

Indian Taxation Advisory Board



Annual Report

For the period covering
April 1, 2007, to June 30, 2007

**INDIAN
TAXATION
ADVISORY
BOARD**



**COMMISSION
CONSULTATIVE
DE LA FISCALITÉ
INDIENNE**

Contents

MESSAGE FROM THE CHAIRMAN	1
A EXECUTIVE SUMMARY	3
1. Overview	3
2. Membership	4
3. Support	4
B SERVICES IN SUPPORT OF THE FIRST NATIONS TAX SYSTEM	5
1. Bylaw Services	5
2. Public Education	7
C FNTC ORGANIZATIONAL DEVELOPMENT	11
1. Management Policy	11
2. Information Management	11
3. Facility Requirements	12
4. Commissioners Appointed to the FNTC	12
5. Commissioner and Staff Orientation	13
6. Section 83 Memorandum of Understanding	14
D SPECIAL INITIATIVES	15

E ITAB LEGACY	17
A Model National First Nation Institution	17
F THE MEMBERS OF THE BOARD 1989-2007	23
G THE MINISTERS - 1988-2007	25
H LEGAL RECOGNITION AND LEGISLATIVE CHANGE	27
a. Bill C-115, the Kamloops Amendment to the <i>Indian Act</i>	27
b. Supreme Court	28
c. <i>First Nations Fiscal and Statistical Management Act</i>	30
I Financial Statements	31

MESSAGE FROM THE CHAIRMAN

**The Hon. Chuck Strahl, PC, MP
Minister of Indian Affairs and Northern Development
and Federal Interlocutor for Métis and Non-Status Indians
Room 2100, Les Terrasses de la Chaudière
10 Wellington St.,
GATINEAU PQ K1A 0H4**

Dear Minister Strahl:

I am pleased to submit the final Annual Report for the Indian Taxation Advisory Board (ITAB). The passage of the *FSMA* and the creation of the First Nations Tax Commission (FNTC) bring a close to the ITAB era.

I am very proud of our accomplishments over the past 18 years. There are now 115 First Nations collecting over \$55 million a year in property taxes. We helped in the passage of two separate pieces of provincial legislation so that First Nation property tax was possible in BC and Quebec. We have helped to develop and finalize agreements with Bell Canada, BC Hydro and CPR to expand First Nation local revenue options. We have helped in the negotiation of over 20 service agreements between First Nations and municipalities. The Board recommended 1413 First Nation bylaws for ministerial approval and all have been approved. Over 150 First Nation tax administrators have received training in budget-based tax rate setting, assessments, assessment appeals and property tax administration.

As part of ITAB's legacy, we created the Tulo Centre of Indigenous Economics so that we could transfer all of this knowledge through university accredited certificates and diplomas in First Nation Economics and Public Administration.

At the same time, we showed Canada and First Nations how to design and develop a national First Nation institution. We helped to lay the foundation for a new First Nation fiscal relationship. We completed a 10-year research project on how to make markets work on First Nation lands. We helped to promote and implement the First Nation GST to 20 First Nations. We served as the leading proponents for the design and development of the *First Nations Fiscal and Statistical Management Act*.

I trust you will find the final ITAB Annual Report to be a fitting testament to the success of ITAB.

Sincerely,

Clarence T. (Manny) Jules
Chairman

A

EXECUTIVE SUMMARY

1. Overview

The first quarter of the fiscal year 2007-2008 was the final quarter for the Indian Taxation Advisory Board (ITAB). The transition to the First Nations Tax Commission (FNTC) in July 2007 was the primary focus of its activities. As with any corporate body, the end of business after 20 years of successful operation involved considerable Board, accounting and legal work.

Transitional activities required to support the implementation of the FNTC for July 1, 2007 that were complete included: introductory orientation for Commissioners; development and review of FNTC operational policies; revision of regulations enacted pursuant to the *First Nations Fiscal and Statistical Management Act (FSMA)*; development and review of the FNTC Corporate Plan; and the review and approval by the Commissioners of relevant business documents for FNTC operations. The Board also took steps to ensure that the FNTC would begin operations with full administrative capacity and, in accordance with section 143 (1) of the *FSMA*, supported the transition of ITAB staff to the Commission.

