian on Reserve
BC	4.50	112,400	49,681	42.8	5.7%	\$9.52	\$381.00	\$862.00
AB	3.79	96,730	45,753	40.7	4.5%	\$10.74	\$420.82	\$889.69
SK	1.07	94,160	53,954	56.0	21.5%	\$52.52	\$594.73	\$1,037.93
MB	1.23	105,815	61,267	34.0	13.3%	\$27.56	\$321.32	\$554.95
ON	13.26	125,560	46,457	48.6	4.2%	\$3.66	\$387.07	\$1,046.12
QC	8.01	52,645	37,904	13.3	1.2%	\$1.66	\$252.71	\$350.99
NB	0.76	10,275	7,069	12.1	8.1%	\$15.98	\$1,174.70	\$1,707.41
NS	0.94	12,910	8,779	16.8	8.1%	\$17.75	\$1,298.64	\$1,909.76
PEI	0.14	765	430	1.1	5.7%	\$7.85	\$1,478.35	\$2,630.52
NF	0.53	8,015	2,813	1.8	1.2%	\$3.49	\$228.32	\$650.49
Prov.'s	34.23	619,275	314,107	258.6	5.2%	\$7.56	\$417.65	\$823.42
Federal	35.54	637,660	314,366	427.5	5.2%	\$12.03	\$670.42	\$1,359.88
Total	35.54	637,660	314,366	686.2	5.2%	\$19.31	\$1,076.04	\$2,182.64

Note: Nova Scotia numbers are estimated based on New Brunswick totals. Yellow highlights are for the highest province in each category, while green highlights are for the lowest.

The table above shows how substantial tobacco tax exemptions are for registered Indians. To produce the chart, I compared the population from July 1, 2011 with the registered Indian population as declared based on the 2011 census. I estimated the numbers living on reserve based on the percentages of registered Indians who did so by province (previously shown in Table 1). I extrapolated the federal tobacco tax exemptions based on the percentage of excise taxes exempted at the provincial level. The slight variation between the federal and provincial population totals has to do with the inclusion of the territories in the Canadian amounts.

Although Ontario has the highest population of people and of registered Indians, more live on reserves in Manitoba than anywhere else. Even so, Saskatchewan ends up having the highest tobacco tax exemptions (\$56 million), the highest percentage of exemptions vs. revenues (21.5 percent), and the highest amount of tax exemptions per member of the general population (\$52.52). This can be explained in part by the prevalence of urban reserves in that province. Currently, Saskatchewan has 51 urban reserves.⁶⁸ Such innovations allow those living off reserve to more easily access a convenience store or gas station where cigarettes may be bought.

On the low end, Quebec ties Newfoundland and Labrador for the lowest percentage of revenues rebated to registered Indians. Exemptions in la belle province also produce the lowest dollar figures per Quebecer (\$1.66), registered Indian, (\$252.71), and registered Indian on reserve (\$350.99).

Prince Edward Island presents a surprising mix of highs and lows on our chart. Only 0.5 percent of the population are registered Indians, and just 0.3 percent live on reserve. However, at 72 percent, PEI has the highest percentage of its registered Indians living on reserve. The island’s tiny size means that the opportunity to buy tax-free tobacco is easy for registered Indians and presumably for any smoker who knows one willing to buy on his or her behalf. The tobacco dollars exempted per Islander are an unspectacular \$7.85 (even less than the national average of \$12.03 in provincial excise taxes); the \$1.12 million in exemptions means an astonishing \$1,478.35 per registered Indian and \$2,630.52 per registered Indian on reserve. And this is before the federal tax is applied.

Fuel Taxes

Fuel tax exemptions are known exactly for nine of 10 provinces, and provincial sales taxes on fuel can be calculated with great accuracy. The exception is Nova Scotia where, as with tobacco exemptions, fuel exemptions are calculated based on percentages borrowed from neighbouring New Brunswick. Rebates based on sales tax on fuel were not included. In its 2014 annual Gas Tax Honesty Day backgrounder,⁶⁹ the CTF estimated the provincial sales tax that would be collected on fuel based on budget projections, while market surveys provide average prices in each province.⁷⁰ This paper imports statistics from the CTF calculations and the market surveys. The exemption percentage multiplied by the sales tax fuel revenues renders the exemption for provincial sales tax on fuel.

