



# Employer Update

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## Aboriginal Peoples' status and tax exemptions for pensions

Under the *Indian Act*, the Canada Revenue Agency (CRA) exempts from tax the personal property of Aboriginal Peoples situated on a reserve. The act states that employment income is considered personal property.

According to CRA's guidelines, employment income for Aboriginal Peoples is tax exempt when the following situations apply:

- the employee performs **at least 90%** of the employment duties on a reserve
- the employee and the employer reside on the reserve
- the employee performs **more than 50%** of the employment duties on the reserve, and the employee or employer resides on a reserve
- the employee's employment duties are connected to the employer's non-commercial activities carried on exclusively for the benefit of Aboriginal Peoples who, for the most part, reside on reserves and the employer resides on a reserve.

### How tax status affects pensions

For aboriginal OPTrust members who are considered wholly or in part tax exempt due to employment duties on a reserve, this affects the way his or her pension benefits are calculated.

Canada Revenue Agency / Agence des impôts du Canada		DETERMINATION OF EXEMPTION OF A STATUS INDIAN'S EMPLOYMENT INCOME	
<b>General Information</b>			
<ul style="list-style-type: none"> <li>To ensure correct information is entered, we suggest that this form be completed by the employer, in the presence of the employee.</li> <li>We use the term "employee" on this form to refer only to an employee who is an Indian.</li> <li>As an employer, you can use this form to help determine if an Indian's employment income is exempt from income tax. For the purpose of this exemption, an Indian is someone who is registered with Indian and Northern Affairs Canada as an Indian, according to the terms of the <i>Indian Act</i>, or who is entitled to be so registered.</li> <li>The employment income from a particular employment will not be exempt from income tax where one of the main reasons for the existence of that employment relationship is to establish a connecting factor to a reserve. A connecting factor is a fact which connects income to a reserve. For example, the fact that the employer is resident on a reserve is a connecting factor.</li> <li>We have created this form according to the <i>Indian Act Exemption for Employment Income Guidelines</i>. For a complete description of the Guidelines and examples where income is exempt and where it is not exempt, go to <a href="http://www.cra-arc.gc.ca/aboriginalpeoples">www.cra-arc.gc.ca/aboriginalpeoples</a>.</li> <li>If the employee's circumstances change, the employee will be required to complete a new form.</li> <li>Keep a completed form on file for each employee. We may ask to review it to verify if circumstances of the employment qualify the income to be exempt from income tax.</li> <li>For more information, contact your tax services office.</li> </ul>			
<b>Employee identification</b>			
Last name (please print)	Usual first name and initials	Social insurance number	
Residential address including postal code			
Is the above address located on a reserve?		Yes <input type="checkbox"/>	No <input type="checkbox"/>
Is the employee registered as an Indian under the <i>Indian Act</i> ?		Yes <input type="checkbox"/>	No <input type="checkbox"/>
Is the employee entitled to be registered as an Indian under the <i>Indian Act</i> ?		Yes <input type="checkbox"/>	No <input type="checkbox"/>
Does the employee perform employment duties:			
<input type="checkbox"/> 1. entirely on reserve?		<input type="checkbox"/> 2. entirely off reserve?	
		<input type="checkbox"/> 3. partially on and partially off reserve?	
If you chose 3 above, indicate the percentage of the employment duties the employee performs on the reserve: _____ %			
<b>Type of exemption (check the box beside the situation that applies)</b>			
All of the employee's employment income is exempt from income tax if any one of the following situations apply:			
<input type="checkbox"/> the employee performs <b>at least 90%</b> of the employment duties on a reserve (guideline 1);			
<input type="checkbox"/> the employee and the employer reside on a reserve (guideline 2);			
<input type="checkbox"/> the employee performs <b>more than 50%</b> of the employment duties on the reserve, and the employee or the employer resides on a reserve (guideline 3); or			
<input type="checkbox"/> the employee's employment duties are connected to the employer's non-commercial activities carried on exclusively for the benefit of Indians who, for the most part, reside on reserves and the employer resides on a reserve; and the employer is:			
<ul style="list-style-type: none"> <li>an Indian band that has a reserve or a tribal council representing one or more Indian bands that have reserves; or</li> <li>an Indian organization controlled by one or more such bands or tribal councils and is dedicated exclusively to the social, cultural, educational, or economic development of Indians who, for the most part, reside on reserves (guideline 4).</li> </ul>			
* <b>Proration rule may apply:</b> When less than 90% of the duties of an employment are performed on a reserve and the employment income is not exempt by another guideline, the exemption is to be prorated. The exemption will apply to the portion of the income related to the duties performed on the reserve.			
<b>Employee certification</b>			
I certify that the information given in this return is, to the best of my knowledge, correct and complete.			
Signature _____		Date _____	
<b>Employment-related income</b>			
Employment insurance benefits, retiring allowances, Canada Pension Plan payments, Quebec Pension Plan payments, registered pension plan benefits, or wage loss replacement plan benefits will usually be exempt from income tax when they are received as a result of employment income that was exempt from tax. If a portion of the employment income was exempt, then a similar portion of those amounts will be exempt.			
Note: For information on the requirements to deduct Canada Pension Plan contributions and Employment Insurance premiums, and for instructions on reporting requirements, see Guide T4001, <i>Employer's Guide - Payroll Deductions and Remittances</i> .			
TD1-IN (10)		(Printed on verso)	Canada

If a portion of the member's employment income is exempt, then a similar portion of his or her OPTrust pension benefit is tax exempt, too. For example, if 50% of a member's annual income was tax exempt due to his or her employment duties on a reserve, at retirement 50% of his or her OPTrust pension income is not subject to income tax.

### When to notify OPTrust

Employers with members who satisfy the federal government's criteria indicated above, should complete CRA's *Determination of Exemption of a Status Indian's Employment Income* (TD1-IN) form



along with the member. OPTrust requires a copy of the completed form, when the member:

- ends his or her membership in the Plan
- retires from the Plan
- dies before retirement
- transfers his or her service out of the Plan.

OPTrust's *Employer Checklist for Retirements* includes a section to indicate if the TD1-IN form is included with the member's retirement documents. When a tax exemption applies for a retiring member, please submit a copy of the form along with the checklist. The form is available on our website at [www.optrust.com](http://www.optrust.com).

### For more information

The TD1-IN (10) form is available on the Canada Revenue Agency [website](#) along with a detailed description of their [guidelines](#) and examples. For additional questions on tax exemptions under the Indian Act, please contact CRA at 1-800-959-8281 or [www.cra.gc.ca](http://www.cra.gc.ca).

For questions about a member's pension benefit, please contact OPTrust's Member and Pensioner Services at 416-681-6100 or 1-800-637-0024.

## OPSEU Pension Trust **Employer Update**

This employer update is intended to provide participating employers with news and information about the OPSEU Pension Plan. It does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflict or omission, the legal documents of the OPSEU Pension Plan will govern in all cases. Members who have questions about their pension benefits should contact OPTrust directly. For more information, please contact OPTrust.

**General Inquiries:**  
(416) 681-6161 or 1-800-906-7738

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