The impact and cost of regulating First Nation taxation under two distinct legislative authorities became apparent as the organization completed its review of sample s.83 bylaws for ITAB. During this period, the ITAB prepared draft policies, standards and laws for impending review by the FNTC. Finalizing an online *First Nations Gazette* was also a priority in order to meet the demands of the *FSMA* and to make the publication more easily accessible.

2. Membership

The Minister extended the term of office for Chairman C.T. (Manny) Jules and Board members David Paul and William McCue to June 30, 2007. This allowed the Board members to effectively carry out their duties in the closing of ITAB business. It also provided time for the new Commissioners to participate in orientation activities, under the guidance of the Board, and for the legal work to be completed to transfer human resources and assets from ITAB to the FNTC.

3. Support

The Board is supported by a staff of 13 employees, located in the Head Office in Kamloops, British Columbia, and the National Capital Region Office in Ottawa. The staff provide professional and logistical support and assist the Board by reviewing proposed taxation bylaws and developing, communicating and implementing related policy. The Board is also supported by a network of specialized consultants and First Nation advisors.

B

SERVICES IN SUPPORT OF THE FIRST NATIONS TAX SYSTEM

1. Bylaw Services

Bylaw development and the review of annual tax rates bylaws continued as priorities for the Board during its final quarter.

The following bylaws, submitted by First Nations under section 83 of the *Indian Act*, were reviewed, recommended, and received ministerial approval in the first quarter of the 2007-2008 fiscal year:

a. Amending Bylaws

Little Shuswap Indian Band Amendment to Property Taxation Bylaw PR-95-02

Nation Huronne Wendat Bylaw 2006-02 Regarding the Costs of Certain Public Services

b. Tax Rates Bylaws

?Akisq'nuk First Nation 2007 Rates Bylaw

Alexander First Nation 2007 Rates Bylaw

Bigstone Cree First Nation 2007 Rates Bylaw

Campbell River First Nation 2007 Rates Bylaw

Cheam Indian Band 2007 Rates Bylaw

Chemainus First Nation 2007 Rates Bylaw

Coldwater Indian Band 2007 Rates Bylaw

Innu-Takuaikan Uashat mak Mani Utenam 2007 Rates Bylaw

Kwantlen First Nation 2007 Rates Bylaw
Kwaw Kwaw Apilt First Nation 2007 Rates Bylaw
Little Shuswap Indian Band 2007 Rates Bylaw
Lower Kootenay Indian Band 2007 Rates Bylaw
Lower Similkameen Indian Band 2007 Rates Bylaw
Millbrook First Nation 2007 Rates Bylaw
Opaskwayak Cree Nation 2007 Rates Bylaw
Osoyoos First Nation 2007 Rates Bylaw
Sliammon First Nation 2007 Rates Bylaw
Soda Creek Indian Band 2007 Rates Bylaw
Songhees First Nation Property Taxation Rates Bylaw 2007
Sturgeon Lake Cree Nation 2007 Rates Bylaw
Tobacco Plains Indian Band 2007 Rates Bylaw
Tsawout Indian Band 2007 Rates Bylaw
Tsleil-Waututh Nation 2007 Rates Bylaw
Tzeachten First Nation 2007 Rates Bylaw
Westbank First Nation 2007 Rates Bylaw

c. Expenditure Bylaws

?Akisq'nuk First Nation 2007 Expenditure Bylaw
Cheam Indian Band 2007 Expenditure Bylaw
Chemainus First Nation 2007 Expenditure Bylaw
Sliammon First Nation 2007 Expenditure Bylaw
Songhees First Nation 2007 Expenditure Bylaw
Westbank First Nation 2007 Expenditure Bylaw

2. Public Education

Through its various communications activities, the Board builds public awareness and understanding of First Nation taxation on reserve lands. As with other areas of the organization, the focus in these activities was ensuring readiness for the July 1, 2007 establishment of the FNTC.

