FIRST NATIONS TAX COMMISSION
COMMISSION DE LA FISCALITÉ DES PREMIÈRES NATIONS

2025 ANNUAL LAW DEVELOPMENT UPDATE

The Annual Law Development Update is issued by the First Nations Tax Commission (FNTC) to assist First Nation tax administrators in the development and submission of annual laws made under the *First Nations Fiscal Management Act* (FMA).

HIGHLIGHTS

The national rate of inflation for the 2025 Taxation Year is 1.83%

Changes to Administrative Fee Structure for Assessment Appeals

Use of Base Tax in Saskatchewan

2025 Annual Law Webinars

The FNTC and the First Nations Tax Administrators Association are presenting a 60-minute webinar series designed to give an overview of *the First Nations Fiscal Management Act* (FMA) Annual Law Process.

- FMA Annual Laws (ENG):
  - April 29, 10:30 am (Pacific) / 1:30 pm (Eastern)
  - May 1, 11:30 am (Pacific) / 2:30 pm (Eastern)
  - May 7, 1:00 pm (Pacific) / 4:00 pm (Eastern)
- FMA Annual Laws (FR), May 6, 10:00 am (Pacific) / 1:00 pm (Eastern)
- Chief & Council Primer (FR), May 7, 10:00 am (Pacific) / 1:00 pm (Eastern)
- Chief & Council Primer, May 8, 10:00 am (Pacific) / 1:00 pm (Eastern)

CHANGES TO ADMINISTRATIVE FEE STRUCTURE FOR ASSESSMENT APPEALS

All taxing First Nations have property assessment appeal processes. Those wishing to appeal their assessments must pay the prescribed fee set out in the property assessment law when they submit their appeal.

Previously, section 9.2 of the FNTC *Standards for First Nation Property Assessment Laws, 2019*, established a maximum $30 administration fee for the filing of the assessment appeal. This amount was originally established in 2008.

In 2024, the Commission amended its Standards to set the maximum limit for assessment appeal administration fees at $75 for residential properties, $300 for non-residential properties, and $75 for split classification properties involving residential properties. In addition, the Standards were changed to enable laws to set out different fees for different property classes, provided the maximum amounts are not exceeded.

These changes are intended to enable First Nations to enact laws that can set assessment appeal fees at higher amounts to address the impact of inflation or bring fees closer to the appeal fees set in neighbouring jurisdictions.

For more information on updating assessment appeal administration fees, please contact an FNTC advisor.

USE OF BASE TAX IN SASKATCHEWAN

Unique to Saskatchewan, a base tax is a specified amount of tax paid annually by every taxpayer in a property class. It is an additional tax, so that the total annual property tax is the base tax plus the property value (i.e., ad valorem) tax.

Since 2001, local governments in Saskatchewan have had access to this fiscal tool. Use of a base tax often results in lower annual property tax rates for taxpayers. For First Nations in Saskatchewan who wish to have competitive tax rates with their reference jurisdiction (i.e., a neighbouring jurisdiction) that use base taxes, having the option to set base tax rates will ensure consistency.

In 2024, the Commission amended the *Standards for First Nations Property Taxation Laws, 2016* and *Standards for First Nation Annual Tax Rates Laws, 2017* to provide for the use of a base tax for First Nations in Saskatchewan.

For more information on the use of base tax in Saskatchewan, please contact an FNTC advisor.

ANNUAL TAX RATES LAWS

Each year First Nation councils set tax rates to raise revenue to cover the costs of local services. These tax rates are set for each class of property and appear in a Schedule to the Annual Tax Rates Law.

TAX RATE SETTING IN THE FIRST YEAR OF TAXATION

For First Nations entering the first year of taxation, tax rates must not exceed those of the former tax authority or the reference jurisdiction (adjacent tax jurisdiction) where there is no former taxing authority. This requirement ensures there is a smooth transition to First Nation tax jurisdiction.

For more information on rate setting in the first year, please contact an FNTC advisor.

TAX RATE SETTING IN SUBSEQUENT YEARS

FNTC Standards on tax rate-setting in subsequent years reflect a consideration of the needs of First Nation governments and the interests of taxpayers who share the burden of taxes. After the first year of taxation, First Nations may set rates that either:

- Result in an average tax bill change in each property class that does not exceed the national rate of inflation (for the 2025 tax year it is 1.83%) or does not exceed the average tax bill change in the same class in the reference jurisdiction.
- Are identical to those in the reference jurisdiction, provided the rates were identical to the reference jurisdiction's rates in the previous year.

When using the average tax bill comparison methods described above, new properties and new construction must be excluded from the comparison.

Please contact an FNTC advisor if you have questions about setting tax rates.

