



TaxNewsFlash

Canada

Highlights of the 2026 British Columbia Budget

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British Columbia's Finance Minister delivered the province's 2026 budget on February 17, 2026. The budget anticipates a deficit of \$9.6 billion for 2025-26 and projects a deficit of \$13.3 billion for 2026-27. Among other changes, the budget announces a new 15% temporary refundable B.C. manufacturing and processing investment tax credit, and harmonizes with the federal Scientific Research and Experimental Development (SR&ED) tax credit changes. British Columbia's budget also expands the provincial sales tax (PST) to apply to certain professional services, and ends the PST exemption for other specified goods and services. The province also announced it will increase the lowest personal income tax rate to 5.6% (from 5.06%), effective for 2026.

Business tax changes

Corporate income tax rates

The budget does not announce changes to the province's corporate income tax rates. As a result, British Columbia's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2026		
	British Columbia	Combined Federal and B.C.
General	12%	27%
M&P	12%	27%
Small business ¹	2%	11%

¹ On first \$500,000 of active business income.

B.C. manufacturing and processing investment tax credit

The budget introduces the B.C. manufacturing and processing investment tax credit, effective April 1, 2026. This temporary refundable investment tax credit is available for 15% of eligible investments made by Canadian-controlled private corporations in buildings and machinery and equipment used for manufacturing and processing, subject to certain exclusions. This credit is available on 15% of eligible investments up to \$2 million, for a maximum credit of \$300,000 and must be claimed no later than 18 months after the end of the tax year in which the property becomes available for use by the corporation. The new investment tax credit is available at a rate of 15% for investments made on or after April 1, 2026 until March 31, 2031. Starting April 1, 2031, the tax credit rate will be reduced by 2.5% per year until it is fully phased out for investments made after March 31, 2036.

Scientific Research and Experimental Development Tax Credit

The budget amends the Scientific Research and Experimental Development (SR&ED) tax credit for taxation years that begin on or after December 16, 2024, to align with recent changes to the federal SR&ED tax incentive program. Specifically, the budget:

- Increases the expenditure limit for the credit to \$6 million (from \$3 million)
- Increases the taxable capital phase-out thresholds to \$15 million and \$75 million (from \$10 million and \$50 million), increasing the range over which the expenditure limit is gradually reduced
- Allows capital expenditures to be eligible for the tax credit
- Allows eligible Canadian public corporations to claim the credit.
- Removes the sunset date of September 1, 2027 for the credit.

Mining exploration tax credit

The budget clarifies that, for purposes of the B.C. mining exploration tax credit, expenses incurred for the purpose of determining the quality of a mineral resource in Canada does not include expenses related to determining the economic viability or engineering feasibility of the mineral resource. This change, which aligns with a 2025 federal budget announcement and is subject to federal legislative amendments, is effective November 4, 2024.

Film Incentive B.C. and production services tax credit

The budget adjusts various aspects of the Film Incentive B.C. tax credit and the production services tax credit.

The budget extends the deadline to claim either the Film Incentive B.C. tax credit or the production services tax credit to 36 months (from 18 months) after the end of the corporation's taxation year, effective on royal assent. The new deadline applies to

corporations with a taxation year beginning on or after February 17, 2026. The budget notes that for corporations with taxation years beginning before February 17, 2026, the 18-months deadline is extended by a further 18 months if that time limit would have expired on or after February 17, 2026.

The budget ends the requirement for corporations claiming the Film Incentive B.C. tax credit to file a completion certificate with the CRA that would have been due on or after February 17, 2026. This measure is effective on royal assent. The budget also eliminates the requirement for corporations to file a notice of intent to claim the production services tax credit for notices due on or after February 17, 2026. This measure is effective on royal assent.

Other tax credits

The budget amends certain other tax credits to:

- Make permanent the non-refundable 25% farmers' food donation tax credit available to both individual farmers and farming corporations, effective on royal assent
- Make permanent the refundable book publishing tax credit, worth 90% of the base amount of federal contributions received under the Canada Book Fund effective March 31, 2026
- Extends the shipbuilding and ship repair industry tax credit to the end of 2027 (from the end of 2026), effective on royal assent.

Patent box consultation

The budget advises that British Columbia intends to consult with stakeholders and the Government of Canada on the suitability of adopting a patent box regime for the life sciences sector.

Indirect tax changes

PST on professional services

The budget expands the application of the provincial sales tax (PST) to certain professional services, effective October 1, 2026.

- Accounting, assurance and bookkeeping services
- Architectural services
- Engineering and geoscience services

- Rental property and strata management services and commissions related to buying and selling non-residential real estate, and
- Security and private investigation services.

