

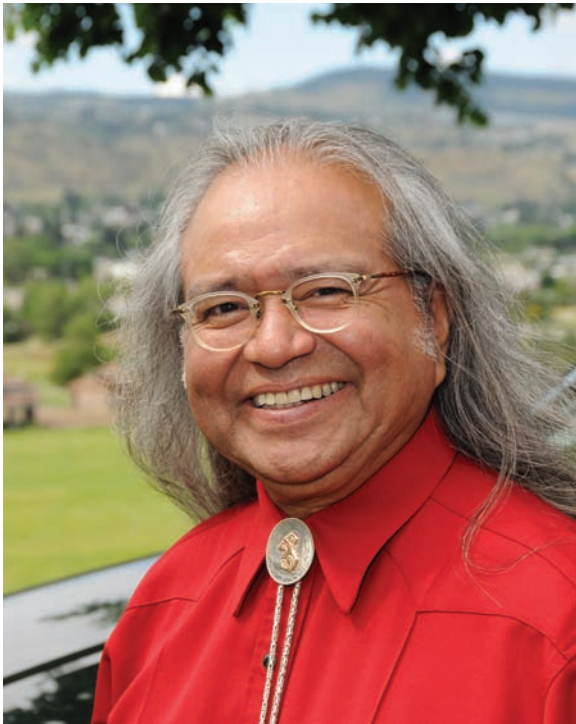


First Nations Tax Commission

Annual Report 2015/2016



Message from the Chief Commissioner



C.T. (Manny) Jules,
Chief Commissioner/CEO

As Chief Commissioner of the First Nations Tax Commission (FNTC), I am pleased to present our ninth annual report to the Minister of Indigenous and Northern Affairs Canada, to First Nations, and to their taxpayers.

In recent decades, the Indigenous policy focus has moved toward building capacity within First Nations to support their effective transition toward self-government. This is a positive and welcome direction.

Self-government includes Indigenous design, control and management of Indigenous institutions. The FNTC and the other fiscal institutions created by the *First Nations Fiscal Management Act* (FMA) represent an important innovation in this regard. As Canada takes steps to implement a nation-to-nation relationship with Indigenous people, First Nation governments will need options that help them implement and finance not only their governing authority but also on-the-ground infrastructure in a cost effective and efficient manner.

The FNTC actively advocates for the expansion of First Nation sales and resource tax jurisdiction and for a First Nation tax-based fiscal relationship option that includes expanded tax room. The FNTC works to reconcile the interests of First Nations and their taxpayers to build stronger First Nation economies. We support First Nation tax jurisdiction by providing sample laws, standards, training, models for taxpayer representation, approaches to service agreement negotiations, and tax administration software. Our experience has shown that First Nations are looking to the FNTC to provide a single window for a full and expansive range of taxation services for First Nations and we are working toward that objective.

First Nation governments across the country are experiencing the power of their tax jurisdiction to make positive change at the community level. There are now a total of 177 FMA First Nations in Canada with participation in every province and territory with the exception of PEI. Tax revenues have been applied to enhance local services and to build community and economic infrastructure including cultural centres, government offices, health centres, roads, water and sewer systems. Tax collecting First Nations have facilitated the expansion of their economies with at least \$2 billion in new construction. This means more employment, new business development and increased tax revenues. In the coming year we expect to see FMA taxation growth in Ontario, New Brunswick, Nova Scotia and Manitoba; and the Tulo Centre of Indigenous Economics will expand its program to offer additional diplomas and workshops for First Nation governance.

I am hopeful about the future for First Nations. Working together, the Commission and First Nation proponents have initiated and advanced concepts that support First Nations taking on responsibility for and governance of the healthy growth of their communities. Our work stands on the foundation of Aboriginal and Treaty rights including the right of self-government. In particular, the Commission looks forward to continuing work with First Nation proponents and the federal government on proposals for an Aboriginal Resource Tax (ART), providing a framework for First Nations to



manage their First Nation Goods and Services Tax revenues using the FMA, the Indigenous land title proposal, a First Nation infrastructure institution and a tax-based fiscal relationship option. Taken together these proposals would create a single efficient window for First Nation taxation in Canada and a unique model for First Nation governance.

The successful implementation of First Nation property taxation in Canada has drawn the attention of Indigenous people from other parts of the world. Most recently, our model for taxation was presented to the Ngai Tahu of New Zealand in February 2016. Our visit set the stage for an exchange of ideas and new insights in First Nation taxation, jurisdiction implementation, education and property rights. That event reinforced for me the importance of our work to all Indigenous people.

I hope you enjoy reading our annual report and I look forward to hearing your suggestions and advice as we continue to work together.

C.T. (Manny) Jules,
Chief Commissioner/CEO



The First Nations Tax Commission is a national First Nation institution mandated by the *First Nations Fiscal Management Act* (FMA) to help First Nations implement local revenue jurisdiction and grow their revenues through economic development while reconciling the interests of First Nations and their taxpayers.

The Principles of the FNTC:

1. First Nations are governments within the Canadian federation;
2. Jurisdiction defines governments and tax revenue enables jurisdiction;
3. First Nation tax jurisdiction is the basis for revenue-based fiscal relationships between First Nations, provincial and federal governments;
4. Economic growth increases tax revenues, which improves services and infrastructure;
5. The assumption of jurisdictions by First Nations must be First Nation-led, optional and supported by (national) First Nation institutions;
6. Strong well managed First Nation tax systems that provide quality services to taxpayers generate investment and economic growth.

The FNTC Vision

- Promote, expand, implement and protect First Nation tax jurisdictions;
- Support the growth of the revenue potential of First Nation tax bases through economic development;
- Support First Nation governance and the development of administrative infrastructure all across the country;
- Promote the development of quality physical infrastructure for First Nations and their taxpayers; and
- Promote First Nation taxation, support an improved fiscal relationship and develop the capacity for economic development in order to grow the First Nation tax system.

*“Let me be a free man, free to travel, free to stop,
free to work, free to trade where I choose,
free to choose my own teachers,
free to follow the religion of my fathers,
free to talk, think and act for myself.”
- Chief Joseph, 1879*



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Overview

Progress and Vision

The FNTC annual report provides an opportunity to report to First Nations, taxpayers and Canada on the FNTC's progress on each element of its vision and to provide actual examples of how the work of the FNTC improves First Nation communities. The following is a summary of the FNTC's progress in the last year:

Expanding First Nation Tax Jurisdiction – The FNTC is the only First Nation institution in Canada supporting and promoting the expansion of First Nation tax jurisdiction. Last year saw 11% growth in the number of First Nations implementing *First Nations Fiscal Management Act* (FMA) tax jurisdiction. More First Nations are implementing development cost charges, business activity tax and property transfer tax jurisdictions. The FNTC worked with the other fiscal institutions and the federal government to draft and pass amendments to the FMA to enable even greater First Nation tax jurisdiction. The FNTC promoted the development of an new Aboriginal Resource Tax as means to ensure that First Nations receive a fair, stable, and cost effective fiscal benefit from resource development on their traditional territories. The FNTC also worked with a number of First Nations to promote and implement their FNGST systems.



Overview



Growing First Nation Economies – Tax jurisdiction supports economic growth. It provides stable revenues to finance quality services and business grade infrastructure. In 2015, the National Aboriginal Economic Development Board recognized the strong relationship between tax jurisdiction and First Nation economic growth.

FNTC standards and sample laws are key elements of a stronger First Nation investment climate. In 2015, the FNTC began a project to help First Nations close the planning and management gaps they face when building economic infrastructure.

Supporting First Nation Governance – National institutions like the FNTC are fundamental to implementing First Nation jurisdiction, a nation-to-nation framework, and a new First Nation fiscal relationship. The FNTC and similar institutions provide the knowledge, expertise, capacity, resources and in some cases regulatory framework to support jurisdictions. This is especially true for smaller First Nation communities. Along with the FMA, this provides the regulatory framework to support First Nation tax jurisdiction and saves tax collecting First Nations time and money.

Building Capacity – Through working with First Nations, the FNTC has learned the best way to implement tax jurisdiction is to provide effective communication support to Chief and Council and communities, taxpayers, and accredited training and tax administration software to administrators. Last year, 20 new students started the First Nation Tax Administration certificate. The Tulo Centre began to accredit a new diploma program and delivered five workshops to First Nations and Indigenous and Northern Affairs Canada (INAC). The FNTC provided support for the improvement and expansion of Tax Administration System (TAS) features. The *First Nations Gazette* became Canada's leading voice for First Nation laws and by-laws with the addition of the publication of digital copies of all *Indian Act* s. 81 and s. 85.1 First Nation by-laws currently in force.



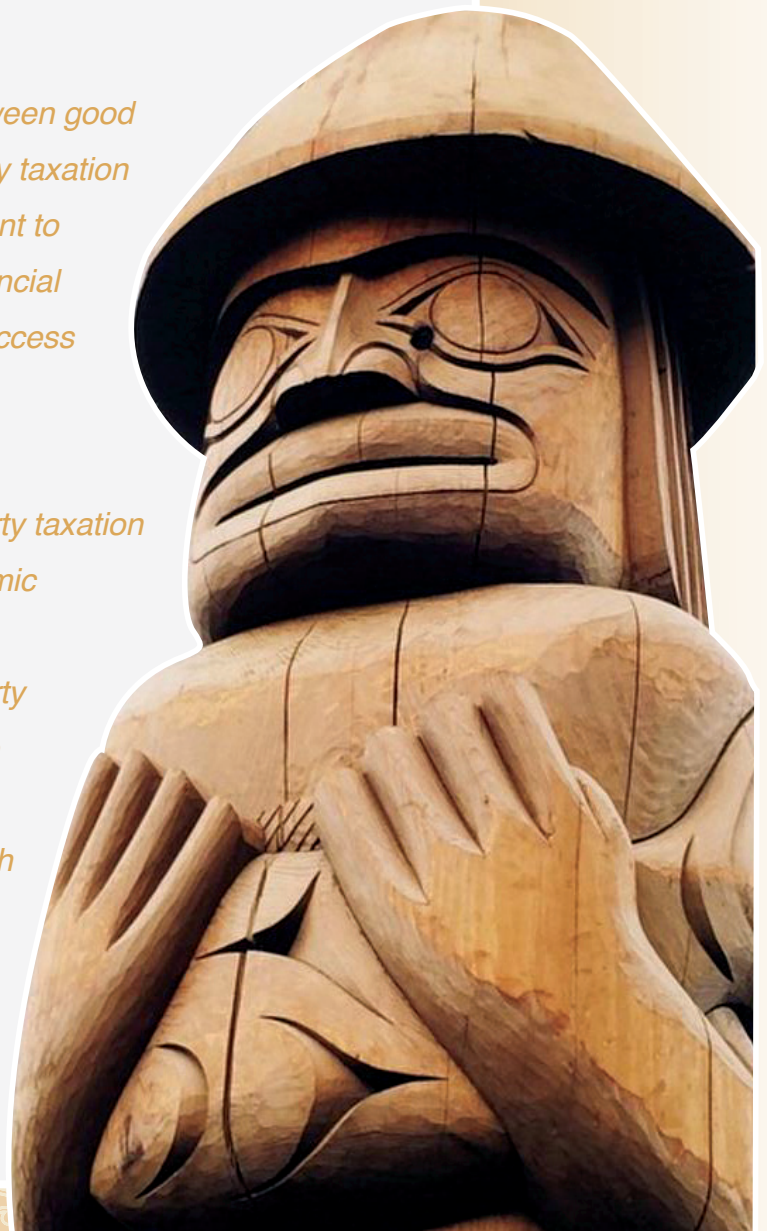


“Property taxation provides communities with access to stable revenue streams that can be reinvested into infrastructure and services, and provides communities greater autonomy in spending-related decisions independent of federal government involvement.

