

TAX ADMINISTRATION AND TAX SHARING AGREEMENT

Between The

GOVERNMENT OF CANADA

and the

TŁİCHŦ GOVERNMENT

MEMORANDUM OF AGREEMENT

BETWEEN:

THE GOVERNMENT OF CANADA ("Canada")

AND

THE TŁJCHQ GOVERNMENT

WHEREAS the Tłjchq Government desires to exercise its power of direct taxation pursuant to the *Tłjchq Land Claims and Self-Government Agreement*, brought into effect by the *Tłjchq Land Claims and Self-Government Act*, S.C. 2005, c. 1 and the *Tłjchq Land Claims and Self-Government Agreement Act*, S.N.W.T. 2003, c.28;

AND WHEREAS the *Tłjchq Income Tax Law* imposes taxes on the income of individuals and provides that the Tłjchq Government may enter into a tax administration agreement;

AND WHEREAS the Tłjchq Government wishes to enter in an agreement with Canada, pursuant to which Canada will collect taxes payable under the *Tłjchq Income Tax Law* on behalf of the Tłjchq Government and will make payments to the Tłjchq Government in respect of the taxes so collected, in accordance with such terms and conditions as the tax administration agreement prescribes;

AND WHEREAS the *Federal-Provincial Fiscal Arrangements Act*, R.S.C. 1985, c. F-8, provides that where an Aboriginal government imposes income taxes, the Minister of Finance, with the approval of the Governor in Council, may enter into a tax administration agreement with an aboriginal government, on behalf of Canada;

AND WHEREAS the Minister of Finance has the approval of the Governor in Council to enter into this agreement;

NOW, THEREFORE, in consideration of the terms, exchange of promises, covenants and conditions contained in this agreement, the parties to this agreement agree as follows:

INTERPRETATION

1. (1) In this Agreement:
- (a) "assessment" includes reassessment.
 - (b) "Citizen" means a person whose name is on the Tłıchq Citizens Register under the Tłıchq Agreement.
 - (c) "Collection agreement" means an agreement entered into between Canada and an aboriginal government, a province or a territory for the collection of income tax.
 - (d) "federal Act" means the *Income Tax Act*, R.S.C. 1985, c.1 (5th supp.).
 - (e) "federal tax" means the amount that, but for section 120 of the federal Act, would be the tax payable by an individual under Part I of that Act for the taxation year in respect of which the expression is being applied, computed as if the individual were not entitled to any deduction under section 126, 127, 127.2, 127.4 or 127.41 of that Act and as if the income tax room was not vacated in accordance with clause 3 of this Agreement.
 - (f) "fiscal year" means the period of twelve months commencing on the 1st day of April and ending on the 31st day of March next following.
 - (g) "income tax", means the income tax imposed under the Tłıchq *Income Tax Law*.
 - (h) "individual" means a person other than a corporation and includes a trust referred to in subdivision K of Division B of Part I of the federal Act.
 - (i) "Minister" means the Minister of Finance of Canada and, where circumstances require, the Deputy Minister or any officer or class of officers authorised by the Minister of Finance.
 - (j) "Minister of National Revenue" means the Minister of National Revenue and, where circumstances require, the Commissioner of Customs and Revenue or any officer or class of officers authorised by the Minister of National Revenue or the Commissioner.
 - (k) "non-citizen" means an individual who is not a Citizen.
 - (l) "Tłıchq Agreement" means the land claims and self-government agreement entered into on August 25, 2003 between the Tłıchq, the Government of the Northwest Territories and the Government of Canada.