JUSTIFICATION FOR RATES

In cases where First Nations establish tax rates that exceed requirements outlined above, the tax rates can be justified on one (1) or more of the following bases:

1. There is a significant increase to the cost of local services such as water, sewer, waste collection, fire protection and roads.
2. The proposed rates are consistent with a First Nation's reference jurisdiction transition plan.
3. There is taxpayer support for the increased rates within the affected class.

First Nation tax administrators should contact an FNTC advisor as early as possible if the First Nation intends to provide such a justification.

ANNUAL EXPENDITURE LAWS

Each year First Nation councils set budgets for the provision of local services. The annual expenditure law is comprised of the law and the Schedule that sets out the annual budget and any required appendices.

REVENUES

The annual budget includes estimates of property tax revenues and other local revenues such as payments in lieu of taxation, property transfer tax ("PTT"), business activity taxes, penalties, interest and fees.

PROPERTY TAX REVENUES

Revenues from property tax are generally calculated by multiplying the total taxable value within a property class by the proposed rate. The calculations for each class of property are then totaled to determine total property tax revenue. Calculations must include any minimum tax, if applicable. In addition, property tax revenues include any penalties, interest and fees.

PAYMENTS IN LIEU OF TAXATION

Local revenues include payments in lieu of taxation or PILTs. A PILT is typically made by other governments or government entities like Crown corporations that occupy interests on reserve. Examples of PILTs include payments from the federal government for federal properties like RCMP detachment situated on reserve, or payments made by other properties that are exempt from taxation.

PROPERTY TRANSFER TAX

First Nations collecting PTT must include an estimate of the PTT revenue expected in the current budget year. Estimated revenues may be based on a review of previous years' PTT revenue and/or current market conditions.

Where a First Nation is establishing a PTT in the current year, estimated revenues may be based on previous years' leasehold transfer transactions.

EXPENDITURES

Local revenue budgets must identify planned expenditures using the expenditure categories and sub-categories outlined in the FNTC document *Expenditure Categories for the Annual Expenditure Law Budget* (includes explanatory notes).

First Nations collecting development cost charges ("DCC"), service taxes or fees have different expenditure requirements.

For more information on these requirements, please contact an FNTC advisor.

CONTINGENCY AMOUNTS

The Expenditure Standards require that the local revenue annual budget include a contingency amount between 1% and 10% of the total budgeted local revenues (i.e., revenues raised under a subsection 5(1) law or payments made in lieu of property tax) excluding:

- Any amounts transferred from local revenue to a reserve fund or DCC reserve fund in the current year.
- Any amounts transferred from a capital reserve fund or a DCC reserve fund into current year's revenues.
- Any revenues from a service tax law.
- Any revenues from a fee law.
- Any proceeds from borrowing through the First Nations Finance Authority.

ACCUMULATED SURPLUS/DEFICIT

The annual budget includes any surplus or deficit from the prior tax year.

TIMING AND NOTIFICATION OF ANNUAL LAWS

First Nations typically enact their annual expenditure law and their annual tax rates law at the same time. The date when a First Nation's annual rates law must be enacted is set out in the First Nation's property taxation law.

The FNTC recommends that First Nations submit their annual laws at least 15 days in advance of the date tax notices are to be issued. This will allow sufficient time for the review and approval of your First Nation's annual laws. Tax administrators are encouraged to submit signed laws and all supporting materials to the Registrar, Tracey Simon (tsimon@fntc.ca) as soon as practicable.

First Nations provide notice of the entire annual rates law and annual expenditure law, including the budget and appendices (if applicable), prior to the laws being submitted to the Commission for review and approval. Notice can be provided by:

- Posting the proposed annual laws on First Nations Gazette (www.fng.ca), or on a prominent place on the First Nation's website.
- Using procedures set out in the First Nation's taxpayer representation to council law (if applicable).
- Holding a public meeting (including virtual meetings) at which taxpayers may meet with the tax administrator or members of council to discuss the proposed laws.

AMENDMENTS TO THE ANNUAL BUDGET DURING THE TAX YEAR

First Nations who wish to amend their local revenue budget in the current tax year must send an amended Annual Expenditure Law to the FNTC for review and approval.

Amendments to the local revenue budget are made when a First Nation wishes to make a substantial expenditure that is not included in the local revenue budget or wishes to amend budget amounts.

ANNUAL AUDIT OF THE LOCAL REVENUE ACCOUNT

The FMA requires local revenues to be reported on and accounted for separately from other moneys of the First Nation and audited on an annual basis.

First Nations with annual local revenues of less than $400,000, can disclose the required financial information in the form of a separate segment in the annual audited consolidated financial statements of the First Nation.

First Nations with annual local revenues in excess of $400,000 are required to prepare a set of separate annual financial statements for the purpose of reporting relevant financial information pertaining to the collection and use of local revenues during the period.

COMMENTS OR QUESTIONS?

For more information, please contact an FNTC advisor or email us at mail@fntc.ca.