Tax Executives Institute
1200 G St NW, Suite 300
Washington, DC 20005
tei.org

Tax Executives Institute – British Columbia Ministry of Finance 2026 BC Budget PST Expansion to Certain Professional Services – Interpretative Questions

July 8, 2026

Accounting Services

1) Accounting Services – Paragraph (d) "billing"

The definition of "accounting services" in paragraph 82(a) of *Budget Measures Implementation Act, 2026* includes "billing" as a taxable accounting service under paragraph (d). The services included in the other paragraphs of the definition of accounting service require some form of specialized knowledge of accounting and bookkeeping. As "billing" generally does not require any specialized knowledge of accounting or bookkeeping, it is not clear what is meant by "billing" under paragraph (d). Further, the inclusion of "an invoice, bill or statement of account" in paragraph (f) of the definition of "accounting record" implies that any issuance of an invoice, bill or statement of account could fall under the definition of accounting services by virtue of "billing".

Lastly, neither Saskatchewan or Manitoba include the service of "billing" in their definitions of taxable accounting services in section 1.1 of *The Provincial Sales Tax Regulations* under the Saskatchewan *Provincial Sales Tax Act* and section 2 of *Taxation of Services (Accounting, Architectural, Engineering, Geoscientific, Legal, Private Investigation, Security and Security Monitoring) Regulation* under the Manitoba *Retail Sales Tax Act***.** respectively.

Question for Ministry

(1) Could the Ministry provide clarity about what is meant by "billing" and provides some examples of what services would be included in "billing" as a taxable accounting service?

Engineering Services

2) Engineering Services

"Engineering services" are defined in paragraph 82(c) of *Budget Measures Implementation Act, 2026* as:

> (a) advice or services within the practice of professional engineering or the practice of professional geoscience, as defined in the *Engineers and Geoscientists Regulation*, B.C. Reg. 14/2021, provided by a person who is registered or required to be registered under the *Professional Governance Act* with the Association of Professional Engineers and Geoscientists of the Province of British Columbia, and
>
> (b) a service prescribed as an engineering service.
>
> but does not include services provided by a person to the person's employer in the course of employment;

Therefore, to be classified as an engineering service, two criteria must be assessed:

1. Whether the entity providing the services is registered or required to be registered under the *Professional Governance Act*.

2. Whether the services provided fall within the practice of professional engineering or the practice of professional geoscience, as defined in the *Engineers and Geoscientists Regulation*, B.C. Reg. 14/2021.

Section 2 of the Engineers and Geoscientists Regulation provides the following definitions in relation to professional engineering:

> "**engineering discipline**" means 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;
>
> "**practice of professional engineering**" means the provision of
> (a) advice or services that are based on an engineering discipline, or
> (b) advice or services that are ancillary to those described in paragraph (a);

Questions for Ministry

TEI is seeking clarification for several aspects that would contribute to a better understanding of the circumstances under which BC PST applies when the engineering firm entering into the contract with the client has a presence in British Columbia.

In light of above these definitions, the following questions arise:

(1) Given the very broad scope of the definition of an "engineering discipline", it appears that the intention may be to treat the provider's registration as an engineering firm under the *Professional Governance Act* as the primary determining factor, such that, once a firm is registered under the *Professional Governance Act*, all services it provides would be subject to PST. Is this the approach intended by the Ministry?

(2) Alternatively, does the Ministry intend to limit the application of PST to specific categories of engineering services, similar to the approach adopted in Manitoba and Saskatchewan, where only certain categories of services (e.g., such as design services classified as Category III as defined by the *Association of Consulting Engineering Companies Saskatchewan* (ACEC), and the *Association of Professional Engineers and Geoscientists of Manitoba*) are subject to PST?

(3) Some of the services provided by engineering firms registered under the *Professional Governance Act* do not require an engineer's seal and therefore are not required to be provided by a licensed professional engineer. In this context, could the Ministry clarify whether the BC PST treatment would differ when such services are performed by other specialists or professionals employed by an engineering firm, rather than by licensed engineers?