- (m) "Tłıchq community" has the same meaning as in 1.1.1 of the Tłıchq Agreement.
- (n) "*Tłıchq Income Tax Law*" means the Tłıchq law enacted in relation to the income taxation of individuals under 7.4.5 and 27.5.2 of the Tłıchq Agreement, as amended, and includes any regulations made thereunder.
- (o) "Tłıchq lands" has the same meaning as in 1.1.1 of the Tłıchq Agreement.
- (p) "working day" means a day on which the offices of the Department of Finance (Canada) situated in Ottawa are open for the conduct of business.
- (q) "year", unless the context otherwise requires, means the calendar year during the term of this Agreement.
- (2) Words in the singular include the plural and words in the plural include the singular.
- (3) Words and expressions not specifically defined in this Agreement shall, where they are defined in the federal Act or in regulations made pursuant to the federal Act, have the meaning given to them therein.
- (4) In this Agreement, where the reference is to an Act of Parliament of Canada or an Act of the Tłıchq Government, the reference shall be deemed to be a reference to the Act or Legislation, or regulations thereunder, all as amended from time to time whether such amendment is made before or after the execution of this Agreement.

COVENANTS BY CANADA

2. (1) Canada, as agent of the Tłıchq Government, shall collect for and on behalf of the Tłıchq Government income tax for each taxation year to which this Agreement applies, and shall remit amounts in respect thereof to the Tłıchq Government in accordance with this Agreement.

(2) Subject to subclause 10(6), Canada shall administer this Agreement free of charge. In particular, any costs, charges or expenses (including amounts required to be paid in respect of prosecutions or other legal proceedings) incurred in the collection by Canada of the income tax for any taxation year to which this Agreement applies shall be paid by Canada.

3. Canada agrees, in respect of each taxation years of this Agreement, to vacate 95% of the federal tax payable by an individual residing within Tłıchq lands or Tłıchq communities on the last day of the taxation year.

COVENANTS BY THE TŁİCHQ GOVERNMENT

4. The Tłıchq Government agrees, in respect of each taxation year to which this Agreement applies, to impose an income tax under the *Tłıchq Income Tax Law* in the following manner:

- (a) in the case of an individual who resides within Tłıchq lands or Tłıchq communities on the last day of the taxation year and who has no income earned in the year outside the Northwest Territories, income tax shall be expressed as 95% of the federal tax payable by that individual for the year;
- (b) in the case of an individual who resides within Tłıchq lands or Tłıchq communities on the last day of the taxation year and who has income earned in the year outside the Northwest Territories, income tax shall be the amount that bears the same relation to 95% of the federal tax payable, that the income earned in the year on Tłıchq lands or Tłıchq communities bears to his income for the year.

5. The income tax imposed under the *Tłıchq Income Tax Law* shall be imposed at the same rate for all residents within Tłıchq lands or Tłıchq communities, whether Citizen or non-citizen.

6. (1) For the purposes of the *Tłıchq Income Tax Law*, the Tłıchq Government agrees, in respect of each taxation year to which this Agreement applies, to rely on the provisions of the federal Act relating to the administration, enforcement and collection of the income tax.

(2) The Tłıchq Government will not exercise criminal law power under the *Tłıchq Income Tax Law*.

PAYMENTS TO THE TŁİCHQ GOVERNMENT

7. (1) Payments shall be made to the Tłıchq Government by Canada in respect of each taxation year to which this Agreement applies on account of income tax for that year.

(2) For the purposes of subclause (1), but subject to subclause (3), the amount payable to the Tłıchǵ Government for each taxation year is the amount that is equal to the aggregate of

- (a) amounts assessed under the *Tłıchǵ Income Tax Law* on or before December 31 of the year following the taxation year in respect of:
 - (i) income tax for the taxation year; and
 - (ii) income tax, or adjustments of income tax, for previous years comprising the term of the Agreement, not included in the calculation of the amount payable for a previous year; and
- (b) 95% of amounts, as determined by the Minister, that have been deducted at source from taxpayers in accordance with the federal Act in respect of income tax for that taxation year and for all previous taxation years to which this Agreement applies, and that have not, because of the failure of those taxpayers to file returns, been applied on or before December 31 of the year following the taxation year on account of the tax payable by those taxpayers under the federal Act for the year or for any previous year (hereinafter referred to as "unclaimed deductions at source"), less any amount included in a determination under this paragraph in respect of a previous taxation year.

