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What to consider for Indigenous Peoples

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Status Indian definition

For purposes of the tax exemption under section 87 of the Indian Act, the CRA uses the term "Indian" because it has a legal meaning in the Indian Act. Individuals who are "Indians", as defined in the Indian Act, are often referred to as Status Indians.

Generally, a Status Indian is subject to the same tax rules as other Canadian residents unless their income is eligible for tax exemption under section 87 of the Indian Act. If a Status Indian's personal property, including income, is earned or situated on a reserve then it is exempt from tax. This may include employment income earned by a Status Indian who does not live on a reserve, but who performs their duties of employment on a reserve.

Tax-exempt income under section 87 of the Indian Act is not reported on the tax return.

For more information, refer to:

- [Indian Act Exemption for Employment Income Guidelines](#)



CVITP tip

As a CVITP volunteer, you are not required to determine an individual's status or tax-exemption(s).

Employment-related income

Generally, if a Status Indian receives the following types of income, the CRA treats them in the same way as the employment income that gave rise to the benefit:

- Employment Insurance benefits (EI)

- Canada Pension Plan benefits (CPP)
- Quebec Pension Plan benefits (QPP)
- Registered pension plan benefits
- Retiring allowances
- Wage-loss replacement plan benefits

For example, if all of the individual's employment income was tax exempt under section 87 of the Indian Act then, all of the EI benefits the individual would be eligible for, because of their employment income, would also be tax exempt. However, if only 50% of their employment income was tax exempt, then only 50% of their EI benefits are tax exempt.

The effects of tax-exempt income

Certain amounts may not be claimed as deductions if they are directly related to tax-exempt income. If only part of the income is tax-exempt, then only a portion of the deduction can be claimed. For example, if 60% of the income is tax-exempt and union dues are paid, only 40% of those dues can be claimed as a deduction on taxable income.

Other deductions may include the Registered Pension Plan (RPP) contributions.

Tax-exempt income is not considered in the calculation of many deductions, tax credits and benefits, including:

- Canada child benefit (CCB)
- Goods and services tax/harmonized sales tax (GST/HST) credit
- Registered retirement savings plans (RRSP) deduction limits
- Charitable donations
- Medical expenses

Form T90 Income Exempt from Tax under the Indian Act

Individuals who are registered, or eligible to be registered, as a Status Indian under the Indian Act and have income that is tax exempt under the Indian Act can use Form T90, Income Exempt From Tax Under the Indian Act, to calculate their net exempt income. With this completed form, the CRA can properly calculate the individual's Canada training credit limit (CTCL) for the following year, if applicable, and the Canada workers benefit (CWB) for the current tax year.

Tax slips that do not identify tax-exempt income

If the individual has any of the following tax slips, it is their responsibility to inform you of any tax-exempt amounts because these tax slips do not indicate the income is tax exempt.

Tax slip number	Name of tax slip
T4A(P)	Statement of Canada Pension Plan Benefits
T4RIF	Statement of Income from a Registered Retirement Income Fund
T4RSP	Statement of RRSP Income
T5	Statement of Investment Income
T5007	Statement of Benefits

Tax slip number	Name of tax slip
T4A	<p>Statement of Pension, Retirement, Annuity, and Other Income</p> <p>Exception: The T4A identifies the following income as being tax exempt</p> <ul style="list-style-type: none">• Box 144, Indian Act (exempt income) – Other income• Box 146, Indian Act (exempt income) – Pension or superannuation• Box 148, Indian Act (exempt income) – Lump-sum payments• Box 195, Indian Act (exempt income) – PRPP Payments



UFile tip

Tax slips that do not identify the income as tax-exempt income must be reported on the **Status Indian exemptions** page and the section that corresponds to the tax slip in UFile.

Once the tax-exempt amounts are entered into the appropriate fields within the software, the tax-exempt income is automatically reported on Form T90.

For more information, refer to:

- [UFile instructions](#)

Old age security pension

The old age security (OAS) pension benefits and the guaranteed income supplement are not tax exempt under section 87 of the Indian Act, even if the individual is a Status Indian living on a reserve. These payments are found on a T4A(OAS) slip and must be reported on the tax return.

For more information, refer to:

- [UFile instructions](#)
- [Old age security pension](#)

Social assistance payments

Social assistance payments paid by a municipal, provincial or territorial government are not tax exempt under section 87 of the Indian Act, regardless of an individual's status.

Social assistance payments paid by a band council to their status members living on reserve are tax exempt. For these types of payments, the band council may issue a T5007 slip or a letter.



UFile tip

The tax-exempt social assistance payments may have to be reported on both the **T5007 - Statement of benefits** and the **Status Indian exemptions** pages of UFile.

For more information, refer to:

- [UFile instructions](#)
- [Social assistance payments](#)

Scholarships, fellowships, bursaries and study grants

Income from scholarships, bursaries and similar payments are usually not taxed if the student qualifies for the scholarship exemption as a full-time and part-time student.

