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Chiefs of Ontario Bulletin

DATE: October 8, 2009

TO: Chiefs of Ontario Website Post

FROM: Angus Toulouse, Ontario Regional Chief

RE: **PROPOSED HARMONIZED SALES TAX THREATENS FIRST NATIONS
PST EXEMPTION**

The government of Ontario announced in its March 2009 budget that it will work with the federal government to harmonize the 8% Ontario Sales Tax (PST) with the 5% federal Goods and Services Tax (GST). The plan is to have a Harmonized Sales Tax of 13% in place by July 2010.

Any change to tax policy and law are always of concern to First Nations, and this situation is no exception. By way of background, federal and provincial tax laws have treated "Indian" tax exemption as a statutory entitlement under section 87 of the *Indian Act*. Of course, First Nations view tax exemption not simply as a privilege bestowed by the *Indian Act* but as an Aboriginal right and in many cases a Treaty right.

Ontario, while not ideal, currently has one of the most effective approaches of any jurisdiction in Canada for First Nation tax exemption on point of sale purchases. First Nations are able to make purchases without paying the PST (in most cases) by producing their status card.

The proposal to harmonize the Ontario PST with the federal GST will have a serious impact on First Nations in Ontario. This is due to the fact that the Ontario PST will be administered by the federal Canada Revenue Agency and harmonized into the current GST system, which does not provide for a point of sale tax exemption such as that currently provided by the government of Ontario.

The Ontario government did not consult with the First Nations prior to announcing their intention to harmonize the PST and federal GST in the March 2009 provincial budget. There have been meetings between First Nations political leadership and Ontario government Ministers responsible for this issue, however, to date no firm commitment to resolve the matter has been secured.

First Nations in Ontario need to be aware of the following:

- The PST exemption at the point of sale is under threat and that this decision was taken by the provincial and federal governments with no prior consultation with First Nations.
- If the new harmonized tax is implemented without First Nations exemptions then all purchases made by First Nations people are potentially taxable especially if the purchased goods are not delivered to the reserve.
- Many of our First Nations citizens, regardless of where they live, struggle at or below the poverty line already and this is yet another assault on the ability of our people to attain an acceptable standard of living.
- This new harmonized tax will now apply to goods that were previously exempted from the 85 PST such as gasoline, heating fuels, adult footwear costing \$30 or less, personal services (haircuts), professional services (legal), internet, etc.

First Nations in Ontario must become informed about this issue and be prepared to take direct action in protecting our right to tax exemption. The Ontario First Nations political leadership will continue to press both the provincial and federal governments for an acceptable resolution to this matter. We need all First Nations in Ontario to be part of a unified, collective action to let the provincial and federal governments know with a strong voice that we will not accept the loss of our tax exempt status.

I encourage each First Nation Chief and Council, and each First Nation citizen to contact your local provincial and federal Members of Parliament to voice your concern. I encourage each First Nation to write to Ontario Premier McGuinty, Ontario Finance Minister Dwight Duncan, Prime Minister Harper and federal Finance Minister Jim Flaherty and clearly state your position.

As new developments occur with respect to this issue, the Chiefs of Ontario office will periodically forward bulletins to all First Nations in an effort to keep First Nations citizens in Ontario informed.