RE: Tax Executives Institute – British Columbia Ministry of Finance
2026 BC Budget PST Expansion to Certain Professional Services –
Interpretative Questions from July 8, 2026

Please note that the legislative and regulatory changes made to the *Provincial Sales Tax Act* (PSTA), the *Provincial Sales Tax Exemption and Refund Regulation* (PSTERR) and the *Provincial Sales Tax Regulation* (PSTR) have not yet been incorporated into the online versions. These changes can be found in *Bill 2, Budget Measures Implementation Act, 2026* and in Orders in Council 293 and 295 on the Legislative Assembly's Orders in Council webpage for 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?

Please note that we can only advise on how the legislation applies. We cannot advise on why the legislation is written the way it is, as that is a decision of the Legislature. Whether Saskatchewan and Manitoba do not include “billing” in their definitions of “accounting services” has no bearing on the application of the Provincial Sales Tax (PST) in British Columbia (BC). While the legislation developed in BC considered the legislation in Manitoba and Saskatchewan, it is not identical.

There is no definition of “billing” in the PSTA. Therefore, we rely on its usual meaning.

“Billing” is variously defined as:

- the process of generating and sending invoices (bills) to customers for goods or services rendered. It ensures a business receives payment and tracks what is owed.
- the process of issuing invoices and collecting payments from customers. In its most basic form, billing involves sending an invoice to customers who must then make a payment within a specific timeframe.
- request for payment of a debt.
- the preparation, tracking, and collection of charges for goods or services rendered.

Understanding standard terminology helps streamline accounts payable, invoicing, and revenue cycle management

“Invoicing” and “charging” are synonyms of “billing”.

Therefore, if a person is providing billing services, as discussed above, these are taxable accounting services.

Note, however, if you are not selling accounting or bookkeeping services in the ordinary course of your business, the preparation of invoices, bills or statements of account for your customers is not a taxable accounting service. For example, if you provide services that are unrelated to accounting or bookkeeping, such as manufacturing services, and you issue an invoice, such a business activity is not considered an accounting service and is not taxable as an accounting service.

Section 2.004 of the PSTR also prescribes as included in the definition of “accounting services”:

(a) providing advice, preparing documents or providing representation in relation to taxes;
(b) providing advice, preparing documents or providing representation in relation to grants relating to property taxes.

As such, things like tax consulting services are also subject to PST.

While you appear to suggest that there is a redundancy between the definitions of "accounting records" and "accounting services" in section 1 of the PSTA, please note that "an invoice, bill or statement of account", as per the definition of "accounting records" in section 1 of the PSTA, are nouns, as are the other terms used in the definition of "accounting records". On the other hand, "billing", as per the definition of "accounting services", is a verb (that is, the act of issuing an invoice), as are the other terms used in the definition of "accounting services". Such definitional precision is necessary to minimize the potential for misunderstanding or doubt about what is included in these definitions, which need to be interpreted and applied, on their own terms.

In addition, please note, unlike the other newly taxable professional services, there is no provision that limits the taxability of accounting services to those provided by someone who is registered (or "required to be registered") under some licensing authority.

For further information, please see our PST on accounting services webpage.

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?

The Ministry's intention is to apply PST to professional engineering services that are provided by businesses that are registered or required to be registered under the *Professional Governance Act*.

As indicated in Bill 2, Budget Measures Implementation Act, 2026, "engineering services" means the following:

(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;

While the scope of the definition of "engineering discipline" under the *Engineers and Geoscientists Regulation* may be very broad, the intention is to capture advice or services that relate to an "engineering discipline". Therefore, if an entity is registered or required to be registered under the *Professional Governance Act*, but is providing services that do not relate to an "engineering discipline" (and are not also ancillary to those services), then they will not be subject to PST.

(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?

Unless an exemption applies, as of October 1, 2026, all engineering services are subject to PST at the rate of 7% on 30% of the purchase price.

