



2019-2020

First Nations Tax Commission
Annual Report





“Taksis”, a Chinook word for taxation, is a concept that First Nation communities have embraced and used for many generations. It’s part of our heritage.

Today, in the here and now, the FNTC is helping First Nation communities leverage that concept of gathering taxes to create a common and productive resource for the whole community.

2019-2020

First Nations Tax Commission Annual Report

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Message from the Chief Commissioner

2019

I am pleased to present the Annual Report of the First Nations Tax Commission (FNTC) for the year ending March 31, 2020.

This Annual Report was written as the world began its fight with the COVID-19 pandemic and summarizes the achievements and innovations that FNTC undertook in the 11 months before our world changed.

Since March 2020, FNTC has been devoted to three priorities:

- Ensuring the FNTC continues to carry out its statutory and memorandum of understanding (MOU) obligations during the pandemic
- Assisting First Nations in their response to the health, economic and fiscal impacts of the pandemic
- Working with stakeholders to ensure there is an effective post-pandemic economic recovery strategy

First Nations are not strangers to pandemics. In the past, First Nation communities were decimated by smallpox, tuberculosis and the 1918 Pandemic.

First Nation communities are especially vulnerable to COVID-19 because of inadequate, overcrowded and often intergenerational housing. In addition to this, First Nation economic and fiscal frameworks are not sufficiently developed to withstand the historic financial shock precipitated by this pandemic.

The FNTC and the other *First Nations Fiscal Management Act* (FMA) institutions have been supported in the past by First Nations, their taxpayers, Canadians and the federal government because they have provided an innovative model to renew First Nation economies, generate

more revenues, and reduce the costs of financing infrastructure. As summarized in this and previous annual reports, the FMA model works. COVID-19, however, represents the greatest test yet to that framework's resilience and innovation.

On March 24, 2020, the FMA institutions wrote to the Ministers of Finance, Crown-Indigenous Relations and Northern Affairs Canada, and Indigenous Services Canada. We provided these ministries with a comprehensive COVID-19 strategy to support Indigenous communities through economic and fiscal support during the pandemic and via a post-pandemic economic recovery strategy.

FMA institutions are committed to helping protect the health of First Nation members and taxpayers. We will do our part to support the provision of essential health resources, services and infrastructure in First Nation communities and will work diligently with all levels of government to try to minimize the short-term economic and fiscal costs of the pandemic for First Nations, their taxpayers, lenders and businesses located on First Nation lands.



The **eagle** is considered a sacred, wise and important symbol of authority in First Nations culture. Known as the ruler of the sky, it is believed to have a connection with our Creator and symbolizes **grace, power, and intelligence**.

Once the pandemic ends, we will turn our full attention to First Nation economic renewal and recovery, in accordance with the proposed COVID-19 economic and fiscal recovery strategy recently submitted to the Government of Canada. This includes:

- Establishing the First Nations Infrastructure Institute (FNII) to build more economically and fiscally sustainable business infrastructure
- Reducing the costs of doing business on First Nations lands through better legal frameworks, administration and information
- Accelerating the development and implementation of innovations by expanding the FMA institutional framework and formalizing the organization of First Nations who use it
- Generating more economic and fiscal benefits from First Nations lands located in or near urban areas
- Expanding First Nation fiscal powers to ensure greater revenue stability, more sustainable economic infrastructure, and the ability to better respond to economic shocks
- Building a new fiscal relationship that grows First Nation economies and facilitates more First Nation jurisdiction and responsibilities

We are united in this cause, and committed to advancing and implementing COVID-19 strategies that help protect the most vulnerable in our communities, while building economic resiliency for First Nations. I believe we will emerge from this very difficult period with the strength and determination required to ensure that both the Canadian and First Nation economies can recover and become stronger than ever before.

Sincerely yours,



C.T. (Manny) Jules
Chief Commissioner



“I believe we will emerge from this very difficult period with the strength and determination required to ensure that both the Canadian and First Nation economies can recover and become stronger than ever before.”

Mandate

2019

The mandate of the First Nations Tax Commission derives from the federal FMA which created the FNTC, and from an MOU with the Minister of Indigenous Services Canada (the Minister).

As set out in section 29 of the FMA, the mandate of the FNTC is to:

- (a) ensure the integrity of the system of First Nations real property taxation and promote a common approach to First Nations real property taxation nationwide, having regard to variations in provincial real property taxation systems
- (b) ensure that the real property taxation systems of First Nations reconcile the interests of taxpayers with the responsibilities of chiefs and councils to govern the affairs of First Nations
- (c) prevent, or provide for the timely resolution of, disputes in relation to the application of local revenue laws
- (d) assist First Nations in the exercise of their jurisdiction over real property taxation on reserve lands and build capacity in First Nations to administer their taxation systems
- (e) develop training programs for First Nation real property tax administrators
- (f) assist First Nations to achieve sustainable economic development through the generation of stable local revenues
- (g) promote a transparent First Nations real property taxation regime that provides certainty to taxpayers
- (h) promote understanding of the real property taxation systems of First Nations
- (i) provide advice to the Minister regarding future development of the framework within which local revenue laws are made



In addition, under terms of the MOU with the Minister, the FNTC provides advice regarding the approval of by-laws under section 83 of the *Indian Act* and delivers services to First Nations exercising property tax jurisdiction under those provisions.

The work of the FNTC is supported through financial contributions from the Government of Canada. This consists of an annual funding arrangement for core ongoing operations, plus funding for special research initiatives.

The FNTC recognizes that First Nations are governments within the Canadian federation, that jurisdiction defines governments, and that tax revenues enable jurisdiction. First Nation tax jurisdiction is the basis for revenue-based fiscal relationships between First Nations and the federal and provincial governments. Most importantly, the assumption of tax jurisdictions by First Nations must be First Nation-led, optional, and supported by national First Nation institutions.

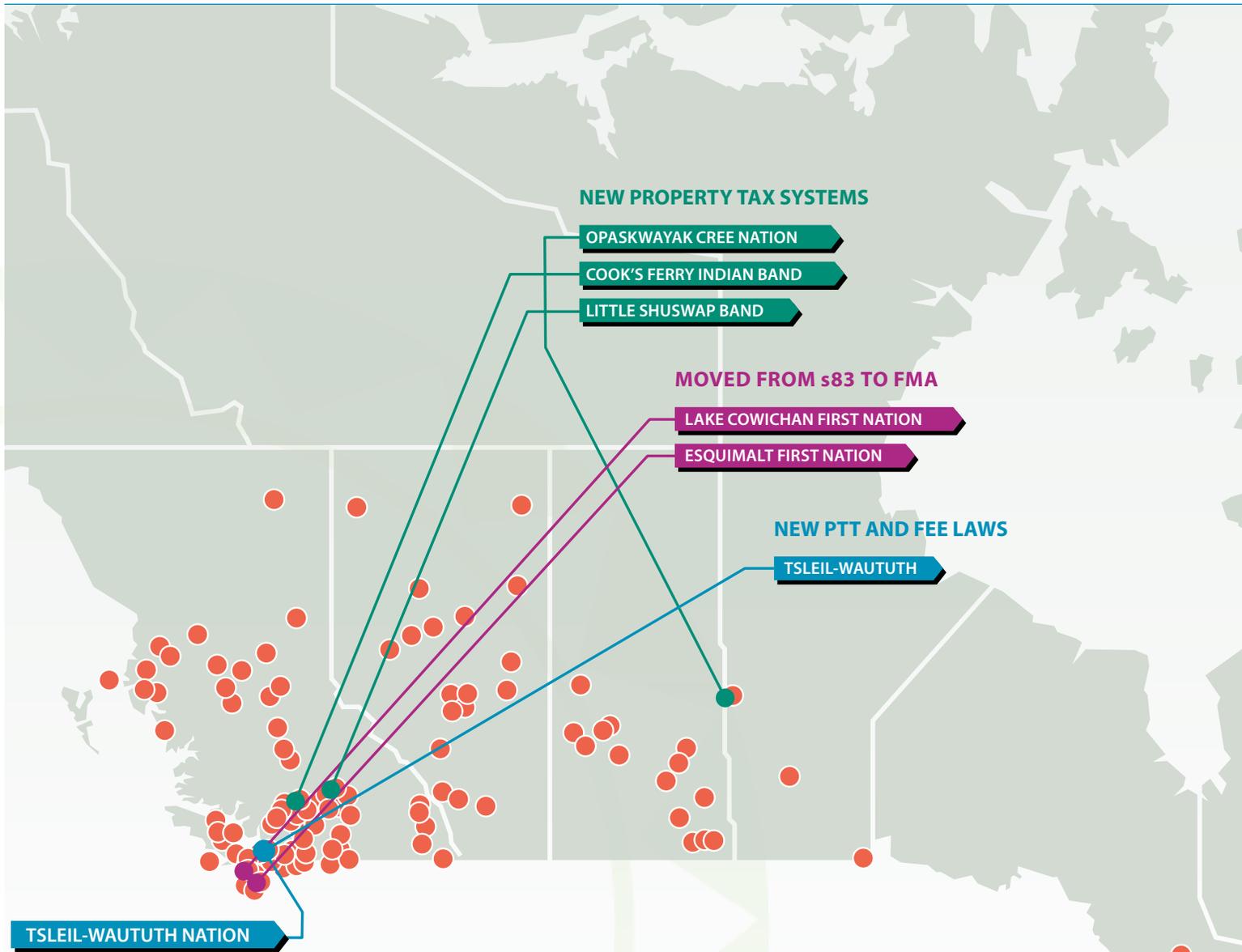
The FNTC strives to reduce the barriers to economic development on First Nation lands, increase investor certainty, and enable First Nations to be vital members of their regional economies. The FNTC is working to fill the institutional vacuum that has prevented First Nations from participating in the market economy and is creating a national regulatory framework for First Nation tax systems that meets or exceeds the standards of provinces. Through the development of a competitive First Nation investment climate, economic growth can be a catalyst for First Nation self-reliance.

