
Taxability of COVID-related benefits for First Nations individuals with tax exempt income

COVID-related benefits are generally taxable. If some or all of your income is exempt from tax under section 87 of the Indian Act, however, this will affect the taxability of these benefits.

Canada Emergency Response Benefit (CERB)

Q1: Is the CERB taxable if your income is exempt from tax because you have status and live on reserve?

A1: The CERB you receive will be treated in the same way as your total income that entitled you to the CERB. This total income is your total income for 2019 or the 12-month period prior to the date of your application.

Therefore, if your total income that entitled you to the CERB is exempt from income tax under section 87 of the Indian Act, your CERB will also be exempt.

If your total income that entitled you to the CERB is partially exempt from tax, your CERB will also be partially exempt. The CERB will be treated as exempt in the same proportion as the total income of the period that is more advantageous to you.

Examples

- 1. You worked on reserve in 2019 and 2020, and all of your income was tax-exempt. In 2019, you earned \$24,000. From January to March 2020, you earned \$3,000.**

Since the total income that entitled you to the CERB is exempt from income tax, your CERB will also be exempt.

- 2. You worked on reserve in 2019, and worked off reserve in 2020. You earned \$24,000 in tax-exempt income in 2019, and earned \$6,000 in taxable income from January to March 2020.**

Since the total income in 2019 that entitled you to the CERB is exempt from tax, your CERB will also be exempt.

The fact that you had taxable income in 2020 will not make your CERB taxable or partially taxable. Your CERB will be treated in the way that is more advantageous to you.

- 3. In 2019, you worked off reserve and earned \$24,000 in tax-exempt employment income. From January to March 2020, you worked off reserve and earned \$6,000 in taxable employment income.**

Since the total income in 2019 that entitled you to the CERB is exempt from tax, your CERB will also be exempt.

The fact that you had taxable income in 2020 will not make your CERB taxable or partially taxable. Your CERB will be treated in the way that is more advantageous to you.

4. In 2019, you worked off reserve and earned taxable income of \$24,000. From January to March 2020 you worked on reserve and earned \$6,000 in tax-exempt income. You applied for the CERB on April 6, 2020.

Since the total income in the 12-month period prior to the date of your application that entitled you to the CERB is partially exempt from tax, your CERB will also be partially exempt from tax and will be prorated in the proportion in which your income was exempt.

Even though your total income in 2019 was taxable your CERB will be treated in the way that is more advantageous to you.

5. In 2019, you worked off reserve and earned taxable employment income of \$24,000. From January to March 2020 you worked off reserve and earned \$6,000 in taxable income.

Since the total income that entitled you to the CERB is taxable, your CERB will also be taxable.

Q2: Will I have to pay tax on the CERB if I live on a reserve (considered income earned on reserve/confined to the house) but I work off reserve?

A2: The CERB you receive will be treated in the same way as your total income that entitled you to the CERB.

This total income is your total income for 2019 (reference period A) or the 12-month period prior to the date of your application (reference period B).

Therefore, if your total income that entitled you to the CERB in either reference period A or reference period B is exempt from income tax under section 87 of the Indian Act, your CERB will also be exempt. If your total income that entitled you to the CERB is partially exempt from tax in both reference periods, your CERB will also be partially exempt.

The CERB will be treated as exempt in the same proportion as the total income of the reference period **that is more advantageous to you**. If your total income that entitled you to the CERB in one reference period is partially exempt and the total income in the other reference period is taxable, your CERB will be treated as exempt in the same proportion as the total income of the reference period that was partially exempt. If your total income that entitled you to the CERB is taxable in both reference periods, your CERB will also be taxable.

Q3: Will CERB payments received by a self-employed person be taxable? If yes, at what time?

A3: The CERB is generally a taxable benefit. A T4A tax slip will be made available for the 2020 tax year in CRA My Account under Tax Information Slips (T4 and more). If you received the CERB from Service Canada, you will receive a T4E tax slip at tax time or you may also get your T4E information from My Service Canada Account.

You will need to report any taxable CERB payments you receive on your 2020 income tax return. If you have a balance owing for 2020, your payment will be due on or before April 30, 2021.