...the integrated relationship between good governance and an active property taxation framework is a common component to establishing greater control in financial matters and building economic success and independence.

Early observations suggest that First Nations that have real property taxation bylaws tend to have better economic outcomes than those that do not. First Nations that have had property tax by-laws for longer periods of time demonstrate significantly higher outcomes than First Nations both with and without property tax by-laws.”

– The Aboriginal Economic Progress Report 2015





Highlights



FMA Amendments Received Royal Assent

In June 2015, amendments to the FMA were passed by Parliament and received Royal Assent. The passage of this legislation was the culmination of a six-year effort by First Nations, First Nations institutions, First Nation tax administrators, and taxpayers. The FNTC also worked with the federal government to amend a number of the regulations supporting First Nation property assessment and taxation to reflect the FMA amendments. These changes, which came into force on April 1, 2016, will result in a First Nation property tax system that is more efficient, smarter, and more responsive to First Nations and their taxpayers.

The changes will vastly improve the FMA by streamlining access, improving efficiencies, and expanding local revenue choices to create a stable resource and legacy for First Nation governments. These changes will:

Streamline Access: Improved access to the FMA will be achieved by changing the way First Nations are added to the Act's Schedule of participating First Nations. The new process uses a Ministerial Order, thus eliminating the need for Cabinet decision-making and the large amount of bureaucracy that follows. The Minister of Indigenous Affairs now has sole-sign off on requests to be added to the FMA.

Improve Efficiencies: One of the more significant improvements in efficiencies is the change made on how First Nations must give notice prior to enacting a local revenue law (e.g., a property tax law). The section 6 notification requirements were modified in three ways. First, the length of notification was reduced from 60 days to 30. Second, the mail-out and newspaper publication requirements were eliminated. Finally, the FNTC was empowered with the ability to supplement the Act with additional notice requirements. Collectively these changes bring the Act in line with best practices in government notification.



Improving Efficiencies

Notification Time Reduced from 60 Days to 30 Days

BEFORE
60
DAYS

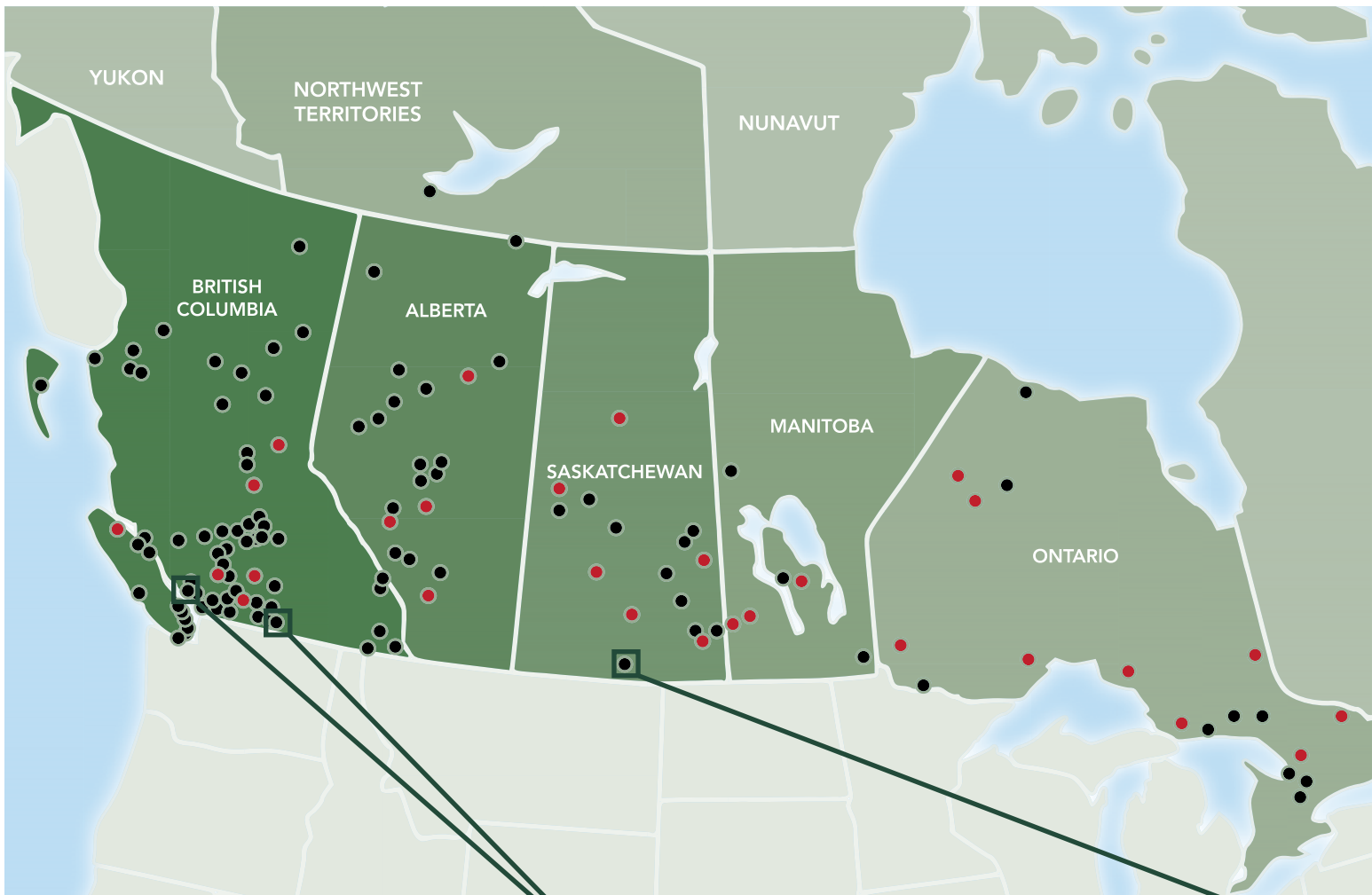


NOW
30
DAYS



Enhance Investor Confidence: Two key changes to the FMA will instill greater investor confidence and provide more choice for taxing First Nations: the expansion of the definition of "local revenues" and the addition of a law-making power for charging fees. These will strengthen a First Nation's ability to provide local services and increase its capacity.

With these amendments, it is expected that participation in the FMA and local revenues raised should significantly increase in the coming years.



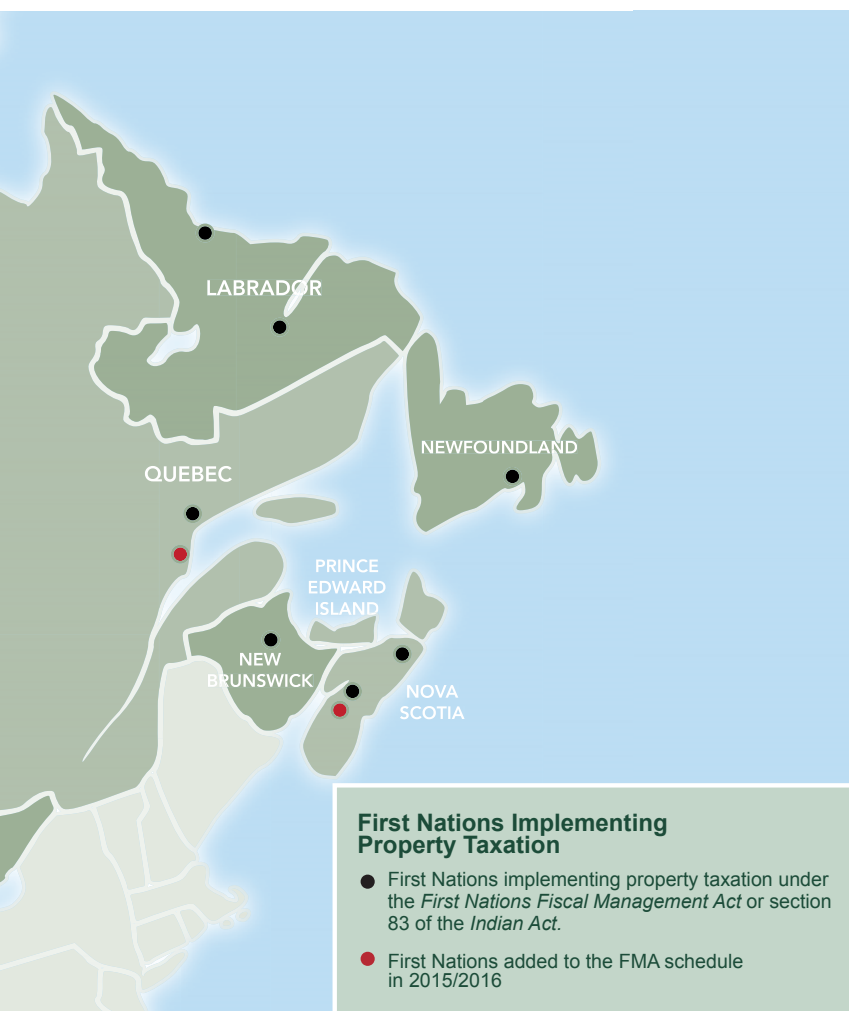
First Nations are Leading the Way in Expanding Revenue Options

First Nations are creating the framework necessary to build competitive investment climates, and using the resulting economic growth as the catalyst for greater First Nation self-reliance. First Nations are doing this through expanding revenue options within the FMA, such as the new development cost charges law and property transfer tax law. The FNTC's role is to ensure all revenue options operate efficiently and are responsive to on-reserve taxpayers.

Property Transfer Tax Laws



In 2015, the Skowkale First Nation, BC and the Sliammon First Nation, BC established property transfer tax (PTT) laws. These PTT laws have set a 1% tax on the first \$200,000 of the fair market value of the property transfer, and 2% on the remainder of fair market value of the transfer. PTT laws have previously been established by Beecher Bay First Nation, BC and Tzeachten First Nation, BC.



30 First Nations added to the FMA Schedule

30 First Nations were added to the Schedule of the FMA in 2015/2016. There are now 177 FMA First Nations in Canada.

- Algonquins of Pikwakanagan First Nation, ON
- Anishnaabeg of Naongashiing, ON
- Atikameksheng Anishnawbek, ON
- Bigstone Cree Nation, AB
- Chippewas of Rama First Nation, ON
- Enoch Cree Nation #440, AB
- Flying Dust First Nation, SK
- Fort William, ON
- Gamblers, MB
- Glooscap First Nation, NS
- Innue Essipit, QC
- Kingfisher, ON
- Lac La Ronge Indian Band, SK
- Lhtako Dene Nation, BC
- Little Saskatchewan, MB
- Lower Similkameen, BC
- Moosomin, SK
- Nazko First Nation, BC
- O'Chiese, AB
- Pheasant Rump Nakota, SK
- Pic Mobert, ON
- Quatsino, BC
- Sweetgrass, SK
- T'it'q'et, BC
- The Key First Nation, SK
- Tsuu T'ina Nation, AB
- Wahgoshig, ON
- Waywayseecappo First Nation Treaty 4-1874, MB
- Wunnumin, ON
- Xaxli'p, BC

Development Cost Charges in Saskatchewan



In 2016, the Whitecap Dakota First Nation, SK enacted the first development cost charges (DCC) law, Whitecap Dakota First Nation Development Levies Law, under the FMA in Saskatchewan. This law will ensure that new developments, such as a proposed resort residential development, contribute to the cost of infrastructure services.

