



## Instructions

- To make sure correct information is entered, we suggest that this form be filled out by the employer, in the presence of the employee.
- We use the term "employee" on this form to refer only to an employee who is an Indian.
- As an employer, you can use this form to help determine if an Indian's employment income is exempt from income tax. For the purpose of this exemption, an Indian is someone who is registered with Aboriginal Affairs and Northern Development Canada as an Indian, according to the terms of the *Indian Act*, or who is entitled to be so registered.
- The employment income from a particular employment will not be exempt from income tax where one of the main reasons for that employment relationship is to establish a connecting factor to a reserve. A connecting factor is a fact which connects income to a reserve. For example, the fact that the employer is resident on a reserve is a connecting factor.
- We have created this form according to the *Indian Act Exemption for Employment Income Guidelines*. For a full description of the Guidelines and examples where income is exempt and where it is taxable, go to [www.cra.gc.ca/aboriginalpeoples](http://www.cra.gc.ca/aboriginalpeoples).
- If the employee's circumstances change, the employee will be required to fill out a new form.
- Keep a completed form on file for each employee. We may ask to review the form to verify that the income earned qualifies to be exempt from income tax based on the circumstances of the employment.
- For information on the requirements to deduct Canada Pension Plan contributions and employment insurance premiums, and for instructions on reporting requirements, see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*, and Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

## Employment-related income

Employment insurance benefits, retiring allowances, Canada Pension Plan payments, Quebec Pension Plan payments, registered pension plan benefits, or wage-loss replacement plan benefits will usually be exempt from income tax when they are received as a result of employment income that was exempt from tax. If a portion of the employment income was exempt, a similar portion of these amounts will be exempt.