Generally, the PST is payable on the total purchase price paid for the engineering services, including disbursements. However, disbursements for travel, food and accommodation are excluded from the definition of "purchase price" of engineering services by Section 9.3 of the PSTR if they are charged on a cost recovery basis. If they are marked up, they are subject to PST.

In addition, the following engineering services are exempt from PST under section 82.31 of the PSTERR:

a) Advisory services;

b) Construction related services;

c) Resident engineering services;

d) Project management services;

e) Construction management services;

f) Services to design tangible personal property for the sole purpose of retail sale.

These are discussed under the exemptions portion of our PST on engineering and geoscience services webpage. Note that "concept design services" are also considered exempt, as they fall under the category of advisory services.

> (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?

Engineering and geoscience services are advice or services that are both:

1. Provided by a person who is registered or required to be registered under the *Professional Governance Act* with Engineers and Geoscientists British Columbia (EGBC); and,
2. Within the practice of professional engineering or professional geoscience, as defined in the *Engineers and Geoscientists Regulation*, specifically:
   - Advice or services that are based on an engineering discipline;
   - Advice or services that are based on environmental geoscience, geology, geophysics or geochemistry, and 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; or

- Advice or services that are ancillary to those in the above bullets.

If either of the criteria is not met (for example, you provide a service listed above but are not registered or required to be registered with EGBC), you are not providing engineering or geoscience services for PST purposes.

However, if an engineering firm is billing for services within the practice of engineering, even if the employees who provide the service are not registered engineers, the services are taxable as engineering services, unless a specific exemption applies.

(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

Section 82.3 of the PSTERR outlines the exemption in relation to engineering services that relate to another jurisdiction. It is also discussed on the exemptions portion of our PST on engineering and geoscience services webpage:

> Engineering and geoscience services provided in BC to a person who resides, ordinarily resides or carries on business in BC are exempt from PST if the engineering or geoscience services relate to:
>
> - Real property situated in a jurisdiction outside BC.
> - Tangible personal property that is, or that is contemplated to be, ordinarily situated in or delivered in a jurisdiction outside BC.
> - A project that is, or that is contemplated to be, situated in a jurisdiction outside BC.

For example, a person who resides in Vancouver hires a BC engineer for design work on a project in Alberta. In this case, the engineering services are exempt from PST because they relate to a project that is contemplated to be situated outside BC.

If part of the engineering or geoscience services provided in BC to a person who resides, ordinarily resides or carries on business in BC relates to a jurisdiction outside BC, and part of the services relates to BC, the portion that relates to a jurisdiction outside BC is exempt from PST.

For example, a business based in BC purchases engineering services in BC that relate to a highway infrastructure project that is located 60% in BC and 40% in Alberta. The business claims exemption on 40% of the total purchase price and pays PST on 30% of the 60% portion of the purchase price that relates to the project in BC.

Therefore, if engineering services relate wholly to facilities or projects in a jurisdiction outside BC, they are exempt from PST.

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;

Section 82.32 of the PSTERR outlines the exemption for engineering services provided to a First Nation individual or band. It is also discussed on the exemptions portion of our PST on engineering and geoscience services webpage:

> Engineering and geoscience services purchased by a First Nations individual or band are exempt from PST if the engineering or geoscience services are performed on First Nations land or relate to:
>
> - Real property situated on First Nations land
> - Tangible personal property that is, or that is contemplated to be, ordinarily situated on First Nations land or delivered to a location on First Nations land
> - A project that is, or that is contemplated to be, situated on First Nations land

Please note, the exemption does not apply to engineering and geoscience services purchased by tribal councils, band-empowered entities, corporations or cooperatives.

(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?

As indicated under question #3 above, the test for whether a service qualifies as a taxable engineering service is if it is both:

1. Provided by a person who is registered or required to be registered under the *Professional Governance Act* with Engineers and Geoscientists British Columbia (EGBC); and,
2. Within the practice of professional engineering or professional geoscience, as defined in the *Engineers and Geoscientists Regulation*, specifically:
   - Advice or services that are based on an engineering discipline;
   - Advice or services that are based on environmental geoscience, geology, geophysics or geochemistry, and 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; or
   - Advice or services that are ancillary to those in the above bullets.