a. www.itab.ca

The ITAB website provided the general public with information about the organization. Topics included: policies; programs; sample bylaws; lists of taxing First Nations; current events; and, ongoing work. The website was taken off-line on July 2, 2007. All annual reports, research, newsletters and pre-budget submissions were moved to the archive section of its successor website www.fntc.ca.

b. www.fntc.ca

The original FNTC website was launched in August 2002 during the legislative process for the proposed *First Nations Fiscal and Statistical Management Act*. The new site was officially launched on July 1, 2007, with the inauguration of the Commission. Users can learn about the institution and its Commissioners on the website; view various publications and legislation; and access tools for using the two streams of property taxation offered through the *FSMA* and the *Indian Act*.

c. *First Nations Gazette*

On June 21, 2007, the *First Nations Gazette* marked its 10th anniversary. The *Gazette*, created in partnership with the Native Law Centre of the University of Saskatchewan and ITAB, has become an indispensable tool to inform governments, First Nations taxpayers, members and potential investors.

For the past 10 years, the *Gazette* has been published biannually by the Native Law Centre. It has published all bylaws passed under section 83 of the *Indian Act*.

Now, all local revenue laws passed by First Nations and approved by the FNTC, as well as standards and procedures approved by the FNTC, are required by the *FSMA* to be published in the *Gazette*. Additionally, all section 83 *Indian Act* bylaws passed by First Nations and approved by the Minister of Indian Affairs continue to be published.

The *Gazette* is governed by an Editorial Board consisting of representatives from the Native Law Centre and the FNTC. Work continued on the development of an on-line edition of the *Gazette*.

From time to time, the *Gazette* has also published policies or other First Nation legislation affecting First Nation taxation under the *FSMA* or the *Indian Act*.

d. Tulo Centre of Indigenous Economics

ITAB has promoted investment facilitation and open markets as a means for property tax-collecting First Nations to improve the revenue potential of their tax bases. ITAB has developed and delivered specialized education and training programs in the areas of property taxation, assessment, communication and dispute resolution to First Nation tax administrators and other interested students. This ongoing training supports the goal of creating investor confidence in First Nation administrations.

As part of its legacy, ITAB created the Tulo Centre of Indigenous Economics – a not-for-profit institution dedicated to building capacity so markets work on First Nation lands. The Tulo Centre officially opened on January 30, 2008.

The partnership between the Tulo Centre of Indigenous Economics, Thompson Rivers University and the FNTC is intended to address the First Nation economic problem. The Tulo Centre will develop certificate programs and conduct research to address specific administrative and legal deficiencies for First Nations.

The Tulo Centre of Indigenous Economics will be seeking partnerships with other First Nation institutions that have an education and training mandate. In this regard, the Tulo Centre intends to have discussions with the First Nations Financial Management Board, the First Nations Statistical Institute and the First Nations Land Advisory Board. Each of these institutions may be interested in courses, certificates and/or possibly diplomas in the areas of First Nation financial management, First Nation land management and First Nation information management. Moreover, the addition of these institutions may eventually provide an opportunity to consider a degree in Public Administration for First Nations. The Tulo Centre will also investigate possible partnerships with technical training programs to ensure standards are maintained for indigenous water, sewer and building facilities.

C

FNTC ORGANIZATIONAL DEVELOPMENT

1. Management Policy

ITAB undertook an exhaustive review of policy requirements related to human resources for the FNTC. The work supported the transition of ITAB staff to the FNTC and provided a basis for future employees as well. The Board further directed that the ITAB Management Policy be revised according to the requirements of the FNTC. This work included a new section on governance for the Commission. The final FNTC Management and Governance policies were presented by the CEO to the FNTC during an orientation session with the new Commissioners in June 2007.

2. Information Management

A review of the ITAB information management system was initiated in the final quarter. The review will include an assessment of readiness and a workplan addressing implementation and training requirements. This is a major initiative for the ITAB-FNTC and will integrate the information management (IM) systems of both the Head and NCR offices. The information technology infrastructure requirements to support the new system were also assessed. Funding for training and to support the implementation of the new IM system will be required through the Treasury Board program or the FNTC transition budget.

