



Canada Revenue
Agency

Agence du revenu
du Canada

First Nations Goods and Services Tax (FNGST)

Is this guide for you?

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

GST/HST and Quebec

In Quebec, Revenu Québec administers the GST/HST. If the physical location of your business is in Quebec, contact Revenu Québec, at **1-800-567-4692**. Also see the Revenu Québec publication IN-203-V, *General Information Concerning the QST and the GST/HST*, available at www.revenu.gouv.qc.ca.

If you have a visual impairment, you can get our publications in braille, large print, etext (CD or diskette), or MP3. For more information, go to www.cra.gc.ca/alternate or call **1-800-959-2221**.

What's new?

We list the major changes below, including changes that have been announced but were not law at the time of printing this guide. If they become law as proposed, they will be effective as of the dates indicated. For more information on these and other changes, see the areas outlined in colour in this guide.

Harmonized sales tax for Ontario

As of July 1, 2010, Ontario harmonized its retail sales tax with the GST to implement the harmonized sales tax in Ontario at the rate of 13% (5% federal part and 8% provincial part).

Harmonized sales tax for British Columbia

As of July 1, 2010, British Columbia (BC) harmonized its provincial sales tax with the GST to implement the harmonized sales tax in BC at the rate of 12% (5% federal part and 7% provincial part).

Harmonized sales tax rate change for Nova Scotia

As of July 1, 2010, Nova Scotia increased its harmonized sales tax rate to 15% (5% federal part and 10% provincial part).

Mandatory electronic filing

Under proposed changes, for reporting periods that end after June 2010, you may have to file your GST/HST returns electronically. For more information, see "Mandatory electronic filing" on page 7.

GST/HST electronic filing changes

For reporting periods that end after June 2010, all restrictions have been removed so that all registrants can file electronically. For more information, go to www.cra.gc.ca/gsthst-filing.

Place of supply rules

The place of supply rules have changed. For more information, see GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*, or go to www.cra.gc.ca/placeofsupply.

My Business Account

You can now use the Instalment payment calculator service to calculate your instalment payments and view their related due dates.

To learn more about the growing list of services available in My Business Account, go to www.cra.gc.ca/mybusinessaccount.

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What is the First Nations goods and services tax?

The First Nations goods and services tax (FNGST) is a 5% tax on taxable supplies of goods and services on certain First Nations land. This tax applies when a band council, or other governing body, of a First Nation passes its own law imposing FNGST. The Canada Revenue Agency administers the FNGST for First Nation. The list of First Nations that have imposed the FNGST is on our Web site at www.cra.gc.ca/gsthst.

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

On land where the FNGST applies, everyone has to pay the FNGST on most supplies of goods and services (except zero-rated or exempt supplies). The tax rate for FNGST is 5%, identical to the goods and services tax (GST), or the federal part of the harmonized sales tax (HST). You will find more information on GST/HST in Guide RC4022, *General Information for GST/HST Registrants*.

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

How does the FNGST differ from other taxes?

The *Indian Act* provides that personal property of an Indian or an Indian band situated on a reserve is not subject to tax. Under the goods and services tax/harmonized sales tax (GST/HST), the tax treatment of purchases by Indians on this land is consistent with the *Indian Act*. That is, a vendor does not have to charge GST/HST on taxable supplies made on reserve to an Indian but must maintain adequate evidence (for example, the 9 or 10 digit registry number or the band name and family number from the Certificate of Indian Status identification card), that the sale was to an Indian.

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

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

GST/HST

The goods and services tax (GST) is a tax that applies on most supplies of goods and services made in Canada. The GST also applies to supplies of real property (land and buildings) and intangible property such as trademarks, rights to use a patent, and digitized products downloaded from the Internet and paid for individually.

The participating provinces (British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia and Ontario) harmonized their provincial sales tax with the GST to implement the harmonized sales tax (HST) in those provinces. Generally, the HST applies to the same base of goods and services as the GST.

GST/HST registrants who make taxable supplies (other than zero-rated supplies) in the participating provinces collect tax at the applicable HST rate (12% in British Columbia, 15% in Nova Scotia and 13% in the remaining participating provinces). Registrants collect tax at the 5% GST rate on taxable supplies they make in the rest of Canada (other than zero-rated supplies).

Zero-rated supplies, such as most basic groceries and certain medical devices, are taxable at a rate of 0%. You do not charge GST/HST on these supplies, but you can claim input tax credits for the GST/HST paid or payable on your purchases related to these supplies. A number of supplies of goods and services are exempt from GST/HST—that is, GST/HST does not apply to them.