If both criteria are not met, you are not providing engineering services for PST purposes. Whether specific corporate permits or individual engineering seals are required does not impact whether PST applies.

Further, if services are provided by an engineer in Canada for a project outside Canada, those services will not be subject to PST, as explained under Question #4 above.

(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?

If an engineering firm has multiple locations across Canada, including BC, they will be required to register to collect and remit PST if they are providing taxable engineering services to clients in BC.

In situations where an engineering firm is registered to collect PST and is providing taxable services to clients in BC, it will not matter if the firm's employees are located outside of BC at the time the service is provided. The firm must collect PST on the services that relate to a project in BC.

However, if an engineering firm that has multiple locations across Canada, including BC, is providing engineering services to a client and those services pertain only to a jurisdiction outside of BC, those services are exempt as explained under Question #4 above.

(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?

If the engineering company is located in BC and is providing taxable engineering services in BC, they will be required to register for PST regardless of where the engineers providing the service are physically located. However, if the services that they are providing pertain only to a jurisdiction outside of BC, those services are exempt from PST.

Please note, in a situation where an engineering company is not required to be registered to collect PST, and their client purchases taxable engineering services from them, the client will be required to self-assess any PST due.

For more information, please see the PST on engineering and geoscience services webpage.

3) Engineering Services and Required to be Registered

"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.

Question for Ministry

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

As defined by section 1 of the PSTA, "engineering services" are:

> (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;

Section 82.31 of the PSTERR provides an exemption for the following engineering services:

(a) advisory services (includes concept design services);
(b) construction related services;
(c) resident engineering services;
(d) project management services;
(e) construction management services;
(f) services to design tangible personal property for the sole purpose of retail sale.

Some persons who provide what are otherwise "engineering services" may not be registered under the *Professional Governance Act* with the Association of Professional Engineers and Geoscientists of the Province of British Columbia. However, if they are required to be registered under that Act, then they must be registered for, and charge, the PST for their engineering services.

Please note that we cannot advise on the requirements under the *Professional Governance Act*. That Act is administered by the Office of the Superintendent of Professional Governance (OSPG). Housed within the BC Ministry of Attorney General, the OSPG provides independent oversight to ensure professional regulatory bodies maintain consistent governance and public interest standards.

(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"?

As indicated above, we are unable to advise on whether the out-of-province manufacturing company is required to be registered under the Professional Governance Act with the Association of Professional Engineers and Geoscientists of the Province of British Columbia. If it is, and is providing engineering services, then it is required to be registered to collect PST and it must charge PST on those engineering services.

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?

We can confirm that if you are selling both taxable and non-taxable services on the same invoice, only the taxable services are subject to PST.

We recommend that the taxable and non-taxable services be separately itemized to reduce any possible confusion or disagreement in the event of a review by the Ministry.

(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?

Unless an exemption or other exception applies, engineering services in relation to real property are subject to PST.

If you are billing a single price for both taxable and non-taxable services, then the bundled sales rules apply.

The bundled sales rules discussed below apply where you are not separately itemizing the charges for the taxable and non-taxable components. We recommend that you do not charge a single price when selling taxable engineering (or other) services with non-taxable or exempt services.

Where a sale of taxable and non-taxable components is bundled (a single, all-inclusive price), PST usually applies to the fair market value of the taxable component. The "fair market value" is defined in the PSTA as the price at which the legal and beneficial interest in the taxable good/service would, if unencumbered, be provided by a willing seller acting in good faith to a willing buyer acting in good faith in an arm's length retail sale in the open market; in other words, the price at which the taxable component would ordinarily be sold on its own.