The federal government places an excise tax of 10 cents per litre on gasoline and four cents on fuel, plus the GST on the price of gasoline and all other taxes. Statistics Canada records the amounts of gasoline and diesel sold in each province annually, with 2014 numbers being the latest available.⁷¹ I applied the ratio of exemptions to revenues for fuel taxes in each jurisdiction to estimate the number

Table 15

Provincial Motive Fuel Tax Revenues and First Nations Exemptions, 2014-15

Government	Provincial Per Litre and Carbon Taxes	First Nations Fuel & Carbon Tax Exemptions & Rebates	%	Provincial Sales Tax on Fuel	Estimated Value of Exemptions of Sales Tax on Fuel	Total Provincial Tax Revenues From Including Carbon Taxes	Total Provincial Value of Tax Exemptions
BC*	2,167,000,000	9,457,155	0.4%	0	0	941,000,000	9,457,155
AB	944,000,000	6,831,510	0.7%	0	0	944,000,000	6,831,510
SK	490,041,611	14,812,112	3.0%	0	0	490,041,611	14,812,112
MB	345,164,827	10,200,000	3.0%	0	0	345,164,827	10,200,000
ON	3,500,698,194	16,332,890	0.5%	1,988,279,801	9,276,537	5,488,977,995	25,609,427
QC	2,310,275,568	2,077,313	0.1%	1,406,708,022	1,264,859	3,716,983,590	3,342,172
NB	240,000,000	2,540,000	1.1%	137,779,765	1,458,169	377,779,765	3,998,169
NS**	248,274,000	2,627,567	1.1%	171,908,058	1,819,360	420,182,058	4,446,927
PEI	35,398,000	175,690	0.5%	25,275,461	125,449	60,673,461	301,139
NF	185,858,000	366,532	0.2%	99,503,664	196,232	285,361,664	562,765
Total	10,466,710,200	65,420,769	0.6%	3,829,454,771	23,935,494	13,070,164,971	89,356,263

*B.C. estimates based on 2015-16 percentages. Since 2014-15 revenues were 95.2 percent as high as in 2015-16, exemptions were adjusted down accordingly.

**Nova Scotia estimates based on New Brunswick percentages.

Yellow highlights = highest in column. Green highlights = lowest. Estimates in italics.



Table 16

Federal Motive Fuel Tax Revenues and First Nations Exemptions by Province, 2014-15 (\$ and litres in millions)

Province	Gas Sold	Litres of Diesel Sold	Federal Excise Tax	Exempt \$ of Federal Excise Tax	Cents/L of Gas or Diesel	GST Rev's	Estimated GST Exempt	Total Federal Taxes	Total Federal Exempt	Total Prov. & Federal Exempt	Total Exempt as a % of Total Revenue
BC*	4,422	1,923	519	2.27	6.6	419	1.83	938	4.09	13.55	0.44%
AB	6,401	4,461	819	5.92	5.9	641	4.64	1,459	10.56	17.39	0.72%
SK	1,534	1,472	212	6.42	6.1	183	5.54	396	11.96	26.77	3.02%
MB	1,551	815	188	5.55	6.0	142	4.19	330	9.74	19.94	2.96%
ON	15,991	4,943	1,797	8.38	6.0	1,256	5.86	3,053	14.24	39.85	0.47%
QC	7,706	2,744	880	0.79	5.9	617	0.55	1,497	1.35	4.69	0.09%
NB	1,055	381	121	1.28	5.9	85	0.90	205	2.17	6.17	1.06%
NS**	1,138	402	130	1.37	6.1	94	0.99	224	2.37	6.82	1.06%
PEI	200	40	22	0.11	6.1	15	0.07	36	0.18	0.48	0.50%
NL	742	317	87	0.17	6.1	65	0.13	151	0.30	0.86	0.20%
Total	40,739	17,496	4,774	32.26		3,515	24.71	8,289	56.96	146.32	0.63%

*B.C. estimates based on 2015-16 percentages. Since 2014-15 revenues were 95.2 percent as high as in 2015-16, exemptions were adjusted down accordingly.

**Nova Scotia estimates based on New Brunswick percentages.

Yellow highlights = highest in column. Green highlights = lowest.

of litres sold and the tax amounts that therefore applied. Even better, Alberta and B.C. explicitly disclosed the litres exempted by information request.

Ontario ranks highest in most categories and PEI the lowest, due to their populations. Because the GST also applies to the provincial taxes themselves, B.C.'s fuel tax and carbon tax combine with the pump price for the highest GST per litre at 6.6 cents. Of course, fuel tax exemption rates remain the same as in our previous chart.

Table 17

Federal and Provincial Fuel Tax Revenues and First Nations Exemptions Per Canadian, Registered Indian, and Reserve Registered Indian, 2014-15

Province	Prov. Fuel Tax*** Exempt (millions \$)	Provincial Fuel Tax Exempted per Resident	Provincial Fuel Tax Exempted per Registered Indian	Provincial Fuel Tax Exempted per Reserve Registered Indian	Cents/L of Gas or Diesel	GST Rev's	Estimated GST Exempt	Total Federal Taxes
BC	*9.5	\$2.10	\$84.14	\$190.36	13.6	\$3.01	\$120.55	\$272.75
AB	6.8	\$1.80	\$70.62	\$149.31	17.4	\$4.59	\$179.81	\$380.15
SK	14.8	\$13.89	\$157.31	\$274.53	26.8	\$25.10	\$284.29	\$496.15
MB	10.2	\$8.27	\$96.39	\$166.48	19.9	\$16.16	\$188.43	\$325.45
ON	25.6	\$1.93	\$203.96	\$551.25	39.9	\$3.00	\$317.40	\$857.84
QC	3.3	\$0.42	\$63.49	\$88.17	4.7	\$0.59	\$89.05	\$123.68
NB	4.0	\$5.29	\$389.12	\$565.58	6.2	\$8.17	\$600.76	\$873.20
NS	**4.4	\$4.71	\$344.46	\$506.55	6.8	\$7.22	\$527.96	\$776.41
PEI	0.3	\$2.09	\$393.65	\$700.44	0.5	\$3.34	\$628.11	1,117.64
NL	0.6	\$1.07	\$70.21	\$200.04	0.9	\$1.64	\$107.46	\$306.14
All	89.4	\$2.61	\$144.29	\$284.48	146.3	\$4.27	\$236.27	\$465.82