Mission

Assist First Nation governments to build and maintain fair and efficient property and other tax jurisdictions, and ensure that those First Nation communities and their taxpayers receive the maximum benefit from their tax systems.

First Nations Implementing Property Taxation

2019



In 2019, the FNTC worked with Tseil-Waututh Nation (TWN), located near North Vancouver, British Columbia, to establish its property transfer tax law and its local services fee law. The TWN property transfer tax law is modeled on similar laws made under the FMA. It imposes a tax on real property transfers before transfers are registered. TWN estimates that the law will generate over \$1 million in the first year of operation.

Each year, TWN purchases over \$2 million worth of local services from the District of North Vancouver. Through the fee law, TWN will be able to have a clear and structured way of collecting fees for the payment of water, sewer and garbage collection services provided by the District of North Vancouver for on-reserve residents.

PMN has been preparing to access several FMA fiscal tools including the First Nations Goods and Service Tax (FNGST) and taxation jurisdiction over cannabis. In addition, it has an individual attending the First Nation Tax Administration Accredited Certificate Program and is also a proponent of the FNII.

PMN is well-positioned to rely on its financial administration and property tax system to capitalize on opportunities created with a proposed highway interchange that will bring increased traffic to the reserve in an area designated for commercial development. The FNTC is committed to working with PMN to further develop fiscal tools to improve local infrastructure, attract investment, and create more economic opportunities.

PAQTNKEK MI'KMAW NATION

Paqtnkek Mi'kmaw Nation (PMN) is located 24 km east of Antigonish, Nova Scotia, and has approximately 600 band members with just under 400 living on-reserve. PMN is new to property taxation, and with the enactment of its property assessment and taxation laws under the FMA in March 2018, it will levy property taxes pursuant to FMA Annual Rates and Expenditure Laws for the first time in 2020.

FMA FIRST NATIONS

There are now 294 FMA First Nations in Canada. There were 26 First Nations added to the FMA Schedule in 2019-2020.

- Stoney Nation, AB
- Wahnapiatae First Nation, ON
- Animakee Wa Zhing #37, ON
- Biinjitiwaabik Zaaging Anishinabek, ON
- Mitaanjigamiing First Nation, ON
- Halfway River First Nation, BC
- Swan River First Nation, AB
- Gwa'sala-'Nakwaxda'xw, BC
- Lac des Mille Lacs First Nation, ON
- Lake Babine Nation, BC
- Naotkamegwaning First Nation, ON
- Kawacatoose First Nation, SK
- Kingsclear First Nation, NB
- Tsay Keh Dene Nation, BC
- Ahtahkakoop Cree Nation, SK
- Gitxaala Nation, BC
- Homalco First Nation, BC
- Star Blanket Cree Nation, SK
- Takla Nation, BC
- West Moberly First Nations, BC
- Big Island Lake Cree Nation, SK
- Cumberland House Cree Nation, SK
- Inuvik Native Band, NT
- Montana First Nation, AB
- High Bar First Nation, BC
- Nisichawayasihk Cree Nation, MB

Achievements This Year

2019

During this past year, the FNTC continued to support the expansion and implementation of First Nation tax jurisdiction through the development and maintenance of standards and processes that:

- Ensure the integrity of the system of First Nations real property taxation
- Continue to support and build First Nation capacity to administer their tax systems
- Promote transparency and understanding of First Nation real property tax systems through engagement, education and communications
- Provide support for negotiations and resolution of disputes
- Advance proposals to expand jurisdiction and a new fiscal relationship.

This Annual Report provides an update to First Nations, taxpayers and the federal government on the FNTC's progress in achieving its vision and highlighting how our work improves First Nation communities and supports expanding First Nation tax jurisdiction.

Supporting First Nation Tax Jurisdiction

The FNTC develops and implements the regulatory framework for First Nation tax jurisdictions and provides expertise, research, support and capacity development to assist with the implementation of tax jurisdictions and the reconciliation of First Nation and taxpayer interests.

The number of First Nations in Canada that are taxing or developing taxation laws has more than doubled since 2007. First Nation taxation jurisdiction continues to expand beyond property tax, as more First Nations enact development cost charges laws, business activity tax laws, and other forms of taxation and fees to support the provision of services and infrastructure to their communities and taxpayers. As a result, more communities are able to benefit from and share in the economic activity that is taking place on their lands.

Local revenues collected by First Nations in Canada are projected to exceed \$97 million this year. First Nation governments that are interested in or implementing tax jurisdiction continued to increase this year, resulting in a rise in demand for FNTC services like capacity development, training, presentations and outreach.

The FNTC plays an important role in ensuring taxpayer interests are represented in the First Nation property tax system through standards for taxpayer notification, promulgation and access to laws through the *First Nations Gazette*, and the Commissioners who represent on-reserve taxpayers. In 2019-2020, the FNTC updated various standards, section 83 policies, and undertook various research projects to continue to support First Nation tax jurisdiction. These research projects explored various best practices and administrative practices to increase First Nation, taxpayer, and investor confidence in the integrity of the First Nation local revenue system.

In recent years, Manitoba has seen major growth in interest and participation in the FMA, with more than half of all First Nations in the province now using FMA fiscal tools. This has led to a substantial increase in demand for the FNTC to support FMA tax systems and additional fiscal powers.

In 2019, the FNTC signed an MOU with the Southern Chiefs Organization of Manitoba signalling an intent to work collaboratively with First Nation governments as they break through economic barriers and participate in their regional economy.

There are growing opportunities to promote and deliver FNTC services and support to both those First Nations already participating under the FMA, along with additional First Nations that wish to be scheduled under the Act. Building on the existing base, further expansion is projected in all regions, particularly in Manitoba, Ontario, Quebec and Atlantic Canada.

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Mistawasis Nehiyawak Nation

Mistawasis Nèhiyawak is a Saskatchewan First Nation with reserves 100 kilometres west of Prince Albert. Most of its taxpayers are farmers leasing agricultural land. It was first added to the FMA schedule in 2013. Four years later, it passed property taxation and assessment laws and, in 2019, it set tax rates and passed an expenditure law for the first time, collecting over \$80,000 to help support First Nation infrastructure and local services.



The cost of preparing agricultural assessments can be a barrier to First Nations exercising their tax jurisdiction, so Mistawasis takes a modified approach to taxing agricultural land. They determine the average property taxes per acre in the adjacent rural municipality and charge agricultural taxpayers based on the number of acres in their possession. Mistawasis is the first First Nation to successfully implement this approach.

The training received by Mistawasis's tax administrator at the Tulo Centre was instrumental in making Mistawasis's tax system fully operational. The FNTC also provided Mistawasis with assistance in modifying their annual rates law, determining the average per-acre tax rate, and adjusting the assessment process to accommodate Mistawasis's alternative approach to agricultural property.

Achievements This Year

2019

Building First Nation Capacity

First Nation capacity development is a key part of implementing effective tax jurisdictions. The FNTC provides presentations, accredited course delivery, workshops, and undertakes communications activities to support capacity development.

The FNTC offers accredited courses in a Certificate in First Nation Tax Administration and a Certificate in Applied Economic Program delivered in partnership with the Tulo Centre of Indigenous Economics and Thompson Rivers University. Over 170 students from 78 First Nations have participated in these accredited courses with 20 graduating from the First Nation Tax Administration program in June 2019 and 16 students from four provinces were welcomed into the program in the fall of 2019.

The FNTC continued to engage and support First Nation communities while building relationships with key partners and stakeholders. Over the past year, the FNTC has strengthened linkages with other organizations and governments, promoted best practices, and facilitated access to local revenue options and tools. The FNTC has also connected with First Nations so they can tell their powerful stories about the success and benefits associated with the implementation of FMA local

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The Opaskwayak Cree Nation

The Opaskwayak Cree Nation (OCN) main community is adjacent to the town of The Pas, Manitoba and is the first in that province to undertake property taxation, enacting its Land Tax By-law pursuant to section 83 of the *Indian Act* in February 1997.



In 2019, OCN decided to repeal the section 83 land tax by-law and replace it with corresponding FMA laws to ensure that all aspects of its property taxation system are current and up-to-date. The FMA framework provides a solid foundation for its future local revenue generation and economic development strategy.

OCN continues to be a strong advocate for First Nation property taxation jurisdiction and has supported FNTC efforts to advance new First Nation fiscal powers including taxes and fees over fuel, alcohol, cannabis and tobacco, as well as resource projects. Further, OCN has supported and promoted the legislative initiative to establish FNII.

revenue powers. Over 90 workshops and presentations were delivered in all regions of Canada to First Nations, taxpayers, governments, and the public.

The FNTC continues to support the Tax Administration System (TAS) cloud-based software application that assists tax administrators in managing the annual property tax cycle for their First Nation including generating the property tax roll, preparing and printing tax notices, receiving and accounting for payments, and managing tax penalties, interest charges and arrears.