There are two limited exceptions to this general rule:

a) A bundled sale is fully taxable (section 26 of the PSTA) if either of the following apply:
   - the fair market value of the taxable component is greater than 90% of the full price of the bundled sale, and the full price is less than $500, or
   - the non-taxable component is not ordinarily available for sale in the open market separate from the taxable component or is not ordinarily provided separate from the taxable component for a price.

b) A bundled sale is fully exempt (section 137 of the PSTA) if all the following apply ("small packages" exception):
   - the fair market value of the taxable component is $50 or less and 10% or less of the full price of the bundled sale,
   - the taxable component is not ordinarily sold by the seller separately from the non-taxable component,

- no good, software or telecommunication service included in the bundled sale is being provided by way of promotional distribution, and
- the bundled sale does not include liquor, a telecommunication service or a legal service.

For more information on “bundled sales”, please see Bulletin PST 316 - Bundled Sales and Leases.

If you are bundling the taxable and non-taxable/exempt services for a single price, you must maintain documentation substantiating that PST was charged on the fair market value of the taxable component in the event of review by the Ministry.

5) Engineering Services and Sub-Consultants

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.

Questions for the Ministry

(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?

Just as there are exemptions for goods, related services, software, telecommunications services and accommodation purchased solely for resale, there is also an exemption for engineering services purchased for resale under section 82.34 of the PSTERR:

82.34 (1) Subject to section 135 [*exemptions not applicable to small seller*] of the Act, a purchaser who purchases engineering services is exempt from tax imposed under Division 4.3 of Part 5 of the Act on that purchase if the purchase is made solely for the purpose of selling or providing to other persons those engineering services.

(2) Subsection (1) of this section is prescribed for the purposes of section 135 of the Act.

(3) Subsection (1) of this section is prescribed for the purposes of section 145 (2) [*evidence required to claim certain exemptions in relation to taxable services*] of the Act.

(4) For the purposes of section 145 (2) of the Act, in relation to a person who alleges that engineering services are exempt under subsection (1) of this section, the collector is required to obtain (a) that person's registration number, or (b) if that person does not have a registration number, a declaration in a form specified by the director.

In addition, please see the discussion under Exemptions on our PST on engineering and geoscience services webpage. To claim the exemption, the principal engineering services provider must give their subcontractor their PST vendor registration number.

For the resale exemption to apply, the provider must not use the professional service except for the purpose of resale.

For example, a landowner hires a contractor to build a house. The contractor hires an architect to design the house. The architect hires an engineer to evaluate aspects of the design. The engineer charges the architect for the evaluation, which the architect uses in evaluating its design before providing the design to the contractor. The architect sells the design to the contractor. The contractor does not resell the design to the landowner. The architect did not purchase the engineer's evaluation for resale. The engineer charges the architect PST for its evaluation, and the architect charges the contractor PST for the design services.

(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?

No, it makes no difference how the end client of the principal engineering services provider is billed. The engineering services acquired solely for resale may be acquired on a PST-exempt basis.

However, as we discussed above under "4) Engineering Services provided under a Multi-Service Agreement ", we strongly recommend that the person providing the services separately itemize the taxable and non-taxable/exempt services being provided. This will reduce the likelihood of uncertainty in the event of a review by the Ministry.

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?

Corporations are exempt from PST on accounting services provided to that corporation by an employee of a related corporation within the meaning of section 148 of the PSTERR.

Two corporations are related corporations if:

- one of the corporations is a wholly owned subsidiary of the other corporation, or
- both of the corporations are wholly owned subsidiaries of the same corporation.

A corporation is a wholly owned subsidiary of another corporation if at least 95% of the outstanding shares of each class of the share capital of the subsidiary corporation are beneficially owned by one or both of:

- the other corporation
- a wholly owned subsidiary, or a wholly owned subsidiaries, of that other corporation

If the criteria outlined above are met, then the Canadian parent corporation and Canadian subsidiary are related corporations. For more information, please see Bulletin PST 210, *Related Party Asset Transfers*.

If they qualify as related corporations, the accounting services provided to the Canadian subsidiary by an employee of the Canadian parent corporation are exempt from PST.

For more information, please see the Exemptions section in the PST on Accounting Services webpage, and Notice 2026-001: Notice to providers of professional services.

(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)?

If the Canadian parent corporation and Canadian subsidiary are related corporations, then the accounting services are exempt from PST.