*B.C. estimates based on 2015-16 percentages. Since 2014-15 revenues were 95.2 percent as high as in 2015-16, exemptions were adjusted down accordingly.

**Nova Scotia estimates based on New Brunswick percentages.

Yellow highlights = highest in column. Green highlights = lowest.



Although Ontario had the highest amounts for fuel tax exemptions, Saskatchewan taxpayers bore the heaviest burden and PEI's registered Indians derived the greatest benefit. The lowest cost to individual taxpayers and the least benefit to individual registered Indians were found in Quebec. It cost taxpayers there only 59 cents per capita for exemptions to First Nations, while registered Indians benefited at \$89.05 each. For those who lived on Quebec reserves, the benefit was \$123.68 — barely one-tenth the \$1,117.64 enjoyed by PEI's registered Indians on reserve.

Income Taxes

For reasons described earlier in the paper, income tax exemptions can only be estimated. The methodology used as an estimate in Informetrica's attempt had 18 steps that had to be applied to each of the reserve census subdivisions. Those subdivisions number more than 1,000, meaning that replicating the methodology used there was not feasible without an extraordinary amount of work.

The only government estimation of income tax from our requests for information came from Quebec. The province estimated that income taxes not applied to its 20,700 on-reserve individuals resulted in \$62 million worth of tax losses. If we multiply the \$2,989.39 per registered Indian by Canada's 314,366 registered Indians on reserve, we get a total of \$939.8 million of income tax losses for Canada. Considering Informetrica estimated B.C.'s income tax losses to be \$20 million despite having 40,000 registered Indians on reserve, the Quebec estimate seems high.

Peter Peller, librarian and head of numerical and spatial data services at the University of Calgary, offered invaluable assistance in estimating these income tax losses. Peller used the 2006 Hierarchical Census Data to calculate the effective tax rate for two groups of people — registered Indians and all others. He calculated the total amount of tax collected for each category in each of the income levels listed above. From there he calculated the effective average tax rate.



Table 18

Estimates of Total Income, Income Taxes Paid, Total Income, and First Nations Exemptions, 2006

Income	Average Total Income per Person	Average Income Tax Paid (\$)	Effective Income Tax Rate	Average Total Income of Individual	Average Income Tax Paid (\$)	Effective Income Tax Rate per Registered Indian	Total Income Tax Paid	% Lower Income Tax Rate	% of Taxes Exempt due to Indian Act
Loss and nil	-428	23	-	-272	0	0.00	0	0.00	0.0%
1-10000	5,074	62	1.23	4,387	10	0.23	1,502,610	1.00	81.4%
10,001-20,000	15,370	456	2.96	15,006	206	1.37	19,111,839	1.59	53.8%
20,001-30,000	25,401	2,230	8.78	25,095	1,140	4.54	61,114,997	4.24	48.3%
30,001-40,000	35,310	4,456	12.62	35,436	2,490	7.03	87,419,119	5.59	44.3%
40,001-50,000	45,284	7,207	15.91	45,109	4,787	10.61	87,618,260	5.30	33.3%
50,001-60,000	55,323	10,209	18.45	54,900	7,092	12.92	85,117,544	5.54	30.0%
60,001-70,000	65,204	13,046	20.01	64,889	10,444	16.10	84,617,441	3.91	19.5%
70,001-80,000	75,306	16,049	21.31	74,848	14,349	19.17	66,019,308	2.14	10.0%
80,001-90,000	85,161	19,703	23.14	84,417	22,203	26.30	53,297,486	-3.16	-13.7%
90,001-100,000	96,448	23,922	24.80	96,222	23,778	24.71	21,404,412	0.09	0.4%
100001-150000	124,330	35,205	28.32	121,821	35,593	29.22	78,319,643	-0.90	-3.2%
150001-250000	191,194	64,910	33.95	175,133	49,116	28.05	34,388,488	5.90	17.4%
250,001 & over	498,324	193,071	38.74	387,996	59,500	15.34	11,902,453	23.41	60.4%
Total	33,842	6,155	18.19	18,621	1,664	8.93	691,833,599	9.25	51%
N				25,113,676			415,886		

