



# The Payments in Lieu of Taxes Program

## Executive Summary

The Government of Canada's property is constitutionally exempt from local taxation. However, since 1950, the federal government has shared in the cost of local government, where it owns property, by making payments in lieu of property taxes. The Payments in Lieu of Taxes Program is administered by Public Works and Government Services Canada (PWGSC) under the authority of the *Payments in Lieu of Taxes Act*. Across Canada, payments are made on approximately 22,500 federal properties located in almost 1,300 taxing authorities.

## Objectives and Principles

- The purpose of the *Payments in Lieu of Taxes Act* is defined in section 2.1 of the Act, "*fair and equitable administration of payments in lieu of taxes*".
- Payments are based on the principle of fairness respecting both the taxing authorities and the federal government. The payments are equitable in comparison to other property owners and should be predictable for all stakeholders.
- The federal government should receive equal access to the services provided to property owners by a host municipality.



## Application and Payment Process

- Taxing authorities submit applications for payments in lieu of taxes
- PWGSC verifies applications
- PWGSC confirms eligibility of federal property
- PWGSC performs valuation reviews
- PWGSC confirms tax classes and applicable tax rates
- PWGSC issues payments to taxing authorities
- Custodian departments reimburse PWGSC for payments made on their behalf

## Stakeholders and Partners

### Taxing Authorities

- Taxing Authorities are the program beneficiaries and payments in lieu of taxes are made to municipalities, school boards, provinces and First Nations governments.
- The Federation of Canadian Municipalities represents the interests of municipalities at the national level.

### Assessment Authorities

- Assessment authorities determine assessed values on which taxing authorities base their applications for payments in lieu of taxes.

### Federal Custodian Departments and Agencies

- The Minister of Public Works and Government Services makes the payments and is accountable to Parliament for the program.
- Since 1997, each department has been financially responsible for payments made on its property, and is required to reimburse PWGSC the amounts paid on its behalf.

### Crown Corporations

- Independent of the Minister of Public Works and Government Services' authority, each Crown corporation is fully responsible for its own payments in lieu of taxes program.
- Heads of individual Crown corporations exercise discretion with respect to their payments.

## The Payments in Lieu of Taxes Act

- Under the *Payments in Lieu of Taxes Act*, the Minister of Public Works and Government Services may make payments in lieu of:
  - Real property taxes;
  - Frontage and area taxes (local improvements).
- Payments may be supplemented if delayed.
- The Minister may also make payments in lieu of taxes, in certain circumstances, on federally owned property occupied by third party occupants that have defaulted on their property taxes.
- The values and rates used in the calculation of payments for federal departmental property are set at the discretion of the Minister of Public Works and Government Services.
- The Minister exercises regulatory authority under the Act respecting the form of application used by taxing authorities, making interim payments and recovering overpayments.
- The Minister does not make payments on Crown corporation property except for a few specific properties made eligible by regulation (e.g. museum corporations).

## Dispute Advisory Panel

- The Dispute Advisory Panel has a mandate to provide advice to the Minister of Public Works and Government Services to resolve disputes between the federal government and taxing authorities regarding property values, property dimensions or effective rates used in the calculation of payments in lieu of taxes.
- The composition and term of the panel is set in Section 11.1 of the *Payments in Lieu of Taxes Act*:
  - At least two members from each province and territory
  - Members terms not to exceed three years, renewable
  - Members are appointed by Governor in Council
  - Governor in Council names one member as Chair
- The same panel also provides advice to the heads of Crown corporations who exercise discretion regarding their respective corporation's payments.
- For more information on the Dispute Advisory Panel, please visit: [www.tpsgc-pwgsc.gc.ca/biens-property/peri-pilt/comite-panel-eng.html](http://www.tpsgc-pwgsc.gc.ca/biens-property/peri-pilt/comite-panel-eng.html).



## Conclusion

### The Payments in Lieu of Taxes Program:

- Aligns with the principles of **fairness, equity and predictability**
- Operates relative to the local assessment and taxation regimes that apply to taxable property owners

For more information about the Payments in Lieu of Taxes Program, please contact the national office or your local program office. Contact information can be found at [www.tpsgc-pwgsc.gc.ca/biens-property/peri-pilt](http://www.tpsgc-pwgsc.gc.ca/biens-property/peri-pilt).