The budget notes that PST on architectural, engineering, and geoscience services will apply to 30% of the purchase price of the services subject to the tax. Businesses that provide these services will need to register to collect and remit PST. British Columbia says it will provide more information on this change before the taxes come into effect.

PST exemptions

The budget ends the PST exemption for certain goods and services effective October 1, 2026, Specifically, the budget eliminates the PST exemptions for:

- Clothing patterns
- Yarn
- Natural fibres
- Synthetic thread
- Fabric that are commonly used in making or repairing clothing
- Services related to clothing and footwear
- Basic cable television services
- Toll-free telephone services
- Residential landline telephone services.

The budget amends the Provincial Sales Tax Act and Provincial Sales Tax Exemption and Refund Regulation, effective February 18, 2026. These changes enable sellers of goods to provide a point-of-sale exemption or refund within 180 days to businesses purchasing goods for business use outside of the province. The new exemption will allow the purchaser to ship the goods from B.C. instead of requiring the seller to do so.

Personal tax changes

Personal income tax rates

The budget increases the lowest personal income tax rate to 5.6% (from 5.06%), effective for the 2026 and subsequent taxation years. This increased rate will apply to the first \$50,363 of taxable income for 2026. Similarly, the budget also increases the applicable percentage for the basic personal income, age amount, and other basic non-refundable income tax credits to 5.6% (from 5.06%), effective for the 2026 and subsequent taxation

years. As a result, British Columbia’s top personal income tax rates effective January 1, 2026 remain as follows:

Personal Combined Federal/British Columbia Top Marginal Rates	
	2026
Interest and regular income	53.50%
Capital gains	26.75%
Eligible dividends	36.54%
Non-eligible dividends	48.89%

Basic Personal Amount and tax bracket threshold indexation

The budget freezes the indexation of non-refundable tax credits and personal income tax bracket thresholds (to inflation), effective for the 2027 through to the 2030 taxation years.

Children and youth disability supplement

The budget introduces a new children and youth disability supplement for the B.C. Family Benefit for payments beginning July 1, 2027. The new payment will be income-tested and available to families who have children with support needs and that meet the eligibility criteria. Families will be eligible for an additional annual amount of up to \$6,000 for each eligible dependent. Eligibility will be determined based on entitlement to the federal disability tax credit. The maximum payment amount of \$6,000 will be reduced at a rate of 4% for families with income above the \$50,000 threshold. The supplement payment will be delivered monthly alongside the B.C. family benefit.

B.C. tax reduction credit

The budget increases the maximum B.C. tax reduction credit to \$690 (from \$575). Individuals who have a net income threshold of less than \$25,570 for 2026 can claim the maximum amount of the non-refundable credit, which is reduced by 3.56% for income that exceeds the threshold.

Tax credit for volunteer firefighters and search and rescue volunteers

The budget increases the amount that an eligible individual can claim for the tax credit for volunteer firefighters and search and rescue volunteers to \$6,000 (from \$3,000), effective for 2026 and subsequent taxation years.

Real estate tax changes

Property tax

The budget adjusts certain tax programs related to property tax. Specifically, the budget:

- Changes the terms of property tax deferral loans to more closely align with commercial lending terms

- Adjusts the home owner grant by removing enhancements meant to offset carbon tax costs in rural areas
- Increases the additional school tax rate on residential properties valued over \$3 million
- Increases rural property taxes starting in 2026, based on the three-year average annual change in provincial nominal Gross Domestic Product.

Property Transfer Tax

The budget expands the purpose-built rental exemptions from the property transfer tax to apply to certain newly constructed purpose-built rental buildings, effective January 1, 2025. The exemption applies to eligible buildings that are leased for a maximum of 24 months before their first taxable transaction is registered at the Land Title and Survey Authority of British Columbia. The 24-month period begins on the commencement date of the first lease, and leases must have a term of one month or longer.

Speculation and vacancy tax

The budget increases the Speculation and Vacancy Tax rate to 4% (from 3%), effective January 1, 2027. This rate increase applies to foreign owners, untaxed worldwide earners and others currently taxed at 3% under the *Speculation and Vacancy Tax Act*. The 4% tax rate will apply to the speculation and vacancy tax payable by these property owners based on the use of their residential properties during the 2027 calendar year and onward.

Northern and rural home owner benefit

The budget repeals the \$200 northern and rural home owner benefit, effective January 1, 2027. This benefit was introduced to offset the effects of the consumer carbon tax, which has now also been repealed.

Other technical measures

The budget also includes other technical and administrative changes.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's British Columbia budget on your personal finances or business affairs, and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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