Highlights

More First Nations are Choosing Property Tax Jurisdiction

The number of First Nations who are implementing property taxation continues to increase, growing by 11% since last year. Key steps were seen in New Brunswick and Ontario where First Nations are clearing the path for other First Nations to follow. More and more First Nations across Canada are responding to community needs by signing up to be a part of the FMA.

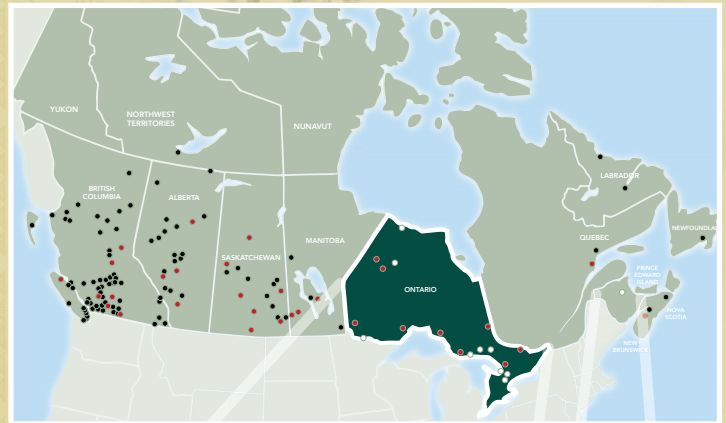
First FMA Property Tax Laws in New Brunswick and Ontario

The **Chippewas of Kettle and Stony Point First Nation (CKSPFN)** enacted the first FMA property tax law in Ontario in 2015. The First Nation property tax will replace their service fee system. Tax revenues are expected to be used to fund local services for their cottage leaseholders, and for future infrastructure improvements.

The **Elsipogtog First Nation (EFN)** enacted the first FMA property tax laws in New Brunswick which were approved by the FNTC June 24, 2015. Taxable properties include largely utility properties and property tax revenues are expected to be used to enhance community services.

Keys to their decision to proceed with taxation included the need for revenues to pay for local services and infrastructure, communication with community members and potential taxpayers, success stories from other First Nations and leadership from Chief and Council.

CKSPFN and EFN are both developing a working relationship with provincial assessment bodies which will be a template for other First Nations in their regions who adopt property taxation.



Chippewas of Kettle and Stony Point First Nation

Ontario, CA

Elsipogtog First Nation

New Brunswick, CA

These First Nations enacted the

1st
1st Property Tax Laws
in their province in **2015**

Highlights

Joint Reserve Taxation

Nine Ts'elxwéyeqw First Nations enacted the first Delegation of Authority law under the FMA with respect to their joint reserve (Grass IR #15, a 65-hectare reserve situated in Chilliwack, BC to the Ch-ihl-kway-uhk Tribe Society (CTS). This marked the first time in Canada that First Nation property taxation jurisdiction was established on a jointly held reserve. The FNTC estimates there are over seventy jointly held reserves across Canada.

The CTS will establish a property assessment law and a property taxation law specific to the jointly held reserve and begin to implement property taxation, likely starting in the 2017 calendar year. Under a management agreement signed between First Nations and with CTS, the tax revenue raised will pay for administration costs and local services, with the balance invested in a reserve fund for future capital infrastructure expenditures, which will increase the development potential of the reserve.



First Nations Gazette Expansion

The *First Nations Gazette* (FNG) expanded to include digital copies of all First Nation by-laws made under sections 81 and 85.1 of the *Indian Act*. In a significant undertaking, 2,991 s. 81 and s. 85.1 by-laws were digitized and published in the FNG. Under section 81 of the *Indian Act*, First Nations are able to make by-laws for a variety of purposes (i.e. to provide for the health of residents, to regulate traffic, to prevent disorderly conduct and nuisances, for the preservation of game or the protection of animals, to construct and maintain local works, for zoning, or to prohibit trespassers), while under section 85.1, First Nations were able to regulate intoxicants. The digitization of these by-laws and making them available on the FNG increases transparency and provides easier and more efficient access to the by-laws for those who may be affected by them.

The *First Nations Gazette* also continues to publish notices related to First Nations, as well as First Nation laws, by-laws and codes. In 2015/2016, the FNG published 300 laws, 154 notices and 13 standards.





Corporate Profile

Mandate

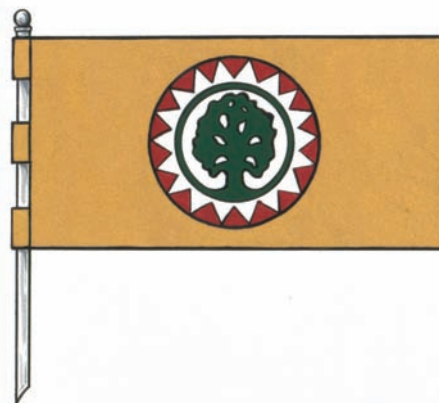
The mandate of the FNTC is set out in section 29 of the FMA:

The purposes of the Commission are to:

- a. ensure the integrity of the system of First Nations real property taxation and promote a common approach to First Nations real property taxation nationwide, having regard to variations in provincial real property taxation systems;*
- b. ensure that the real property taxation systems of First Nations reconcile the interests of taxpayers with the responsibilities of chiefs and councils to govern the affairs of First Nations;*
- c. prevent, or provide for the timely resolution of, disputes in relation to the application of local revenue laws;*
- d. assist First Nations in the exercise of their jurisdiction over real property taxation on reserve lands and build capacity in First Nations to administer their taxation systems;*
- e. develop training programs for First Nation real property tax administrators;*
- f. assist First Nations to achieve sustainable economic development through the generation of stable local revenues;*
- g. promote a transparent First Nations real property taxation regime that provides certainty to taxpayers;*
- h. promote understanding of the real property taxation systems of First Nations; and*
- i. provide advice to the Minister regarding future development of the framework within which local revenue laws are made.*

Memorandum of Understanding (MOU) with Minister of Indigenous and Northern Affairs Canada

Through an agreement with the Minister of Indigenous and Northern Affairs Canada (INAC), the FNTC provides advice regarding the approval of s. 83 by-laws and delivers services to First Nations exercising property tax jurisdiction under s. 83 of the *Indian Act*.



Structure

The FNTC is a shared-governance institution with a Chief Commissioner, a Deputy Chief Commissioner, and eight commissioners from across Canada. The Governor in Council appoints nine of the Commissioners and, under regulations, the Native Law Centre, University of Saskatchewan, appoints one Commissioner. The Commissioners for 2015/2016 are as follows:



- C.T. (Manny) Jules, Kamloops, BC (Chief Commissioner/CEO)
- David Paul, Tobique, NB, (Deputy Chief Commissioner)
- Dr. Céline Auclair, Gatineau, QC
- Latricia (Terry) Babin, Windermere, BC
- Leslie Brochu, Kamloops, BC
- Lester Lafond, Saskatoon, SK
- Ken Marsh, Okotoks, AB
- William McCue, Georgina Island, ON
- Randy Price, North Vancouver, BC
- Ann Shaw, Chateauguay, QC

Commissioners of the First Nations Tax Commission



*Back Row L-R: David Paul, Ken Marsh, Randy Price, William McCue, Lester Lafond
Front Row L-R: Leslie Brochu, Ann Shaw, C.T. (Manny) Jules, Dr. Céline Auclair, Latricia (Terry) Babin*

Governance

The FNTC maintains a best practices approach for good governance. It operates in keeping with a comprehensive governance and management policy and the Chief Commissioner has established the following committees to support the work of the FNTC:

- Executive Management Committee
- Management Committee
- Audit Committee
- Section 83 Rates Committee
- Education and First Nation Tax Administrators Association Committee
- International Relations Committee
- *First Nations Gazette* Editorial Board

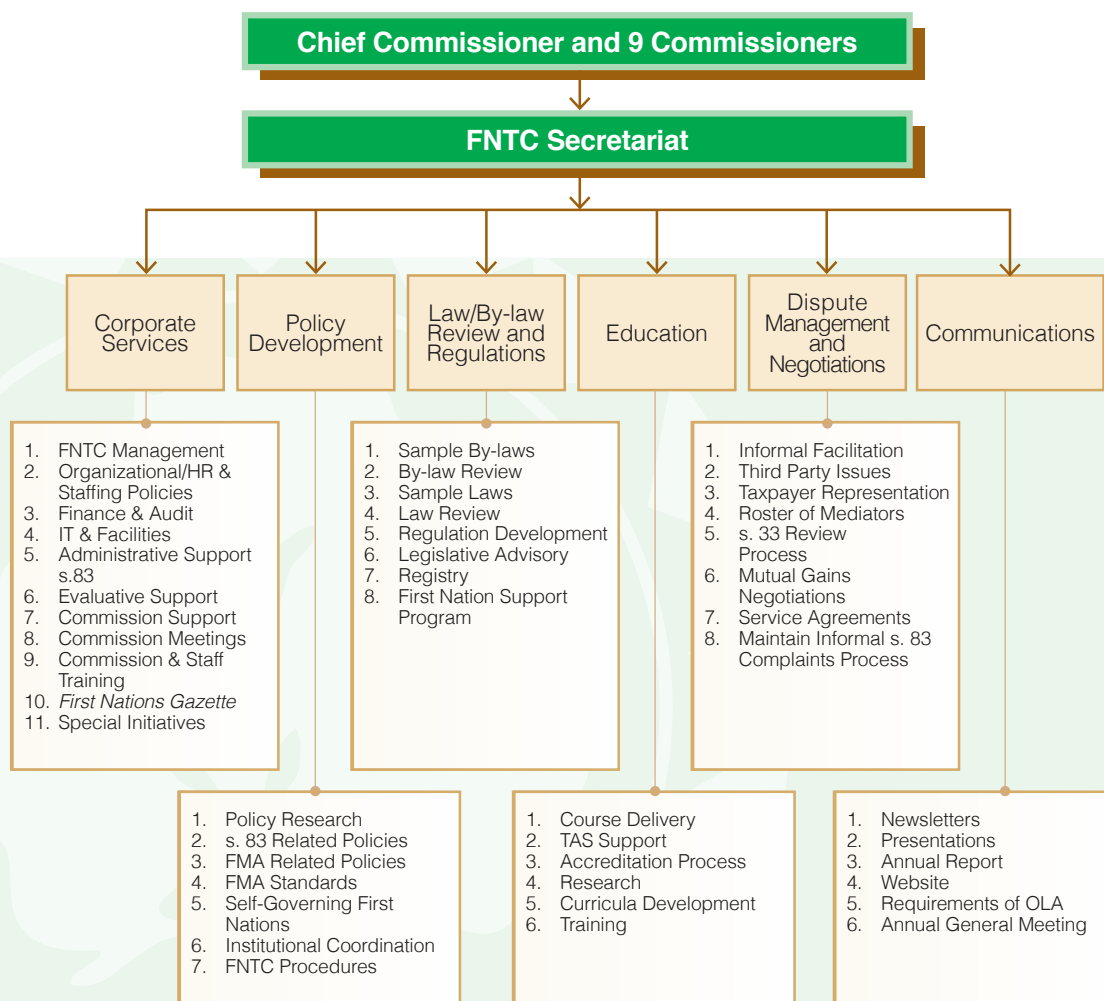
Committees consist of Commissioners only, or a mix of Commissioners, staff, and other professionals, as appropriate.