(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?

If the Canadian parent corporation and Canadian subsidiary are related corporations, then the accounting services are exempt from PST.

(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?

If the Canadian parent corporation and Canadian subsidiary are related corporations, then the accounting services are exempt from PST.

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.

<u>Questions for Ministry</u>

(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?

Yes, accounting services provided between a Canadian subsidiary to its Canadian parent corporation is a taxable provision of accounting services. However, an exemption may apply to related corporations.

Section 82.13 of the PSTERR provides an exemption for accounting services provided to corporations. Corporations are exempt from PST on accounting services provided to that corporation by an employee of a related corporation.

Corporations are exempt from PST on accounting services provided to that corporation by an employee of a related corporation within the meaning of section 148 of the PSTERR.

Two corporations are related corporations if:

- one of the corporations is a wholly owned subsidiary of the other corporation, or
- both of the corporations are wholly owned subsidiaries of the same corporation.

A corporation is a wholly owned subsidiary of another corporation if at least 95% of the outstanding shares of each class of the share capital of the subsidiary corporation are beneficially owned by one or both of:

- the other corporation
- a wholly owned subsidiary, or a wholly owned subsidiaries, of that other corporation

If the criteria outlined above are met, then the Canadian parent corporation and Canadian subsidiary are related corporations. For more information, please see Bulletin PST 210, *Related Party Asset Transfers*.

If they qualify as related corporations, the accounting services provided to the Canadian subsidiary by an employee of the Canadian parent corporation are exempt from PST.

Additionally, section 82.14 of the PSTERR provides an exemption from PST on accounting services purchased solely for the purpose of selling or providing to other persons those accounting services.
However, if the Canadian parent is using those accounting services for their own purposes as well as reselling then the resale exemption does not apply.

(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?

If the Canadian subsidiary and the Canadian parent do not meet the definition of related corporation as described in the answer to Question #1 their sales of accounting services are subject to PST. As such, the Canadian subsidiary is required to collect and remit PST.

However, if the Canadian subsidiary and the Canadian parent do meet the definition of related corporation, the provision of the accounting services is not subject to PST as they are specifically exempt. In this case, the Canadian subsidiary is not required to collect and remit PST.

(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?

Yes, if the management fees include accounting services it does constitute taxable accounting services for the purposes of the PST. Therefore, PST would apply on the fair market value of the accounting services provided as part of the management fee.

(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?

If no exemption applies, then PST applies to the fair market value of the accounting services.

If the Canadian parent is making a sale of taxable services and non-taxable services together for a single price it is making a bundled sale. The general rule for charging PST on a bundled sale is that seller charges PST only on the fair market value of the taxable portion of the sale.

The seller charges their customer PST on the entire single price for a bundled sale (section 26 of the PSTA) if:

- the fair market value of the taxable component is greater than 90% of the full price of the bundled sale, and the full price is less than $500, or
- the non-taxable component is not ordinarily available for sale in the open market separate from the taxable component or is not ordinarily provided separate from the taxable component for a price.

The seller's customer is exempt from PST on a bundled sale (section 137 of the PSTA) if all the following criteria are met:

- the fair market value of the taxable component is $50 or less and 10% or less of the full price of the bundled sale,
- the taxable component is not ordinarily sold by the seller separately from the non-taxable component,
- no good, software or telecommunication service included in the bundled sale is being provided by way of promotional distribution, and
- the bundled sale does not include liquor, a telecommunication service or a legal service.

For more information on "bundled sales", please see Bulletin PST 316 - *Bundled Sales and Leases*.

However, the related corporation exemption may apply, again.

(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?

This has been acknowledged, which is why there have been exemptions put in place for both resale of accounting services and exemptions for accounting services provided between related corporations.

(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?

Tax cascading may exist as in Question #5. As a result, exemptions are in place for both resale of accounting services and exemptions for accounting services provided between related corporations.

(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?

It is still a taxable sale of accounting services to the Canadian corporate group even at cost without markup. If there are no exemptions available, either as related corporations or for resale, then PST will 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?