(4) Could the Ministry confirm whether the following types of services are subject to PST when provided by an engineering firm registered under the *Professional Governance Act* with the Association of Professional Engineers and Geoscientists of the Province of British Columbia:

   a. Engineering services in respect of facilities or projects located outside British Columbia;
      i. Where services are performed in BC
      ii. Where services are performed outside BC
      iii. Where services are performed both in BC and outside BC

   b. Engineering services provided in respect of a facility or project located on a reserve, where such services are acquired by a Status Indian, an Indian Band, or a band-empowered entity;

(5) Engineering firms are required to have a corporate permit to practice engineering, and individuals generally require engineering seals. Considering this, could the Ministry consider clarifying the following points regarding the services where corporate permits to practice or individual seals are required:

a. Does PST apply only to services where the corporate permit to practice or individual engineering seals are used?

b. Or does it apply to all services provided by registered engineers?

For example, if services are provided by an engineer in Canada for a project outside of Canada that do not fall under the B.C. *Professional Governance Act*, will they still trigger the application of PST?

(6) Engineering firms are often pan-Canadian, with offices in multiple provinces. In the case of such a firm that has offices across Canada, including in British Columbia, and enters into a contract with a client where:

a. the client resides or carries on business exclusively in British Columbia;

b. the services are performed entirely by employees located outside British Columbia (for example, in Alberta, Ontario, or other provinces); and

c. the services relate exclusively to projects, facilities, or property located outside British Columbia.

Could the Ministry clarify the application of PST in these circumstances?

(7) Could the Ministry also clarify the PST treatment under the same facts described above in (6) except that the services are performed partly by engineers physically located in British Columbia and partly by engineers physically located outside British Columbia?

3) <u>Engineering Services and Required to be Registered</u>

"Engineering services" are defined in paragraph 82(c) of *Budget Measures Implementation Act, 2026* as provided by a person "who is registered or required to be registered" under the *Professional Governance Act* with the Association of Professional Engineers and Geoscientists of the Province of British Columbia.

<u>Question for Ministry</u>

(1) Could the Ministry provide clarity on what is meant by "required to be registered"?

(2) Further, consider a company that is not an engineering firm, but a manufacturer of steel for building construction that provides structural building detailing to customers. The company is located outside BC but is registered for BC PST. Could the Ministry confirm that such company would not be "required to be registered"?

4) <u>Engineering Services provided under a Multi-Service Agreement</u>

Engineering services are often provided as part of a multi service agreement. For example, a contract may include both engineering services and project management services. In some cases, the contract will separately identify and value the engineering services, whereas in other contracts there will be no breakdown of the value with all services offered for one price.

TEI is looking for clarity on how BC PST would apply to engineering services in this context.

<u>Questions for Ministry</u>

(1) Assuming the contract contains separate amounts for each type of service, could the Ministry confirm if BC PST would be calculated only on the portion of the contract value attributable to pure engineering services, or on the total contract value under the agreement?

(2) Assuming the services are not separately identified or priced in a multi service engagement contract, could the Ministry confirm if the contract would be treated as a single supply of services to real property (i.e. that is not subject to PST), even if the contract includes some engineering services? Is there a percentage threshold that can be used to assume single supply, such as less than 10% engineering services?

5) <u>Engineering Services and Sub-Consultants</u>

In professional services engagements, a prime contractor, typically an engineering firm registered under the *Professional Governance Act,* is engaged by a client to deliver a bundled scope of services and subcontracts portions of that scope to specialized subconsultants. The prime contractor remains contractually responsible to the client for the full scope of services. Such engagements often include design, engineering, architectural, geoscience, procurement, maintenance, or construction management services.

In both Saskatchewan and Manitoba, a prime contractor that subcontracts design, engineering, architectural, or geoscience services and charges PST on the full fee billed to the client is permitted to acquire the subcontracted design, engineering, architectural, or geoscience services exempt from PST.