However, certain provincial and territorial governments or Indians and Indian bands acquiring property on a reserve do not always pay GST/HST on their purchases. For more information about collecting tax in these circumstances, go to www.cra.gc.ca/gsthst or call 1-800-959-5525.

FNGST

The FNGST is a 5% tax on supplies of most goods and services on First Nations land where the FNGST applies. Everyone has to pay FNGST on the taxable supplies (other than zero-rated supplies) they buy on First Nations land where the FNGST applies, except some provincial and territorial governments. The FNGST applies to the same supplies of goods and services on this land and in the same way that the GST/HST applies to supplies of goods and services within the rest of Canada. When the FNGST applies to a supply, then the GST does not.

FNT

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

The tax rate for FNT is 5%, the same as GST, FNGST, and the federal part of the HST. When the FNT applies to a listed product, then the GST, the federal part of the HST and the FNGST do not apply. The usual rules will continue to apply to supplies of other goods and services on reserves where FNT applies. You will find more information about the FNT in Booklet RC4072, *First Nations Tax (FNT)*.

No tax

On reserves where a First Nation has not passed by-laws imposing FNGST or FNT, Indians, Indian bands, unincorporated band-empowered entities, and incorporated band-empowered entities purchasing goods for band management activities, can purchase goods without paying GST/HST, as long as they have the appropriate documentation to show the vendor.

They can also purchase goods off a reserve without paying GST/HST, as long as they show the vendor the appropriate documentation, and the goods are delivered to a reserve by the vendor or the vendor's agent.

Services performed totally on a reserve for an Indian who is on a reserve at the time the service is performed, such as a haircut given on a reserve, are relieved of tax.

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

FNGST/FNT in the participating provinces

A First Nations tax only replaces the federal part of the HST. Therefore, if an Indian, Indian band or band-empowered entity were to acquire taxable goods or services on reserve land where the FNGST or the FNT applies, the supply would be subject to the FNGST or the FNT at the rate of 5%. Provided the purchaser meets the criteria set out in B-039, the provincial part of the HST would be relieved.

For more information, see GST/HST Notice 254, *Collecting First Nations Taxes in a Participating Province*, or call 1-800-959-5525.

Who collects the FNGST?

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

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

You have to register if:

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

Small supplier

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

You are a small supplier if your worldwide revenues from taxable supplies of goods and services, including zero-rated supplies, are \$30,000 (\$50,000 for public service bodies) or less in the last four consecutive calendar quarters and in any single calendar quarter. Your total worldwide revenues from taxable supplies include goods and services supplied on the land of a First Nation.

You also have to include all of your associates' revenues when you calculate your taxable supplies. However, you do not include sales of capital property and supplies of financial services or goodwill.

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

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

Exception

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

For more information on how to register for the tax, go to www.cra.gc.ca/gsthst or call 1-800-959-5525.

What is subject to the FNGST?

All taxable supplies of goods and services made on First Nations land where the FNGST applies are subject to 5% FNGST (except zero-rated supplies). When the FNGST applies to the supply, then the GST does not. However, while FNGST applies to taxable supplies made on First Nation land where FNGST applies, the usual GST/HST rules continue to apply to taxable supplies of goods and services you make off this land. You will find more information on the GST/HST in Guide RC4022, *General Information for GST/HST Registrants*.

Goods and services taxable at 5%

Supplies of goods and services subject to FNGST at the rate of 5% are called taxable goods and services.

Examples of goods and services taxable at 5% include:

- sales and leases of automobiles;
- car repairs;
- soft drinks, candies, and potato chips; and
- household goods and furniture.

Zero-rated supplies

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

Examples of goods and services taxable at 0% include:

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

Exempt supplies

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

Examples of **exempt** supplies include:

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

How does the FNGST work?

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

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

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

What forms do you use?

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

If you do not have a personalized GST/HST return, you can use Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-Personalized)*. To get this form, go to www.cra.gc.ca/gsthstpub, or call 1-800-959-2221.

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

Mandatory electronic filing

Under proposed changes, for reporting periods that end after June 2010, you may have to file your return electronically if:

- your annual taxable supplies (including those of your associates) are greater than \$1.5 million;
- you are required to recapture ITCs for the provincial part of the HST; or
- you are a builder who is affected by the HST transitional housing measures announced by Ontario and British Columbia.

For more information on mandatory electronic filing, see Guide RC4022, *General Information for GST/HST Registrants* or go to www.cra.gc.ca/gsthst-filing.

GST/HST NETFILE and TELEFILE

You file your return electronically using GST/HST NETFILE or TELEFILE by entering the required information, including your four-digit access code. Beginning April 12, 2010, all GST/HST registrants, except for those registrants whose account is administered by Revenu Québec, will receive a four-digit access code. For more information, go to www.cra.gc.ca/gsthst-filing or call 1-800-959-5525.