If the scholarship exemption does not apply, the income may still be tax-exempt under the Indian Act if either of the following applies:

- It is received from Indigenous Services Canada, either directly or through the individual's Band
- It is paid on behalf of the Crown in order to meet a treaty obligation

For more information, refer to:

- [Scholarships, fellowships, bursaries and study grants](#)

United States Social Security benefits

U.S. Social Security benefits are not tax exempt under section 87 of the Indian Act, even if the individual lives on a reserve. These payments must be reported on the tax return.

For more information, refer to:

- [UFile instructions](#)
- [Other pensions and superannuation \(United States Social Security\)](#)

COVID-19 benefits (T4A) (Indigenous)

The COVID-19 benefits are taxable the same way as employment-related income. This means that if all the employment income the individual earned to become eligible for the COVID-19 benefits was tax exempt then

the COVID-19 benefits they received are also fully tax exempt. If only 50% of the employment income was tax exempt, then the individual's COVID-19 benefits are also only 50% tax exempt. The tax-exempt amount is not identified as such on the tax slip.

The COVID-19 benefits that may be tax exempt under the Indian Act include:

- box 197 for Canada Emergency Response Benefit (CERB) payments
- box 200 for provincial/territorial COVID-19 financial assistance payments
- box 202 for Canada Recovery Benefit (CRB) payments
- box 203 for Canada Recovery Sickness Benefit (CRSB) payments
- box 204 for Canada Recovery Caregiving Benefit (CRCB) payments
- box 211 for Canada Worker Lockdown Benefit (CWLB) payments



Tax tip

If there is a COVID-19 benefit repayment in box 201 of the T4A slip and the related COVID-19 benefit payment was fully or partially tax exempt, an individual can only claim a deduction for the amount they previously reported as income on a prior year tax return.



UFile tip

The tax-exempt COVID-19 benefits must be reported on both the **T4A – Pension, retirement, annuity and other income** and the **Status Indian exemptions** pages of UFile.

The software automatically reports the taxable amount on line 13000.

For more information, refer to:

- [UFile instructions](#)

Tax slips that identify tax-exempt income

These tax slips indicate that the income is tax exempt under section 87 of the Indian Act. Use the table as a reference guide when dealing with tax-exempt income.

Tax information slips

Tax slip	Box identifying tax-exempt income (details)
T4 – Statement of Remuneration Paid	<ul style="list-style-type: none">• Box 68 – Indian Act (exempt income) – Eligible retiring allowances• Box 69 – Indian Act (exempt income) – Non-eligible retiring allowances• Box 71 – Indian Act (exempt income) – Employment• Box 88 – Indian Act (exempt income) – Self-employment
T4A – Statement of Pension, retirement, Annuity, and Other Income	<p>The only tax-exempt income identified as such on this slip are the following:</p> <ul style="list-style-type: none">• Box 144, Indian Act (exempt income) – Other income• Box 146, Indian Act (exempt income) – Pension or superannuation• Box 148, Indian Act (exempt income) – Lump-sum payments• Box 195, Indian Act (exempt income) – PRPP Payments
T4E – Statement of Employment Insurance and Other Benefits	<ul style="list-style-type: none">• Box 18 – Tax-exempt benefits – This box applies to Indians registered, or eligible to be registered, under the Indian Act

Employment income

Employment income that is tax exempt is found in box 71 instead of box 14.

Example of a T4 slip for a Status Indian who has earned tax-exempt income of \$35,000.

T4 Statement of Remuneration Paid / État de la rémunération payée

Canada Revenue Agency / Agence du revenu du Canada

Year / Année: []

Employer's name – Nom de l'employeur: []

Employer's account number / Numéro de compte de l'employeur: []

Social insurance number / Numéro d'assurance sociale: []

Employee's name and address – Nom et adresse de l'employé: []

Employment income (Box 14): []

Employee's CPP contributions – see over (Box 16): []

EI insurable earnings (Box 24): **35,000.00**

Employee's EI premiums (Box 18): **520.00**

Other information (Box 71): **35,000.00**

Exempt – Exemption: EI

▼ Text version of the above image

T4 – Statement of Remuneration Paid

Protected B

Box 14: Employment income: empty field is highlighted

Box 16: Employee's CPP contributions – see over: empty field is highlighted

Box 24: EI Insurable earnings: 35,000.00 is highlighted

Box 18: Employee's EI premiums: 520.00 is highlighted

Box 28: Exempt CPP/QPP is ticked and highlighted

Other information section: Box 71: 35,000.00 is highlighted

Since only a taxable salary or wages paid are reported in box 14 and the income in the T4 example above is tax exempt, box 14 is blank.

Tax-exempt salary or wages paid to a Status Indian are still insurable earnings and the employer must deduct employment Insurance (EI) premiums. An amount is entered in box 18, indicating the employee's EI premiums that were deducted and in box 24, indicating the EI insurable earnings.