The CERB received by a self-employed person will be treated in the same way as their total self-employment income that entitled them to the CERB. This total income is the person's total self-employment income for 2019 (reference period A) or the 12-month period prior to the date of their application (reference period B). Therefore, if the person's total self-employment income that entitled them to the CERB in either reference period A or reference period B is exempt from income tax under section 87 of the Indian Act, their CERB will also be exempt.

If the person's total self-employment income that entitled them to the CERB is partially exempt from tax in both reference periods, their CERB will also be partially exempt. The CERB will be treated as exempt in the same proportion as the total self-employment income of the reference period that is more advantageous to the person.

If the person's total self-employment income that entitled them to the CERB in one reference period is partially exempt and the total self-employment income in the other reference period is taxable, the person's CERB will be treated as exempt in the same proportion as the total self-employment income of the reference period that was partially exempt.

If the person's total self-employment income that entitled them to the CERB is taxable in both reference periods, their CERB will also be taxable.

Canada Recovery Benefit (CRB), Canada Recovery Sickness Benefit (CRSB), Canada Recovery Caregiving Benefit (CRCB)

Q4: How do I collect the 10% tax withheld if my income is tax-exempt?

A4: If you received one of the recovery benefits, 10% of each payment was withheld at source - even if your income is exempt from tax.

You may be able to get part or all of the tax back for payments received in 2020 or 2021 by **filing a tax return for that year**. You may be eligible if:

- some or all of your income is exempt from tax under section 87 of the Indian Act
- you are registered, or entitled to be registered as an Indian under that Act

This may include filling out Form [T90 Income exempt under the Indian Act](#) as part of the return. You can quickly and securely file your tax and benefit return online. We have a list of certified tax software products that are easy to use, fast, and secure. Some are free.

If you meet the eligibility criteria outlined on the CRA's new [Taxes and benefits for Indigenous peoples](#) page, you may also be able to get back your tax withheld using one of our simplified paper tax and benefit returns.

Q5: Will the recovery benefits I received in 2020 be exempt from tax under section 87 of the Indian Act?

A5: The recovery benefits you receive will be treated in the same way as the total income that entitled you to these benefits. Total income includes income exempt under section 87 of the Indian Act.

If the recovery benefits are in respect of a two-week period beginning in 2020, this total income is your total income for either 2019 (reference period A) or the 12-month period preceding the day on which you made your application (reference period B).

Therefore, if the total income that entitled you to the recovery benefits in either 2019 or reference period B is exempt from tax under section 87 of the Indian Act, your recovery benefits will also be exempt. If the total income that entitled you to the recovery benefits is partially exempt from tax in both reference periods, your recovery benefits will also be partially exempt.

Your recovery benefits will be treated as exempt in the same proportion as the total income of the reference period that is more advantageous to you. If the total income that entitled you to the recovery benefits in one reference period is partially exempt and the total income in the other is taxable, your recovery benefits will be treated as exempt in the same proportion as the total income of the reference period that was partially exempt. If the total income that entitled you to the recovery benefits is taxable in both reference periods, your recovery benefits will also be taxable.

In addition, if you have a combination of taxable and exempt income and you had a reduction of at

least 50% in your average weekly employment income or self-employment income that includes a reduction of exempt income, for reasons related to COVID-19, the recovery benefits you received may be exempt in the proportion of the exempt income lost over the total income lost, if this proportion is more advantageous to you.

Q6: If the CRB I received is exempt from tax under section 87 of the Indian Act, should it be included in my income determined under Part I of the Income Tax Act (the Act)?

A6: No. The exempt CRB should not be included in your income pursuant to paragraph 81(1)(a) of the Act. Paragraph 81(1)(a) of the Act provides that amounts which are exempt from income tax by any other enactment of the Parliament of Canada (includes the Indian Act) shall not be included in computing the income of a taxpayer for a taxation year. Accordingly, the exempt income of an Indian under the Indian Act is not included in computing the income of a taxpayer under Part I of the Act.

However, it should be noted that if the CRB received by an individual is not exempt from tax under section 87 of the Indian Act, it will be included in the individual's income in accordance with subparagraph 56(1)(r)(iv) of the Act.

Q7: Will I have to reimburse part or all of the CRB I received in 2020 or 2021 if my income is above \$38,000 and my entire income for 2020 or 2021 is exempt from tax under section 87 of the Indian Act?