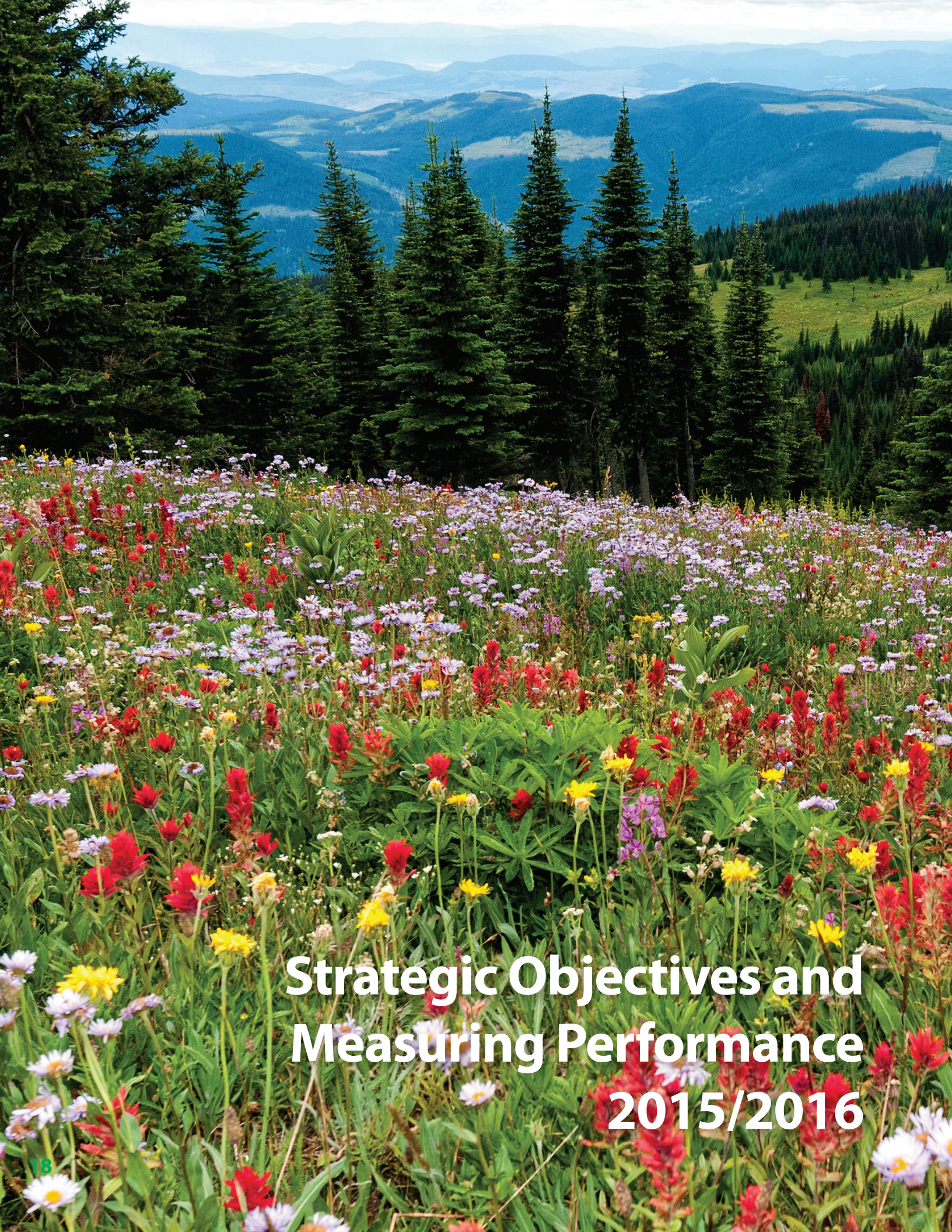
Pursuant to section 26 of the FMA, the FNTC maintains a head office on the reserve lands of the Tk'emlúps te Secwépemc and an office in the National Capital Region.

The FNTC is supported by a Secretariat with an allocation of twenty-one full time equivalents comprised of staff and professionals with expertise related to the FNTC mandate who assist the FNTC on a contract basis.

The FNTC operates six business lines, as illustrated below.

Organizational Chart and Business Lines





Strategic Objectives and Measuring Performance 2015/2016



2015/2016 Strategic Objectives and Measuring Performance

The FNTC sets out its strategic objectives and performance measures annually in its Corporate Plan. On the next few pages is a summary of the FNTC 2015/2016 objectives and its performance against each objective.

ACRONYMS	
ACRONYM	FULL NAME
ART	Aboriginal Resource Tax
ATIP	Access to Information and Privacy
CKSP	Chippewas of Kettle and Stony Point
CTS	Ch-ihl-kway-uhk Tribe Society
DCC	Development Cost Charge
EFN	Elsipogtog First Nation
FMA	<i>First Nations Fiscal Management Act</i>
FMB	First Nations Financial Management Board
FNG	<i>First Nations Gazette</i>
FNGST	First Nation Goods and Services Tax
FNPO	First Nation Property Ownership
FNTC	First Nations Tax Commission
HO	Head Office
INAC	Indigenous and Northern Affairs Canada
MA	Municipal Affairs
MOU	Memorandum of Understanding
NCR	National Capital Region
OLA	Official Language Act
PTT	Property Transfer Tax
SNTC	Shuswap Nation Tribal Council
SSN	Stk'emlupsemc te Secwepemc Nation
TAS	Tax Administration System
TLE	Treaty Land Entitlement
TRU	Thompson Rivers University

Strategic Objectives and Measuring Performance



Corporate Services		Policy Development	
OBJECTIVES & ACTIVITIES	PERFORMANCE AGAINST OBJECTIVE	OBJECTIVES & ACTIVITIES	PERFORMANCE AGAINST OBJECTIVE
Produce and seek approval of the annual Corporate Plan, work plan and financial plan	Completed	Develop, seek public input on, and present to the Commission for approval at least three standards	Completed
Review and revise five-year strategic plan/ business plan for Commission	Completed		
Manage capital requirements for HO and NCR	Ongoing	Review s. 83 property tax policies to ensure they reflect the underlying policy objectives in the Commission's standards and procedures	Completed
Commission and staff training and provide professional development	Completed		
Hold four general FNTC meetings and six law review meetings	Completed	Initiate or continue research / policy development	Completed
Provide administrative management and committee support	Ongoing	Initiate or continue at least three projects with other institutions	Completed
Meet ATIP requirements and Info Source reporting requirements	Ongoing		
Manage <i>First Nations Gazette</i>	Completed	Develop model for capturing and reporting First Nation property tax statistics	Completed
Information management	Ongoing	Complete Pre-Budget Submission	Completed
Manage special initiatives	Completed		
Develop an MOU with Maori tribes from New Zealand for capacity development.	Completed	FMA Standard development work (FMA amendments)	Completed

Law/By-law Review and Regulations	
OBJECTIVES & ACTIVITIES	PERFORMANCE AGAINST OBJECTIVE
Develop or modify up to four sample laws	Completed
Review annual/non annual FMA laws	Completed
Revise and update law review manual	Completed
Implement FMA legislative amendments	Completed
Review of s 83 by-laws	Completed
Support up to 20 First Nations to transition to FMA	Completed
Maintain registry of First Nation laws and by-laws	Completed
Develop or modify sample s.83 local improvement by-law	Completed
Monitor legal developments including Bill C-428	Completed

Strategic Objectives and Measuring Performance



Communications	
OBJECTIVES & ACTIVITIES	PERFORMANCE AGAINST OBJECTIVE
Develop and publish (print/electronic) Annual Report in both official languages	Completed
Develop five-year communications strategy	Completed
Coordinate and develop materials for annual general meeting	Completed
Maintain website	Ongoing
Coordinate and develop presentations, including a set of standard presentations	Ongoing
Distribute local revenue expenditure guide and prepare workshop materials for training sessions	Completed
Ensure FNTC meets OLA requirements	Ongoing
Support FNPO communication	Ongoing
Work with INAC to support FMA amendments	Ongoing
Publish quarterly newsletter and maintain email distribution database	Completed
Update communication materials, including info sheet series and newsletter insert	Completed
Expanded content library to include updated success stories and photographs	Completed

Education	
OBJECTIVES & ACTIVITIES	PERFORMANCE AGAINST OBJECTIVE
Review of textbook and case study developed for the Certificate in First Nation Tax Administration	Completed
Confirm partnerships for delivering workshop series and look into options for delivering workshops online	Completed
Deliver, through Tulo Centre and TRU, nine accredited courses online or in class	Completed
Maintain and provide support for TAS	Ongoing
Continue to support training in First Nation tax administration	Ongoing
Develop an <i>Education Department Administration Manual</i>	Completed

Dispute Management And Negotiations	
OBJECTIVES & ACTIVITIES	PERFORMANCE AGAINST OBJECTIVE
Maintain roster of mediators and provide training	Ongoing
Coordinate FNTC response to legal challenges to the First Nations tax system	Ongoing
Support services provided	Ongoing
Intervene in property tax litigation where appropriate	Ongoing
Manage and coordinate training for FNTC, selected First Nations and the Tulo Centre	Completed



Corporate Services

The objective of Corporate Services is to create an effective work environment for FNTC service areas, and to operate the FNTC and its Secretariat in keeping with the FMA Part 2, Part 6, and the Corporate Plan. Corporate Services is also responsible for the management of the *First Nations Gazette* and any special projects or initiatives the FNTC undertakes.

In 2015/2016, Corporate Services continued to manage the administrative and capital infrastructure for the FNTC. It organized Commission meetings and ensured planning, reporting, *Access to Information Act*, *Official Languages Act* and *Privacy Act* requirements were all met. A five-year vision for the FNTC was developed and the information management system continues to be improved including the implementation of a cloud based client management system to support the law registration process. The *First Nations Gazette* expanded its range of services to include the publication of all existing *Indian Act* s. 81 and s. 85.1 by-laws in addition to publication of new First Nation laws, by-laws, codes and public notices. Special initiatives included: the implementation of FMA amendments; Aboriginal Resource Tax (ART); First Nation Goods and Services Tax (FNGST); First Nations Property Ownership (FNPO) Initiative; and International Indigenous Affairs.

KEY ACCOMPLISHMENTS

FNTC Meetings – In 2015/2016, Corporate Services organized 13 Commission meetings, nine s. 83 Rates Committee meetings, and one Annual General Meeting. Special presentations at the meetings included Deputy Minister Brad Pickering from Alberta Municipal Affairs, David Fleet from Nixon Fleet & Poole LLP and Tulo Centre of Indigenous Economics Chairman Michael Lebourdais.

Operational Planning and Reporting – Corporate Services is responsible for the development of the FNTC's corporate plans, financial plans and work plans as well as the development of FNTC's annual report and financial reports. The FNTC presented a five year vision to INAC to guide the future development of the FNTC.

Access to Information, Official Languages, and Privacy Act Requirements – Corporate Services ensured that the FNTC met its obligations with respect to the *Access to Information Act* and the *Privacy Act*. It also ensured that services and materials were available in both English and French in keeping with the *Official Languages Act* (OLA).