CPP or QPP contributions are generally not paid on tax-exempt salary under the Indian Act since it is not included in pensionable employment. However, an employer may choose to pay CPP or QPP contributions on behalf of all of their employees who earn tax-exempt employment income. In such a case, the Status Indian employee would have CPP or QPP contributions deducted from their employment income and the amount would be recorded in box 16 (for CPP) or box 17 (for QPP).

For more information, refer to:

- [UFile instructions](#)


Employment insurance and other benefits

Any employment insurance (EI) benefit payments and Canada Emergency Response Benefit (CERB) from Service Canada are found in box 14 of the T4E slip.

The tax-exempt amount is found in box 18. The amount or lack thereof in box 18 may be in error so it is important to confirm this amount with the individual.

Example of a T4E, Statement of Employment Insurance and Other Benefits, where an individual has received tax-exempt EI.

Canada Revenue Agency		Agence du revenu du Canada		T4E Statement of Employment Insurance and Other Benefits				Protected B / Protégé B				
when completed / une fois rempli		when completed / une fois rempli		when completed / une fois rempli		when completed / une fois rempli		when completed / une fois rempli				
Year	7	Repayment rate	14	Total benefits paid	15	Regular and other benefits paid	17	Employment benefits and support measures paid	20	Taxable tuition assistance	21	Non-taxable tuition assistance
Année		Taux de remboursement		3,875.00		Prestations régulières et autres prestations versées		Prestations d'emploi et mesures de soutien versées		Aide visant les frais de scolarité imposables		Aide visant les frais de scolarité non imposables
22		Income tax deducted	23	Quebec income tax deducted	12	Social insurance number	Other Information (see the next page) – Autres renseignements (à la page suivante)					
		Impôt sur le revenu retenu		Impôt du Québec sur le revenu retenu		Numéro d'assurance sociale	Box / Case	Amount / Montant	Box / Case	Amount / Montant	Box / Case	Amount / Montant
Recipient's name and address – Nom et adresse du bénéficiaire							18	3,875.00	Box / Case	Amount / Montant	Box / Case	Amount / Montant
									Box / Case	Amount / Montant	Box / Case	Amount / Montant
									Box / Case	Amount / Montant	Box / Case	Amount / Montant
									Box / Case	Amount / Montant	Box / Case	Amount / Montant
									Box / Case	Amount / Montant	Box / Case	Amount / Montant
							Payer's name – Nom du payeur					

T4E (19) Attach this copy to your federal return / Joignez cette copie à votre déclaration fédérale 

▼ Text version of this screen

T4E – Statement of Employment Insurance and Other Benefits
 Protected B
 Box 14: Total benefits paid: 3,875.00 is highlighted
 Box 18: Amount: 3,875.00 is highlighted

In this example, the recipient received tax-exempt EI, in the amount of \$3,875.00. The total amount (which includes the tax-exempt amount) is indicated in box 14, and the tax-exempt amount is indicated in box 18.

For more information, refer to:

- [UFile instructions](#)

Northern residents deductions

Individuals living in a prescribed zone in Canada, who have income that is not tax exempt, may be eligible to claim the northern residents deductions.

For more information, refer to:

- [UFile instructions](#)
- [Northern residents deductions](#)

Residency information for tax administration agreements

For individuals living in British Columbia, Newfoundland and Labrador, Yukon or the Northwest Territories, it is recommended to complete the Residency information for tax administration agreements section. Although this section is optional, completing it helps ensure funds meant for Indigenous groups are correctly calculated.

The software automatically generates the Residency information for tax administration agreements section within **CRA questions** whenever one of the participating provinces or territories of residence is selected. Select the appropriate response from the drop-down menu to either indicate which community they resided in on December 31, or that the individual did not reside on settlement lands or within a designated community. If the individual is unsure if they reside on the specific lands, ask them to contact their local [Band council](#) or you may contact the CVITP dedicated help line at 1-866-398-3488.

The table includes the names of the settlement lands and designated communities.

Table of settlement lands and designated communities

Province or territory	Residing on lands or communities
British Columbia	Nisga'a Lands
Newfoundland and Labrador	Inuit communities of Rigolet, Nain, Hopedale, Makkovik, Postville, or on Labrador Inuit Lands
Northwest Territories	Tâîchô communities of Behchokö (Rae-Edzo), Whatì (Lac La Martre), Gamètì (Rae Lakes), or Wekweètì (Snare Lake) or on Tâîchô lands Délįnę Settlement Lands or in the Community of Délįnę
Yukon	Settlement Land of a self-governing Yukon First Nation

For more information, refer to:

- [UFile instructions](#)
- [Crown-Indigenous Relations and Northern Affairs Canada \(CIRNAC\)](#) and [Indigenous Services Canada \(ISC\)](#)
- [Determine whether you live on Indigenous government lands](#)

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