

## How to complete the “TD1-IN - DETERMINATION OF EXEMPTION OF A STATUS INDIAN'S EMPLOYMENT INCOME”

### 1. Tax credit forms required:

There are two tax credit forms required by Payroll to calculate your income taxes correctly. The Federal TD1 and the Provincial TD1ON. The province is based on where you are working, in this case it is Ontario. (The TD1 is explained further at:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-overview/employer-responsibilities-payroll-steps/hiring-employee/filing-form-td1-personal-tax-credits-return.html>).

### 2. TD1-IN

There is an optional tax credit form called the TD1-IN which lays out the criteria required to exempt Status Indian employment income. **You must complete all the sections (Employee identification, Indian status, Type of exemption and Employee certification).**

### 3. TD1-IN-how to calculate a partial exemption percentage

If you are completing the TD1IN for an income tax exemption, and only part of your employment duties are performed on a reserve you can estimate the percentage as follows.

Estimate your salary for the year (e.g. \$50,000) or by days (260 total working days)

Estimate your payment for all work on reserve (e.g. teach a course for \$2500) or number of days worked on a reserve (e.g. 13 days, and do keep a record)

Divide the work on reserve by your salary for the year  $2,500/50,000 = 5\%$

or the # of days on reserve/total days worked e.g.  $13/260 = 5\%$ .

Record that amount under 3. Partially on and partially off a reserve.

Five percent of your total income for the year will be recorded as ‘Box 71 – Indian exempt income (employment)’ on your T4. (If your percentage is greater than 90%, Canada Revenue rounds up to 100%.)

### 4. All your work is on reserve and you want a tax exemption

If you are completing the TD1-IN and ALL of your income is exempt based on the TD1-IN questions, please check off the box on Page 2 of the Federal TD1 ‘Total income less than total claim amount’.

**Total income less than total claim amount**

Check this box if your total income for the year from **all** employers and payers will be **less** than your total claim amount on line 13. Your employer or payer will not deduct tax from your earnings.

And the box on Page 2 of the Ontario TD1 ‘Total income less than total claim amount’

**Total income less than total claim amount**

Check this box if your total income for the year from **all** employers and payers will be **less** than your total claim amount on line 10. Your employer or payer will not deduct tax from your earnings.

Send all 3 forms to payroll (TD1, TD1-ON, and TD1IN). This will allow payroll to exempt you from both federal and provincial income taxes.

### 5. New forms needed.

We would need a new TD1IN if your situation changes (more or less on-reserve work).

If it is the same from year to year, do not complete a new TD1IN, the percentage will remain in place.

**Each individual’s tax situation is different, so we are unable to advise you what to do.**

More information can be found at:

<https://www.canada.ca/en/revenue-agency/services/aboriginal-peoples/indian-act-exemption-employment-income-guidelines.html> Full text follows.