Architectural and engineering services provided in BC to a person who resides, ordinarily resides or carries on business in BC are subject to PST.

Architectural and engineering services provided in BC to a person who resides, ordinarily resides or carries on business in BC are exempt from PST if the architectural and engineering services relate to:

- Real property situated in a jurisdiction outside B.C.
- Tangible personal property that is, or that is contemplated to be, ordinarily situated in or delivered in a jurisdiction outside B.C.
- A project that is, or that is contemplated to be, situated in a jurisdiction outside B.C.

The Ministry can confirm that any reasonable allocation methodology consistently applied year to year is acceptable. This includes an allocation method based on revenue, sales, employee headcount or payroll by province, a project-specific allocation or a combination of the above when calculating the taxable purchase price of engineering and architectural services.

If part of the engineering and architectural services provided in BC to a person who resides, ordinarily resides or carries on business in BC relates to a jurisdiction outside BC, and part of the services relates to BC, the portion that relates to a jurisdiction outside BC is exempt from PST. PST applies to the portion of the purchase price that is for the services that relate to BC.

In this situation, if the services are sold for a single price and are not itemized, the service provider is making a bundled sale. The general rule for charging PST on a bundled sale is the service provider charges PST only on the fair market value of the taxable portion of the sale.

To determine the taxable portion, the service provider can calculate the engineering and architectural services directly attributable to BC and to a jurisdiction outside of BC.

For example, a business based in BC purchases engineering services in BC that relate to a highway infrastructure project that is located 60% in BC and 40% in Alberta. In this scenario, 40% of the purchase price is exempt from PST as this portion relates to a jurisdiction outside of BC.

If a business based in BC purchases architectural services provided in BC that relate to a building project that will be used in both BC and Ontario and the services relate half to BC and half to Ontario, then PST applies to 50% of the total purchase price.

For more information, please see the following:

- PST on Architectural Services webpage,
- PST on Engineering and Geoscience webpage, and
- Bulletin PST 316, Bundled Sales and Leases.

General Questions for newly taxed professional services

9) Exemption for Resale of Taxable Professional Services

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.

Question for Ministry

(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?

Yes, accounting services, architectural services, engineering and geoscience services, security services and non-residential real estate services purchased solely for resale purposes are exempt from PST. For the resale exemption to apply, the provider must not use the professional service except for the purpose of resale.

A person can purchase professional services solely for resale purposes exempt from PST by providing the supplier their PST registration number. If the person is not a PST registrant, the person can claim this exemption by providing the supplier a completed *Certificate of Exemption – General* (FIN 490).

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

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).

Question for the Ministry

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

FIN 491 - Certificate of Exemption - Contractor and FIN 493 - Certificate of Exemption - Subcontractor are only for goods being purchased by a contractor or sub-contractor when they enter into contracts with persons exempt from PST or First Nations. These forms do not apply to services and cannot be used by providers of engineering and architectural services, unless the service providers enter into real property contracts with persons exempt from PST or First Nation.

This is discussed under Contracts with persons exempt from PST and exempt First Nations on our PST for Real Property Contractors webpage.

More information on British Columbia's PST, including registration, and collecting and remitting the PST, can be found in a series of PST Bulletins and Notices, and the Small Business Guide to PST. Our Forms Page contains exemption certificates and forms related to registration, applying for a refund, and self-assessing the PST.

For additional information, including free interactive webinars, informational videos and upcoming events, please visit the PST Outreach webpage. To receive updates about legislative changes and new public information, please "Subscribe For Tax Updates."

This correspondence describes how the Ministry interprets the relevant tax provisions at the time of writing for information purposes only. This response may be impacted by variations in circumstance, subsequent changes to legislation or Ministry interpretations or subsequent court decisions. The Ministry is not responsible for updating this response if there are any subsequent changes to the law or the Ministry's interpretation of the law. This response is provided as an aid to understanding the legislation. To confirm the application of the legislation to your particular circumstances, you should consult the legislation and obtain independent legal advice.

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