3. Facility Requirements

Facility requirements for the NCR and Head offices were reviewed. A number of optional locations for the NCR office in the City of Ottawa were inspected with respect to both suitability and cost. An interim arrangement for additional space in Kamloops will be made in order to support the anticipated increase in staff. A strategic plan for long-term FNTC facility requirements and subsequent financing is also being considered.

4. Commissioners Appointed to the FNTC

On May 1, 2007, seven appointments to the Commission were announced. The Chief Commissioner, previously appointed on November 24, 2006, was joined by:

- Ms. Céline Auclair
- Ms. Leslie Brochu
- Mr. Lester Lafond
- Mr. Ken Marsh
- Mr. William McCue
- Mr. Randy Price
- Ms. Ann Shaw

On June 6, 2007, Mr. David Paul, was appointed Deputy Chief Commissioner.

The 10th and final appointment - Ms. Terry Nicholas - was made by the Director of the Native Law Centre, University of Saskatchewan, on June 18, 2007, at the inaugural meeting of the FNTC.

The appointment to the Commission by the Native Law Centre is a non Governor in Council appointment and is a requirement of a shared-governance institution.

5. Commissioner and Staff Orientation

The inaugural meeting of the FNTC was held on June 18, 2007.

The three-day event, held in both Kamloops and at the Quaaout Lodge on the Little Shuswap First Nation Reserve, was attended by the Commissioners and staff, as well as a number of invited guests.

The first evening was filled with tradition, as the Commissioners were sworn in. Each was draped in a blanket, prior to a smudge ceremony, then given an honour song. More than 100 guests witnessed the event.

Over the next two days, the Commissioners attended an intensive orientation session, to prepare for their new workload. The Commissioners also approved the FNTC's 2007-2008 Corporate Plan, which establishes the Commission's workplan and financial plan.

6. Section 83 Memorandum of Understanding

The FNTC and the Minister of Indian and Northern Affairs Canada (INAC) concluded a Memorandum of Understanding (MOU) that establishes the role of the Commission with respect to bylaws submitted by First Nations under section 83 of the *Indian Act*. The Minister signed the document on July 5, 2007.

For First Nations exercising property tax jurisdiction under section 83 of the *Indian Act*, there would be no change to the approval process of their property tax and related bylaws. The MOU mandates the FNTC in the following areas:

- Assume the ITAB advisory role to the Minister with regard to his responsibilities for bylaw approval.
- Provide a full slate of services, including the continued review and recommendations for ministerial approval of *Indian Act* bylaws.

D SPECIAL INITIATIVES

For the first quarter of 2007-2008, the Board continued its work on special projects that were in various stages of development. These projects include research and program development in support of the FNTC mandate and First Nation economic development:

1. *FSMA* Infrastructure Program - ITAB proposed to Canada that an *FSMA* infrastructure program be developed that (a) provides *FSMA* First Nations with sufficient resources to develop the long-term capital, economic and fiscal plans necessary to support an economic infrastructure project; and (b) ensures that *FSMA* First Nations are able to finance the scale of economic infrastructure necessary to attract investors.
2. First Nation Land Title System - ITAB completed preliminary research on an improved First Nation land title system. A summary of the research is available on the FNTC website.
3. The First Nation GST - ITAB proposed to work with Canada to promote the First Nation GST to interested First Nations.
4. Market Framework for Open-Market Housing - ITAB proposed to work with Canada to develop the necessary templates and model laws to support open-market housing on reserves.

5. Expediting Additions to Reserves (ATRs)
 - ITAB proposed to work with Canada to develop policy and legislative options to expedite ATRs.

E ITAB LEGACY

ITAB leaves behind a rich legacy for Canada, First Nations and other First Nation institutions. As the first national First Nation organization created to accompany legislation in 1988, ITAB served as a model for other national First Nation institutions that followed. It developed a successful formula for changing the First Nation status quo and implementing First Nation inherent rights through federal legislation. ITAB ensured First Nations had the independent resources to build successful market economies. It bequeathed its legacy of research, training, software, and governance to the FNTC and the Tulo Centre of Indigenous Economics.

