



TaxNewsFlash

Canada

B.C. PST on Professional Services Starts October 1

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Many businesses face new compliance obligations and additional unrecoverable provincial sales tax (PST) costs relating to certain professional services in British Columbia (B.C.) effective October 1, 2026. British Columbia announced in its 2026 provincial budget that it will extend the application of the B.C. PST to accounting services, architectural services, engineering and geoscience services, security services, and a wide range of non-residential real estate services. British Columbia has released related PST proposals with various measures to be prescribed at a later date and several definitions referencing other legislation. The province is expected to release further details in related regulations and guidance.

While some details are still pending, businesses providing these services should begin assessing the impact of these measures and evaluating their effects on their processes and systems. Purchasers may also want to assess the potential additional costs that the PST on the newly taxable professional services may add to their projects. Vendors should also carefully review the transitional rules, as some professional services that have not been invoiced by October 1, 2026 may be subject to the B.C. PST even if they were provided before that date. Businesses should start preparing for these upcoming changes and determine how the new measures may apply to their revenues and expenses, as they await further details expected to be released by the end of August 2026. As part of this process, businesses may have to consult various operational teams (e.g., technology, legal) to determine the time required by different teams within their organization to address all of the necessary system changes and new PST compliance obligations. Businesses that have operations in multiple jurisdictions, including British Columbia, may have to carefully determine how the new measures apply to their facts and circumstances.

This *TaxNewsFlash-Canada* provides an overview of the various definitions related to the PST proposals, transitional rules, and registration and compliance obligations, as well as of the broad-ranging professional services that may be subject to the B.C. PST on October 1, 2026, including:

- Accounting services
- Engineering and architectural services
 - Engineering or geoscience services
 - Architectural services
 - “Rule of 30%” of the purchase price (see below for details)
 - Resident and non-residents purchasers, and services provided in or outside the province
- Non-residential real estate services
 - Trading services
 - Rental property management services
 - Strata management services
- Security and private investigation services.

Background

British Columbia tabled its 2026 provincial budget on February 17, 2026, and released *Bill 2 Budget Measures Implementation Act, 2026* (“PST proposals”) which amends the *Provincial Sales Tax Act* (PSTA) to add these professional services as taxable services, effective October 1, 2026. Based on the budget documents, this measure is expected to generate over \$260M of additional revenue for the first six months and over \$530M for 2027/28. For more information, see *TaxNewsFlash-Canada* 2026-11 “[Highlights of the 2026 British Columbia Budget](#)”.

Accounting services

British Columbia proposes to extend the application of the B.C. PST to “accounting services”. Based on the B.C. PST proposals, “accounting services” means:

- Preparing accounting records (Accounting records include financial statements and notes to financial statements, tax or information returns, any records related to a tax or information returns, journal entries, payroll, budgets, journals

of accounts, invoices, bills or statements of account, and applications for tax credits, rebates or refunds.)

- Providing assurance services, including auditing or reviewing accounting records and accounting controls
- Bookkeeping
- Billing
- Cost, financial, forensic, management or tax accounting
- Account reconciliation
- A prescribed service.

KPMG observations

Interestingly, the definition of “accounting records” uses the term “includes”, signaling that it is not intended to be exhaustive and other records could potentially be included under the definition of “accounting services”. Similar to the definitions of other professional services, the definition of “accounting services” extends the application of PST to “a prescribed service”. No corresponding regulations have been released at this date. The current definition may create some uncertainty as to the full scope of the measure at a time when businesses start determining which of their services are subject to the B.C. PST proposals.

Some businesses operating in Saskatchewan and Manitoba currently collect PST and Retail Sales Tax (RST) on all or part of their accounting services. Vendors that operate in various jurisdictions should be careful not to rely on how they currently apply PST/RST on their services in these two provinces to determine the effect of the B.C. PST proposals. Each provincial statute has distinct definitions and rules, and a detailed analysis is required to determine the tax status of each service in each province.

Engineering and architectural services

British Columbia proposes to extend the application of the B.C. PST to “engineering services” and “architectural services”. While the B.C. PST proposals include specific definitions and measures for these two types of services, some of the rules apply similarly to both services (e.g., the rule of 30% and the rules for services provided in or outside the province).

Engineering or geoscience services

The definition of “engineering services” includes both engineering and geoscience services. Based on the B.C. PST proposals, “engineering services” is defined to mean:

- Advice or services within the practice of professional engineering or the practice of professional geoscience, as defined by a B.C. regulation, provided by a person who is registered or required to be registered under the B.C. *Professional Governance Act*
- A prescribed service.

