



Minister of Finance

Ministre des Finances

Ottawa, Canada K1A 0G5

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MINISTER OF FINANCE

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REMARKS: _____

MCH Read

The Honourable Colin Hansen, M.L.A.
Minister of Finance and Deputy Premier
Government of British Columbia
PO Box 9048 Stn Prov Govt
Victoria, BC V8W 9E2

Dear Minister Hansen:

I am writing in response to your letter dated February 26, 2010 regarding the *Comprehensive Integrated Tax Coordination Agreement* between the Government of Canada and the Government of British Columbia (referred to in this letter as the "CITCA").

In accordance with clause 7 of Annex "C" to the CITCA and the other provisions of that Annex under the heading "Transitional Assistance", I agree on behalf of the Government of Canada with your proposal that the portions of the Assistance Amount become payable as and when set forth immediately below, unless, in accordance with that clause, the Parties otherwise agree from time to time on the sum and timing for any such portion.

If the Province is not considered to have, at or before the time set forth in the table below, committed a material breach of the Agreement, Canada will, at that time, pay to the Province the amount set opposite that time in the table to be applied toward satisfaction of the Assistance Amount:

<u>Time</u>	<u>Amount</u>
within 7 days of the tabling by the Province of legislation to wind-down the Provincial Sales Tax of the Province	\$250 million
on the first business day following the Implementation Date	\$769 million
on the first business day following the day that is one year after the Implementation Date	\$580 million

I also acknowledge that, further to clause 7 of Annex "C" to the CITCA, this agreement with respect to as and when the portions of the Assistance Amount become payable means that clause 8 of Annex "C" to the CITCA will not come into effect.

Additionally, I understand that British Columbia wishes to amend clause 8 of Annex "B" to the CITCA in accordance with the terms and conditions set out in the CITCA. On behalf of the Government of Canada, I accept your proposal that clause 8 of Annex "B" to the CITCA be replaced by the following:

8. On and from the Implementation Date, subject to the definitions under Part IX of the Excise Tax Act and unless otherwise amended in accordance with the Agreement, the Parties agree that the applicable rates of the rebates of the PVAT in respect of the Province in respect of certain public service bodies will be:

- (a) in the case of municipalities, 75%;
- (b) in the case of universities and public colleges, 75%;
- (c) in the case of school authorities, 87%;
- (d) in the case of hospital authorities, facility operators and external suppliers, 58%; and
- (e) in the case of charities and qualifying non-profit organizations, 57%.

My acceptance of the above-noted proposals is subject to obtaining any approvals or authorizations that may be necessary, *e.g.* the approval of the Governor in Council.

In accordance with the CITCA, I acknowledge that this agreement with respect to the above-noted proposals is to be effective on and from the date of this letter. If, however, execution of any of the above-noted proposals is subject to obtaining approvals or authorizations, the effective date of the proposal will be either the date of the approval or authorization or an earlier date specified therein.

Finally, I agree that, except as provided in this letter, the CITCA continue to bind the Parties in accordance with its terms and that, unless otherwise defined in this letter, terms used in this letter have the same meanings as in the CITCA.

Sincerely,

[original signed by]

James M. Flaherty