Advancing a Revenue-Based Fiscal Relationship

The FNTC continues to advocate for a new fiscal relationship between First Nations and the federal government. The FNTC has long viewed the development of a First Nation revenue-based fiscal relationship, rather than a modified funding relationship, as the fulfillment of the federal government's commitment to a new fiscal relationship and nation-to-nation relations for First Nations. A jurisdiction or revenue-based fiscal relationship starts with a government setting up tax systems, collecting its own revenues, and determining how best to spend those revenues. This is how fiscal relations work for the federal and provincial governments.

The FMA local revenue account represents a revenue-based fiscal relationship. The annual FMA expenditure laws establish a clear relationship between First Nation revenues and their expenditure responsibilities. This is the fiscal relationship common for federal, provincial and local governments in Canada. A revenue-based fiscal relationship provides greater transparency and better supports infrastructure financing and an improved investment climate.

The FNTC continues to support the expansion of the FMA revenue-based fiscal relationship model with expanded FMA fiscal powers (FNRC, FNGST and FACT) and proposed expanded expenditure responsibilities such as fiscally sustainable economic infrastructure certified by the proposed FNII. In 2019-2020, the FNTC developed presentation materials and research for First Nations and provinces interested in implementing an improved First Nation revenue-based fiscal relationship.

Achievements This Year

2019

Supporting On-Reserve Infrastructure

The FNTC and the other FMA institutions continue to work together to provide access to long-term pooled borrowing for on-reserve infrastructure for First Nations borrowing through the FMA framework. In 2019-2020, the institutions continued to work with the Government of Canada to advance regulatory amendments to the FMA that enable First Nation organizations and Treaty First Nations to participate in the FMA and to access long-term pooled borrowing.

First Nations are also able to use local revenues generated through First Nation tax jurisdictions under the FMA to fund community services, infrastructure operations and maintenance and construction and improvement. The FNTC continued to promote and support First Nations in the use of Development Cost Charges (DCCs), service taxes, and the establishment of capital reserves to fund local infrastructure requirements.

The FNTC and proponent

First Nations continue to advance the FNII concept to support the development of sustainable infrastructure.

Building the First Nations Infrastructure Institute

Over the past several years, the FNTC and several proponent First Nations have been advancing the FNII concept to support participating First Nations so they can develop more sustainable infrastructure and improve outcomes. The problems with the current First Nation infrastructure system are well-known – infrastructure on reserve takes too long to develop, costs too much to build, and does not last long enough. This contributes to a series of poor health, social and economic outcomes. For years, First Nations, tribal councils, technical services groups and provincial and territorial organizations have been working to improve First Nation infrastructure. The FNII concept is being advanced to develop and provide the skills and processes necessary to ensure First Nations efficiently and effectively plan, procure, own and manage infrastructure assets on their lands.

In 2019-2020, the FNTC continued its work in support of the development of FNII, including the provision of administrative support.

Significant progress was also made on the FNII design. First Nations, government and organizational engagement and outreach continued to develop support for the initiative across Canada. A comprehensive communications strategy was developed and the website (www.fnii.ca) was updated and maintained. A market sounding with four private sector firms was also held. A 'Proof of Concept' project was initiated in 2019-2020 with a focus on building a water and wastewater treatment plant. The project will inform the FNII service delivery plan and proposed amendments to the FMA that were outlined in a technical discussion paper. This work is ongoing and will continue into the next fiscal year.

FNII is being proposed as the fourth FMA institution and its establishment will require legislative and regulatory amendments to the FMA.

The FNTC continues to support the development of FNII, an institution designed to support improved First Nation infrastructure by providing the skills and processes necessary for First Nations to plan, procure, build, and maintain infrastructure on First Nation lands.

Expanding First Nation Tax Jurisdiction

In 2019-2020, the FNTC continued its work with First Nations, governments, and other groups to research and develop advanced proposals to expand First Nation tax jurisdictions. Ongoing work included the advancement of proposals for several options for new First Nation tax powers including First Nation cannabis, excise and sales tax jurisdiction, a First Nation Resource Charge, tobacco taxation, and the FNGST and advocacy for the fiscal treatment of these tax powers consistent with a revenue-based fiscal relationship. In addition to advancing these proposals to proponent First Nations, and federal and provincial governments, they were presented at the *First Nations Leading the Way II* national meeting in the spring of 2019.

International Support and Collaboration

The FMA, and the institutional support provided by the FNTC, has been recognized in New Zealand, Australia and the United States as a model for implementing First Nations jurisdiction and improving socio-economic outcomes. With a commitment to sharing insights and best practices, the FNTC continued to build on its partnerships with organizations like the Ngai Tahu in New Zealand, as well as both the National Intertribal Taxation Alliance and the Indian Land Tenure Foundation in the United States.

First Nations Leading the Way II

One of the highlights of the year was organizing and hosting a national meeting of First Nations on Tsuut'ina Nation territory in Calgary, Alberta with the FMA Institutions and Lands Advisory Board (LAB). This *First Nations Leading the Way II* national meeting was a follow-up to an inaugural meeting held in 2018. It showcased First Nations at the forefront of expanding tax jurisdiction in communities across Canada. The event convened more than 350 participants, including 125 First Nation communities participating in the FMA and the Framework Agreement on First Nation Land Management along with First Nations



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Achievements This Year

2019



entering 10-Year grants and representatives from the Government of Canada. Participants gathered for positive, collaborative discussions highlighting the significant progress being made due to First Nation-led legislation and implementation of First Nation jurisdictions.

Participants heard First Nations representatives share success stories and advice about how to use the tools provided by the FMA and the *Framework Agreement on First Nation Land Management* to bring health and prosperity to their communities.

Institutions Sign Historic Protocol Agreement

The FNTC, First Nations Finance Authority (FNFA), and the First Nations Financial Management Board (FMB), joined with the First Nations LAB to sign an historic Protocol pledging to work together to assist First Nations to improve governance, increase local jurisdiction and advance wealth generation.

The four organizations pledged in the Protocol to work closely together, and with First Nations, to generate sustainable economic growth through greater fiscal independence, improved financial management, greater access to financing and sound land governance.

The Protocol Agreement was signed at the *First Nations Leading the Way II* national meeting.

“This agreement will allow us to provide a forum where First Nations governments can work together, share resources and tools and find solutions to common challenges. It demonstrates our commitment to expand our land and fiscal jurisdictions to raise our infrastructure and services to national standards and increase investment on our lands. I am both proud and pleased that we can come together for the benefit of our communities and all of Canada.”

C. T. (Manny) Jules, Chief Commissioner
First Nations Tax Commission

“We are seeing the untapped potential of First Nations to lift not only their own economies but contribute to the prosperity of all Canadians. We are pleased that First Nations are using the tools and resources we offer, and this cooperative agreement will allow us to move more quickly along the path to reconciliation.”

Harold Calla, Executive Chair
First Nations Financial Management Board

“The Protocol we have signed will allow us to work more closely to maximize opportunities to build new infrastructure, improve fiscal management and increase the independence of First Nations from other levels of government. Ultimately, these steps will allow First Nations to break free from many of the restrictions of the *Indian Act* and support higher standards of community well-being.”

Ernie Daniels, President & CEO
First Nations Finance Authority

“We are absolutely committed to providing timely, coordinated support to First Nations as they retake their rightful jurisdiction over their lands, finances and resources. By working closely together, our organizations can ensure that this Protocol will provide the maximum benefit for First Nations communities to improve health, education and living standards.”

Robert Louie, Chair
First Nations Lands Advisory Board

Reports from the Business Lines

2019

Corporate Services

The objective of the Corporate Services business line is to create an effective work environment for FNTC service areas, and to operate the FNTC in keeping with the FMA, the FNTC Corporate Plan and its policies and procedures. Corporate Services activities include the provision of planning, financial accounting, personnel, administrative, legal, office facility, technology management, contracting and other support services to the Commission and the FNTC. Corporate Services is also responsible for managing the special projects or initiatives undertaken by the FNTC and providing support for Commission operations.

Corporate Services provides financial, human resource and administrative management for the FNTC. Results included: producing the annual corporate plan, work plan and financial plan; managing the annual audit and financial reporting process; ensuring *Access to Information Act* and *Privacy Act* requirements were met; managing the capital requirements for the head office and the National Capital Region office; maintaining and improving information technology and information management systems and practices; and providing training and professional development opportunities to Commissioners and staff.

During the year, Corporate Services:

- Provided orientation and training
 - Orientation materials were developed and training provided to support a new Commissioner, Georjann Morriseau, who was appointed to the Commission in June 2019.
 - Chief Commissioner C. T. (Manny) Jules and Deputy Chief Commissioner David Paul were reappointed in May 2019. There remains one vacancy on the Commission.
 - Corporate Services also helped convene four general FNTC meetings, 10 law review meetings and five by-law review meetings.
- Continued to implement the Transition Management Work Plan
 - Early in 2018-2019, the FNTC identified various organizational changes that would occur over the next few years, including the retirement of senior leadership within the organization, growth in the number of First Nations using FNTC services, and a proposed expansion of the FNTC's mandate to include other tax jurisdictions, such as cannabis, resources, tobacco, and FNGST.



