KPMG

TaxNewsFlash

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B.C. Expands PST to More Accounting Services

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Businesses should determine whether they face new British Columbia provincial sales tax (PST) compliance obligations and additional costs on professional services that the province has made taxable effective October 1, 2026. British Columbia recently released amendments to the B.C. PST Regulations (new B.C. PST Regulations) that expand the application of B.C. PST to additional accounting services. The new B.C. PST Regulations also introduce new exemptions for specific categories of architectural and engineering services, as well as for certain types of transactions. British Columbia also released updated guidance related to these upcoming changes.

Businesses should also carefully review previously released transitional rules, as generally professional services invoiced after September 30, 2026 will be subject to the B.C. PST even if they were provided before the October 1, 2026 effective date.

Background
In its 2026 provincial budget, British Columbia announced that many professional services would become PST-taxable. Specifically, British Columbia stated that it would expand the application of the PST to the following professional services effective October 1, 2026: accounting services, engineering or geoscience services, architectural services, non-residential real estate services and security services (i.e., "newly taxable professional services").

Following the budget, British Columbia amended the B.C. PST rules to add these professional services as taxable services effective October 1, 2026, and introduced related transitional rules. The B.C. PST rules define each newly taxable professional service, and allow other services to be added as a "prescribed service" to make them

PST-taxable. British Columbia released amendments to the B.C. PST Regulations on July 9, 2026.

For more information, see *TaxNewsFlash-Canada* 2026-17, "B.C. PST on Professional Services Starts October 1" and *TaxNewsFlash-Canada* 2026-11 "Highlights of the 2026 British Columbia Budget".

Expanding PST to additional accounting services

British Columbia recently expanded the definition of "accounting services" in the new B.C. PST Regulations. Specifically, B.C.'s PST will apply to the following two additional types of prescribed services, starting October 1, 2026:

- Providing advice, preparing documents or providing representation in relation to taxes
- Providing advice, preparing documents or providing representation in relation to grants relating to property taxes.

In its updated guidance, British Columbia adds that these prescribed services extend to services related to tax legislation, tax application, tax appeals, penalties, commission and interest.

KPMG observations
As a result of the new B.C. PST Regulations, service providers may now have to collect PST starting October 1, 2026 on certain services that were previously not caught by the definition of "accounting services". Because these new prescribed services are broadly worded, many additional accounting services, including several tax advisory services and tax controversy services, will be taxable starting October 1, 2026. British Columbia's updated guidance also seems to support this broad application.

New PST exemptions for specific services and circumstances

British Columbia also introduced in the new B.C. PST Regulations several exemptions related to the newly taxable professional services, including for certain fees and charges, specific engineering and architectural services, and professional services regarding related party transactions and jurisdictions outside of B.C., among others.

Certain fees and charges excluded from the "purchase price"

Fees, charges and disbursements are generally included in the "purchase price" (as defined in B.C.'s PST rules) of professional services and are subject to the B.C. PST. However, service providers may be able to exclude certain fees, charges and/or disbursements from the purchase price before applying the B.C. PST under the new regulations depending on the type of professional service they are providing. These may include fees and charges for transmitting, printing or copying documents; and travel, food and accommodation disbursements. In addition, the amount charged must reasonably reflect the cost of the underlying activities (e.g., printing cost). In its updated guidance, British Columbia indicates that, where an amount for such an eligible fee, charge or disbursement is "marked up", the amount would generally not be prescribed and the service provider should include that amount in the purchase price of the professional services.

KPMG observations
Service providers should determine whether fees, charges or disbursements charged on their invoices qualify as a "prescribed amount", including flat-rate charges and charges calculated based on a percentage of the project. Only amounts that qualify as a "prescribed amount" in respect of a specific type of professional service may be excluded from the "purchase price" and therefore not subject to B.C. PST.

Specific engineering and architectural services

The following engineering services will now be exempt from PST under the new B.C. PST Regulations:

- Advisory services
- Construction related services
- Resident engineering services
- Project management services
- Construction management services
- Services to design tangible personal property for the sole purpose of retail sale.

In addition, the following architectural services will now be exempt from B.C. PST under the new B.C. PST Regulations:

- Pre-design services
- Post-construction services.

KPMG observations
The definition of "engineering services" under the B.C. PST rules is quite broad and includes a wide range of services that will become taxable effective October 1, 2026.

However, the exemptions added under the new B.C. PST Regulations may provide some relief from unrecoverable PST costs.