- (3) For each taxation year to which this Agreement applies, the Minister shall
- (a) estimate the amount of the payment that, in his opinion, is due to the Tłıchǵ Government under subclause (2) in respect of that taxation year;
 - (b) subject to subclause (4), make payments to the Tłıchǵ Government on the basis of the estimate referred to in paragraph (a) in 12 equal instalments, once each month, throughout the twelve-month period, commencing on the last working day of the month of January of that taxation year; and
 - (c) furnish the Tłıchǵ Government with a statement outlining the method of calculating the estimate referred to in paragraph (a) at the time the first payment is made for that taxation year.

(4) If, in a taxation year during which payments are being made in accordance with subclause (3), it becomes apparent to the Minister that, owing to the availability of more accurate information, the estimate made in paragraph (3)(a) in respect of that taxation year should be revised, the Minister shall make a new estimate and the remaining payments in respect of that taxation year shall be adjusted accordingly.

(5) After each taxation year in respect of which payments in accordance with subclauses (3) and (4) have been made by Canada to the Tłıchǵ Government, and in no case later than the 31st day of December of the year following that taxation year, the

Minister shall, on the basis of information available on the 30th day of September next following the close of that taxation year, in respect of income tax:

- (a) make an interim recalculation of the amount payable to the Tłıchǵ Government in accordance with subclause (2);
- (b) furnish the Tłıchǵ Government with a statement outlining the method and result of such interim recalculation;

and the Minister may, within 30 days following said December 31, pay to the Tłıchǵ Government all or such part as may be determined, of the amount, if any, by which the amount of such interim recalculation exceeds the total of the payments made to the Tłıchǵ Government during that taxation year.

(6) Following the end of each year in respect of which payments in accordance with this clause have been made by Canada to the Tłıchǵ Government, and in no case later than the last day of the fifteenth month following the end of that year, the Minister will, on the basis of information available on December 31st of the year following that year,

- (a) make a revised recalculation of the amount payable to the Tłıchǵ Government in accordance with subclause (2);
- (b) furnish the Tłıchǵ Government with a statement outlining the method and result of such revised recalculation; and
- (c) pay to the Tłıchǵ Government the amount, if any, by which the amount of such revised recalculation exceeds the total of the payments made to the Tłıchǵ Government in respect of that year.

(7) Notwithstanding anything in this clause, the aggregate of all amounts to be paid to the Tłıchǵ Government by Canada on account of income tax in respect of each taxation year to which this Agreement applies shall be the amount that is equal to the aggregate of:

- (a) the total amount of income tax assessed under the Tłıchǵ *Income Tax Law*; and
- (b) the amount, as determined by the Minister, that is equal to 95% of unclaimed deductions at source made under the federal Act in respect of each year covered by this agreement.

8. The Minister shall, on or before the last day of the fifteenth month following each year in which payments are made to the Tłıchǵ Government under clause 7, supply to

the Tłıchq Government a statement prepared by the Canada Customs and Revenue Agency showing

- (a) the income tax assessed prior to the 31st day of December of the year just ended in respect of the immediately preceding year, or other preceding year where the assessment was not included in a previous statement supplied under this clause; and
- (b) the amount, as determined by the Minister as of the 31st day of December of the year just ended, that is due to the Tłıchq Government in respect of unclaimed deductions at source in accordance with the federal Act in respect of the preceding years during the term of the Collection Agreement.

DEBTS DUE TO CANADA

9. Where, under this Agreement, the Tłıchq Government has received an amount in excess of the amount to which it is entitled, the Minister may recover that excess amount as a debt due to Canada, in the following manner:

- (a) Unless Canada and the Tłıchq Government agree otherwise, in any case where this Agreement is in effect, the Minister shall recover any overpayment through a set-off against future payments from Canada to the Tłıchq Government pursuant to this Agreement, in twelve equal instalments, beginning in the month in which the statement referred to in paragraph 7(6)(b) is provided to the Tłıchq Government and subject to any matter arising out of the Auditor General's report, referred to in subclause 17(1).
- (b) In any case where this Agreement has been terminated, an amount equal to any overpayment will be paid to Canada by the Tłıchq Government within sixty days from the date that the Auditor General's report, referred to in subclause 17(1), is provided to the Tłıchq Government.