The **otter**, featured in the FNTC Heraldic Emblem, has intimate knowledge of the worlds of both land and water. Just as the otter is able to move comfortably between two worlds, so too should all people be able to **live in the present while at the same time honouring their past and traditions.**

- An evaluation of the existing management and organizational structures and service delivery models was conducted and completed, with a comprehensive set of recommendations approved in December 2019. These recommendations will be rolled out over the course of the next fiscal year. Steps were also taken to improve coordination with the other FMA institutions and governments, to support the growth of First Nation fiscal powers, and to respond to First Nation and taxpayer service needs and priorities.
- To support transition management activities, training, coaching and professional development was undertaken for the executive team.
- Reviewed and advanced capacity development, human resource and organizational plans
 - This past year, the FNTC reviewed the performance measurement plan for executives and staff and provided training and support for a new employee performance management system. New staff were hired in both corporate services and law/by-law review business lines in support of expanding service delivery capabilities for the FNTC. An office expansion for the National Capital Region is planned for 2020-2021 with a view to managing the recruitment of new staff and the anticipated growth in Ontario, Manitoba and Atlantic Canada.

Corporate Services activities include the provision of planning, financial accounting, personnel, administrative, legal, office facility, technology management, contracting and other support services to the Commission and the FNTC.

Reports from the Business Lines

2019

- Guided progress in information management, information technology and facilities management
 - Information management processes and information technologies utilized by the FNTC were reviewed in 2019-2020 and an IT strategy was developed for rollout during the year. Information management continued its work to advance additional retention and disposition schedules and to develop plans for an initial transfer of records to Library and Archives Canada.
- Monitored compliance with access to information and privacy requirements
 - Corporate Services ensured that the FNTC continued to meet *Access to Information Act* and *Privacy Act* requirements, including the posting of monthly summaries on the Government of Canada portal. The FNTC reviewed and revised its policies and procedures for the processing of access requests. The FNTC advanced, and will continue to advance, amendments to the *Access to Information Act*.
- Continued to provide support to advance the following:
 - Addition of expanded fiscal powers to the FMA so First Nations can access FNFA programs and services to secure revenues in support of economic infrastructure.
 - Promotion of a First Nations Statistics Institute that can support a First Nation jurisdiction-based fiscal relationship option and an improved First Nation investment climate.
 - Secure stable long-term funding to expand the capacity of the Tulo Centre of Indigenous Economics in keeping with its five-year growth plan and key role as an accredited First Nation public service educational institution that supports FMA jurisdictions and capacities.
 - A regulatory framework under the FMA for First Nation tobacco taxation and regulation with interested First Nations, the Union of Ontario Indians (UOI) and provincial governments. The development of First Nation tobacco tax jurisdiction is strongly supported by the Government of Ontario as the best way to deal with unregulated tobacco sales in the province. The province agrees that the FMA offers the best approach to providing the regulatory framework required to implement First Nation tobacco taxation. The FNTC continued to explore options to implement a First Nation tobacco tax framework with current or expanded FMA powers.
 - With interested First Nations, advance a FACT (fuel, alcohol, cannabis, and tobacco) federal sales tax proposal to the federal government. The proposal would require federal legislative and policy changes and expanded institutional support from the FNTC. The FACT proposal would complement the FNTC's



The **coyote**, featured in the FNTC Heraldic Emblem, was sent down by the Creator to teach humans how to **develop a society and protect human life**. Coyotes are known as wise and curious animals, but also as tricksters who use a sense of humour to deliver their message.

proposal to provide an option for interested First Nations to include the FNGST as FMA local revenues. Preliminary research by the FNTC in 2019-2020 suggested that interest from First Nations for an FMA and FNTC supported FACT, and a comprehensive FNGST option, could be significant. This approach would support improved services, infrastructure, and economic opportunities in First Nation communities. This work will continue in 2020-2021.

- A First Nations Resource Charge (FNRC) proposal. The implementation of First Nation rights and jurisdiction over their ancestral territories is an important element for any resource project proposal. Moreover, First Nation and provincial governments are stressing the importance of having a transparent, efficient, and effective environmental assessment process for proposed resource projects. Provincial governments want to make sure there is a federal contribution to support First Nation jurisdiction. Outside investors are requesting a more transparent and standardized process, as well. The FNRC would address these issues because it would involve a set of pre-specified charges for resource development within First Nation territory, including tax coordination with other governments, particularly the federal government. The new FNRC would be established within the FMA to increase the benefits of the jurisdiction. This past year, the FNTC has been developing a FNRC demonstration project with the Manitoba government and interested First Nations.

The FNTC continues to research and develop advanced proposals to expand First Nation tax jurisdiction.



Reports from the Business Lines

2019

Communications and *First Nations Gazette*

The objective of the Communications and *First Nations Gazette* business line is to promote understanding of the First Nation real property taxation system, strengthen linkages with other organizations and governments, promote best practices, and facilitate access to local revenue options and tools. The *First Nations Gazette* provides a comprehensive source of information about First Nations legislation in Canada, including laws, by-laws and codes. It also provides a public notification service for matters affecting First Nations.

During the year, Communications:

- Coordinated, developed, and updated presentations and other materials to support FNTC.
- Played a central role in coordinating all aspects of the *First Nations Leading the Way II* national meeting. Key deliverables included the conference website (www.FNleadingtheway.ca), which acted as a portal for online registration and hosted the live stream, and other post-conference material such as graphic recordings, presentations, and delegate video interviews.
- Produced four videos, called the Creative Destruction Video Series, on the history of First Nations involvement in tax jurisdiction. The content explained how First Nations can use FMA tools to create healthy and vibrant communities through expanded jurisdiction. The videos also highlight that when First Nation institutional frameworks support innovations, conditions are provided for resilient and sustainable First Nation economies.
- Delivered a full range of *First Nations Gazette* services via its website www.fng.ca. The website also went through a redesign and restructuring process to improve speed and streamline the services and information provided.



"I feel that the tools I have acquired can aid in changing systems where we can optimize the potential for ourselves and our future generations. Tax jurisdiction, land jurisdiction, and the ability to have debenture financing for infrastructure needed to strengthen our economies are crucial and will aid with the future uncertainties from Canada's transfer-based model of funding with the impending recession and generational shift."

Savanna McGregor
Class of 2019 valedictorian

Education, Training and Accreditation

The Education, Training and Accreditation business line promotes an understanding of the real property taxation systems of First Nations, develops training programs for real property tax administrators and builds community capacity so they can administer their taxation systems.

Key to the FNTC's success are concerted efforts to ensure that First Nation communities understand how implementing a local taxation system can boost their economic potential and their contribution to the local economy.

This year, Education, Training and Accreditation:

- Shared skills, knowledge and best practices for rebuilding the economic foundations of First Nation communities.
- Developed and facilitated workshops and webinars, while also providing logistics and support for students that continues after graduation through a proactive alumni relations program.

- Held a curriculum retreat to review and update course materials.
- Delivered courses in the First Nation Taxation Administration Certificate program and the Applied Economics Program.
- In June 2019, there were 20 graduates from the accredited Certificate in First Nation Tax Administration program from First Nations in BC, Alberta, Saskatchewan and Ontario.
- To date, 173 students from 78 First Nations have participated in the First Nation Taxation Administration Certificate program delivered under a partnership between the FNTC, the Tulo Centre and TRU. A total of 102 students from seven provinces have completed all eight courses for successful graduation.

The Tulo Centre of Indigenous Economics

Based in Kamloops, BC, the Tulo Centre of Indigenous Economics is a Canadian charitable organization that assists interested First Nations in building legal and administrative frameworks that supports markets on their lands. The



Tulo Centre was established in 2008 to deliver education programs and conduct research in the areas of First Nation taxation, public finance and public administration. Historically, Chinook was the language of trade used by First Nations on the west coast of the Americas, and "Tulo" is the Chinook word for "earned profit".

The Tulo Centre delivers accredited university programs in partnership with Thompson Rivers University and the First Nations Tax Commission.

Reports from the Business Lines

2019

Policy Development

The objective of the Policy Development business line is to create and implement effective standards and policies through a transparent process. These policies and standards support First Nation jurisdiction, reflect sound administrative practices and increase First Nation, taxpayer, and investor confidence in the integrity of the First Nation local revenue system.

During the year, Policy Development:

- Developed, updated or modified standards.
 - Standards for First Nation Development Cost Charges (DCC) Laws, 2019 - Changes to the standards were made to improve clarity about: how DCCs can be established and levied to meet service agreement requirements with adjacent jurisdictions; to reflect current First Nation practice of using building approval procedures; and to ensure DCC laws include reference to the First Nation's law, by-law, policy or procedure that sets out the application procedure for obtaining building approval, subdivision approval, or development approval. It is important to note that DCC payments must be made at the time of approval. Consequential amendments were made to the Standards Respecting Notices Relating to Local Revenue Laws, and the Standards for the Submission of Information Required under Section 8 of the Act.
 - Standards for the Timing of First Nation Annual Tax Rates and Expenditure Laws, 2017 - The Timing Standards set a requirement for the timing of the enactment of First Nation annual tax rates laws and annual expenditure laws. These standards do not affect or change the First Nation's requirement to make annual tax rate laws consistent with the date set out in its property taxation law. To ensure consistency for all First Nations, while providing

flexibility for First Nation law-making, the deadline for making annual laws was changed to November 30th.

