



PRIME MINISTER • PREMIER MINISTRE

February 1, 2010

Dalton
Dear Premier:

Thank you for your correspondence of December 2, 2009, regarding sales tax harmonization and First Nations in Ontario.

In your letter, you ask that Ontario's existing sales tax approach with respect to purchases by status Indians be continued under the new Harmonized Sales Tax (HST). We appreciate that this is a matter of concern for Ontario First Nations.

The Government of Canada respects Ontario's autonomy to make policy decisions in its jurisdiction. This includes decisions with respect to the provincial portion of the HST, as long as these are consistent with the Comprehensive Integrated Tax Coordination Agreement (CITCA).

The Agreement allows Ontario to introduce rebates under specified conditions, including that they can be supported by sufficient data. I understand that Ontario's current approach would be difficult to accurately measure for the purpose of determining its impact on provincial revenues. This could in turn affect the Government of Canada's ability to make accurate HST payments to provinces. Should you wish to continue the exemption, I would encourage your officials to develop administrative options for addressing these measurement issues that are consistent with the terms of the CITCA.

The Honourable Dalton McGuinty
Premier of Ontario
Room 281, Legislative Building
Queen's Park
Toronto, Ontario
M7A 1A1

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In light of these issues, Ontario may wish to explore other ways to meet the interests of Ontario First Nations, outside of the HST Framework. I understand that our respective Finance Ministers have been discussing this issue for some time and would encourage them to continue to do so.

I am forwarding a copy of our exchange of correspondence to the Honourable Chuck Strahl, Minister of Indian Affairs and Northern Development, Federal Interlocutor for Métis and Non-Status Indians and Minister of the Canadian Northern Economic Development Agency, the Honourable Diane Finley, Minister of Human Resources and Skills Development, the Honourable John Baird, Minister of Transport, Infrastructure and Communities, the Honourable James Michael Flaherty, Minister of Finance, the Honourable Keith Ashfield, Minister of National Revenue, Minister of the Atlantic Canada Opportunities Agency and Minister for the Atlantic Gateway, and the Honourable Josée Verner, Minister of Intergovernmental Affairs, President of the Queen's Privy Council for Canada and Minister for La Francophonie, for their information.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Stephen Harper", written in a cursive style.