



## Instructions

- The employment income from a particular employment will not be exempt from income tax where one of the main reasons for that employment relationship is to establish a connecting factor to a reserve. A connecting factor is a fact which connects income to a reserve. For example, the fact that the employer is resident on a reserve is a connecting factor.
- If the employee's circumstances change, the employee will have to fill out a new form.
  - Types of changes that generally require a new TD1-IN to be completed:
    - a change in the location of the employment duties, as the result of a new position with the same employer
    - a change in the employee's residence, on or off a reserve
    - a change in the employer's residence, on or off reserve
  - Situations that normally do not require a new TD1-IN to be completed:
    - seasonal work: where an employee works every year for the same period on reserve (for example, snow removal or landscaping)
    - employment that depends on the location of the clients/customers (for example, home repair services, social worker, or personal service worker)
- Keep a completed form on file for each employee. We may ask to review the form to verify that the income earned qualifies to be exempt from income tax based on the circumstances of the employment.
- For information on the requirements to deduct Canada Pension Plan contributions and employment insurance premiums, and for instructions on reporting requirements, see Guide T4001, Employers' Guide – Payroll Deductions and Remittances, and Guide RC4120, Employers' Guide – Filing the T4 Slip and Summary.

## Employment-related income

Employment insurance benefits, retiring allowances, Canada Pension Plan benefits, Quebec Pension Plan benefits, registered pension plan benefits, wage-loss replacement plan benefits, and Canada Emergency Response Benefit will be exempt from income tax when they are received as a result of employment income that was exempt from tax. If a portion of the employment income was exempt, a similar portion of these amounts will be exempt.