Table 19

First Nations Effective Income Taxes and Exemptions by Income Bracket, 2006

Income	People	Mean Income	Average Total Income of Individual	Effective Income Tax Rate	Total Income Tax Paid	Hypothetical Total Income (Using Non-Registered Tax Rate)	Exemptions
Loss and nil	34,907	-272	0	0.00%	0	0	0
1-10,000	149,931	4,387	10	0.23%	1,502,610	8,095,784	6,593,174
10,001-20,000	92,919	15,006	206	1.37%	19,111,839	41,340,610	22,228,770
20,001-30,000	53,611	25,095	1,140	4.54%	61,114,997	118,124,970	57,009,973
30,001-40,000	35,107	35,436	2,490	7.03%	87,419,119	156,977,729	69,558,610
40,001-50,000	18,304	45,109	4,787	10.61%	87,618,260	131,400,094	43,781,834
50,001-60,000	12,002	54,900	7,092	12.92%	85,117,544	121,600,388	36,482,844
60,001-70,000	8,102	64,889	10,444	16.10%	84,617,441	105,179,344	20,561,903
70,001-80,000	4,601	74,848	14,349	19.17%	66,019,308	73,391,386	7,372,078
80,001-90,000	2,400	84,417	22,203	26.30%	53,297,486	46,884,656	-6,412,830
90,000-100,000	900	96,222	23,778	24.71%	21,404,412	21,484,015	79,603
100,000-150,000	2,200	121,821	35,593	29.22%	78,319,643	75,902,344	-2,417,299
150,000-250,000	700	175,133	49,116	28.05%	34,388,488	41,629,081	7,240,593
250,001+	200	387,996	59,500	15.34%	11,902,453	30,071,251	18,168,798
Total	415,886	18,621	1,664	8.93%	691,833,599	972,081,651	280,248,052

Whereas a registered Indian had an average effective tax rate of 8.93, it was 18.19 for everyone else — a savings of just over half. By this estimation, registered Indians would have paid an extra \$281 million in income taxes were it not for the tax exemptions on reserve some of them received. However, when Peller tried his simplified method on registered Indians in B.C., he produced a figure of \$36 million. The \$20 million estimate made by the Informetrica study was only 56 percent as much. Given Informetrica’s rigorous methodology, it may suggest that we should multiply the national estimate by 56 percent. If we do so, the result is \$155.7 million. On the other hand, Courchene’s 1991 estimate of the provincial portion of income taxes alone amounts to \$158 million in today’s dollars, suggesting that Peller’s \$280.2 million estimate for combined provincial and federal income taxes is not unreasonable.

Peller also calculated similar estimates based on the 2011 National Household Survey hierarchical data. At 366,459 the sample had fewer registered Indians with taxable income than the one in 2006 which had 415,286. The 2006 census counted 623,780 registered Indians⁷² while the 2011 census counted 637,660. This said, such numbers always fall short of those of INAC’s official registry because not all reserves are adequately enumerated.⁷³

Table 20

Registered Indian Tax Exemptions by Tax Bracket, 2011

Income Bracket	People	Average Total Income	Income Tax Paid	Effective Income Tax Rate	Total Income Tax Paid	Hypothetical Total Income (Using Non-Registered Tax Rate)	Exemptions
Loss and nil	33,345	-8	0	0.0%	-	-	-
1-10,000	99,823	3,982	21	0.5%	2,111,954	8,175,993	6,064,039
10,001-20,000	83,991	15,243	136	0.9%	11,439,825	27,825,384	16,385,559
20,001-30,000	45,491	24,974	1,003	4.0%	45,625,144	70,868,161	25,243,016
30,001-40,000	35,763	35,313	2,341	6.6%	83,712,011	123,999,886	40,287,875
40,001-50,000	22,109	45,041	3,909	8.7%	86,412,414	126,735,490	40,323,076
50,001-60,000	15,753	55,732	6,564	11.8%	103,397,021	133,959,108	30,562,088
60,001-70,000	9,923	65,667	8,051	12.3%	79,888,542	111,445,616	31,557,074
70,001-80,000	7,037	75,322	11,172	14.8%	78,619,907	99,010,075	20,390,169
80,001-90,000	4,097	85,460	15,055	17.6%	61,675,477	68,747,388	7,071,911
90,001-100,000	3,931	96,795	17,027	17.6%	66,936,840	80,507,580	13,570,740
100,001-150,000	3,432	126,839	27,934	22.0%	95,878,777	104,152,802	8,274,024
150,001-250,000	1,584	179,448	42,538	23.7%	67,375,726	81,039,196	13,663,470
250,001 and over	180	370,259	137,147	37.0%	24,743,343	22,787,905	- 1,955,439
Total	366,459	23,601	2,204	9.3%	807,817,072	1,059,254,584	251,437,511

For the sake of comparison, Peller made separate calculations based on employment income, market income, and total income. The results are presented in Table 21.



