



FIRST NATIONS TAX COMMISSION  
COMMISSION DE LA FISCALITÉ DES PREMIÈRES NATIONS

March 17, 2023

## **Proposed Standards for First Nation Well Drilling Business Activity Tax Laws**

Standards established by the First Nations Tax Commission (FNTC) reflect best practices in property taxation, and are designed to support: First Nation economic growth, First Nation jurisdiction, harmonization, and the interests of all stakeholders in the First Nation property tax system.

Under the *First Nations Fiscal Management Act* (the “Act”), the FNTC reviews and approves laws. Section 35(1)(a) of the Act gives the FNTC the authority to establish standards, not inconsistent with the regulations, respecting the form and content of local revenue laws. The standards established by the FNTC are additional requirements and, together with the Act and its associated regulations, form the regulatory framework governing First Nation taxation under the Act.

As a matter of policy, the FNTC seeks public input prior to introducing or significantly amending its standards. This input is critical in developing standards that are acceptable and effective for participating First Nations and their taxpayers.

In 2016, the FNTC approved *Standards for First Nation Well Drilling Business Activity Tax Laws, 2016* (Standards). Business Activity Tax (BAT) laws are local revenue laws made under subparagraph 5(1)(a)(iv) of the Act.

Similar to the well drilling equipment tax previously used by local governments in Alberta, the First Nation Well Drilling Business Activity Tax law imposes a tax on oil and gas well drilling activity on First Nation lands in Alberta, specifically the oil or gas well drilling operator’s use and occupation on the reserve for well drilling activity. The amount of tax is determined by the depth of the well drilled during the reporting period and applying the prescribed rate set out in the law.

The Standards include provisions that require the law to set rates equal to provincially regulated rates and include provisions for rate-setting if the provincially regulated rates are repealed. In December 2020 the Province of Alberta lowered its well drilling tax rate to zero, and this consequently impacted certain provisions in the Standards dealing with rate setting for new and existing laws.

The proposed changes are intended to enable First Nations to continue to enact these laws and set tax rates that adjust for changes in inflation. The proposed amendments remove references to the provincial regulated rates and instead provide for rates equal to the provincial rates as they were in 2020 and adjusted for inflation. Further the proposed changes will enable rates to be increased through an amending law to a rate increase not exceeding the annual rate of national inflation.

The FNTC is seeking public input in respect of these proposed Standards. Electronic versions of the proposed Standards (changes are highlighted in red) are available at [www.fntc.ca](http://www.fntc.ca) or by clicking the link below:

[Proposed Standards for First Nation Well Drilling Business Activity Tax Laws](#)

Please direct your written comments on or before April 17, 2023 to:

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