

Ministry of Revenue

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Ministère du Revenu

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March 22, 2010

Ms. Lorraine McLachlan
President and CEO
Canadian Franchise Association
116-5399 Eglinton Avenue West
Toronto, Ontario
M9C 5K6

Dear Ms. McLachlan:

I wanted to make you aware that Ontario recently released a publication outlining the rules for Retail Sales Tax (RST) and Status Indians up to June 30, 2010. The Ministry of Revenue has heard a number of concerns from First Nations bands and wanted to ensure these rules are clear.

Under the requirements of the *Retail Sales Tax Act* (act), vendors are obligated to collect RST on the sale of taxable goods and taxable services. However, Status Indians are still allowed to purchase most goods and services in Ontario without paying the RST, as long as the goods or services are consumed or used on a reserve. Status Indians hold "Certificate of Indian Status" identity cards issued by Indian and Northern Affairs Canada.

To claim this exemption, Status Indians must show vendors their federal "Certificate of Indian Status" identity card. These cards are numbered and contain a photograph, name and the Indian band or registry number of the card holder.

Vendors are not expected to validate the authenticity of a "Certificate of Indian Status" card at the time of sale nor determine whether a purchaser is legitimately entitled to use a status card in order to make exempt sales to Status Indians. Vendors are required to keep a record of the "Certificate of Indian Status" card number, name, and Indian band or registry number of the individual purchaser as well as a brief description of the goods sold at the time of the sale.

I would appreciate you sharing the attached publication with your members. This publication can also be found on the Ministry of Revenue's website at <http://www.rev.gov.on.ca/en/taxtips/rst/07.html>.

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The Ministry has also heard from many businesses enquiring about whether Ontario's administration of the point-of-sale exemption for goods purchased by Status Indians off-reserve, for self-delivery to reserves, will continue after June 30, 2010 under the Harmonized Sales Tax (HST). As you may be aware, under the federal Goods and Services Tax (GST), Status Indians do not pay tax on goods purchased on reserve and goods purchased off-reserve, where such goods are delivered by the vendor or by the vendor's agent to a reserve address. Additional information on this topic may be found by visiting the Canada Revenue Agency (CRA) website at <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/frstntns/menu-eng.html>. Ontario's existing administrative practice differs as it also permits a point of sale RST exemption on goods purchased off-reserve and self-delivered to a reserve by Status Indians for use on reserve.

Ontario is in full support of, and continues to advocate for, the administration by the federal government of a point of sale exemption of the provincial portion of the HST that corresponds to Ontario's administrative approach under the current RST. Ontario continues to seek a speedy resolution of this matter from the federal government. If your members have further questions regarding the rules that will apply on July 1, 2010, I would direct them to the Canada Revenue Agency at 1-800-959-5525.

Sincerely,

A handwritten signature in black ink, appearing to be 'John Wilkinson', written over a horizontal line. The signature is stylized and loops back under the line.

John Wilkinson
Minister

Enclosure