A Model National First Nation Institution

ITAB was created before institutions were required to provide performance measures and demonstrate how they met them. The mandate of ITAB was contained in an MOU between the Minister of Indian Affairs and the Board. The support for ITAB shown by government and First Nation tax authorities throughout its 18-year history is because of one simple fact: ITAB delivered results.

- **First Nation Taxation Jurisdiction** - By 2007, 115 First Nations, or nearly 20% of all First Nations in Canada, had property tax systems.

- **First Nation Property Tax Revenues** - For 2007, ITAB estimated that First Nation property tax authorities were generating \$55 million a year in property tax revenues. In total, over \$500 million has been generated in property tax revenues since 1988.
- **Sample Laws** - ITAB devised the concept of sample First Nation laws. ITAB provided First Nation tax systems with sample laws for property tax, assessment, rates, expenditure, business licenses, taxpayer representation, and local improvement charges. These sample laws created national standards for the First Nation tax system.
- **First Nations Gazette** - ITAB, in partnership with the Native Law Centre, University of Saskatchewan, created the *First Nations Gazette* in 1997 to promulgate First Nation laws like other laws in Canada. In addition to s. 83 laws, it also published sales tax bylaws and ITAB sample laws. Publication of First Nation laws in the *First Nations Gazette* is now mandatory under the *FSMA*.
- **Bylaw Approval** - Between 1989 and 2007, ITAB recommended 1413 First Nation property tax, assessment, rates, expenditure, financial management, business licensing and taxpayer relations bylaws to 11 different Ministers of Indian Affairs for approval. All ITAB bylaw recommendations were accepted.

- **Training** - The First Nation property tax system is unique. ITAB worked with the University of Victoria to create courses for assessments and assessment appeals, budget-based tax rate setting, and communications with taxpayers. Since 1996, these courses have been delivered to over 120 First Nation tax administrators, and have since been accredited as part of a certificate in public administration (First Nation Taxation) through the Tulo Centre of Indigenous Economics and Thompson Rivers University.
- **Software Applications** - ITAB developed software applications and training packages for setting tax rates, establishing property tax budgets, resolving service agreements, and administering tax systems.
- **First Nation Sales Tax Jurisdiction** - Although not officially part of its mandate, ITAB met the demand for advisory services by First Nations interested in developing sales tax systems. In 1998, ITAB helped two First Nations to develop First Nation GST legislation for tobacco, alcohol and fuel. Between 1998 and 2003, ITAB assisted 12 First Nations to establish this jurisdiction. In 2003, ITAB helped a number of First Nations expand this authority to all GST-eligible products. Since that time, ITAB has helped six First Nations occupy the full GST room on their lands.
- **Dispute Resolution** - ITAB has a strong track record of facilitating mutual gains agreements between First Nation property tax authorities, other governments, Crown corporations, and the private sector. Examples include:

- a. First Nation Tax Authorities and Taxpayers -**
Part of ITAB's mandate is to help reconcile interests between First Nation tax authorities and their taxpayers. ITAB policies recognize the interests of First Nation tax authorities in increasing the value of their lands and taxpayers in increasing the value of their properties.
- b. Provincial Legislation -** Economic development on First Nation lands reduces costs for provincial governments. Property tax authority helps First Nations develop their economies. In 1990, ITAB worked with the BC government to develop Bill 64, the *Indian Self Government Enabling Act* to provide an orderly transition from provincial tax authority on reserves to First Nation tax authority. ITAB also worked with the Quebec government to develop and pass Bill 67 (1996, Chapter 7) to provide a process for transition from provincial to First Nation tax authority in that province.
- c. Kamloops Indian Band (KIB) and City of Kamloops**
- Both KIB and the City of Kamloops benefit from economic development within the region. ITAB used this mutual interest to facilitate a political protocol where both councils meet twice a year to address issues of mutual concern. This protocol agreement has served as a template for many other First Nations and local governments.
- d. First Nation Tax Authorities and BC Hydro -** BC Hydro requires certainty with respect to their transmission systems on First Nation lands. First Nation tax authorities wanted to collect revenues from BC Hydro. ITAB facilitated a payment-in-lieu of taxes arrangement between BC Hydro and participating First Nation tax authorities.