Administrative Infrastructure – Corporate Services manages the administrative and capital infrastructure requirements for the FNTC. Various projects to increase the administrative efficiency and operation of the Commission were undertaken and implemented during 2015/2016, including delivery of professional development training for staff, access to information training, and continued development of operational procedures manuals for key operational and administrative functions.

Information Management System (IMS) – Corporate Services implemented a web based client management system to support the law registration process, enhanced email management, and completed moving the IT infrastructure to a virtual private cloud environment.

First Nations Gazette – Corporate Services manages the operations of the *First Nations Gazette*, including the www.fng.ca website and searchable database. The FNG provides free online access to First Nation public notices, FMA laws, *Indian Act* by-laws and *First Nation Land Management Act* land codes.

In addition to publishing 300 laws/by-laws and 154 public notices, the FNG digitized and published 2991 existing s. 81 and s. 85.1 by-laws.

Special Initiatives - In 2015/2016, Corporate Services managed the following special initiatives and projects:

- **Amendments to the FMA:** In June 2015, amendments to the FMA were passed by Parliament and given Royal Assent. These amendments reduce the administrative burdens on First Nations and facilitate access to the FMA. The FNTC also worked with the federal government to amend a number of the regulations supporting First Nation property assessment and taxation to reflect the FMA amendments.



- **Aboriginal Resource Tax (ART):** The FNTC continues to provide support to First Nations in BC interested in the development of an Aboriginal Resource Tax (ART) as a means of addressing infringements on lands under an Aboriginal title claim. The Stk'emlupsemc te Secwepemc Nation, Whispering Pines, Simpcw, Upper Nicola, Sekw'el'was, and Shuswap Nation Tribal Council are among the First Nation governments advancing this issue.
- **First Nation Goods and Services Tax (FNGST):** The FNTC responded to requests for FNGST presentations from three First Nations. One of these First Nations completed the process to implement their FNGST jurisdiction with the federal government in the last fiscal year.
- **First Nations Property Ownership (FNPO) Initiative:** The FNTC continued its work with the federal government to advance the FNPO Initiative. Last year, the initiative attracted interest from First Nations interested in its application to aboriginal title, housing and treaty

land entitlements. The FNTC will continue to work towards completion of a working paper of possible future legislation and regulations and sample laws to support a First Nation Torrens land title system and a ready to use legal framework.

- **International Indigenous Affairs:** Chief Commissioner Jules participated in an international conference at the University of Canterbury, New Zealand regarding what is needed to create a tribal economy. The purpose of the visit was to exchange ideas and develop a more formal working relationship between the Ngai Tahu Research Centre, the Tulo Centre of Indigenous Economics and the FNTC. A delegation from Taiwan (Republic of China), also met with Deputy Chief Commissioner David Paul and the FNTC at the Commission's Ottawa office. The ten-person delegation was in Canada for a weeklong visit to meet with a number of Aboriginal organizations across the country, primarily to learn about economic development and financial practices on reserve.

FNG digitized and published 2,991 s. 81 and s. 85.1 by-laws, 300 laws and 154 public notices

2,991
by-laws

300
laws

154
public notices





Policy Development

The objective of the Policy Development business line is to develop and implement, through a transparent process, effective standards and policies. These policies and standards support First Nation jurisdiction, reflect sound administrative practices, and increase First Nation, taxpayer and investor confidence in the integrity of the First Nation local revenue system.

In 2015/2016, Policy Development carried out public input processes and developed amendments for several standards including standards for property taxation laws, tax rates laws and property transfer tax laws. The Property Taxation By-Law Policy and the Rates By-Law Policy were also amended. Policy Development responded to emerging policy issues related to implementing assessment laws, business activity taxes and transitioning from service fees to taxation and property transfer taxes. It initiated policy discussions on how to advance the pre-budget submission options, developing local revenue statistics and expanded work with the First Nations Financial Management Board (FMB).

KEY ACCOMPLISHMENTS

Standards

Improving Property Tax Transition for First Nations with Existing Fee-based Residential/Commercial Developments

In 2015/2016, the FNTC adopted a series of changes to its Standards for First Nation Property Tax Laws and Standards for First Nation Annual Rates Laws. In several provinces, First Nations have residential or commercial developments that use flat fee-for-service arrangements. Moving away from flat-fee arrangements to *ad valorem* taxation means that some property holders will pay more for local services, and others less. The changes to the Standards makes the transition to *ad valorem* taxation more gradual, by requiring First Nations to develop and implement a transition plan so taxpayers can prepare accordingly.

Amendments to the Standards for Establishing Criteria for the Approval of Borrowing Laws: Unutilized Borrowing Capacity

FNTC examined options to improve the Standards for Establishing Criteria for the Approval of Borrowing Laws in the context of determining unutilized borrowing

capacity. This included a review of several local revenues (e.g., service tax revenue and property transfer tax revenue) and future local revenue, stemming from the 2015 FMA amendments (i.e., fees and payments in lieu of taxes). This research examined to what extent these revenues could be used in the calculation of the borrowing capacity. Follow-up research examined whether certain tax bases (e.g., utilities) that generate high revenue with minimal service responsibilities warrant different treatment in the assessment of borrowing capacity.

Research and Policy Development

Aboriginal Resource Tax (ART) – Policy Development completed research about the ART concept and its application to mining and pipeline projects and current interest from First Nations. The Commission reviewed this research in December 2015 and recommended further concept policy development work.

Treaty Land Entitlement (TLE) Service Agreements

– TLE entitlements apply to First Nations who are subject to various land agreements. Policy Development completed research about why there are not more TLE tax collecting First Nations in Manitoba and Saskatchewan. The research found the service agreements used in those provinces are not providing sufficient fiscal incentive for First Nations to develop FMA tax systems. Policy Development used this research to make a number of recommendations to expand TLE First Nation interest in FMA taxation.

Collaborative Work with the First Nations Financial Management Board (FMB)

– The FNTC collaborated with the FMB in the development of FMB standards for local revenue account reporting and financial management systems. The FNTC also developed a draft Guide to Local Revenue Accounts for First Nation finance officers.

Federal Pre-Budget Submission - Policy Development also coordinated the development of the FNTC's federal pre-budget submission for 2016-2017. In this year's pre-budget submission, the FNTC advanced the ART; a tax based fiscal relationship, a First Nation infrastructure institution and a one window approach for First Nation taxation services.

Law/By-law Review, and Regulations



Law/By-law Review, and Regulations

The objective of the Law/By-law Review, and Regulations business line is to support the FNTC's law and by-law review responsibilities under both the FMA and an MOU with the Minister of INAC. Further, it supports FNTC's advisory function in the development of FMA regulations that includes monitoring regulatory impacts and developing proposals.

The Law/By-law Review, and Regulations business line continues to develop and update sample laws and by-laws, revise and update the law review manual, support legislative amendments from the FMA Seven-Year Review, maintain registry of First Nation laws and by-laws and monitor legal developments.

KEY ACCOMPLISHMENTS

Law Approval / By-law Review - In 2015/2016, the FNTC reviewed and approved 149 FMA laws and recommended 66 by-laws for approval by the Minister of INAC.

First Nation Law Development Support – The FNTC provides support and assists First Nations in the development of their FMA laws. For some First Nations, this involves replacing s. 83 by-laws and for others this involves developing new FMA laws. In 2015/2016, the FNTC worked with nine First Nations to implement new or replacement FMA assessment and property taxation laws. The FNTC also provided law development support for new Property Transfer Tax Laws and Development Cost Charge Laws.

Joint Reserve Taxation Delegation Law Development Support – The FNTC provided support to nine Ts'elxwéyeqw First Nations, which passed laws delegating FMA law making authority over their joint reserve (Grass IR #15, a 65-hectare reserve situated in Chilliwack, BC) to the Chi-ihl-kway-uhk Tribe Society (CTS). This will be the first time in Canada that First Nation property taxation is established on a jointly held reserve. The FNTC estimates there are over seventy jointly held reserves across Canada.

Well Drilling Tax – The FNTC completed the regulatory framework to support an Alberta First Nation well drilling tax as a FMA business activity tax. This includes a sample law and the law review standards for interested First Nations.

Amendments to Regulations: The FNTC worked with INAC to amend the Regulations to the FMA to reflect the amendments to the Act passed in 2015.

Legal Developments: The FNTC continues to monitor legal developments related to the Musqueam Case (BC Court of Appeal) and Saik'uz First Nation and Stellat'en First Nation v. Rio Tinto Alcan Inc.





Communications

The objective of Communications is to promote the understanding of the First Nation real property taxation system, strengthen linkages with other organizations and governments, promote best practices, and facilitate access to local revenue options and tools.

Communications improved and maintained the FNTC websites and mobile application, and published *Clearing the Path* (the FNTC's quarterly newsletter). The FNTC Communications Strategy was updated and Success Story videos were produced and uploaded. Communications attended trade shows to promote the FNTC and its services. Communications also provided support for presentations, completed the annual report and organized the annual general meeting.

KEY ACCOMPLISHMENTS

Print Media - Communications coordinated the production of *Clearing the Path*. Four editions of *Clearing the Path* were published and distributed

electronically and in hard copy. The newsletter contains important bulletins and information for First Nation tax authorities and their taxpayers, as well as updates and insight on current events, success stories and best practices.

Communication Strategy Update – The Communication strategy is designed to help the First Nations Tax Commission communicate effectively and meet core objectives. Strategic targeting and consistency are key to the FNTC's messages. To maximize impact, these points are reinforced in communications materials:

1. Property taxation is fundamental government power for First Nation revenue generation;
2. The FNTC works to ensure property tax systems are fair for First Nations and their taxpayers; and
3. Use First Nation success stories and storytelling techniques where possible.

Clearing The Path

The Legacy of Chief Clarence Jules Sr.

On September 10, 2015, Chief Clarence Jules Sr. passed away. Chief Clarence Jules Sr. was born in 1926 on the Kamloops Indian Band reserve in the Kamloops area. He attended the Indian Residential School until he reached the ninth grade. While at the school he studied the piano and worked after the hours. When he was 14, he asked his father for a job. He was told to go get a job. He left school, worked several months, and then went to work at the Palmer Ranch. He worked at the Palmer Ranch for seven years working at the Palmer Ranch. He worked at the Palmer Ranch for seven years working at the Palmer Ranch. He worked at the Palmer Ranch for seven years working at the Palmer Ranch.

Original Resource Tax: First Nations Assert their Jurisdiction

First Nations in BC are supporting the development of an Aboriginal Resource Tax (ART) as a means of addressing infringements on lands under Aboriginal title. The Six Nations of the Grand River (SN), the Stikine Nation (SN), the Skeena Nation (SN), the Bulkley Valley First Nations (BVFN), and the Bulkley Valley First Nations (BVFN) are among the First Nations supporting this initiative. The First Nations Tax Commission (FNTC) has been asked to provide advice on advancing, developing and implementing this proposal.

The Province simply because the Province is larger and has many more revenues. With a tax power, the rates and other determinants of the revenue potential will be in their own hands. Third, by establishing a transparent tax regime, these same First Nations will improve investment throughout their territories. Companies will know what they are expected to pay right from Day One because, just like property taxes, they will know the tax rate. More investment will mean more revenues from all other sources, including property tax. It will mean more jobs and business opportunities for all their other economic development aspirations.

Finally, by developing their own tax power, they are becoming more politically independent. Shared revenues have the same political disadvantages as cash transfers: when another government sets out the terms and conditions for using the revenues, it is going to be very difficult to properly assert your interests in a negotiation about anything else.