Currently, there does not appear to be any similar provision in the *Provincial Sales Tax Act* nor the *Budget Measures Implementation Act, 2026.*

Clarification is particularly important because professional engineering and related services are frequently delivered through multi-tiered contractual arrangements. If both the prime contractor and the subconsultant are required to charge PST on their respective portions of the same services, this could result in unintended double taxation to the client. Clear administrative guidance from BC Finance is therefore necessary to prevent pricing distortions and to support fair competition among service providers.

<u>Questions for the Ministry</u>

(1) Could the Ministry confirm whether the prime contractor would be eligible to acquire the subcontracted design, engineering, architectural, or geoscience services exempt from PST in this scenario?

(2) Could the Ministry confirm if the PST treatment would differ if:
   a. the prime contract is a bundled, multi-service agreement with a single contract price; or
   b. the prime contract consists of multiple standalone services, with the consideration for each service separately identified?

Allocation of Professional Services

6) Management Fees Charged by a Non-BC Parent to a Multi-Provincial Canadian Subsidiary

Consider the following fact pattern:

- A Canadian parent company that is not located in BC charges management fees to its wholly owned Canadian subsidiary.
- The Canadian subsidiary has establishments in all Canadian provinces, including British Columbia.
- The management fees include a component for accounting services (e.g., consolidated financial reporting, tax compliance support, payroll administration, and management accounting services provided by the parent's finance team). The management fee also includes components in respect of marketing, financial charges, strategic and policy planning, human resources, public relations and other services that are not accounting services.
- The accounting services component is not separately itemized on the invoice; it is embedded within a monthly management fee.

Questions for Ministry

(1) Could the Ministry confirm if the accounting services component of the management fees be considered a taxable accounting services and subject to BC PST?

(2) If yes, could the Ministry confirm if the Canadian subsidiary is required to self-assess BC PST on the portion of the management fees attributable to accounting services, even where the services are provided by the parent company located outside BC (or outside Canada)?

(3) For the scenario above, assume the parent has a permanent establishment in a majority of the Canadian provinces, including BC. Could the Ministry confirm that the Canadian subsidiary could allocate the taxable accounting services portion of the management fees and only self-assess BC PST on the portion of accounting services attributable to BC?

(4) Assuming allocation under (3) above is allowed, could the Ministry comment on what allocation methods it would find acceptable? Would allocation methods based on employee headcount, revenue, or some other reasonable proxy be acceptable to the Ministry?

7) <u>Cost Pooling and Recharging through Management Fees – Cascading PST Risk</u>

Consider the following fact pattern:

- A Canadian parent corporation and its Canadian subsidiary both carry on business in British Columbia.
- The Canadian subsidiary employs accounting personnel and provides accounting services to its Canadian parent corporation.
- The services provided by the subsidiary include activities such as maintaining accounting records, preparing consolidated financial statement information, preparing tax compliance, payroll-related accounting functions, and other accounting support functions that fall within the scope of "preparing accounting records".
- The services performed by the subsidiary's employees in their capacity as employees of the subsidiary are not themselves taxable supplies.
- These accounting services are supplied by the Canadian subsidiary to the Canadian parent and are invoiced to the parent at cost, representing the salaries and benefits of the subsidiary's accounting employees.
- The accounting services supplied by the Canadian subsidiary to the Canadian parent are assumed to constitute taxable accounting services under the new PST rules.
- The parent corporation subsequently pools the accounting services costs with other corporate overhead costs, professional services costs, information technology costs and other shared services expenses.
- The parent corporation subsequently allocates and recharges the pooled costs to various group entities, including back to the Canadian subsidiary, through periodic management fee charges. These management fees include amounts attributable to accounting services originally supplied by the subsidiary to the parent, together with other centralized accounting services, corporate support functions and an applicable markup
- To the extent the management fees include accounting services, those charges would also appear to constitute taxable accounting services under the new PST rules.