- e. **First Nation Tax Authorities and Canadian Pacific Railway (CPR)** - In November 2001, ITAB played a key facilitation role in the passage of a federal regulation that allowed a number of taxing First Nations in British Columbia to collect tax revenues from CPR at the same tax rates paid by CPR on adjacent non-reserve lands in the province.
- f. **Adams Lake Indian Band and District of Salmon Arm** - Wal-Mart wanted to build on an Adams Lake reserve and needed more certainty in the water and sewer agreement between Adams Lake and the District. Salmon Arm wanted to add transportation services to the existing agreement. ITAB facilitated an amendment to the existing agreement to include transportation services and greater certainty in the water and sewer provisions.
- g. **Stó:lô First Nations and City of Chilliwack** - The Stó:lô First Nation, Tzeachten, and the City of Chilliwack negotiated a service agreement in 1991. At the request of Tzeachten, and to develop a template for all Stó:lô First Nations in the area, the agreement was reopened for negotiations in 2005. ITAB worked with all parties to help develop a model political protocol, land use planning process, as well as a development cost charges agreement. Other First Nations and municipalities in the Fraser Valley, are considering this model.

- h. Mutual Gains Training** - ITAB formed a partnership with the Consensus Building Institute of Massachusetts Institute of Technology, Harvard University, and the Canadian Energy and Pipeline Association to develop mutual-gains training programs for First Nations, taxpayers and industry. Since 1997, this training has been delivered to over 400 participants.

Taken together, ITAB's accomplishments provide a model for what a national First Nation institution should do: promote First Nation jurisdiction; provide the tools to allow First Nations to exercise this jurisdiction; and resolve disputes to protect the integrity of the jurisdiction.

F

THE MEMBERS OF THE BOARD 1989-2007

ITAB began as a 10-member board. In 1995, it was reduced by the federal government to a five member board. Following are the members that served on the Board over the years:

- Ray Ahenakew, Meadow Lake Reserve, Saskatchewan
Served from February 1989 to 1991
- Myrtle Bush, Kahnawake, Québec
Served from February 1989 to 1994
- Strater Crowfoot, Siksika Nation, Alberta
Served from Feb 1989 to 2005 (appointed chairman on Dec. 1, 2003 to 2005)
- Phil Fontaine, Sagkeeng First Nation, Manitoba
Served from 1995 to 1997
- Ricky Fontaine, Innu Takuaihan Uashat mak Mani-Utenam, Quebec.
Served from 1997 to 2005
- C.T. (Manny) Jules, Kamloops Indian Band, British Columbia
Served as Chair from 1988 to 2003 and again from 2005 to 2007
- Richard Johnston, Ontario
Served from February 1989 to April 30, 1991

- Reiny Kohls, British Columbia
Served from February 1989 to 1994
- Lester Lafond, Muskeg Lake Cree Nation, Saskatchewan
Served from 1991 to 1994
- Oscar Lathlin, The Pas First Nation, Manitoba
Served from November 1989 to 1991
- William (Bill) McCue, Chippewas of Georgina Island, Ontario
Served from 1997 to 2007
- William Montour, Six Nations, Ontario
Served from February 1989 to 1994
- Donald Noble, Ontario
Served from 1991 to 1994
- David Paul, Tobique First Nation, New Brunswick
Served from 1989 to 2007
(appointed deputy chairman on Dec. 1, 2003)
- Chief Allan Ross, Norway House Indian Band, Manitoba
Served February 1989
- John Taylor, British Columbia
Served from February 1989 to 1994