- Developed, reviewed and modified section 83 policies for Commission approval that included:
 - Property Assessment By-law Policy
 - Property Taxation By-law Policy
 - Annual Tax Rates By-law Policy
 - Annual Expenditure By-law Policy
- Initiated and continued various research projects to advance First Nation jurisdiction. The projects explored various best practices and sound administrative practices that increase First Nation, taxpayer, and investor confidence in the integrity of the First Nation local revenue system. Projects included:
 - Manufactured Home Assessment Changes in British Columbia: The FNTC worked with BC Assessment and affected First Nations to monitor how changes in the valuation of manufactured homes in British Columbia are having an impact on affected First Nation tax systems.
 - Transitioning Utility Tax By-laws: FNTC reviewed several utility tax by-laws in the context of the FMA and how these by-laws compare with provincial approaches and are transitioned into the FMA.
 - Local Revenue Securitization: The FNTC examined ways to improve efficiencies and the uptake of local revenue securitization. This included reviewing the firewall between local revenue borrowing and other revenue borrowing, as well as expanding the range of eligible borrowing capital projects.

- Projects were undertaken with other fiscal institutions, including:
 - Support for Treaty and Self-Governing First Nation participation in FMA
 - FMA Information Collection and Dissemination
 - FMA Marketing and Co-ordinated Law Development
 - Borrowing Co-ordination
- Continued work to advance amendments to First Nation Taxation Enforcement and Assessment Appeal regulations.
- The 2020 FNTC Pre-Budget Submission: The submission called for a revenue-based fiscal relationship and new tax powers that would not be subject to unilateral claw backs and associated responsibilities that would not be subject to federal input or conditions. New tax power options that were requested were for fuel, alcohol, tobacco, and cannabis taxes, an expanded FNGST, and a resource tax based on traditional lands. Expanded institutional support was requested to support the development of these new powers. This included expanded powers to develop statistics and support for First Nations infrastructure development. Finally, FNTC advanced an FMA option for Treaty and Self-Governing First Nations.

Law/By-law Development and Review; Legislative Affairs

The objective of the Law/By-law Development and Review; Legislative Affairs (LBDRLA) business line is to ensure the integrity of the First Nations real property taxation system. It is also to promote a common approach to First Nations real property taxation nationwide while recognizing regional variation. This is accomplished by providing support to First Nations in the law development process, reviewing submitted First Nations laws for compliance with

the regulatory framework, and working with the federal government to improve the legislative and regulatory framework. LBDRLA also monitors legal developments that may impact the exercise by First Nations of their property tax jurisdiction.

During the year, LBDRLA:

- Prepared technical reviews for 214 annual laws and 17 non-annual FMA laws for the Commission's consideration, including 44 technical reviews of section 83 by-laws for the Commission's consideration in making their recommendations to the Minister for by-law approval.
- Provided support for First Nations interested in or entering the field of property taxation for the first time or transitioning to the FMA from *Indian Act* taxation. Ontario First Nations required extra support to enter property taxation, as most have pre-existing taxable properties that have to make the transition from fee for service arrangements to ad valorem taxation. Five First Nations enacted property tax and assessment laws in 2019-2020:
 - Esquimalt First Nation (BC)
 - Lake Cowichan First Nation (BC)
 - Cook's Ferry Indian Band (BC)
 - Little Shuswap Indian Band (BC)
 - Opaskwayak Cree Nation (MB)
- Five sample laws were updated, modified or developed including:
 - Sample First Nation Property Assessment Law
 - Sample First Nation Property Taxation Law
 - Sample First Nation Business Activity Tax (Well Drilling) Law
 - Sample First Nation Development Cost Charges Law
 - Sample First Nation Taxpayer Representation to Council Law

Dispute Management and Negotiations

The objective of the Dispute Management and Negotiations business line is to provide support for negotiations relating to the implementation of First Nation property taxation and support for resolution of disputes in relation to the application of local revenue laws. This work also includes support for negotiations for:

- The provision of provincial assessment services
- Negotiations and coordination of First Nation taxation implementation with local and provincial governments
- Transition to assessment-based tax rates from service fees
- Response to taxpayer inquires
- Taxpayer relations systems including taxpayer representation to council laws

During the year, the FNTC:

- Monitored and responded to legal challenges to the First Nation tax system and, where appropriate, intervened.
- Delivered service-agreement facilitation support to First Nations and local governments in British Columbia and Manitoba.
- In 2019-2020, the FNTC completed a new FMA-based service agreement template to support treaty land entitlements (TLEs) and additions to reserves (ATRs) and provided support to two potential service agreements in Manitoba involving First Nations and the communities of East St. Paul and Winnipeg. It is hoped that this work will lead to the broader use of the templates and support faster TLEs and ATRs in urban areas so First Nations and other governments can generate more economic and fiscal benefits sooner. TLEs and ATRs near urban areas provide significant economic opportunities to First Nations. Unfortunately, these processes are too slow. One of the main causes of delays is the requirement to successfully negotiate service agreements between First Nations and local governments.

For the last 13 years, the FNTC has provided service agreement facilitation services to interested First Nations and local governments.

- Provided support and facilitation for First Nation and taxpayers to support tax implementation.
- Provided support and facilitation to British Columbia First Nations and taxpayers related to manufactured home assessment changes.
- Continued to provide support to improve provincial assessment services to First Nations in Ontario, Saskatchewan, and British Columbia

The objective of the Dispute Management and Negotiations business line is to provide support for negotiations relating to the implementation of First Nation property taxation and support for resolution of disputes in relation to the application of local revenue laws.

Protecting First Nation Jurisdiction

The FNTC's approval of the Mississaugas of Scugog Island First Nation Sewer Service Fee Law was the subject of an application for judicial review brought by the Ontario Lottery and Gaming Corp. (OLG). OLG sought to have the Commission's approval of the law overturned in order to invalidate the law and the fees levied under the law. FNTC was granted intervenor status and provided an overview of the regulatory framework supporting taxation under the FMA.

In June 2019, the Federal Court released its decision upholding the FNTC's approval of the First Nation's Sewer Fee Law enacted under the FMA.

The decision provides strong support for First Nation self-government through the exercise of tax jurisdiction, for the role of the Commission in supporting First Nations in the exercise of their jurisdiction, for the Commission's standards and processes, and for the principle of First Nation self-determination reflected in the FMA framework and within the mandates of the Aboriginal institutions it establishes.

The Court rejected OLG's arguments, and based its decision on four interrelated reasons:

- The FMA is aimed at facilitating self-government and First Nations are exercising their self-determination by opting into the FMA and exercising their law-making powers.
- Parliament intended for the Commission to play a "narrow but significant role in the exercise of self-government by First Nations and that role is to ensure compliance with a set of minimal standards, including defining those standards and applying them".
- In reviewing the Standards, the Court concluded that, "taken together the requirements contribute to ensure that fee laws are applied in a manner consistent with the rule of law principle" and that "the Commission understands its role in a manner consistent with the purpose of fostering self-determination".
- And finally, the Court reviewed key aspects of the FMA that ensure transparency and accountability for ratepayers, including the local revenue account, audit and expenditure requirements. The Court concluded that the overall scheme of the FMA provides the mechanisms necessary to ensure its transparency and accountability objectives.

The role of the FNTC in the law approval process was recognized by Justice Grammond who wrote "(T)he Commission did exactly what Parliament intended it to do and, in doing so, fully complied with provisions of the Act."

The FMA is aimed at facilitating self-government and First Nations are exercising their self-determination by opting into the FMA and exercising their law-making powers.

This is the second time the Federal Court has been asked to overturn a Commission approval of a First Nation law, and the second time the Court has upheld the approval and confirmed First Nation law-making jurisdiction and the role of the Commission in that process.

Commissioners, Governance and Corporate Profile

2019

Commissioners

The FNTC consists of one Chief Commissioner (CC) who also serves as Chief Executive Officer (CEO), one Deputy Chief Commissioner (DCC), and eight other Commissioners, collectively supported by dedicated full-time staff, plus additional contracted professionals as needed.

On the recommendation of the Minister, the Governor in Council appoints nine of the ten Commissioners, consisting of:

- Chief Commissioner
- Deputy Chief Commissioner
- Three Commissioners who are taxpayers using reserve lands – one for Commercial, one for Residential, and one for Utility purposes
- Four additional Commissioners

A tenth Commissioner is appointed by the Native Law Centre, University of Saskatchewan (NLC), the appointing body prescribed by the First Nations Tax Commissioner Appointment Regulations.

There is currently one vacancy on the Commission.

The current Commissioners are:



C.T. (Manny) Jules
(Tk'emlúps te Secwepemc, BC)
Chief Commissioner and CEO



David Paul
(Tobique First Nation, NB)
Deputy Chief Commissioner



Dr. Céline Auclair
(Gatineau, QC)
Commissioner



Terry Babin
(Canal Flats, BC)
NLC-appointed Commissioner



Leslie Brochu
(Little Shuswap Lake Indian Band, BC)
Residential Taxpayer Commissioner



Ken Marsh
(Okotoks, AB)
Utility Taxpayer Commissioner



William McCue
(Chippewas of Georgina Island First Nation, ON)
Commissioner



Georjann Morriseau
(Fort William First Nation, ON)
Commissioner



Randolph Price
(North Vancouver, BC)
Commercial Taxpayer Commissioner

When convened as the Commission, the Commissioners are responsible for reviewing and approving local revenue laws under the FMA and providing advice to the Minister on the approval of by-laws under section 83 of the *Indian Act*.