Table 21

Estimated Tax Exemptions Comparing Effective Tax Rates of Registered Indians to all Others, 2011

Catagory	Effective Total Income Tax Rate	Total Income Tax Paid	Hypothetical Total Income Income Tax on Total Income (Using Non-Registered Income Tax Rate)	Hypothetical Total Income Income Tax on Total Income (Using Non-Registered Income Tax Rate)	Hypothetical Total Income Income Tax on Market Income (Using Non-Registered Income Tax Rate)
Not a Registered Indian	16.49	169,714,674,957	n/a	769,450,108,395	902,645,772,105
Registered Indian	9.34	807,817,072	1,059,254,584	882,337,341	946,753,651
Estimated Income Taxes Exempted			251,437,511	74,520,269	138,936,578

Why would the value of the tax exemption drop from \$280 million in 2006 to \$251 million in 2011? For one thing, the percentage of registered Indians reporting taxable income was 66.6 percent in 2006 (415,286/623,780), but was 57.5 percent in 2011 (366,459/637,660). More importantly, Saskatchewan raised its basic personal exemption (BPE) by \$4,000 in 2008, taking 80,000 people off the tax rolls and saving everyone who made \$12,495 or more \$440 more than the year before.⁷⁴ If 50,000 of Saskatchewan’s 54,000 registered Indians on reserve earned the basic personal exemption, the BPE tax cut would cut \$22 million out of the value of exemptions on reserve. Although those living on reserve would have received such tax breaks anyway, they would no longer be because of the *Indian Act* tax exemptions. The drop in exemption estimates may also be an artifact of our loose calculations, since tax exemptions seemed to vanish for the highest income bracket, nullifying the \$18.2 million exemption found in 2016.

Table 22

Estimates of Effective Income Tax Rates and Exemptions for Registered Indians, 2006 and 2011

Income Bracket	2006				2011			
	Other	Registered Indians			Other	Registered Indians		
	Effective Income Tax Rate	Effective Income Tax Rate	% Lower Income Tax Rate	% of Taxes Exempted Due to <i>Indian Act</i>	Effective Income Tax Rate	Effective Income Tax Rate	% Lower Income Tax Rate	% of Taxes Exempted Due to <i>Indian Act</i>
Loss and nil	-	0	0	0.00	0.00	0.00	0.00	0.00
1-10000	1.23	0.23	1	81.40	2.06	0.53	1.53	74.17
10001-20000	2.96	1.37	1.59	53.80	2.17	0.89	1.28	58.89
20001-30000	8.78	4.54	4.24	48.30	6.24	4.02	2.22	35.62
30001-40000	12.62	7.03	5.59	44.30	9.82	6.63	3.19	32.49
40001-50000	15.91	10.61	5.3	33.30	12.73	8.68	4.05	31.82
50001-60000	18.45	12.92	5.54	30.00	15.26	11.78	3.48	22.81
60001-70000	20.01	16.1	3.91	19.50	17.10	12.26	4.84	28.32
70001-80000	21.31	19.17	2.14	10.00	18.68	14.83	3.85	20.59
80001-90000	23.14	26.3	-3.16	-13.70	19.64	17.62	2.02	10.29
90001-100000	24.8	24.71	0.09	0.40	21.16	17.59	3.57	16.86
100001-150000	28.32	29.22	-0.9	-3.20	23.92	22.02	1.90	7.94
150001-250000	33.95	28.05	5.9	17.40	28.51	23.71	4.81	16.86
250001 & over	38.74	15.34	23.41	60.40	34.11	37.04	-2.93	-8.58
Total	18.19	8.93	9.25	50.51	16.49	9.34	7.15	43.35



Table 22 shows that the effective income tax rate in 2011 actually went up for registered Indians compared to previous years. This may reflect the long trend of migration off the reserve. By total income, the effective tax rate for registered Indians rose by 0.41 percent even while it dropped by 1.5 percentage points for others. This meant the percentage of income taxes exempted for registered Indians dropped to 43.35, down from 50.51 in 2006. Both percentages are loosely what we should have anticipated. They are close to the same percentages of registered Indians who live on reserve, a trend that has been dropping for decades. As registered Indians leave the reserve for a different life and opportunities, they usually forfeit the chance to make tax-free income.

Sales Taxes

Table 23

Sales Tax Exemptions in Manitoba and Ontario, 2014-15

Province	Population (Millions)	Registered Indians	Registered Indians on Reserve	% on Reserve	Sales Tax Revenue (Millions \$)	Provincial Exempt	% of Total Exempt	Exempt per Capita in Province	Exempt per Registered Indian	Exempt per Reserve Registered Indian
MB	1.23	105,815	61,267	5.0%	2.20	70.0	0.887%	15.84	184.70	319.01
ON	13.26	125,560	46,457	0.4%	21.69	30.4	0.140%	2.29	242.37	655.05

Only two provinces offered sales tax numbers via information request and they are shown in the chart above. Because Ontario’s sales tax is harmonized with the federal government, dividing the provincial portion of the HST by the eight percent Ontario portion, multiplied by the five percent federal portion gives us the amount of GST exempted. Add the two totals, and the total sales tax exemptions are known. In all, the average registered Indian on an Ontario reserve saves \$1,064.46 in sales taxes each year.

