



FIRST NATIONS TAX COMMISSION  
COMMISSION de la FISCALITÉ des PREMIÈRES NATIONS

## PROPERTY TAX-BASED SERVICE AGREEMENTS

### BACKGROUND

In striving to assist First Nations in building their economies, the First Nations Tax Commission (FNTC) works with First Nations to create the legal and administrative framework necessary for markets to work on their lands. It helps First Nations to create a competitive investment climate so they can use economic growth as a catalyst for greater self-reliance. Key elements of the legal and administrative framework include leasehold tax systems and local revenue tax-based service agreements.

### PROPERTY TAX-BASED SERVICE AGREEMENTS

A tax-based service agreement is a government-to-government service arrangement that respects each party's jurisdiction and fiscal powers. A tool that is related to leasehold taxation and land management that is often critical in developing strong regional economies is a service agreement. These agreements are cooperative arrangements between governments to set out how local services such as water and sewer will be provided and the cost of the services. These agreements provide certainty for governments and investors on First Nation lands. In most cases, the local government provides services to the First Nation but sometimes the First Nation provides services to the local government.

The need to provide adequate services to First Nation lands to support the planned developments and attract investment requires First Nations to either supply those services directly or contract the services from an adjacent local government. A successful, long-term service agreement recognizes both parties' interests and jurisdictions, identifies the services to be provided, and provides the costs to purchase the services. As a best practice to maximize efficiencies, the First Nation uses their property tax system to calculate and pay to the local government an amount equivalent to the local portion of property taxes for the provision of services.

FNTC has been involved in facilitating service agreements for over 30 years, working with First Nations and local governments across the country to achieve mutual benefits contained in a long-term service agreement.

## BENEFITS OF TAX-BASED SERVICE AGREEMENTS

Service agreements can provide direct benefits for First Nations and local governments. In addition to building and maintaining a competitive local investment climate, FNTC has observed the relationships between First Nations and local governments have improved as a result of successful implementation of tax-based service agreements.

**Economies of scale:** Governments enter into service agreements when the cost to purchase services is cheaper than providing the services themselves. Economies of scale occur when the cost of servicing an additional taxpayer decreases as the number of taxpayers increases.

**Access to capital infrastructure:** The local government will likely already have significant capital infrastructure in place, and have acquired the necessary skills, people, and equipment to maintain that infrastructure. Traditionally, local governments have also had greater access to local infrastructure financing than First Nations.

**Additions to reserves:** A service agreement may be a prerequisite for an addition to reserve. This is especially true for Treaty Land Entitlement First Nations and for additions to reserves within local government boundaries.

## FNTC SUPPORT

FNTC works with interested First Nations in developing tax-based service agreements. FNTC has developed a protocol model and supporting material that has been used in service agreement negotiations. Should you wish more information on tax-based service agreements please contact us at 1.866.272.2906 or [mail@fntc.ca](mailto:mail@fntc.ca).

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