To identify the services captured by the B.C. PST proposals, vendors must look beyond the PST proposals and review various definitions set in other B.C. regulations. Under these regulations, the “practice of professional engineering” is defined to mean the provision of advice or services, including ancillary advice or services, that are based on an engineering discipline encompassing the following categories:

- Agricultural
- Biomedical
- Bioresource
- Biosystems
- Building
- Chemical
- Civil
- Computer
- Electrical
- Environmental
- Food
- Forest
- Geological
- Geomatics
- Industrial
- Marine
- Mechanical
- Mechatronics
- Metallurgical
- Mining
- Naval architecture
- Nuclear
- Petroleum
- Software and structural engineering and engineering physics.

Under the same B.C. regulations, the “practice of professional geoscience” is defined to mean the provision of advice or services, including ancillary advice or services, that are based on environmental geoscience, geology, geophysics or geochemistry, and that relate to the discovery or development of oil, natural gas, coal, metallic or non-metallic minerals, precious stones, other natural resources or water or the investigation of surface or subsurface geological conditions.

KPMG observations

Although the B.C. PST proposals appear to limit the definition of “engineering services” by using the word “mean”, rather than the non-exclusive term “include”, the list of

services under the applicable B.C. regulations is quite extensive. As a result, the B.C. PST proposals are expected to increase the cost of engineering services across a wide range of industries, including residential housing, forestry, and oil and gas, among many others. It remains unclear whether British Columbia will provide any broad or targeted exemptions for any specific industry or any specific types of engineering services.

The provinces of Saskatchewan and Manitoba also currently apply PST and RST on engineering services, subject to specific definitions and exemptions. Vendors that operate across multiple jurisdictions, including British Columbia, should carefully review the B.C. PST proposals to determine whether it applies to any of their services. As each provincial statute has distinct definitions and rules, a detailed analysis is required to determine the tax status of each service under a specific jurisdiction.

Architectural services

British Columbia's 2026 provincial budget also proposes to extend the application of the B.C. PST to "architectural services". The B.C. PST proposals define these services to mean:

- Advice or services within the practice of architecture, as defined by a B.C. regulation, which are provided by a person who is registered or required to be registered under the B.C. *Professional Governance Act*
- A prescribed service.

Based on the B.C. regulations, the term "practice of architecture" means the provision of advice or services based on architectural knowledge (and ancillary advice or services) that relate to the design, planning, review or coordination of the construction or alteration of buildings.

Rule of 30% of the purchase price

Based on the B.C. PST proposals, purchasers will have to pay 7% PST on 30% of the purchase price of the newly taxable engineering (including geoscience) services and architectural services.

The purchase price generally includes the total value of the consideration accepted by the vendor and disbursements charged to the purchaser (other than any excluded prescribed amounts – none are specified at this time).

KPMG observations

Generally, the rule of 30% is intended to apply PST only on the portion of the professional services enumerated in the definitions of "engineering services" and "architectural services". Incidentally, Manitoba and Saskatchewan use a similar rule of 30% for these types of services.

Resident and non-resident purchasers, and services provided in or outside the province

The B.C. PST proposals include various measures relating to engineering services and architectural services where the vendor provides the services in or outside British Columbia, and where the purchaser resides or carries on business in British Columbia or outside the province. These measures are subject to specific rules and conditions. Note that similar rules also apply for the newly taxable accounting services and security services.

Under the B.C. PST proposals, where a purchaser resides or carries on business in the province and acquires taxable engineering or architectural services provided in the province, the purchaser must generally pay 7% PST on the amount equal to 30% of the purchase price of those services.

Where a purchaser resides or carries on business in British Columbia and acquires engineering or architectural services provided outside the province, the purchaser must pay PST on those services, subject to the 30% rule, if the services relate to:

- Real property situated in British Columbia
- A good that is, or is contemplated to be, ordinarily situated in British Columbia or delivered in British Columbia
- A project that is, or contemplated to be, situated in British Columbia
- Any other prescribed matter that relates to British Columbia.

However, if the purchaser resides or carries on business both in and outside British Columbia and acquires engineering or architectural services provided outside the province that relate partly to British Columbia and partly to another jurisdiction, allocation rules may apply.

In some cases, non-residents of British Columbia who do not carry on business in the province and who acquire engineering services or architectural services provided in the province will also have to pay 7% PST on 30% of the purchase price of engineering or architectural services if the services relate to real property, goods, projects or prescribed matters listed above.

KPMG observations

Under the B.C. PST proposals, it appears that a person resident in British Columbia that purchases engineering services provided in British Columbia must pay PST even if the services relate to a jurisdiction other than British Columbia. If the other jurisdiction requires the purchaser to self-assess because the taxable services relate to a project relating to its province, this may create a risk of double taxation.