Governance

In addition to presiding over the Commission, the Chief Commissioner chairs the Executive Management Committee and oversees the general governance and operation of the FNTC.

Under the general direction of the CEO, the Chief Operating Officer (COO) is responsible for planning and coordination of FNTC staff and operations, and management of collaboration with the FNTC's external partners, consultants and advisors.

The Chief Commissioner has established committees to guide and support the FNTC's work. These committees may consist of some Commissioners only, or some Commissioners plus staff and/or other professionals as appropriate:

- Executive Management Committee
- Management Committee
- Audit Committee
- Section 83 Rates Committee
- *First Nations Gazette* Editorial Board

FNTC Staff and Partners

As provided under section 26 of the FMA, the FNTC maintains its Head Office on the reserve lands of the Tk'emlúps te Secwepemc in British Columbia. It also maintains an office in the National Capital Region in Ottawa. This arrangement provides flexibility in the FNTC's outreach and accessibility for First Nations across Canada.

The FNTC is supported by a team of over 20 full-time employees.

The FNTC also works with professionals on a contract basis. This arrangement ensures the FNTC has ready access to the best experts in critical disciplines such as law, dispute mediation, economic development, policy research and analysis.

FMA Institution Partners

In addition to the FNTC, the FMA established the FMB and the FNFA:

- The FMB is a shared governance institution that assists First Nations in strengthening their financial administration regimes – including the approval of First Nation Financial Administration Laws – and provides independent certification to support borrowing from the FNFA, as well as First Nations economic and community development.
- The FNFA is a non-profit corporation that provides First Nation governments with access to affordable financing as well as investment and advisory services.

Once a First Nation has been added to the schedule of the FMA, it can access the services of any of the three FMA institutions that work together to help First Nation governments advance the fiscal and economic well-being of their communities. These institutions provide participating First Nations with the kinds of modern fiscal management tools that are typically available to other governments.

Supporting First Nations Tax Jurisdiction

2019

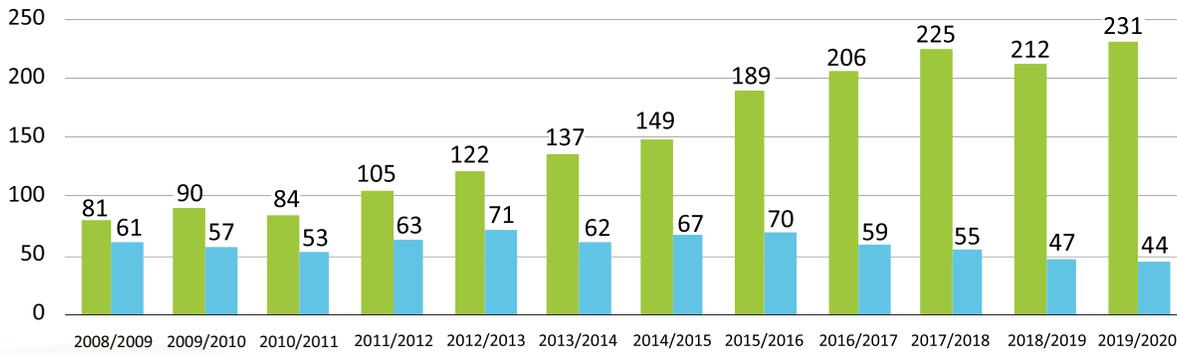


Figure 1: Number of laws approved and by-laws recommended by the Commission.

FMA laws
S.83 by-laws



Figure 2: Total local revenue raised by First Nations using the FMA and section 83 of the Indian Act.

FMA revenues
S.83 revenues

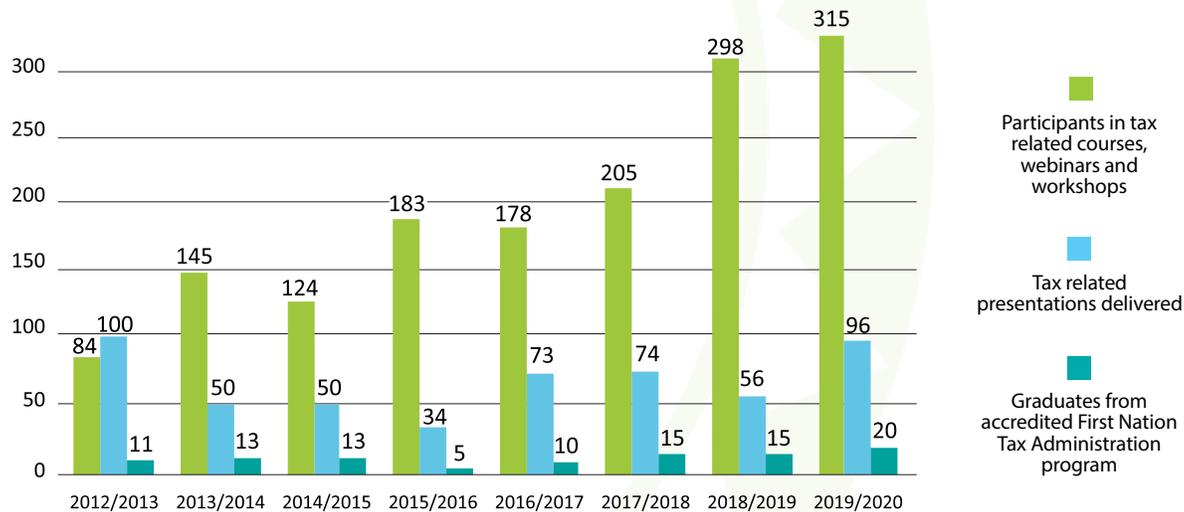


Figure 3: 2019/2020 saw continued growth in outreach activities, participants and Tulo graduates.

Participants in tax related courses, webinars and workshops
Tax related presentations delivered
Graduates from accredited First Nation Tax Administration program

First Nations Tax Commission

Financial Statements

For the year ended March 31, 2020

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Management's Responsibility for Financial Reporting

2019

The accompanying financial statements of the First Nations Tax Commission (the "Commission") are the responsibility of management and have been presented to the FNTC for its acceptance.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for public sector accounting. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly in all material respects.

The Commission maintains systems of internal accounting and administrative controls of reasonable quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Commission's assets are appropriately accounted for and adequately safeguarded.

The Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commission carries out this responsibility principally through its Audit Committee.

The Commissioners review the Commission's financial statements and recommend their approval. The Audit Committee meets periodically with management, as well as external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Commission takes this information into consideration when approving the financial statements. The Commission also considers the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the Commission. BDO Canada LLP has full access to the Commission.



Chief Commissioner



Commissioner



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BDO Canada LLP
300-275 Lansdowne Street
Kamloops BC V2C 6J3 Canada

Independent Auditor's Report

To the Commissioners of the First Nations Tax Commission

Opinion

We have audited the financial statements of the First Nations Tax Commission (the "Commission"), which comprise the statement of financial position as at March 31, 2020, and the statement of change in net financial assets (debt), statement of financial activities and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for public sector accounting. The quantitative information is accurate in all material respects and was prepared on a basis consistent with that of the preceding year. The transactions of the institution that have come to our notice in the course of this examination were carried out in accordance with the *First Nations Fiscal Management Act*.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for public sector accounting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants
Kamloops, British Columbia
June 17, 2020

Statement of Financial Position

As at March 31	2020	2019
Financial Assets		
Cash (Note 3)	\$ 4,093,262	\$ 3,440,575
Accounts receivable (Note 4)	377,624	96,915
	4,470,886	3,537,490
Liabilities		
Accounts payable (Note 5)	1,221,457	1,324,503
Contracts payable (Note 6)	2,348,331	1,806,864
Deferred revenue (Note 11)	935,267	377,091
	4,505,055	3,508,458
Net financial assets (debt)	(34,169)	29,032
Non-financial Assets		
Prepaid expenses	127,467	64,728
Tangible capital assets (Note 7)	171,379	352,570
	298,846	417,298
Accumulated Surplus (Note 12)	\$ 264,677	\$ 446,330

Commitments (Note 10)

Approved on behalf of the Commission:



_____, Chief Commissioner



_____, Commissioner

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Change in Net Financial Assets (Debt)

For the year ended March 31	Financial plan	2020	2019
Annual deficit	\$ -	\$ (181,653)	\$ (39,876)
Acquisition of tangible capital assets	-	(24,421)	(197,367)
Amortization of tangible capital assets	-	205,612	231,263
	-	(462)	(5,980)
Acquisition of prepaid expenses	-	(62,739)	12,503
Net change in net financial assets (debt)	-	(63,201)	6,523
Net financial assets , beginning of year	29,032	29,032	22,509
Net financial assets (debt) , end of year	\$ 29,032	\$ (34,169)	\$ 29,032