ADMINISTRATION

10. (1) The Minister of National Revenue will administer, as agent of the Tłıchq Government, the *Tłıchq Income Tax Law* for and on behalf of the Tłıchq Government.

(2) The Tłıchq Government agrees, in respect of each taxation year to which this Agreement applies, that the Minister of National Revenue has and may exercise all the powers of the Tłıchq Government for the administration, enforcement and collection of income tax under the *Tłıchq Income Tax Law*, all of which shall operate concurrently with, but not in duplication of, the federal Act.

(3) To assist the Minister of National Revenue in the administration of the *Tłıchq Income Tax Law*, the Tłıchq Government agrees to provide to the Minister of National Revenue upon request with information that it may have in its possession

- (a) relating to any person liable for tax under the *Tłıchq Income Tax Law*; and
- (b) relating to real property valuations and transactions.

(4) Any information made available by the Tłıchq Government pursuant to subclause (3) shall not be used for any purpose other than the purpose for which it was provided.

(5) To facilitate the Minister of National Revenue's administration of the *Tłıchq Income Tax Law*, the Tłıchq Government will accept as final and binding all interpretations, assessments, decisions and other steps made or taken by the Minister of National Revenue under the *Tłıchq Income Tax Law* in pursuance of this Agreement.

(6) The Tłıchq Government agrees that Canada will retain interest and penalties collected by the Minister of National Revenue in respect of the *Tłıchq Income Tax Law*.

11. (1) Where, in the opinion of the Minister, the Minister of National Revenue or the Tłıchq Government, an amendment to the *Tłıchq Income Tax Law*, or this agreement would improve the effective administration, collection or enforcement of the *Tłıchq Income Tax Law*, the Minister and the Tłıchq Government agree to meet and discuss the issue.

(2) On reaching a potential solution Canada and the Tłıchq Government agree to take whatever steps are in their respective powers, subject to any necessary approvals, authorisations or legislative requirements, to effect the solution.

(3) This provision in no way obligates Canada to consult or advise the Tłıchq Government of any amendments or contemplated amendments to the federal Act.

12. (1) Notwithstanding that this Agreement has ended or the Agreement has been terminated, the Minister of National Revenue shall continue to assess and collect income tax in respect of the taxation years to which this Agreement applies.

(2) The Tłıchq Government agrees to ensure that, for the purposes of assessing and collecting the income tax as described in subclause 12(1), the Minister of National Revenue shall have all the powers with respect to the assessment and collection of income tax after the end of this Agreement in respect of each taxation year to which this Agreement applies, that they would have had if the assessment were made and the collection effected during such particular taxation years.

(3) If the term of this Agreement has ended or this Agreement has been terminated, and if payment has been made to the Tłıchq Government of the amount of tax assessed in respect of a year comprising the term, any amount collected in respect of that assessment at any time thereafter will be retained by Canada.

(4) If the term of this Agreement has ended or this Agreement has been terminated and any loss is incurred by Canada because the Tłıchq Government has failed to provide the Minister of National Revenue with authority sufficient to collect the Tłıchq Government Income Tax, an amount equal to the amount of the loss may be recovered by Canada as a debt due to Canada by the Tłıchq Government.

13. (1) Actions, suits, prosecutions or other legal proceedings required to be brought or taken under the *Tłıchq Income Tax Law* shall be brought or taken by Canada on behalf of the Tłıchq Government

- (a) in the same name in which such action, suit, prosecution or other legal proceeding would have been brought or taken if brought or taken under corresponding provisions of the federal Act, or
- (b) in such other name as would be appropriate if such action, suit, prosecution or other legal proceeding were brought or taken by, or on behalf of the Tłıchq Government,

and the Tłıchq Government agrees to assist Canada with respect to the conduct of any such action, suit, prosecution or other legal proceeding or any matter related or incidental thereto.

(2) In the event of a specific request, the Tłıchq Government agrees to forward to the Minister of National Revenue, with all reasonable dispatch, any document that may be received by the Tłıchq Government relating to any assessment made under the *Tłıchq Income Tax Law* or relating to any action, suit, prosecution or other legal proceeding brought or taken under the *Tłıchq Income Tax Law*.