Professional firms will need to assess whether their specific services fall within the definition of “engineering services” or “architectural services”. In some cases, firms may

be providing a combination of taxable “engineering services” or “architectural services” and other non-taxable services and would need to consider whether these services could potentially be unbundled to limit their customers’ unrecoverable tax costs. As a result, firms’ systems and processes may need to accommodate various types of transactions and billing scenarios.

Non-residential real estate services

British Columbia’s 2026 provincial budget also proposes to expand the scope of the B.C. PST to “non-residential real estate services” provided in relation to real property located in British Columbia. In general, the B.C. PST will apply to a broad range of services related to the sale or lease of non-residential property provided by a person licensed under the *Real Estate Services Act*, or a person licensed in another jurisdiction under similar legislation. As a result, businesses that work with such licensed individuals or corporations in British Columbia or in another jurisdiction will be required to pay 7% PST on taxable trading services, rental property management services or strata management services, as defined under that legislation, relating to non-residential property located in British Columbia.

The term “real estate” generally includes real property, an interest in real property and certain rights in real property defined in the B.C. regulation.

The B.C. PST proposals define “non-residential real estate services” to mean:

- Real estate services, as defined in the B.C. *Real Estate Services Act*, provided by a person who is licensed or required to be licensed under that Act
- A real estate service or a prescribed service provided by a person licensed or required to be licensed in another jurisdiction under legislation similar to the B.C. *Real Estate Services Act*.
- A prescribed service.

However, the B.C. PST proposals exclude the following services:

- Services in relation to which a person is exempt from being licensed under the B.C. *Real Estate Services Act* or, if the person is licensed in another jurisdiction, would be exempt from being licensed under the B.C. *Real Estate Services Act* if the person were licensed in British Columbia
- Services provided in relation to property that is assessed as property classified as being only in the property class 1 (residential) or property class 3 (supportive housing property) under the B.C. *Assessment Act*.

The related provincial statute defines “real estate services” to mean the following three types of services:

- Trading services
- Rental property management services
- Strata management services.

Trading services

The B.C. PST will apply to most “trading services” in relation to commercial property provided by a person (e.g., a real estate agent) licensed or required to be licensed under the provincial legislation. Specifically, the following services related to real estate (other than an activity excluded by regulation) provided to or on behalf of a party to a trade in real estate will be subject to the B.C. PST:

- Advising on the appropriate price
- Making representations
- Finding a property for a buyer
- Finding a buyer
- Showing the property
- Negotiating the price or the terms of the transaction
- Presenting offers or receiving deposits in respect of the property.

For example, a realtor commission earned on a sale of residential property (i.e., a Class 1 property under the B.C. *Assessment Act*) is not expected to attract PST, while a realtor commission earned on a sale of commercial property may be taxable under the B.C. PST proposals.

Rental property management services

The term “rental property management services” is broad and includes the following services (other than an activity excluded by regulation) provided to or on behalf of an owner of rental real estate:

- Trading services (as defined) in relation to the rental of the real estate
- Collecting rents or security deposits for the use of the real estate
- Managing the real estate on behalf of the owner by:
 - Making payments to third parties
 - Negotiating or entering into contracts

- Supervising employees or contractors hired or engaged by the owner
- Managing landlord and tenant matters.

Strata management services

British Columbia proposes to also apply the B.C. PST to management services related to commercial strata properties. Based on the PST proposals, the B.C. PST will apply to “strata management services” which means any of the following services (other than a service excluded by regulation) provided to or on behalf of a strata corporation:

- Collecting or holding strata fees, contributions, levies or other amounts levied by, or due to, the strata corporation under the B.C. *Strata Property Act*
- Exercising delegated powers and duties of a strata corporation or strata council, including:
 - Making payments to third parties on behalf of the strata corporation
 - Negotiating or entering into contracts on behalf of the strata corporation
 - Supervising employees or contractors hired or engaged by the strata corporation
 - Enforcing bylaws or rules of the strata corporation.

KPMG observations

The B.C. PST proposals include a rule that allows for an allocation of the purchase price of “non-residential real estate services” in some circumstances. Based on the proposals, the purchase price of “non-residential real estate services” related to a property that is classified in part in Class 1 or 3 under the B.C. *Assessment Act* and in part in another class, may be apportioned to apply PST only to that portion of the purchase price that is attributable to the portion of the property that is non-residential real estate.

The measures related to the taxability of non-residential real estate services are very detailed. The vendor must be licensed and the services must fall under one of the definitions or be a prescribed service. At this time, the province has not released such prescribed services.