Table 24

Federal and Total On-Reserve Exemptions for Sales Tax in Ontario, 2014-15

Federal Portion of HST Exempt (Millions)	Federal Portion of HST Exempt per Capita	Federal Portion of HST Exempt per Registered Indian	Federal Portion of HST Exempt per Reserve Registered Indian	Total HST Exempt (Millions \$)	Total HST Exempt Per Canadian	Total HST Exempt per Registered Indian	Total HST Exempt per Reserve Registered Indian
19.02	1.43	151.48	409.41	49.45	3.73	393.85	1064.46

Venturing a guess on sales taxes based on these data points would be a ballpark figure at best. However, it is important to do so, given this paper’s goal of estimating the total value of tax exemptions and of comparing it to federal transfers. Having a figure of zero for sales taxes would be more misleading than a loose estimate. With that in mind, an estimate is worth consideration.

In addition to the Ontario exemption totals, we also know from a compilation of provincial public accounts that provincial sales taxes in 2014-15 were \$1,376 per capita. In Ontario, however, the figure was \$1,636. This means the average Canadian province collected 84.13 percent as much tax as Ontario. If we multiply the Ontario sales tax exemption per registered Indian on reserve (\$404.41) by

84.13 percent, we could guess \$344.43 as a supposed national average of provincial taxes exempted per registered Indian on reserve. Multiply that by the number of reserve registered Indians and we get \$108,276,680 for provincial sales tax exemptions. This is certainly a conservative estimate, given that \$30 million from Ontario and \$70 million from Manitoba get us to \$100 million right away. That said, we do not know Manitoba’s method for estimation or how reliable it is.

Table 25				
Provincial Sales Taxes in Canada, 2014-15				
	Sales Tax Revenues	Population	Per Capita Sales Tax	Exemption per On-Reserve Registered Indian
All Provinces & Territories	48,904,969,731	35,540,000	\$1,376.05	*344.43
Ontario	21,688,764,731	13,260,000	\$1,635.65	409.41

*Estimated based on the 84.13 percent ratio of Canada’s per capita sales tax to Ontario’s multiplied by Ontario’s exemption per on-reserve registered Indian.

From here one may also surmise exemption totals for the GST. The GST per reserve registered Indian in Ontario was \$409.41. Let’s assume for a moment that this holds true for all of Canada. Multiply that \$409.41 by the 314,366 registered Indians on reserves in Canada and we arrive at an estimate for total GST exemptions: \$128 million. Added to the provincial totals, the grand total for First Nations sales tax exemptions in Canada would be \$237 million. This figure is a ballpark figure at best. It should also be noted that low-income registered Indians living on reserve do not receive the HST/GST rebates they would otherwise get because they do not have reportable income. This slightly mitigates the effects of this exemption on government coffers.

Table 26	
Estimated Sales Tax Exemptions on Canadian First Nations Reserves, 2014-15	
Number of Reserve Registered Indians	314,366
Estimated Provincial Sales Tax Exemptions	\$108,276,680
GST Exempted per Reserve Registered Indian	\$409.41
Estimated GST Exemptions	\$128,703,587
Total Sales Tax Exemptions	\$236,980,267

Grand Totals

Having made broad estimates on income and sales taxes, we come to a grand total of \$1,272,200,000 in tax exemptions due to the *Indian Act*. This represents less than \$35.80 per Canadian, but is a helpful \$1,995.17 per registered Indian and a hefty \$4,046.99 per registered Indian on reserve. Income taxes only account for 12 percent of the exemptions by our estimation.