The First Nations Tax Commission has been asked by these First Nations to help consider options that could be presented to other governments and industry. The experience and unique capacities of the FNTC will help the First Nations in the development of their proposals. The FNTC shares their interest in developing a tax power that improves investment, presents low administration and compliance costs, and is properly accommodated through fiscal adjustments by both the federal and provincial governments.

In This Issue

- Standards for Development
- FMA Amendments/Regulations
- FMA Local Revenue Account/Budgets
- Joint Reserve Taxation
- Aboriginal Resource Tax
- FMA Treaty Taxation

Chief Clarence Jules Sr., January 1, 1926 - September 30, 2015



Presentations – In 2015/2016, the FNTC made 73 presentations to taxpayers, First Nations, governments and the public related to First Nation taxation, the FMA and growing First Nation economies. Highlights included:

- *Ulnooweg Development Corporation’s Aboriginal Financial Capacity Summit, Dartmouth NS.* The two-day workshop was attended by 50 Atlantic First Nation delegates, as well as Ulnooweg staff, and was designed to increase capacity and knowledge of financial development tools to support community and economic development. The FNTC provided a two-part presentation. Part 1 focused on the FNTC, property tax generally, First Nation property tax, and steps to establish the jurisdiction. Part 2 (led by First Nations tax administrator Ernest Jack) provided a first-hand account of how property tax has benefited communities, and some of the challenges in implementing the jurisdiction.
- *Pacific Business and Law Institute’s First Nations Tax and Governance Conference, Saskatoon SK.* Pacific Business and Law Institute provides a number of conferences each year on topics related to aboriginal legal issues in various parts of the country. The conference was attended by approximately 50 First Nations representatives and government officials. The FNTC provided a presentation regarding on-reserve property taxation.
- *Canadian Council for Public-Private Partnerships National Conference, Toronto ON.* FNTC participated in the First Nations panel, “Driving Public-Private Partnership Adoption in Canada’s First Nations Communities”, which was part of the 23rd Annual Canadian Council for Public Private Partnerships National Conference. The purpose was to examine the barriers that exist for First Nations in accessing Public-Private Partnerships to improve quality of life on-reserve, and how best these barriers can be addressed.
- *First Nations Financial Management Conference, Vancouver BC.* The two-day conference was attended by approximately 20 financial officers representing First Nations from across Canada. The FNTC delivered the presentation “Maintaining Fair and Efficient Property Tax Regimes: Property Taxation, Jurisdiction, Revenue and the Fiscal Framework.” The presentation detailed the foundation of property taxation and what property tax jurisdiction means. The presentation focused on First Nation success stories and how these First Nations are implementing their jurisdiction. FNTC resources were also outlined including online resources, the FNG and the Tulo Centre.

73

- Taxation
- FMA
- Growing Economies

presentations

In addition, the FNTC held two meetings regarding the First Nations Property Ownership Initiative (FNPO) and delivered 31 presentations regarding Aboriginal Resource Taxation (ART).

Corporate Support - Communications participated in the development and production of the annual report, and also coordinated and developed materials for the FNTC Annual General Meeting. Throughout the fiscal year, Communications worked with Corporate Services to ensure that the FNTC continues to meet OLA requirements.



Education

The Education business line promotes an understanding of the real property taxation systems of First Nations, develops training programs for First Nation real property tax administrators, and builds capacity in First Nations to administer their taxation systems.

The FNTC works with the Tulo Centre of Indigenous Economics and Thompson Rivers University (TRU) to support the delivery of courses from the Certificate in First Nation Tax Administration and the Certificate in First Nation Applied Economics.

KEY ACCOMPLISHMENTS

Course Delivery - Course delivery contributes to building capacity in First Nations across Canada who are implementing property tax jurisdiction. It helps to ensure the dissemination of best practices for efficient tax systems and good investment climates that protect taxpayer interests. Course delivery also helps to build a strong network of educated tax administrators. Seven courses were delivered in the Certificate in First Nation Tax Administration program to 20 students. Two courses were delivered in the Certificate in First Nation Applied Economics program to 12 students.

Graduation - Ten students completed the certificate requirements for the First Nation tax administration program in 2015/2016. The students graduated with a joint certificate from Thompson Rivers University and

the Tulo Centre of Indigenous Economics in June 2015. The graduates represent First Nation tax administrators from British Columbia, Saskatchewan, Ontario and Nova Scotia and are prepared to administer high quality First Nation property taxation systems. A cohort of 20 students started the First Nation tax administration certificate program in October 2015 and have completed five of the eight courses. This cohort will graduate in October 2016.

Workshop Series - In partnership with the Tulo Centre, FNTC offered workshops based on curriculum from its property taxation courses. The Tulo Centre for Indigenous Economics delivered two workshops to INAC staff members in Ottawa on economic development on Indigenous lands (October 2015) and an introduction to First Nation taxation (March 2016). The workshops were developed to help INAC staff better understand the challenges faced by First Nations related to facilitating investment on their lands and implementing taxation; and to identify opportunities to improve support for First Nations interested in economic development and taxation. Feedback was positive and many participants suggested the interactive activities and role-plays could help them in their future work.

Student Database - Developed in 2014/2015, the Tulo Student Database enables Tulo to track students' progress through the Tulo Certificate programs and to produce useful statistics. Over seven years, 172 students from 73 First Nations have completed at least one course in the program. Based on available data,




\$200 million goes unclaimed by First Nation governments annually

How much is **your First Nation** missing out on?

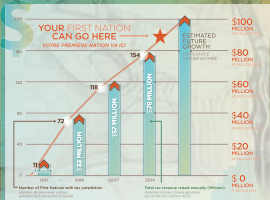
200 millions de dollars ne sont pas réclamés par les gouvernements des premières nations par année
À combien se chiffre le manque à gagner pour **votre première nation**?

LET US SHOW YOU HOW TO USE YOUR JURISDICTION AND POWERS. Permettez-nous de vous montrer comment exercer vos pouvoirs et votre compétence.

 **FIRST NATIONS TAX COMMISSION**
COMMISSION DE LA FISCALITÉ DES PREMIÈRES NATIONS
WWW.FNTC.CA

Créez des revenus maintenant et pour les générations à venir

Create revenue now and for future generations



A STABLE RESOURCE. A LEGACY.
UNE RESSOURCE STABLE. UN HÉRITAGE.

Education



our evaluation suggests FMA First Nations that have had a student enrolled in a Tulo Centre program submit their laws consistently and on time.

Tax Administration System - The FNTC provides the Tax Administration System (TAS) for the use of First Nations tax authorities. The software is accessed through an innovative cloud-based internet application at TAScloud.ca, and TAS service providers offer a full range of user support. TAS is available for tax administrators working in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, and Nova Scotia. TAS provides all of the necessary tools to operate a First Nation tax system including the ability to calculate tax rates and compare budgets, an automated process for generating annual laws and by-laws, access to historical data, relevant reports including assessment growth, tax rate comparisons and referencing jurisdiction trends.

This year, Tax Administration System programmers worked with experienced professional property tax administrators to significantly improve and enhance the TAS application. One of the outcomes from this collaboration is the new integration between the property owner account management feature and the First Nation's accounting software. With the TAS

accounting integration, First Nations can now utilize the intuitive payment receipt module. The daily balance sheet is prepared for the tax administrator using the intelligent one-click allocation into the appropriate accounting buckets (which is exportable to the First Nations accounting software comparison).

TAS has programmed intuitive management and synchronizations at the front of the software, which helps First Nations manage their customer service, their tax accounts and tax revenues.

The FNTC offers regularly scheduled TAS webinars and tutorials, which provide demonstrations on how TAS can assist in the tax administration process, general training in the functions and procedures in TAS, and opportunities to connect with other tax administrators.



New Guide to Property Tax Expenditures and Local Revenue Account Management

- The FNTC developed a resource guide to assist financial practitioners in carrying out their roles and responsibilities related to managing and reporting of local revenue account activities. The guide provides a brief description of the mandate of the FNTC, an overview of the legal framework for First Nation property taxation in Canada and the various local revenue laws that may be made by a First Nation, an overview of the tax rate and budget setting process, local revenue expenditure categories and management, and an overview of reporting and audit requirements for the local revenue account.





Dispute Management and Negotiations

The objective of Dispute Management and Negotiations is to support negotiations related to the implementation of First Nations property taxations and to prevent disputes or provide for the timely facilitation of the resolution of disputes in relation to the application of local revenue laws/by-laws.

In 2015/2016, Dispute Management continued to respond to inquiries from taxpayers and First Nations and provided facilitation services related to assessments, tax rates, services and service agreements.

KEY ACCOMPLISHMENTS

Facilitation Requests - Dispute Management responded to a number of facilitation requests to support negotiations or resolve disputes related to the FMA or s. 83 of the *Indian Act*. The requests included service agreement support in Manitoba and British Columbia and addressing on-reserve taxpayer inquiries in British Columbia, Manitoba and Ontario.

Service Agreement Negotiations - The FNTC continues to facilitate service agreements between

First Nations and local governments on request. In 2015/2016, the Tulo Centre held a service agreement workshop with the Peguis First Nation. It was well received and Peguis considered how to incorporate a different service agreement negotiation approach for its TLE lands.

Assessment Services - The FNTC continues to assist First Nations in negotiating agreements or other arrangements for the provision of provincial assessment services to First Nations as needed. This year, the FNTC and the Alberta Ministry of Municipal Affairs (MA) signed a memorandum of understanding (MOU) to provide linear property information to First Nations for preparing property assessments of linear property on reserve lands. The information provided by MA will help First Nations in Alberta produce linear property assessments consistent with off-reserve linear properties and is an important step forward for Alberta First Nations and their taxpayers.

Fees to Taxes Simulation Project - The FNTC and the Consensus Building Institute began work on a role-play simulation to support the transition from service fees to taxes for interested First Nations. This role-play would be the main element of a workshop to help First Nations that are transitioning from a fee-based system to FMA taxation.



Dispute Management and Negotiations

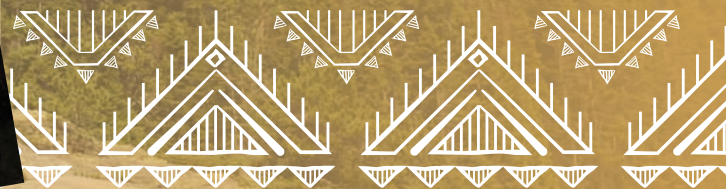


Negotiations with Province of BC – The FNTC began negotiations with BC about business activity taxes applied to mining and hotel accommodation. The purpose of these negotiations is to support First Nations jurisdiction and to ensure an orderly transition from provincial to First Nation tax jurisdiction.

Roster of Mediators - The FNTC continues to maintain the roster of qualified mediators and provides training opportunities for mediators listed on the roster.

Litigation Monitoring and Intervention - The FNTC continues to monitor and respond to legal challenges to the First Nations tax system and, where appropriate, intervenes.

Training - The FNTC, in conjunction with the Tulo Centre of Indigenous Economics, continues to provide training to FNTC staff and participating First Nations in the areas of mutual gains negotiations and dispute resolution.





Financial Statements

First Nations Tax Commission Financial Statements

For the year ended March 31, 2016

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the First Nations Tax Commission ("FNTC") are the responsibility of management and have been presented to the Commission for its acceptance.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for public sector accounting. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly in all material respects.