This fact pattern raises the potential for multiple layers of PST to apply to substantially the same underlying accounting costs as those costs move through a shared services and management-fee structure.

Questions for Ministry

(1) Could the Ministry confirm that the accounting services provided by the Canadian subsidiary to its Canadian parent corporation, and recharged at cost, constitute taxable accounting services for purposes of the new PST rules?

(2) If the answer to (1) is yes, could the Ministry confirm that the Canadian subsidiary is required to collect and remit PST on the amounts charged to the Canadian parent in respect of those accounting services?

(3) Could the Ministry confirm that management fees charged by the Canadian parent corporation to the Canadian subsidiary, to the extent such fees include accounting services, constitute taxable accounting services for purposes of the new PST rules?

(4) If the answer is yes to (3), could the Ministry confirm that the Canadian parent corporation is required to collect and remit PST on the portion of the management fees attributable to accounting services supplied to the Canadian subsidiary?

(5) Where accounting services are first provided by the Canadian subsidiary to the Canadian parent and are subsequently included in management fees recharged by the parent back to the Canadian subsidiary, does the Ministry acknowledge that the same underlying accounting costs may become subject to PST more than once creating cascading tax consequences?

(6) If the Ministry confirms that there is tax cascading in (5), does the Ministry intend to provide any administrative relief, exemption, deduction, or other mechanisms to prevent unintended tax cascading in shared services or cost-allocation arrangements between related parties?

(7) Assume that the management fees arise solely from an internal shared-services arrangement between related Canadian corporations and are charged without any profit element or markup, serving only to allocate employee and accounting costs incurred for the benefit of the Canadian corporate group. Could the Ministry confirm whether its response would be different than (5) and whether PST would apply?

We strongly encourage the Ministry to consider exemptions, relieving provisions, or administrative guidance to address these concerns and to ensure that the PST on accounting services is applied in a manner that is fair, administrable, and aligned with the economic substance of intercompany transactions.

8) <u>Allocation Methodologies for Multi-Provincial Clients</u>

Where a client carries on business in multiple provinces, including British Columbia, and the engineering or architectural services relate to projects, facilities, or business activities spanning multiple jurisdictions, it would be helpful for the Ministry to provide guidance on what allocation methodologies that the Ministry would consider acceptable to reasonably apportion the purchase price between BC and non-BC jurisdictions.

<u>Question for Ministry</u>

(1) Could the Ministry confirm if the following allocation methodologies would be acceptable? Allocation methodology based on:
    (a) Revenue or sales by province?
    (b) Employee headcount or payroll by province?
    (c) Project-specific allocation (where services are directly attributable to a specific provincial location)?
    (d) A combination of the above, or another reasonable proxy?

<u>General Questions for newly taxed professional services</u>

9) <u>Exemption for Resale of Taxable Professional Services</u>

There does not appear to be an exemption for the resale of the newly taxable services from Budget 2026 under either the provisions of the Provincial Sales Tax Act or *Budget Measures Implementation Act, 2026.* This appears to be similar to the PST treatment for legal services, but distinct from some other services such as telecommunication services that have a distinct exemption for resale.

<u>Question for Ministry</u>

(1) Could the Ministry confirm whether accounting services, architectural services, engineering and geoscience services, security services and non-residential real estate services acquired by the purchase for the purposes of resale are subject to PST?

10) <u>Applicability of Existing Contractor and Subcontractor Exemption Certificates (FIN 491 / FIN 493)</u>

Contractors and subcontractors are eligible to purchase goods exempt from PST to fulfill certain contracts if they meet the eligibility requirements. If eligible, contractors and subcontractors document such exemptions by the use of forms FIN 491 (Certificate of Exemption – Contractor) and FIN 493 (Certificate of Exemption – Subcontractor).

<u>Question for the Ministry</u>

(1) Could the Ministry confirm whether providers of engineering and architectural services would be eligible to use forms FIN 491 and FIN 493?