A7: No. An individual whose entire income in 2020 or 2021 is exempt from tax under section 87 of the Indian Act will not be subject to the CRB repayment in that year even if their income is greater than \$38,000 for that year.

An individual's "income" as defined in subsection 8(3) of the Canada Recovery Benefits Act (the CRBA) is determined under part I of the Income Tax Act. Paragraph 81(1)(a) of the Act excludes income exempt under section 87 of the Indian Act when computing the income of a taxpayer for a taxation year under Part I of the Act.

The CRBA does not have a specific provision to include the section 87 exempt income for the purpose of calculating the income for repayment in subsection 8(2) of the CRBA. Pursuant to subsection 8(3) of the CRBA, an individual's income exempt under section 87 of the Indian Act is not included in the calculation of income, and therefore, the individual is not subject to the CRB repayment specified in subsection 8(2) of the CRBA.

Q8: Will I have to reimburse part or all of the CRB I received in 2020 or 2021 if my income is above \$38,000 and I have both exempt income and other income that is not exempt in that year?

A8: It depends on the facts of a particular situation. Pursuant to subsection 8(2) of the CRBA, an individual is required to repay an amount equal to 50 cents for every dollar of income earned in that year above \$38,000 of income, up to the total amount of the CRB received by them in that year.

Accordingly, if the individual has other income that is not exempt from tax that exceeds the stated amount of \$38,000, they will be subject to the repayment of the CRB regardless of whether or not they have exempt income. On the other hand, if the individual's other income that is not exempt from tax is less than or equal to \$38,000 for 2020 or 2021, the individual will not be subject to the repayment in that year.

More details: [Other questions and answers about the Canada recovery benefits](#)

Canada Emergency Student Benefit (CESB)

Q9: Will the CESB be exempt from tax under section 87 of the Indian Act?

A9: No. The CESB is not considered to be situated on a reserve as there are insufficient factors connecting this income to a reserve. It is available to all Canadians who qualify and are paid from general government funds. This benefit is not paid by First Nations or with money specifically set aside for First Nation individuals.

Furthermore, similar to a social assistance payment or an old age security payment, the CESB is available to all eligible individuals regardless of whether they are First Nation individuals or whether they earned income in 2019 or in the 12-month period prior to the date of their application.

The fact that the recipient is a First Nation individual residing on a reserve is not sufficient to result in the benefit being situated on a reserve, and therefore, it is not exempt from tax under section 87 of the Indian Act.

Q10: Does the CESB have to be included on line 7 of Form T90?

A10: No. Form T90, Income exempt from tax under the Indian Act, is mainly used to calculate a First Nation individual's total exempt working income (line 4) and net exempt income (line 17) for purposes of the Canada workers benefit. Line 7 of Form T90 E(20) refers to the federal, provincial, or territorial government COVID-19 payments received in the year.

The instruction for what amounts to be entered on line 7 of Form T90 E(20) further clarifies that only the exempt portion of the COVID-19 payments received from the federal, provincial, or territorial government be entered on line 7.

The CESB is not exempt from tax under section 87 of the Indian Act and therefore, should not be included on line 7 of Form T90.

Interest relief if you received COVID-19 benefits

If you meet all the eligibility criteria below, you will get interest relief on your 2020 taxes owing. You still need to file your tax return by the due date to avoid paying any late-filing penalties.

Eligibility criteria

- Your total 2020 taxable income was \$75,000 or less
- You received at least one COVID-19 benefit in 2020:
 - Canada Emergency Response Benefit (CERB)
 - Canada Emergency Student Benefit (CESB)
 - Canada Recovery Benefit (CRB)
 - Canada Recovery Caregiving Benefit (CRCB)
 - Canada Recovery Sickness Benefit (CRSB)
 - Employment Insurance (EI) benefits
 - Provincial or territorial emergency benefits
- You filed your 2020 income tax and benefit return

If you meet all eligibility criteria and have filed your 2020 tax return, the CRA will automatically apply interest relief on your 2020 taxes owing.

You will not have to pay interest on any amount owing from your 2020 taxes until April 30, 2022.

Interest relief only applies to your **2020 taxes owing** and not on previous or other debts with the CRA.