Service providers will have to determine whether the specific engineering or architectural services they provide are exempt under these newly released regulations. It's important to note that the new B.C. PST Regulations provide exemptions based on specific types of engineering and architectural services, and not on any targeted specific industry (e.g., manufacturing). As a result, service providers will have to review in detail each of their specific engineering or architectural services to determine if any fall under one of the exemption categories. In addition, there may still be uncertainty in some cases as to which services fall under each of the specific categories.

Professional services related to another jurisdiction

Businesses that provide newly taxable professional services in British Columbia but related to jurisdictions outside of British Columbia, may not have to collect PST on these services. Under the new B.C. PST Regulations, certain professional services provided in British Columbia to a purchaser that resides or carries on business in British Columbia may be exempt where the service relates to another jurisdiction. For example, certain professional services may be exempt if, among other conditions, they relate to:

- Real property situated outside British Columbia
- A good that is, or is contemplated to be, ordinarily situated outside British Columbia or delivered outside B.C.
- A project that is, or is contemplated to be, situated outside British Columbia.

KPMG observations
Without this new exemption, B.C. PST would generally apply to most professional services provided in British Columbia to purchasers residing or carrying on business in British Columbia with no relief for services unrelated to British Columbia. This new exemption should effectively level the playing field between service providers with respect to professional services provided to purchasers that reside or carry on business in British Columbia, regardless of whether the services are provided in or outside British Columbia.

Service providers will have to carefully determine whether their particular professional services are exempt based on their specific facts, and maintain documentation to support their position in the event of a future provincial audit.

Service providers may also have to consider if any bundling rules in relation to taxable and non-taxable items for a single price may apply to their transactions, which could potentially affect the amount of PST payable.

Professional services provided between related corporations

Under the new B.C. PST Regulations, where a corporation provides one of the newly taxable professional services to a related corporation, that service may not be subject to B.C. PST. Specifically, a corporation will be exempt from B.C. PST where these services are provided by an employee of a related corporation, as defined under the B.C. PST rules.

KPMG observations
This new exemption is limited to related corporations, and does not extend to other types of entities (e.g., trusts). To determine whether any professional services provided between related entities may qualify for this exemption, businesses should review their structure to determine the type of entities in their structure and the extent of their ownership.

Professional services purchased for resale

Service providers that purchase professional services solely for the purpose of reselling those services to another person may also be exempt from paying B.C. PST under the new Regulations. To qualify, service providers must meet specific conditions and documentation requirements. For example, based on the updated guidance, an architectural firm may be exempt from B.C. PST on architectural services it acquired from a subcontracted architect that was hired to provide a taxable architectural service that the architectural firm will bill to its client.

Other professional services

There are additional exemptions introduced in the new B.C. PST Regulations that are available under specific circumstances, including for eligible professional services that:

- Are provided to First Nations
- Are purchased by members of the diplomatic and consular corps
- Are provided to the federal government
- Are purchased from a “small seller” (as defined in B.C.’s PST rules), or
- Consist of a non-residential real estate service provided in relation to farmland.

KPMG observations
Service providers should carefully review the new B.C. PST regulations to ensure they meet all the requirements before exempting any of their services from B.C.’s PST.

Transitional rules

Service providers and purchasers of professional services should determine how the transitional rules may apply to their transactions, particularly for services that straddle the effective date of October 1, 2026. These transitional rules were previously enacted.

Under these PST rules, a person will generally not be subject to B.C. PST on professional services that were provided and invoiced before October 1, 2026. However, the transitional rules provide measures for transactions that straddle the implementation date. In general:

- PST will generally not apply as long as the service provider issues its invoice before October 1, 2026 and all the professional services are provided before December 1, 2026

- PST may still apply if the service provider issues its invoice before October 1, 2026, but provides some of the services after November 30, 2026. In this case, the PST will generally apply to any consideration that is attributable to services provided after September 30, 2026.

There are also specific rules that determine when B.C. PST becomes due (e.g., under a written agreement or where the consideration is paid without having become due).

KPMG observations
Service providers should review the transitional rules and, if possible, issue invoices before October 1, 2026 for professional services provided before that date to help limit unrecoverable B.C. PST costs on these services. Purchasers of these services may also reach out to their service providers to request invoices before October 1, 2026.

We can help

Your KPMG adviser can help assess the effects of the B.C. PST changes on your business' processes and compliance obligations. We can also keep you abreast of the latest guidance as it is released.