COLLECTION

14. Where, in respect of any taxation year to which this Agreement applies, amounts are required to be paid by a taxpayer on account of tax payable under the *Tłıchq Income Tax Law* and under the federal Act, and the Minister of National Revenue receives a payment on account of the tax payable by the taxpayer for that year under either the *Tłıchq Income Tax Law* or the federal Act, or both, the payment so received shall be applied by the Minister of National Revenue towards the tax payable by the taxpayer under the *Tłıchq Income Tax Law* for that year, and the remainder, if any, shall be applied towards the tax payable by the taxpayer for that year under the federal Act.

UNIFORMITY OF TŁJCHQ GOVERNMENT LEGISLATION

15. (1) Where, in the opinion of the Minister, the *Tłjchq Income Tax Law* or a regulation made under the *Tłjchq Income Tax Law* does not
- (a) comply with this agreement,
 - (b) give to the Minister of National Revenue authority sufficient to collect the income tax,
 - (c) admit of sufficient uniformity in the administration of the federal Act and *Tłjchq Income Tax Law*, or

the Minister shall so notify the Tłjchq Government in writing and shall specify the amendments and alterations to the *Tłjchq Income Tax Law* that the Minister considers necessary.

(2) Where the Tłjchq Government fails to amend or alter the *Tłjchq Income Tax Law* or the regulations within six months of the receipt of the notice referred to in subclause (1), the Minister may give a notice to terminate in the manner prescribed in subclause 20(1).

TAXATION OF NON-CITIZENS

16. (1) Where, in the opinion of the Minister, the *Tłjchq Income Tax Law* imposes income tax in respect of non-citizens who are resident within Tłjchq lands or Tłjchq communities at a rate different than the rate of taxation imposed on Citizens who are resident on Tłjchq lands or Tłjchq communities, the Minister shall notify in writing the Tłjchq Government of the concern in respect of the discriminatory taxation of non-citizens.

(2) If, in the opinion of the Minister, the Tłjchq Government has not undertaken reasonable efforts within 90 days after the notice in writing is received to remedy the discriminatory taxation of non-citizens, the Minister may give notice to terminate in the manner prescribed in clause 20.

INSPECTION

17. (1) The Minister will provide to the Tłjchq Government a report annually, signed by the Auditor General of Canada, on the results of applying specified auditing procedures to the reconciliation procedures described in subclause 7(6), in a format consistent with auditing and reporting practices.

(2) The Auditor General's report will constitute the only auditing procedures conducted with respect to Canada's obligations under this agreement and the Tłıchǫ Government hereby agrees that it will have no right to inspect the books and records of Canada.

AMENDMENT

18. (1) Amendments to this Agreement, including requests to administer special tax measures, may be made through the exchange of letters between the Tłıchǫ Government and the Minister, subject to any necessary approvals, authorisations or legislative requirements.

(2) An amendment shall come into effect for the taxation year following the year in which the amendment was agreed to, or at any other such time as the parties may decide.

(3) The parties shall discuss, prior to July 1, 2006, a provision which relates to the circumstances in which Canada will review the amount of tax room vacated by Canada in favour of the Tłıchǫ Government pursuant to clause 3, with a view to including this provision in the agreement before December 31, 2006.

DISPUTE SETTLEMENT

19. (1) In the event of a dispute between the Tłıchǫ Government and the Minister arising out of the interpretation of this Agreement, the parties agree to use the procedure set out in subclauses (2) to (6) below prior to pursuing any other legal remedy.

(2) Within thirty (30) days of either party receiving written notice from the other of a dispute under this Agreement, a meeting shall be held between the parties to attempt in good faith to settle the dispute.

(3) If, within sixty (60) days after this meeting, the parties have failed to resolve the dispute, they agree to submit the dispute to mediation and to equally bear the costs of that mediation.

(4) The parties will jointly select a mediator. If after thirty (30) days the parties are unable to agree upon the choice of a mediator, then a judge of the Court of Appeal of the Northwest Territories will choose a mediator.