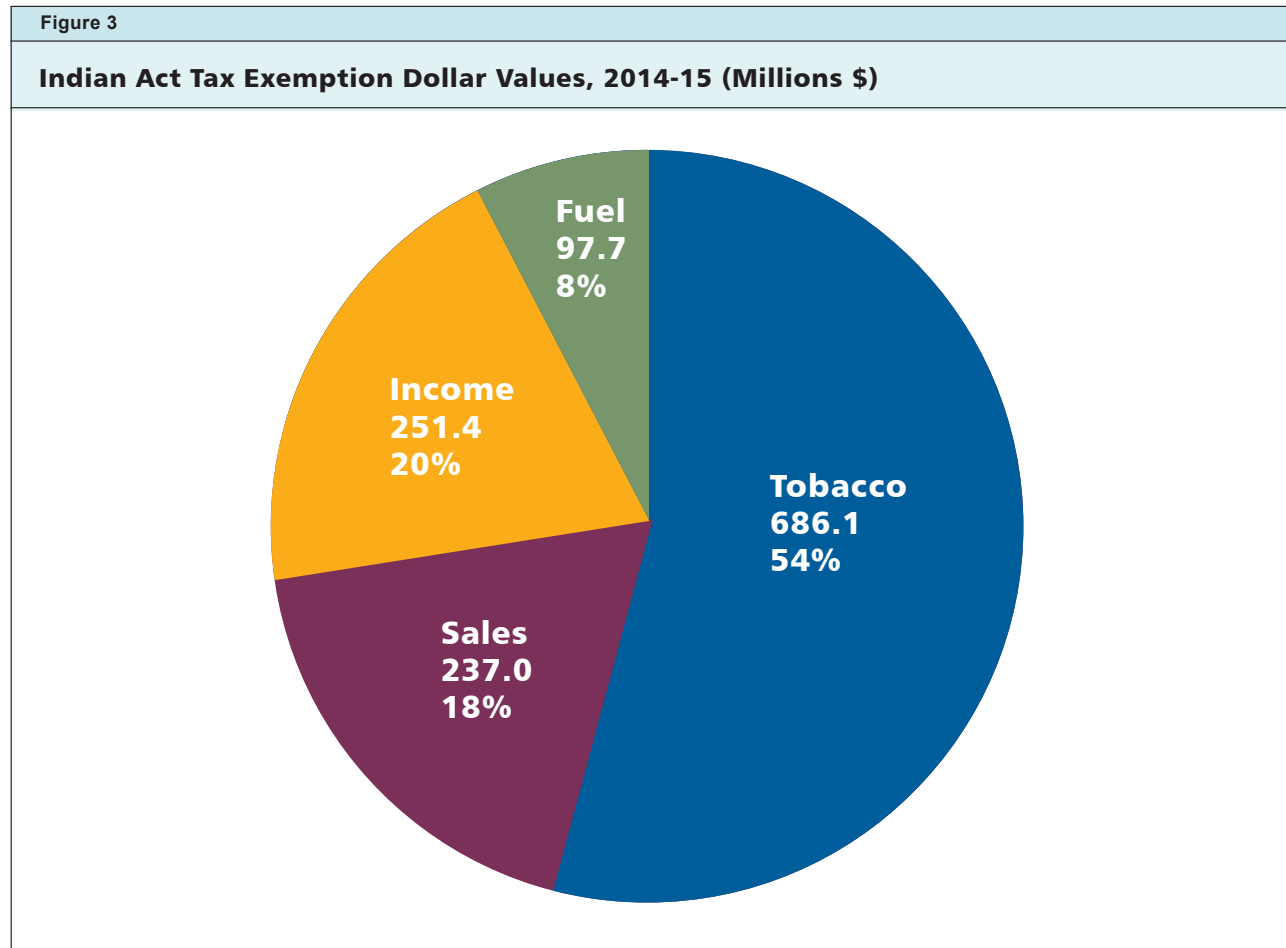
Tax Exemption	Millions of Dollars Exempted	Exempt per Canadian	Exempt per Registered Indian	Exemption per On-Reserve Registered Indian
Tobacco, Provincial	258.6	\$7.28	\$405.55	\$822.61
Tobacco, Federal	427.5	\$12.03	\$670.42	\$1,359.88
Tobacco Total	686.1	\$19.31	\$1,075.97	\$2,182.49
Provincial Sales or Portion of HST	108.3	\$3.05	\$169.84	\$344.50
Goods & Services Tax	128.7	\$3.62	\$201.83	\$409.40
Sales Total	237.0	\$6.67	\$371.67	\$753.90
Income, Provincial & Federal	251.4	\$7.07	\$394.31	\$799.82
Fuel and Carbon Tax, Provincial	65.4	\$1.84	\$102.56	\$208.04
Fuel Excise Tax, Federal	32.3	\$0.91	\$50.65	\$102.75
Fuel Total	97.7	\$2.75	\$153.22	\$310.78
Grand Total	1,272.2	\$35.80	\$1,995.17	\$4,046.99

It is worth noting that more than half of the exemptions are from tobacco alone. These smokers can indulge their habit relatively cheaply and taxpayers will cover many of the medical expenses from the risks involved. It is difficult to argue that this is fair or thoughtful policy.

If one thinks that the increasing numbers of Aboriginals living off reserve will relieve the amount of tax exemptions, this assumption is only partly right. By the estimates in this paper, income taxes only cover 12 percent of the total. Even if the proper estimate were twice the \$139.7 million listed here, it would still be less than one-quarter of the total. Tobacco consumption tends to be higher at younger ages and the 2011 census showed that children 14 and under made up 28 percent of the Aboriginal population, but just 16.5 percent of the non-Aboriginal population.⁷⁵ Many in this age bracket have since become smokers, meaning the tobacco exemption values will continue to increase unless changes are made.

Governments could curtail these losses by limiting purchases to one carton per week per registered Indian. Saskatchewan made this move in 2010, which helped contribute to decreased losses from tax exemptions of \$1.3 million between 2009/10 and 2011/12 in Saskatchewan even amid tobacco tax increases.