Input tax credits

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

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

Place of supply

To determine whether a supply is subject to FNGST, the place of that supply must first be established. Generally, a supply of property takes place on the land where the property is sold from or delivered to. For services, the supply is normally made on the land where the service is performed. If these supplies take place on First Nations land where the FNGST applies, these supplies are subject to the 5% FNGST (unless the supplies are zero-rated or exempt).

Example

An Indian individual lives on the land of a First Nation where the FNGST applies. He orders a bicycle by telephone from a department store catalogue. He asks that the bicycle be delivered to his residence. The bicycle is being delivered to land where the FNGST applies, so there is no tax relief available under the *Indian Act*. The 5% FNGST applies to the supply.

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

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

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

Example

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

For persons other than individuals (such as an Indian band), a lease of a passenger vehicle for a period of more than three months is made on the land of a First Nation where the FNGST applies if the ordinary location of the vehicle is on that land at the time the supply is made. Where the First Nation has imposed the FNGST, the lease is taxable at 5%. Normal GST/HST rules apply if the vehicle is not ordinarily located on land where the FNGST applies.

Example

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

Informing your customers

You need to let your customers know if tax is being applied to their purchases. You can use cash register receipts, invoices, or contracts to inform your customers, or you can post signs at your place of business. There is no need to change your cash registers or invoicing systems to add the FNGST separately from the GST/HST.

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

Self-assessment of the FNGST

Bringing in goods from inside Canada

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

Example

An Indian individual, who qualifies for tax relief under the *Indian Act*, purchases a new mobile home from a dealer on a reserve. He arranges to have a friend move the mobile home from the reserve onto the land of a First Nation where the FNGST applies. Since the individual qualified for tax relief at the time of purchase, he did not pay tax. However, as he brought the mobile home onto the land of a First Nation where the FNGST applies, the individual has to self-assess the 5% FNGST.

How do you remit the tax

Registrants

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

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

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

Non-registrants

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

Importation of services and intangible property from outside Canada

If you are a registrant

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

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

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

If you are not a registrant

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

Importation of goods from outside Canada

Goods you import into Canada are subject to the GST (5%) or the federal part of the HST (5%), except for items specified as non-taxable importations. Examples of non-taxable importations are:

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

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

For more information

Contact us if, after reading this guide, you would like to get forms or publications, or you need more help.


To get forms or publications, go to www.cra.gc.ca/gsthstpub or call 1-800-959-2221.

For more information, go to www.cra.gc.ca/gsthst or call 1-800-959-5525.

Teletypewriter (TTY) users

TTY users can call 1-800-665-0354 for bilingual assistance during regular business hours.

Direct deposit



Direct deposit is a safe, convenient, dependable, and time-saving method of receiving your GST/HST refunds and rebates. If you are expecting refunds or rebates when you file your GST/HST returns or rebate applications, you can send us a completed Form GST469, *Direct Deposit Request*. To get Form GST469, go to www.cra.gc.ca/dd-bus or call 1-800-959-2221.

My Business Account

Access your business accounts online through My Business Account. With the wide range of services offered, you can:

- view your account balances and transactions;
- transfer payments;
- get additional remittance vouchers;
- calculate a future balance;
- calculate your instalment payments;
- make online requests for financial transactions;
- authorize your employees and representatives to have immediate online access;
- file a GST/HST return electronically;
- view the status of a return;

- view certain correspondence (for example, notices and letters); and
- view your banking information.

To use My Business Account, you need a user ID and password. To register for these secure online services or to check for new services, go to www.cra.gc.ca/mybusinessaccount.

My Payment

My Payment is a payment option that allows individuals and businesses to make payments online, using the Canada Revenue Agency's Web site, from an account at a participating Canadian financial institution. For more information on this self-service option, go to www.cra.gc.ca/mypayment.

Our service complaint process

If you are not satisfied with the **service** you have received, contact the Canada Revenue Agency (CRA) employee you have been dealing with (or call the phone number you have been given). If you still disagree with the way your concerns are being addressed, ask to discuss your matter with the employee's supervisor.

If the matter is still not resolved, you have the right to file a service complaint by completing Form RC193, *Service-Related Complaint*. If you are still not satisfied with the way the CRA has handled your complaint, you can contact the Taxpayers' Ombudsman.

For more information, go to www.cra.gc.ca/complaints or see Booklet RC4420, *Information on CRA-Service Complaints*.

Your opinion counts

If you have any comments or suggestions that could help us improve our publications, we would like to hear from you. Please send your comments to:



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