

Tax Tip

Week of July 25, 2011

First Nations Taxation

On July 22 the Supreme Court of Canada rendered an important decision on first nation's taxation as it impacts individuals that live on a reserve. A basic rule of taxation is that income earned on a reserve is not taxable, whereas income earned off the reserve is subject to taxation. The facts of the Rolland Bastien case were as follows:

- Mr. Bastien lived on a reserve and invested the profits of his business in GICs offered by Caisse Desjardins
- the Caisse Desjardins was located on the reserve
- both the Tax Court of Canada and the Federal Court of Appeal ruled the investment income was taxable since it was earned off the reserve

The Supreme Court ruled the investment income was not taxable, even if it is earned beyond the borders of the reserve. This is considered a landmark ruling will have a significant impact on individuals that live on a reserve.