How then do the tax exemptions compare to the federal transfers? Such tax exemptions would be equal to 15.8 percent of the combined \$8.06 billion spent by INAC and the NIHB program. This is a substantial amount. Business and municipal tax exemptions would certainly increase this percentage, were they known.



Policy Implications

The multi-millions of dollars forfeited by the different orders of government on First Nations tax exemptions, and the lack of reliable figures for much of the data, give rise to important policy implications.

First, we need to end the dearth of data on tax exemptions afforded to First Nations individuals living on reserves. More data need to be available and made public without the kinds of efforts this author expended. Provinces and the federal government do not publish the values for any kind of on-reserve tax exemptions, save for the Quebec government with its estimates of income tax exemptions. Advocacy groups seem to be the only ones trying to discover and disclose such numbers and this should not be the case.

The government agencies that can fill this void are Statistics Canada and the finance departments of the provinces, territories, and the federal government. Budgets and public accounts could publish point-of-sale exemptions on tobacco and fuel.

The Saskatchewan government, for example, posted the dollar amounts for 15 sales tax exemptions, the low-income tax credit, three fuel tax exemptions, eight deductions from income taxes, 16 non-refundable tax credits, four corporate income tax credits, and five others besides, one of which was the Mineral Exploration Tax Credit that was worth only \$500,000.⁷⁶ Yet, the province did not publish the growing millions of dollars in First Nations tax exemptions. This oversight cannot be justified, even granting the possibility this omission is politically motivated to avoid controversy.

Statistics Canada can pick up where governments leave off. It could publish and compile such information from the provinces. It could also ask a specific question regarding how much tax-free money was earned on reserve as part of its census or its Aboriginal survey. It could also ask what percentage of household purchases are made on reserve. This information should be of interest to those promoting Aboriginal business development as well as policy researchers and governments.

TD Economics made similar recommendations in 2011:

We continue to call for improved data collection methods, better survey participation rates among communities, and less fragmented results across agencies and departments ... Furthermore the collection and availability of high quality data would certainly help policymakers and other stakeholders better understand and analyze the complex issues at hand.⁷⁷

It is encouraging to see the growth of Aboriginal industry, commerce, education, and employment. These are all key elements to restoring peoples who have been marginalized and impoverished. It is an unfortunate irony that as employment and development on reserve grow to the benefit of the people living there, it comes at a cost to those off reserve who do not have the opportunities to benefit from such tax loopholes.

Given that the federal government is not bound by any treaty to grant such tax exemptions, it may consider phasing them out or at least phasing out federal transfers to bands as they become more economically self-sufficient (a self-sufficiency certainly aided by the tax exemptions). Another option

would be to have all such taxes applied consistently with those off reserve, but to transfer the revenues to the bands where the taxes were applied. This would require changes to the *Indian Act* and substantial consultation and negotiation.

No one should expect such changes to be easy. Change is difficult at the best of times, and even more so when one party must exchange handouts for entrepreneurship. Even so, there are plenty of reasons to consider such change. Government by the people should always be supported by revenues from the people — not from some other people.

In the meantime, provincial and federal governments may want to re-examine tobacco tax exemptions. One option is to do what Saskatchewan did and include stricter limits on tobacco sales and enforcement of such sales in the interests of protecting public health and preventing lost revenue. The New Brunswick government had very high tobacco exemptions, per registered Indian, on reserve at \$1,707. It wisely decided to rescind the PST deals that allowed First Nations to pocket additional tax rebates for sales to non-First Nations people, an arrangement that fostered grievances and forfeited revenue. One may wonder how the \$2,630 of provincial tobacco tax exemptions per registered Indian on PEI reserves has not caught the attention of the provincial government there. It would seem it is time to give the exemption there more scrutiny in how it is applied, if not greater restrictions.

Businesses off reserve have a legitimate complaint that tax exemptions on reserve present competitive advantages. A First Nations band could create a business with government help, with programs sponsored by the federal or provincial government, all financed by tax dollars they did not pay. The band can then create a business with an ownership structure of a limited partnership and avoid business taxes, retain labour while paying employees less since their income is not taxed away, sell tax-free cigarettes and gasoline to registered Indians (including their own), and enjoy cheap construction and expansion costs since every product or service delivered to the reserve is tax free. Meanwhile, the band will continue to enjoy many other kinds of help from INAC.

On-reserve tax exemptions present an interesting irony — to the extent that First Nations people remain poor or away from the reserve, such exemptions have no impact. However, as bands and reserves leverage their tax-free advantages into commercial enterprises, the exemptions mean that taxpayers off reserve feel a heavier burden. As pension and health-care costs threaten to grow, and governments struggle to balance the budget (or fail to do so), a growing gap between potential and realized revenues should move these same governments to pay the issue of tax exemptions more attention. Now that such exemptions have an annual worth well past \$1 billion, it is in the public interest to have more examination and disclosure regarding them. The examination here is only a starting point that begs for further research, more data, and most likely changes to perspective, if not policy.



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