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Financial Activities

For the year ended March 31	Financial plan	2020	2019
Revenue			
Government of Canada			
Corporate Plan	\$ 7,361,000	\$ 7,015,114	\$ 6,834,000
Research and other special projects			
First Nations Infrastructure Institution (FNII) 2019	164,397	164,397	1,229,776
First Nations Infrastructure Institution (FNII) 2020	1,091,500	1,090,689	-
National Meeting I (2018)	-	-	753,189
National Meeting II (2019)	804,535	644,052	267,905
National Meeting III (2020)	623,400	195,312	-
Toward an Improved First Nations Fiscal Relationship	226,800	226,800	337,831
Interest and other income	25,000	58,551	51,547
	<u>10,296,632</u>	<u>9,394,915</u>	<u>9,474,248</u>
Expenses			
Corporate Plan	7,386,000	7,254,856	6,925,423
Research and other special projects			
First Nations Infrastructure Institution (FNII) 2019	164,397	164,397	1,229,776
First Nations Infrastructure Institution (FNII) 2020	1,091,500	1,090,689	-
National Meeting I (2018)	-	-	753,189
National Meeting II (2019)	804,535	644,052	267,905
National Meeting III (2020)	623,400	195,312	-
Toward an Improved First Nations Fiscal Relationship	226,800	227,262	337,831
	<u>10,296,632</u>	<u>9,576,568</u>	<u>9,514,124</u>
Annual deficit	-	(181,653)	(39,876)
Accumulated surplus , beginning of year	446,330	446,330	486,206
Accumulated surplus , end of year	\$ 446,330	\$ 264,677	\$ 446,330

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended March 31	2020	2019
Operating activities		
Annual deficit	\$ (181,653)	\$ (39,876)
Items not involving cash		
Amortization	205,612	231,263
Changes in non-cash operating balances		
Accounts receivable	(280,709)	(11,373)
Prepaid expenses	(62,739)	12,503
Accounts payable and contracts payable	438,421	692,249
Deferred revenue	558,176	377,091
Cash flows from operating activities	677,108	1,261,857
Capital activity		
Purchase of tangible capital assets	(24,421)	(197,367)
Net increase in cash	652,687	1,064,490
Cash, beginning of year	3,440,575	2,376,085
Cash, end of year	\$ 4,093,262	\$ 3,440,575

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

2020

Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies

Accounting Principles

The First Nations Tax Commission (the "Commission") prepares its financial statements in accordance with Canadian generally accepted accounting principles for public sector entities.

Revenue Recognition

Government contracts are recognized as revenue in the year in which the related expenses are incurred, and the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest and other income are recognized as revenue when earned.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, development or retirement of the asset. Proceeds on disposal of tangible capital assets are recorded as revenue in the appropriate program.

The cost less residual value of the tangible capital assets are amortized using the straight line method with no half year rule at the following annual rates, which approximates the useful life of the assets:

Asset	Rate
Equipment	3 years
Furniture and fixtures	3 years
Leasehold improvements	5 years

Government Transfers

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Segmented Information

Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Commission Services

The Commission has a Chief Commissioner, a Deputy Chief Commissioner, and seven Commissioners appointed by the Governor in Council and one Commissioner appointed by the Native Law Centre of Canada at the University of Saskatchewan. The Commission Services business line includes the operational and support costs of the Chief Commissioner and the Commissioners.

Communications

The Communications business line promotes the understanding of First Nation real property taxation systems and communicates policy initiatives for the Commission through the publication of newsletters, bulletins, meetings and presentations to First Nations, translation of materials, attending and hosting professional conferences, preparing and distributing the Commission's annual report, developing and maintaining internet websites, and preparing and distributing marketing materials.

Corporate Services

The Corporate Services business line provides financial, human resources, insurance, information management, information technology, facility management, audit and administrative services to the Commission and is responsible for meeting corporate planning and reporting requirements as well as coordinating the annual general meeting and commission meetings. Corporate Services also has a lead role in meeting *Access to Information Act*, *Privacy Act* and *Official Languages Act* requirements, corporate policy development and implementation, and providing management and support to meeting *First Nations Fiscal Management Act (FMA)* financial management and control requirements.

Dispute Management and Negotiations

The objective of the Dispute Management and Negotiations business line is to prevent or provide assistance with the timely resolution of disputes in relation to the application of FMA laws as well as to provide education, training and facilitation services to First Nation tax authorities as requested and negotiations assistance. Dispute Management and Negotiations supports and manages the review of complaints.

Education

The Education business line promotes understanding of the real property taxation systems of First Nations, through public education, through the development of training programs for First Nation property tax administrators, and through the development of administrative tools to assist those First Nations who have adopted property taxation.

First Nations Gazette

The Gazette business line manages the operation, publication and promotion of the *First Nations Gazette*. The *First Nations Gazette* publishes First Nations laws, by-laws, sample laws, and notices under the FMA and the *Indian Act* through an online website, www.fng.ca.

Law/By-Law Development and Review; Legislative Affairs

The Law/By-law Development and Review; Legislative Affairs business line reviews local revenue laws to ensure that they comply with the FMA and the associated regulatory framework and also provides support to First Nations in the law development process. The Law/By-law Development and Review; Legislative Affairs business line also develops sample laws under the FMA and by-laws under s.83 of the *Indian Act*. The Law/By-law Development and Review; Legislative Affairs business line reviews and liaises with Indigenous Services Canada ("ISC") on the approval of s.83 by-laws and maintains a registry for both s.83 by-laws and FMA laws.

Policy Development

The Policy Development business line develops and implements policies and standards to support administrative practices to increase First Nation, taxpayer, and investor confidence and certainty in the integrity of the First Nation local revenue system.

Research and Other Special Projects

The Commission undertakes other special projects in support of its Corporate Plan activities and mandate under the FMA.

2. Nature of Operations

The Commission is a national shared governance institution with a head office on the reserve lands of the Tk'emlúps te Secwépemc at Kamloops, BC and an office in Ottawa, ON. Its mission is to help First Nation governments build and maintain fair and efficient First Nation property tax regimes, and to ensure those First Nation communities, and their taxpayers alike, receive the maximum benefit from those systems. The Commission was created through passage of the *First Nations Fiscal Management Act*.

3. Cash

Cash is held in one Canadian Chartered Bank and earns interest at the current prevailing rate for business accounts. Canada Deposit Insurance Corporation ("CDIC") insures these deposits to the extent of \$100,000 per Canadian resident.

The Commission has an unused credit facility agreement with the Royal Bank of Canada which establishes an operating line with a credit limit of \$500,000. Interest is payable at the bank's prime rate plus 1.0%.

4. Accounts Receivable

	<u>2020</u>	2019
Government of Canada	\$ 300,000	\$ -
Goods and Services/Harmonized Sales Tax rebates receivable	73,787	80,808
Other	3,837	16,107
	<u>\$ 377,624</u>	<u>\$ 96,915</u>

5. Accounts Payable

The Commission is the sponsor of an employee benefit plan. Included in accounts payable at March 31, 2020 is \$340,797 (2019 - \$319,484) of accrued benefits payable based on an actuarial report dated March 31, 2020.

6. Contracts Payable

The Commission has committed funds by contract for work designated in the approved corporate plan or through specific amendments to its funding arrangement. The terms of these contracts vary in length due to the nature of the services being provided and are subject to change due to changes in federal government directives and initiatives, which can result in a redirection of resources. As at March 31, 2020, all accrued amounts are planned for completion as part of current funded initiatives.

7. Tangible Capital Assets

	2020			2019		
	Leasehold Improvements	Equipment, Furniture & Fixtures	Total	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
Cost, beginning of year	\$ 623,540	\$ 1,511,817	\$ 2,135,357	\$ 540,466	\$ 1,397,524	\$ 1,937,990
Additions		24,421	24,421	83,074	114,293	197,367
Disposals	-	(129,751)	(129,751)	-	-	-
Cost, end of year	623,540	1,406,487	2,030,027	623,540	1,511,817	2,135,357
Accumulated amortization, beginning of year	442,052	1,340,735	1,782,787	376,586	1,174,938	1,551,524
Accumulated amortization of assets disposed of	-	(129,751)	(129,751)	-	-	-
Amortization	76,750	128,862	205,612	65,466	165,797	231,263
Accumulated amortization, end of year	518,802	1,339,846	1,858,648	442,052	1,340,735	1,782,787
Net carrying amount, end of year	\$ 104,738	\$ 66,641	\$ 171,379	\$ 181,488	\$ 171,082	\$ 352,570

8. Economic Dependence

The Commission receives substantially all of its revenue pursuant to a funding arrangement with the Government of Canada. In addition to the Government's funding of \$7,361,000 (2019 - \$6,834,000) for Corporate Plan activities, contributions by the Government and through other income are necessary for the Commission to undertake specific research and special projects.

9. Financial Instruments

As part of the Commission's operations, the Commission holds various financial instruments, consisting of cash and accounts receivable. The nature of these instruments and the Commission's operations expose the Commission to credit risk.

10. Commitments

The Commission entered into an operating lease for its premises in Ottawa, ON. The office is leased at base rent of \$7,586 per month plus applicable taxes under a lease expiring in March 2024.

The Commission entered into an operating lease for its premises in Kamloops, BC. The office is leased at base rent of \$6,997 per month plus applicable taxes under a lease expiring in March 2021.

The Commission has entered into various operating leases for equipment and network services to be used in their offices. The monetary range of these lease agreements is \$101 - \$381 per month plus applicable taxes with lease expiration dates ranging from February 2022 - August 2026.

The minimum annual lease payments for the next five years are as follows:

2021	\$ 180,776
2022	96,813
2023	92,240
2024	92,240
2025	1,214
	<hr/>
	\$ 463,283

11. Deferred Revenue

Deferred revenue represents Government of Canada funding received for programs to be carried out in the following fiscal year.