G THE MINISTERS - 1988-2007

Hon. William (Bill) Hunter McKnight	June 30, 1986 – January 29, 1989
Hon. Pierre H. Cadieux	January 30, 1989 – 22.02.1990
Hon. Thomas Edward Siddon	February 23, 1990 – June 24, 1993
Hon. Pauline Browes	June 25, 1993 – March 11, 1993
Hon. Ron Irwin	April 11, 1993 – June 10, 1997
Hon. Jane Stewart	June 11, 1997 – August 02, 1999
Hon. Robert Daniel Nault	August 3, 1999 – December 11, 2003
Hon. Andrew (Andy) Mitchell	December 12, 2003 – July 19, 2004
Hon. Andy Scott	July 20, 2004 – February 05, 2006
Hon. Jim Prentice	February 6, 2006 – August 13, 2007
Hon. Chuck Strahl	August 14, 2007 – present

H LEGAL RECOGNITION AND LEGISLATIVE CHANGE

ITAB has initiated and led a number of fundamental legal reforms for First Nations and Canada.

a. Bill C-115, the Kamloops Amendment to the *Indian Act*

ITAB's origins began with the 1988 amendment to the *Indian Act*. In 1985, C.T. (Manny) Jules began seeking changes to the *Indian Act* so that the Kamloops Indian Band could collect property taxes from leaseholders. On the strength of 114 resolutions of support from First Nations across the country, the *Indian Act* was amended in 1988 (Bill C-115). This represented the first time in Canadian history that First Nations had led an amendment to the *Indian Act*.

b. Supreme Court

The second major change was related to the court's recognition of the property tax jurisdiction of First Nation governments. In the early 1990s, a number of First Nations, including Matsqui, sent tax notices to Canadian Pacific Railway (CPR), who had rights-of-way which passed through their reserve lands. CPR appealed these assessments, arguing that it was not liable to taxation because the rights-of-way were not "in the reserves". Though the Matsqui Assessment Appeal Board had been established to hear appeals of assessment, CPR sought to bypass the appeal board and have its challenge to Matsqui's tax jurisdiction heard directly in the Federal Court.

The question of the jurisdiction of the Matsqui Assessment Appeal Board to determine issues of tax jurisdiction eventually made it to the Supreme Court. The Court drew a direct link between the taxation powers in s.83 of the *Indian Act* and the promotion of Aboriginal self-government. Chief Justice Lamer stated, "...it is important that we not lose sight of Parliament's objective in creating the new Indian taxation powers. The regime which came into force in 1988 is intended to facilitate the development of Aboriginal self-government by allowing bands to exercise the inherently governmental power of taxation on their reserves."

This statement made it clear that a valid policy objective underlying First Nation taxation regimes is the movement to Aboriginal self-government – and exercising the inherent power of a government to tax is an expression of this. This was reflected in further proceedings before the Federal Court of Appeal, related to the assessment of CPR, in which Justice Marceau stated, “The recent granting of taxation powers to Indian Bands has a much broader and humane objective, which can only be seen in the context of furthering the ability of natives to govern themselves and thus, to a certain extent, invokes rights and responsibilities that predate all Indian Acts.”

Ultimately, the First Nations’ taxation of CPR’s use and occupation of reserve lands was resolved by agreement between CPR and the First Nations involved. However, the importance of the *Matsqui* case stands as an affirmation of the principle that Aboriginal self-government – an inherent right – is an important objective that will be considered by courts when interpreting legislation related to the taxation jurisdiction of First Nations.

c. *First Nations Fiscal and Statistical Management Act*

ITAB recognized the challenges faced by Canada to change the status quo. Much of Canadian policy focused on dealing with the social-problem symptoms of market failure and not on creating markets for interested First Nations. First Nation governments fear the loss of current entitlements, particularly land, and are deeply mistrustful of policies advanced by other governments. Some even fear economic development, believing it masks an agenda for the federal government to abandon its fiduciary obligations. First Nation governments also require more support to develop the administrative, legal or professional framework that is necessary to implement changes.

In recognizing all of these challenges, ITAB sought and received a clear mandate from the federal government to design and lead the development of the *First Nations Fiscal and Statistical Management Act*. It made sure that the *FSMA* was enabling-legislation. ITAB helped develop the FNTC and the other institutions (FMB, FNFA and FNSI) associated with the *FSMA* to ensure that they would provide the support required by interested First Nations.

The legislation received Royal Assent on March 23, 2005, and the FNTC began operations on July 1, 2007.

Financial Statements