Vendors will have to determine when the PST becomes payable on fees and commissions earned for taxable services and adjust their systems accordingly. It is unclear at this time if British Columbia will apply PST in some specific cases, such as deposits forfeited to realtors relating to taxable services. Vendors will also have to address the PST remittances and compliance rules related to shared fees with other realtors.

British Columbia can extend this application of the PST to other types of services or to services provided by a non-registered person by prescribing the particular services. However, there are no such prescribed services at this time.

Security and private investigation services

British Columbia proposes to extend the application of the B.C. PST to "security services". Security services are defined to mean the services provided by a person who holds or is required to hold a security business license for any of the following security businesses within the meaning of the B.C. *Security Services Act*:

- An armoured car guard service, which generally means the service of transporting property in an armoured vehicle
- A private investigator, which generally means a person who, for consideration, seeks or obtains information on:
 - Crimes, offences, contraventions or misconduct (or allegations of such)
 - The activities or character of a person or organization
 - The whereabouts of a person
 - The location or recovery of lost, stolen or missing property
 - The cause or responsibility for a fire, accident or incident where there is damage to property or injury to a person.
- A security alarm service, which generally means the service of:
 - Selling or providing advice on, or installing security alarms (subject to certain conditions)
 - Repairing, maintaining, monitoring or responding to security alarms installed on the property of another person.
- A security consultant which generally means a person who:
 - Advises on methods of protecting property from vandalism, intrusion, trespass or theft
 - Provides the service of detecting electromagnetic, acoustical or other devices by which private communications or records may be intercepted, transmitted or examined.
- A security guard service, which generally includes a service to:

- Provide or supervise a guard patrol or watch of property
- Provide or supervise a guard of an individual
- Perform services to prevent the loss of property
- Provide door security at an establishment licensed under the B.C. *Liquor Control and Licensing Act*.

KPMG observations

Based on the list of security businesses subject to the B.C. *Security Services Act*, two services appear to have been excluded from the definition of “security services” for PST purposes: the services of a locksmith and a body armour vendor.

It is worth noting that the B.C. PST proposals do not include the possibility of prescribed services for security and private investigation services.

Transitional rules

Vendors should ensure they determine if any transitional rules apply to their transactions. The B.C. PST proposals include transitional rules that govern how PST applies to services that may straddle the effective date of October 1, 2026.

In summary, the B.C. PST will generally apply to the newly taxable professional services provided before and after October 1, 2026, unless one of the two exceptions applies:

- No PST is expected to apply, if the vendor issued its invoice before October 1, 2026 and all services are provided before December 1, 2026
- PST may apply, if the vendor issued its invoice before October 1, 2026 and some of the services are provided after November 30, 2026. In this case, the PST is expected to generally apply to any consideration that is attributable to services provided after September 30, 2026.

Specific rules apply to determine when PST becomes due (e.g., under a written agreement or where the consideration is paid without having become due). Vendors should review the transitional rules based on their specific facts.

KPMG observations

Some of the transitional rules for services that straddle the October 1, 2026 effective date appear ambiguous and may create some confusion. As a precaution, vendors may want to ensure they issue their invoices before October 1, 2026, for services provided before that date to ease the transition to the B.C.’s PST proposals and to limit unrecoverable PST costs on affected services. Given the ambiguity of the transitional rules, vendors may also wish to invoice before October 1, 2026 for services expected to be provided from October 1, 2026 to November 30, 2026, if applicable. Some clients may reach out to their vendors to request

that such invoices be issued before October 1, 2026 to limit their PST costs on their operations and projects.

Registration and compliance obligations

Vendors and purchasers will have to determine if they have new registration, reporting and other compliance obligations under the B.C. PST proposals based on their specific facts and circumstances. Depending on the situation, vendors may be required to register and collect the B.C. PST, while in other cases, purchasers may have to self-assess and remit PST to the B.C. government. Businesses buying any of these newly taxable professional services should determine how these additional PST costs may affect their projects.

KPMG observations

The B.C. PST proposals do not introduce any new registration rules specific to the newly taxable professional services. As a result, the current B.C. PST rules will apply to determine whether a vendor located in or outside British Columbia will be required to register. Vendors that provide any of these newly taxable professional services will need to ensure they comply with all applicable collection, reporting, and remittance obligations.

Businesses may have to review their existing agreements, or adjust any new contracts, to determine whether they may be entitled to recover these additional PST costs from their clients under these agreements.

We can help

Your KPMG adviser can help assess the effects of the B.C. PST proposals on your business. We can also keep you abreast of new related regulations and guidance as they are released, as well as the progress of these proposals as they make their way into law.

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