	Balance March 31 2019	Funding Received 2020	Revenue Recognized 2020	Balance, March 31 2020
Corporate Plan	\$ -	\$ 7,361,000	\$ (7,015,114)	\$ 345,886
First Nations Infrastructure Institution (FNII)				
2019	164,396	-	(164,396)	-
2020	-	1,091,500	(1,090,690)	810
First Nations FMA Institutions & LAB National Meeting				
2019	212,695	591,840	(644,052)	160,483
2020	-	623,400	(195,312)	428,088
	<u>\$ 377,091</u>	<u>\$ 9,667,740</u>	<u>\$ (9,109,564)</u>	<u>\$ 935,267</u>

12. Accumulated Surplus

The Commission segregates its accumulated surplus in the following categories:

	2020	2019
Investment in tangible capital assets	\$ 171,379	\$ 352,570
Operational surplus	93,298	93,760
	<u>\$ 264,677</u>	<u>\$ 446,330</u>

The investment in tangible capital assets represents amounts already spent and invested in equipment and leasehold improvements.

13. Statements of Expenditures by Object

	<u>2020</u>	2019
Amortization	\$ 205,612	\$ 231,263
Goods and services	6,529,191	6,336,895
Salaries and honorarium	2,841,765	2,945,966
	<u>\$ 9,576,568</u>	<u>\$ 9,514,124</u>

14. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

15. Subsequent Events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Commission’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Commission is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity at this time.

16. Segmented Information

For the year ended March 31, 2020	Commission Services	Communications	Corporate Services	Management and Negotiations	Dispute	Education	First Nations Gazette	Law/By-Law			2020 Total	
								Development and Legislative Affairs	Review; Review;	Research and Other Special Projects		
Revenue												
Government of Canada	\$ 961,318	\$ 1,031,208	\$ 1,298,885	\$ 279,764	\$ 970,322	\$ 128,814	\$ 1,704,735	\$ 640,068	\$ 2,321,250	\$ 9,336,364		
Interest and other income	-	-	58,551	-	-	-	-	-	-	58,551		
	961,318	1,031,208	1,357,436	279,764	970,322	128,814	1,704,735	640,068	2,321,250	9,394,915		
Expenses												
Salaries and honoraria	662,827	333,412	578,000	62,304	157,070	51,686	863,776	132,690	-	2,841,765		
Goods and services	248,440	464,724	1,053,103	126,122	813,632	125,505	747,776	628,178	2,321,711	6,529,191		
Amortization	13,028	14,109	141,003	-	1,348	14,692	14,254	7,178	-	205,612		
	924,295	812,245	1,772,106	188,426	972,050	191,883	1,625,806	768,046	2,321,711	9,576,568		
Net surplus (deficit)	\$ 37,023	\$ 218,963	\$ (414,670)	\$ 91,338	\$ (1,728)	\$ (63,069)	\$ 78,929	\$ (127,978)	\$ (461)	\$ (181,653)		
For the year ended March 31, 2019												
Revenue												
Government of Canada	\$ 971,591	\$ 869,666	\$ 1,505,162	\$ 285,503	\$ 852,250	\$ 133,423	\$ 1,427,752	\$ 788,653	\$ 2,588,701	\$ 9,422,701		
Interest and other income	-	-	51,547	-	-	-	-	-	-	51,547		
	971,591	869,666	1,556,709	285,503	852,250	133,423	1,427,752	788,653	2,588,701	9,474,248		
Expenses												
Salaries and honoraria	567,091	192,334	831,128	44,035	219,777	-	747,955	343,646	-	2,945,966		
Goods and services	289,855	618,496	581,857	291,635	692,641	84,797	724,835	464,078	2,588,701	6,336,895		
Amortization	13,030	9,518	176,960	-	3,262	14,692	7,993	5,808	-	231,263		
	869,976	820,348	1,589,945	335,670	915,680	99,489	1,480,783	813,532	2,588,701	9,514,124		
Net surplus (deficit)	\$ 101,615	\$ 49,318	\$ (33,236)	\$ (50,167)	\$ (63,430)	\$ 33,934	\$ (53,031)	\$ (24,879)	\$ -	\$ (39,876)		

First Nations Tax Commission

Statements of Financial Activities

For the year ended March 31, 2020

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Notice to Reader

On the basis of information provided by management, we have compiled the statements of financial activities for various programs of the First Nations Tax Commission for the ended March 31, 2020.

We have not performed an audit or a review engagement in respect of this financial information and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

BDO Canada LLP
 Chartered Professional Accountants
 Kamloops, British Columbia
 June 17, 2020

Schedule 1 - Corporate Plan

(Unaudited - See Notice to Reader)

For the year ended March 31	Financial plan	2020	2019
Revenue			
Government of Canada	\$ 7,361,000	\$ 7,015,114	\$ 6,834,000
Interest and Other Income	25,000	58,551	51,547
	7,386,000	7,073,665	6,885,547
Expenses			
Commission Services	961,318	924,295	869,976
Communications	1,031,208	812,244	820,349
Corporate Services	1,669,771	1,772,106	1,589,946
Dispute Management and Negotiations	279,764	188,426	335,670
Education	970,322	972,050	915,679
<i>First Nations Gazette</i>	128,814	191,883	99,488
Law/By-law Development and Review; Legislative Affairs	1,704,735	1,625,805	1,480,783
Policy Development	640,068	768,047	813,532
	7,386,000	7,254,856	6,925,423
Deficiency of revenues over expenses	\$ -	\$ (181,191)	\$ (39,876)

Schedule 2 - First Nations Infrastructure Institution (FNII) 2019

(Unaudited - See Notice to Reader)

For the year ended March 31	Financial plan	2020	2019
Revenue			
Government of Canada	\$ 164,397	\$ 164,397	\$ 1,229,776
Expenses			
Communications Strategy	-	-	245,962
Partnering with Regional Initiatives	72,184	72,184	122,582
Engagement Process	-	-	230,267
FNII Design Concept	-	-	189,083
Proof of Concept	92,213	92,213	166,140
Technical Development of Legislative Requirements	-	-	172,470
Coordination and Strategic Planning	-	-	103,272
	164,397	164,397	1,229,776
Excess of revenue over expenses	\$ -	\$ -	\$ -

Schedule 3 - First Nations Infrastructure Institution (FNII) 2020

(Unaudited - See Notice to Reader)

For the year ended March 31	Financial plan	2020	2019
Revenue			
Government of Canada	\$ 1,091,500	\$ 1,090,689	\$ -
Expenses			
Organizational Development	225,500	222,645	-
Communications	82,000	30,865	-
Engagement	150,000	196,767	-
Standards and Policy Development	39,000	30,750	-
Adhoc Project Support	120,000	148,900	-
Proof of Concept - Pilot Project	475,000	460,762	-
	1,091,500	1,090,689	-
Excess of revenues over expenses	\$ -	\$ -	\$ -

Schedule 4 - First Nations FMA Institutions & LAB National Meeting I (2018)

(Unaudited - See Notice to Reader)

For the year ended March 31	Financial plan	2020	2019
Revenue			
Government of Canada	\$ -	\$ -	\$ 753,189
Expenses			
Event Planning, Coordination & Registration Support Services	-	-	93,496
Administration & Reporting	-	-	156,845
Venue Rental & Catering	-	-	111,277
Media & Translation Services	-	-	47,388
Communications, Materials & Supplies	-	-	31,652
Travel & Accommodation First Nation Delegates	-	-	312,531
	-	-	753,189
Excess of revenues over expenses	\$ -	\$ -	\$ -

Schedule 5 - First Nations FMA Institutions & LAB National Meeting II (2019)

(Unaudited - See Notice to Reader)

For the year ended March 31	Financial plan	2020	2019
Revenue			
Government of Canada	\$ 804,535	\$ 644,052	\$ 267,905
Expenses			
Venue Rental & Catering	142,000	122,655	68,000
Media & Translation Services	29,490	35,068	11,510
Event Planning, Coordination & Registration Support Services	2,500	74,863	102,500
Communications, Materials & Supplies	73,411	61,359	48,589
Travel & Accommodation	513,294	306,267	1,706
Administration & Reporting	43,840	43,840	35,600
	804,535	644,052	267,905
Excess of revenues over expenses	\$ -	\$ -	\$ -

Schedule 6 - First Nations FMA Institutions & LAB National Meeting III (2020)

(Unaudited - See Notice to Reader)

For the year ended March 31	Financial plan	2020	2019
Revenue			
Government of Canada	\$ 623,400	\$ 195,312	\$ -
Expenses			
Venue Rental & Catering	226,000	30,000	-
Media & Translation Services	69,000	192	-
Event Planning, Coordination & Registration Support Services	111,000	102,500	-
Communications, Materials & Supplies	117,000	62,620	-
Travel & Accommodation	32,000	-	-
Administration & Reporting	68,400	-	-
	623,400	195,312	-
Excess of revenues over expenses	\$ -	\$ -	\$ -

Schedule 7 - Toward an Improved First Nations Fiscal Relationship

(Unaudited - See Notice to Reader)

For the year ended March 31	Financial plan	2020	2019
Revenue			
Government of Canada	\$ 226,800	\$ 226,800	\$ 337,831
Expenses			
First Nations Cannabis Tax Option	140,400	122,052	143,450
Ontario First Nations Tobacco Tax Jurisdiction	86,400	105,210	30,589
First Nations GST Option in the FMA	-	-	27,561
Aboriginal Resource Fee	-	-	31,374
Improved First Nation Fiscal Relationship	-	-	104,857
	226,800	227,262	337,831
Deficiency of revenue over expenses	\$ -	\$ (462)	\$ -

First Nations Tax Commission

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