(5) The parties agree to participate in good faith in the mediation process for a period of sixty (60) days.

(6) The parties may mutually determine time periods other than those referred to in subclauses (2) to (5).

- (7) This clause does not apply to clauses 15 and 16.

TERMINATION

20. (1) A notice to terminate the Agreement shall be given
- (a) in the case of termination by Canada, by notice in writing given by the Minister to the Tłıchǵ Government; or
 - (b) in the case of termination by the Tłıchǵ Government, by notice in writing given by the Tłıchǵ Government to the Minister.
- (2) A notice to terminate this Agreement shall, with respect to any year following the end of the term,
- (a) terminate the obligation of the Tłıchǵ Government to keep the *Tłıchǵ Income Tax Law* in harmony with the federal Act; and
 - (b) terminate the obligation of Canada to collect income tax for and on behalf of the Tłıchǵ Government, and to make any payments under this Agreement in respect of income tax so collected.
- (3) Termination of the obligations of the Tłıchǵ Government and of Canada as provided in paragraphs 1(a) and (b) respectively shall not affect the operation of any clause of this Agreement in respect of the taxation years to which this Agreement applies, and upon such termination the provisions of this Agreement shall apply *mutatis mutandis* in respect of the said years as if this Agreement had been entered into only for the period of those taxation years, and the provisions of this Agreement relating to payments to the Tłıchǵ Government in respect of income tax for that period shall be adjusted to take into account such termination.

SAVING

21. Nothing in this Agreement shall limit or restrict, or be construed as limiting or restricting, Canada's right to alter or vary, in such manner as Canada may determine, the federal Act or the regulations made thereunder.
22. (1) Nothing in this Agreement shall be or be construed as an undertaking by Canada to collect income tax or take any action with respect to the collection of income tax where, in the opinion of the Minister, a doubt exists that the Tłıchǵ Government has provided sufficient statutory or other authority for the imposition or collection of such income tax.
- (2) Where Canada cannot collect income tax or amounts payable on account of income tax by reason of there being, in the opinion of the Minister, doubtful authority

to do so as referred to in subclause (1), the amount that, in the opinion of the Minister, Canada has thereby failed to collect may be recovered by Canada as a debt due to Canada by the Tłıchq Government notwithstanding that payments on account have been made to the Tłıchq Government as if there were sufficient authority.

TERM

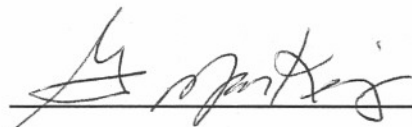
23. (1) The period covered by this Agreement, except as otherwise specifically provided herein, is the period commencing with the taxation year 2005 and ending on the 31st day of December of that year in respect of which, pursuant to subclause (2), notice is given by Canada or the Tłıchq Government to terminate the collection agreement.

(2) Any termination of this Agreement shall have effect as of the 31st day of December of any year, provided that,

- (a) in the case of Canada, the Minister has given notice to terminate in the manner prescribed in paragraph 20(1)(a) at any time preceding the commencement of that year; or
- (b) in the case of the Tłıchq Government, the Tłıchq Government has given notice to terminate in the manner prescribed in paragraph 20(1)(b) at any time prior to the 1st day of October of that year.

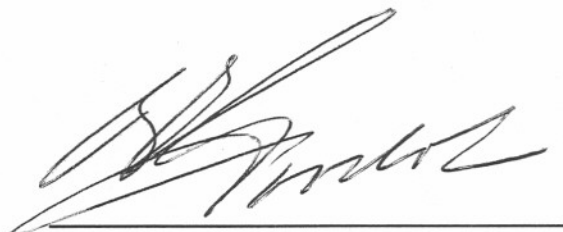
SIGNATURE

(3) This document may be signed in counter part. Each signature hereon shall be deemed to be an original and all of the signatures together shall constitute one and the same document as of the date on which the last party signs.



Grand Chief
Tłıchq Government

Date: Oct 5, 2005



Minister of Finance
Government of Canada

Date: SEPTEMBER 21, 2005