The FNTC maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that FNTC's assets are appropriately accounted for and adequately safeguarded.

The FNTC is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Commission carries out this responsibility principally through its Audit Committee.

The Commissioners review the FNTC's financial statements and recommend their approval. The Audit Committee meets periodically with management, as well as external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Commission takes this information into consideration when approving the financial statements. The Commission also considers the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the Commission. BDO Canada LLP has full access to the Commission.


Chief Commissioner


Commissioner



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BDO Canda LLP
300 – 275 Landsdowne Street
Kamloops, BC V2C 6J3 Canada

Independent Auditor's Report

To the Commissioners of the First Nations Tax Commission

We have audited the accompanying financial statements of the First Nations Tax Commission ("FNTC") as at March 31, 2016, which comprise the statement of financial position and the statements of change in net financial assets, financial activities, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles for public sector accounting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the FNTC as at March 31, 2016 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for public sector accounting. The quantitative information is accurate in all material respects and was prepared on a basis consistent with that of the preceding year. The transactions of the institution that have come to our notice in the course of this examination were carried out in accordance with the *First Nations Fiscal Management Act*.


Chartered Professional Accountants

Kamloops, British Columbia
June 15, 2016

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

First Nations Tax Commission Statement of Financial Position

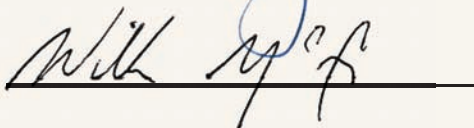
As at March 31	2016	2015
Financial Assets		
Cash (Note 3)	\$ 2,620,508	\$ 2,296,008
Accounts receivable (Note 4)	96,518	77,305
	2,717,026	2,373,313
Liabilities		
Accounts payable	2,568,527	828,236
Contracts payable (Note 6)	-	1,246,291
	2,568,527	2,074,527
Net financial assets	148,499	298,786
Non-financial Assets		
Prepaid expenses	36,447	28,054
Tangible capital assets (Note 7)	307,619	166,666
	344,066	194,720
Accumulated Surplus (Note 11)	\$ 492,565	\$ 493,506

Approved on behalf of the Commission:

Chief Commissioner:



Commissioner:



The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

First Nations Tax Commission Statement of Change in Net Financial Assets

For the year ended March 31	Financial plan	2016	2015
Annual Surplus	\$ -	\$ (943)	\$ 573
Acquisition of tangible capital assets	-	(321,848)	(87,205)
Amortization of tangible capital assets	-	180,896	169,007
	-	(141,895)	82,375
Acquisition of prepaid expenses	-	(8,392)	10,781
Net change in net financial assets	-	(150,287)	93,156
Net financial assets , beginning of year	298,786	298,786	205,630
Net financial assets , end of year	\$ 298,786	\$ 148,499	\$ 298,786

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

First Nations Tax Commission Statement of Financial Activities

For the year ended March 31	Financial plan	2016	2015
Revenue			
Corporate Plan	\$ 5,995,160	\$ 6,059,407	\$ 5,965,427
FNPOA* Legislative Development	367,200	367,200	464,940
Special Projects	88,224	88,224	237,600
Aboriginal Resource Tax	99,792	99,792	-
FNG** Publication of By-laws	173,900	173,900	-
FMA***Amendments - Communication Plan	7,778	7,778	112,320
	6,732,054	6,796,301	6,780,287
Expenses			
Corporate Plan	5,995,160	6,060,350	5,965,324
FNPOA* Legislative Development	367,200	367,200	464,943
Special Projects	88,224	88,224	237,544
Aboriginal Resource Tax	99,792	99,792	-
FNG** Publication of By-laws	173,900	173,900	-
FMA *** Amendments -Communication Plan	7,778	7,778	111,903
	6,732,054	6,797,244	6,779,714
Annual (deficit) surplus	-	(943)	573
Accumulated surplus , beginning of year	492,933	493,506	492,933
Accumulated surplus , end of year	\$ 492,933	\$ 492,563	\$ 493,506

*FNPOA -First Nations Property Ownership Act, **FNG -*First Nations Gazette*,***FMA -First Nations Fiscal Management Act

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

First Nations Tax Commission Statement of Cash Flows

For the year ended March 31	2016	2015
Operating activities		
Annual (deficit) surplus	\$ (943)	\$ 573
Items not involving cash		
Amortization	180,896	169,007
Changes in non-cash operating balances		
Accounts receivable	(19,213)	47,461
Prepaid expenses	(8,393)	10,781
Accounts payable and contracts payable	494,001	(105,861)
Cash flows from operating activities	646,348	121,961
Capital activity		
Purchase of tangible capital assets	(321,848)	(87,205)
	(321,848)	(87,205)
Net increase in cash	324,500	34,756
Cash , beginning of year	2,296,008	2,261,252
Cash , end of year	\$ 2,620,508	\$ 2,296,008

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

First Nations Tax Commission Notes to Financial Statements

March 31, 2016

1. Significant Accounting Policies

Accounting Principles

The First Nations Tax Commission ("FNTC") prepares its financial statements in accordance with Canadian generally accepted accounting principles for public sector entities.

Revenue Recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest and other income are recognized as revenue when earned.

No restricted contributions were received during the year.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, development or retirement of the asset. Proceeds on disposal of tangible capital assets are recorded as revenue in the appropriate program.

The cost less residual value of the tangible capital assets are amortized using the straight line method with no half year rule at the following annual rates, which approximates the useful life of the assets:

<u>Asset</u>	<u>Rate</u>
Equipment	3 years
Furniture and fixtures	3 years
Leasehold improvements	5 years

Government Transfers

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Segmented Information

The FNTC has a head office in Kamloops, BC and an office in the National Capital Region. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Commission Services

FNTC has a Chief Commissioner and eight Commissioners appointed by the Governor-in-Council and one Commissioner appointed by the Native Law Centre of Canada at the University of Saskatchewan. The Commission Services business line includes the operational and support costs of the Chief Commissioner and the Commissioners.

March 31, 2016

1. Significant Accounting Policies (continued)

Communications

The Communications business line promotes the understanding of First Nation real property taxation systems and communicates policy initiatives for the Commission through the publication of a quarterly newsletter, meetings and presentations to First Nations, attending and hosting professional conferences, preparing and distributing the FNTC annual report, developing and maintaining an internet website, and preparing and distributing marketing materials.

Corporate Services

The Corporate Services business line provides financial, human resources, insurance, audit and administrative services to FNTC and is responsible for meeting corporate planning and reporting requirements as well as coordinating the annual general meeting and commission meetings. Corporate Services also has a lead role in meeting *Access to Information Act*, *Privacy Act* and *Official Language Act* requirements, corporate policy development and implementation, and providing management and support to meeting *First Nations Fiscal Management Act* ("FMA") administrative requirements.

Dispute Management and Negotiations

The objective of the Dispute Management and Negotiations business line is to prevent or provide for the timely resolution of disputes in relation to the application of FMA laws as well as to provide education, training and facilitation services to First Nation tax authorities as requested. Dispute Management and Negotiations supports and manages the review of complaints.

Education

The Education business line promotes understanding of the real property taxation systems of First Nations, through public education, through the development of training programs for First Nation property tax administrators, and through the development of administrative tools to assist those First Nations.

Gazette

The Gazette business line manages the publication and distribution of the *First Nations Gazette* in conjunction with the Native Law Centre. The *First Nations Gazette* publishes First Nations laws, by-laws, sample laws, and notices under the FMA and the *Indian Act* through an online website, www.fng.ca.

Law/By-law Review and Regulations

The Law/By-law Review and Regulations business line reviews local revenue laws to ensure that they comply with the FMA and the associated regulatory framework and also provides support to First Nations in the law development process. The Law/By-law Review and Regulations business line also develops sample laws under the FMA and by-laws under s.83 of the *Indian Act*. The Law/By-law Review and Regulations business line reviews and liaises with Indigenous and Northern Affairs Canada ("INAC") on the approval of s. 83 by-laws and maintains a registry for both s. 83 by-laws and FMA laws.

Policy Development

The Policy Development business line develops and implements policies and standards to support administrative practices to increase First Nation, taxpayer, and investor confidence and certainty in the integrity of the First Nation local revenue system.

First Nation Property Ownership Initiative

This initiative is intended to allow First Nations to gain inalienable title and real jurisdiction over their lands. The Commission continued consultation on the development of the FNPO legislation.

Research & Other Special Projects

The FNTC undertakes other special projects in support of its Corporate Plan activities and mandate under the FMA.

First Nations Tax Commission Notes to Financial Statements

March 31, 2016

2. Nature of Operations

The FNTC is a national shared - governance institution with a head office in Kamloops, BC and an office in Ottawa, ON. Its mission is to help First Nation governments build and maintain fair and efficient First Nation property tax regimes, and to ensure those First Nation communities, and their taxpayers alike, receive the maximum benefit from those systems. FNTC was created through passage of the *First Nations Fiscal Management Act*.

3. Cash

Cash is held in one Canadian Chartered Bank and earns interest at the current prevailing rate for business accounts. Canada Deposit Insurance Corporation ("CDIC") insures these deposits to the extent of \$100,000 per Canadian resident.

4. Accounts Receivable

	2016	2015
Goods and Services/Harmonized Sales Tax rebates receivable	\$ 55,107	\$ 60,131
Other	41,411	17,174
	<u>\$ 96,518</u>	<u>\$ 77,305</u>

5. Employee Benefit Plan

The FNTC is the sponsor of an employee benefit plan for employees. At March 31, 2016 the accrued amount was \$457,672 (2015 - \$434,049) based on an actuarial report dated April 6, 2016.

6. Contracts Payable

The FNTC has committed funds by contract for work designated in the approved corporate plan or through specific amendments to its funding arrangement. The terms of these contracts vary in length due to the nature of the services being provided and are subject to change due to changes in federal government directives and initiatives, which can result in a redirection of resources. As at March 31, 2016, all accrued amounts are planned for completion as part of current funded initiatives.

First Nations Tax Commission Notes to Financial Statements

March 31, 2016

7. Tangible Capital Assets

	2016			2015		
	Leasehold Improvements	Equipment, Furniture & Fixtures	Total	Leasehold Improvements	Equipment, Furniture & Fixtures	Total
Cost, beginning of year	\$ 239,789	\$ 1,785,188	\$ 2,024,977	\$ 239,789	\$ 1,697,983	\$ 1,937,772
Additions	177,292	144,556	321,848	-	87,205	87,205
Cost, end of year	417,081	1,929,744	2,346,825	239,789	1,785,188	2,024,977
Accumulated amortization, beginning of year	218,635	1,639,675	1,858,310	208,058	1,481,246	1,689,304
Amortization	46,035	134,861	180,896	10,577	158,430	169,007
Accumulated amortization, end of year	264,670	1,774,536	2,039,206	218,635	1,639,676	1,858,311
Net carrying amount, end of year	\$ 152,411	\$ 155,208	\$ 307,619	\$ 21,154	\$ 145,512	\$ 166,666

8. Economic Dependence

FNTC receives substantially all of its revenue pursuant to a funding arrangement with the Government of Canada. In addition to the Government's funding of \$5,995,160 (2015 - \$5,933,948) for Corporate Plan activities, contributions by the Government and through other income are necessary for the FNTC to undertake specific research and policy development initiatives.

9. Financial Instruments

As part of the FNTC operations, the FNTC holds various financial instruments, consisting of cash and accounts receivable. The nature of these instruments and the FNTC's operations expose the FNTC to credit risk.

10. Commitments

FNTC entered into an operating lease for its premises in Ottawa, ON. The office is leased at base rent of \$3,177 plus additional rent and parking for a total commitment per month of \$6,640 plus applicable taxes under a lease expiring in March 2018.

FNTC entered into an operating lease for its premises in Kamloops, BC. The office is leased at basic rent of \$4,922 per month plus additional rent (currently estimated at \$1,717 per month) plus applicable taxes under a lease expiring in March 2018.

FNTC has entered into various operating leases for equipment and network service to be used in their offices. The monetary range of these lease agreements is \$337 - \$2,135 per month plus applicable taxes with lease expiration dates ranging from August 2016 - August 2017.

**First Nations Tax Commission
Notes to Financial Statements**

March 31, 2016

10. Commitments (continued)

Some of these leases contain clauses that allow FNTC to terminate the agreement and may include a cancellation policy.

The minimum annual lease payments for the next two years are as follows:

2017	202,927
2018	159,044
\$	361,971

11. Accumulated Surplus

The Commission segregates its accumulated surplus in the following categories:

		2016		2015
Investment in tangible capital assets	\$	307,619	\$	166,666
Current funds		184,946		326,840
	\$	492,565	\$	493,506

The investment in tangible capital assets represents amounts already spent and invested in equipment and leasehold improvements.

12. Statements of Expenditures by Object

		2016		2015
Amortization	\$	180,897	\$	169,007
Goods and services		4,271,511		4,251,999
Salaries and honorarium		2,344,836		2,358,708
	\$	6,797,244	\$	6,779,714

13. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

First Nations Tax Commission Notes to Financial Statements

March 31, 2016

14. Segmented Information

For the year ended March 31, 2016	Commission Services	Communications	Corporate Services	Dispute Management and Negotiations	Education	Education Workshops	Gazette	Law/By-Law Review and Regulations	Policy Development	FNPO Initiative	Research & Other Special Projects	2016 Total
Revenue												
Government of Canada	\$ 896,703	\$ 720,238	\$ 1,285,571	\$ 247,941	\$ 539,979	\$ -	\$ 186,115	\$ 1,340,901	\$ 777,712	\$ 367,200	\$ 369,694	\$ 6,732,054
Government of Canada Recoveries	-	-	-	-	-	-	-	-	-	-	(473)	(473)
Interest	-	-	18,980	-	-	-	-	-	-	-	-	18,980
Other Income	-	-	-	-	45,740	-	-	-	-	-	-	45,740
Expenses												
Salaries and honoraria	589,419	156,283	460,947	60,426	141,397	-	-	614,204	322,160	-	-	2,344,836
Goods and services	306,607	559,430	651,004	107,029	377,366	45,740	153,191	848,779	485,471	367,200	369,694	4,271,511
Amortization	12,122	15,000	120,838	-	18,006	-	4,000	7,017	3,914	-	-	180,897
	908,148	730,713	1,232,789	167,455	536,769	45,740	157,191	1,470,000	811,545	367,200	369,694	6,797,244
Net surplus (deficit)	\$ (11,445)	\$ (10,475)	\$ 71,762	\$ 80,486	\$ 3,210	\$ -	\$ 28,924	\$ (129,099)	\$ (33,833)	\$ -	\$ (473)	\$ (943)

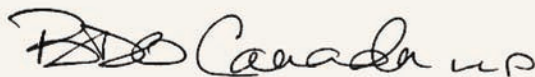
For the year ended March 31, 2015	Commission Services	Communications	Corporate Services	Dispute Management and Negotiations	Education	Education Workshops	Gazette	Law/By-Law Review and Regulations	Policy Development	FNPO Initiative	Research & Other Special Projects	2015 Total
Revenue												
Government of Canada	\$ 895,035	\$ 719,204	\$ 1,253,591	\$ 190,948	\$ 533,806	\$ -	\$ 185,872	\$ 1,356,269	\$ 799,223	\$ 464,940	\$ 349,920	\$ 6,748,808
Interest	-	-	27,464	-	-	-	-	-	-	-	-	27,464
Other Income	-	-	15	-	4,000	-	-	-	-	-	-	4,015
Expenses												
Salaries and honoraria	573,919	219,539	458,691	60,997	116,502	-	-	609,930	319,130	-	-	2,358,708
Goods and services	252,345	490,375	673,951	136,158	426,361	-	174,847	803,390	480,180	464,942	349,450	4,251,999
Amortization	18,600	7,013	102,445	-	24,940	-	4,000	7,405	4,604	-	-	169,007
	844,864	716,927	1,235,087	197,155	567,803	-	178,847	1,420,725	803,914	464,942	349,450	6,779,714
Net surplus (deficit)	\$ 50,171	\$ 2,277	\$ 45,983	\$ (6,207)	\$ (29,997)	\$ -	\$ 7,025	\$ (64,456)	\$ (4,691)	\$ (2)	\$ 470	\$ 573

Independent Auditor's Report on Supplementary Financial Information

To the Commissioners of the
First Nations Tax Commission

We have audited the financial statements of the First Nations Tax Commission, which comprises the statement of financial position as at March 31, 2016, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated June 15, 2016. The following supplementary financial information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.



Chartered Professional Accountants

Kamloops, British Columbia
June 15, 2016

First Nations Tax Commission

Schedule 1 - Corporate Plan (Unaudited)

For the year ended March 31	Financial plan	2016	2015
Revenue			
Government of Canada	\$ 5,995,160	\$ 5,995,160	\$ 5,933,948
Government of Canada prior year recovery	-	(473)	-
Interest and other income	-	64,720	31,479
	5,995,160	6,059,407	5,965,427
Expenses			
Commission Services	896,703	908,148	844,866
Communications	720,238	730,713	716,927
Corporate Services	1,285,571	1,232,789	1,235,087
Dispute Management and Negotiations	247,941	167,455	197,156
Education	539,979	582,509	567,802
Gazette	186,115	157,191	178,847
Law/By-law Review and Regulations	1,340,901	1,470,000	1,420,725
Policy Development	777,712	811,545	803,914
	5,995,160	6,060,350	5,965,324
(Deficiency) excess of revenues over expenditures	\$ -	\$ (943)	\$ 103

First Nations Tax Commission

Schedule 2 - First Nations Property Ownership Act Legislative Development (Unaudited)

For the year ended March 31	Financial plan	2016	2015
Revenue			
Government of Canada	\$ 367,200	\$ 367,200	\$ 464,940
Expenses			
TDP* Completion & Supportive Policy Work	83,000	83,008	74,747
Regulation Development	50,000	51,259	139,289
Communications Draft	58,000	60,028	167,905
Communications Materials	75,000	74,614	48,074
Communications Draft and Materials Review	74,000	71,091	488
Coordination and Strategic Planning	27,200	27,200	34,440
	367,200	367,200	464,943
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (3)

*TDP - Technical Discussion Paper

First Nations Tax Commission

Schedule 3 - Special Projects (Unaudited)

For the year ended March 31	Financial plan	2016	2015
Revenue			
Government of Canada	\$ 88,224	\$ 88,224	\$ 237,600
Expenses			
<i>The Five Year Vision:</i>			
Protecting and Expanding First Nation Tax Jurisdictions	21,000	21,000	-
Supporting First Nation Economies	21,000	21,000	-
Vision Report Development	8,400	8,400	-
Administration	3,360	3,360	-
<i>Towards an FMA* Economic Infrastructure Institution:</i>			
Review of First Nations Infrastructure Models	6,800	6,800	-
FMA Business Case	7,200	7,200	-
FMA Economic Infrastructure Concept Development	9,600	9,600	-
Concept Paper Development	8,400	8,400	-
Administration	2,464	2,464	-
Registry - Client Management System Project	-	-	55,000
<i>First Nations Gazette and s.81 By-laws Publications</i>			
Project	-	-	51,681
Energy Transportation Property Taxation Research Project	-	-	59,262
Aboriginal Title Taxation Research Project	-	-	54,001
Coordination and Strategic Planning	-	-	17,600
	88,224	88,224	237,544
Excess of revenues over expenditures	\$ -	\$ -	\$ 56

*FMA - First Nations Fiscal Management Act

First Nations Tax Commission

Schedule 4 - Aboriginal Resource Tax (ART) (Unaudited)

For the year ended March 31	Financial plan	2016	2015
Revenue			
Government of Canada	\$ 99,792	\$ 99,792	\$ -
Expenses			
First Nations Communications & Support	18,900	18,900	-
Specific ART Design	37,800	37,800	-
Government Communications	11,700	11,700	-
Accommodation Option Development	24,000	24,000	-
Administration	7,392	7,392	-
	99,792	99,792	-
Excess of revenues over expenditures	\$ -	\$ -	\$ -

First Nations Tax Commission
Schedule 5 - First Nations Gazette (FNG)
Publication of By-laws
(Unaudited)

For the year ended March 31	Financial plan	2016	2015
Revenue			
Government of Canada	\$ 173,900	\$ 173,900	\$ -
Expenses			
Organization of files by contractual resource	10,138	10,138	-
Scanning & Optical Character Recognition	6,069	6,069	-
Tagging by contractual resource	102,775	102,775	-
Set up & testing of FNG website	41,110	41,110	-
Administration	12,808	12,808	-
Development & dissemination of communication	1,000	1,000	-
	173,900	173,900	-
Excess of revenue over expenditures	\$ -	\$ -	-

First Nations Tax Commission
Schedule 6 - Fiscal Management Act
Communication Plan, Amendments
(Unaudited)

For the year ended March 31	Financial plan	2016	2015
Revenue			
Government of Canada	\$ 7,778	\$ 7,778	\$ 112,320
Expenses			
Communication Products	7,156	7,156	-
Administration	622	622	-
Communications Advisory Support	-	-	56,104
Legislative Support	-	-	47,479
Coordination and Strategic Planning	-	-	8,320
	7,778	7,778	111,903
Excess of revenue over expenditures	\$ -	\$ -	\$ 417

The Legacy of Chief Clarence Jules Sr.



“We feel that we are in a better position to judge the needs of our people than officials of the Department located in Ottawa. We point out that much of the dissatisfaction with the present Act arises from the lack of power and authority to Band Councils. To give just one illustration: We operate an Industrial Subdivision on part of our reserve and lease lots in the Sub-division to various individuals and companies. Before a lease can be granted not only must the Band Council pass its resolution but the lease is then routed through the Kamloops Indian Agency, then to the Vancouver office and finally to Ottawa. The same process is followed on the return trip.

We can document instances where months have gone by before a lease is finally issued. In many cases by the time the lease has been returned the lessee has gone elsewhere because people today require almost instantaneous decisions. These delays cost us money and we don't like it. There must be a change to grant more power and authority to Indian Band Councils. After all, our Indian people elect us to represent them; they do not elect officials of the Indian Department.”
(November 1968, Kelowna, BC).

Clarence Jules Sr. had an ability to build bridges between communities, people and governments as he created the foundation for over \$2 billion in investment in First Nations and over \$1 billion in taxes collected by First Nations across Canada. It has led to thousands of jobs and many agreements between First Nations and governments. As he said, “We are here, we should all live together.”

In September 2009, he was honoured by the First Nations Tax Administrators Association for his contribution to First Nation taxation.



*Chief Clarence Jules Sr.
January 6, 1926 – September 10, 2015*



Contact Us



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