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May 15, 2026

The Honourable Brenda Bailey  
Minister of Finance  
Parliament Buildings  
Victoria, BC V8V 1X4  
[FIN.Minister@gov.bc.ca](mailto:FIN.Minister@gov.bc.ca)

**Via email**

**RE: British Columbia's Provincial Sales Tax on "Engineering Services"**

Dear Minister Bailey:

The Tax Executives Institute ("TEI") appreciates the opportunity to provide comments to the Government of British Columbia regarding expansion of the Provincial Sales Tax ("PST") to certain professional services, including engineering and geoscience services, effective October 1, 2026, as provided for in Bill 2 – Budget Measures Implementation Act, 2026 ("Bill 2"), which received Royal Assent on April 16<sup>th</sup>, 2026, and administrative guidance since.

### **About TEI**

TEI was founded in 1944 to serve the professional needs of in-house tax professionals. As the preeminent association of in-house tax professionals, TEI brings unique expertise to this policy discussion. TEI's nearly 6,000 members represent 2,800 of the world's leading companies, many of which either are resident or do business in Canada. Over 15 percent of TEI's membership comprises tax professionals who work for Canadian businesses in a variety of industries across the country, many of whom have substantial operations in British Columbia. TEI members are responsible for tax affairs of their employers and must contend daily with provisions of the tax law relating to the operation of business enterprises.

### **TEI Comments**

While the following recommendations reflect the views of TEI as a global organization, more particularly this submission reflects the experiences and sentiments of those of our Canadian and British Columbia constituency who interact with PST daily, including organizations undertaking capital-intensive infrastructure, energy transition, utilities, and industrial projects in British Columbia.

Our members are supportive of principled, administrable tax policy and recognize the province's fiscal objectives. However, we are concerned the expansion of PST to "Engineering Services," as enacted, will result in material unrecoverable PST costs on essential Engineering Services for large capital projects, potentially impairing investment decisions and competitive

neutrality.

This submission focuses on Engineering Services and proposes targeted exemptions or relief mechanisms, informed by policy approaches adopted in the provinces of Manitoba and Saskatchewan, to mitigate unintended economic consequences while preserving provincial revenue integrity.

Under recently enacted changes, PST will apply 30% of the purchase price of Engineering Services provided on or after October 1, 2026, at a rate of 7%, when rendered by a registrant or a person who is required to be registered under the Professional Governance Act and such services fall within the defined scope of professional engineering or geoscience discipline.

While TEI acknowledges the partial-tax model (taxation of only 30% of consideration), under the PST framework, the PST remains non-recoverable. For large capital projects necessitating substantial external engineering support, the PST results in a permanent cost burden unable to flow through input tax credits, unlike under a value-added tax system.

The definitions provided for under section 1 of the *Provincial Sales Tax Act* is broad and as follows:

**"engineering services"** means

- (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

The *Engineers and Geoscientist Regulation* to the Professional Governance Act defines the "practice of professional engineering services" to include *advice or services ancillary* to an "engineering discipline." By definition, the enacted provisions in Bill 2 impose a significant financial burden, particularly where proponents utilizes engineering firms to provide for and deliver certain turn-key projects under an Engineering, Procurement and Construction contract.

When we compare to other provinces, Manitoba has long applied Retail Sales Tax ("RST") to engineering design services; however, the province adopted important structural relief mechanisms:

- RST applies only to a deemed 30% taxable base of qualifying design services, limiting tax exposure;
- Sub-consultant Engineering Services provided to a prime consultant are exempt, so long as that the prime consultant self-assesses and remits tax on the overall project fee; and
- The regime is narrowly focused on design services only and excludes or exempts many services ancillary to construction and operation.

The Manitoba approach materially reduces the cascading of RST and compliance complexity for large, multi-party engineering engagements.

The Saskatchewan PST framework distinguishes between taxable and exempt engineering activities, including:

- Exemptions for contract administration and commissioning services, where such services are not part of taxable construction management; and
- Clear administrative guidance limiting PST to enumerated design-related services.

As a result, the Saskatchewan approach avoids imposing PST on broad categories of engineering work integral to capital projects execution and oversight.

Additionally, to preserve jobs, economic stability, and capital investments, Saskatchewan took bold steps to provide unconditional exemptions to the oil and gas, potash, and minerals industry, thereby protecting its most critical and valued industries<sup>1</sup>.

For large infrastructure and energy projects, Engineering Services are not discretionary inputs; they are regulatory, safety-critical, and often mandated. The BC PST expansion will have negative impact as follows:

- Increased Capital Expenditure and Project Costs

Major infrastructure and energy projects rely extensively on professional services throughout the project lifecycle, including front-end engineering design, environmental studies, detailed engineering, construction support, and project assurance. The enacted measures would apply unrecoverable PST to these services, resulting in higher capital expenditure without improving project outcomes.

Because PST is not recoverable, these costs become permanently embedded in capital budgets. Even where partial tax bases apply, the cumulative effect across multiple project phases materially increases total project costs and reduces capital efficiency. It has an unforeseen cascading effect when it is applied broadly without qualifications.

- Impact on Investment, Labor Markets and British Columbia

Capital investment decisions are highly sensitive to cost differentials across jurisdictions both nationally and internationally. Nationally the additional unrecoverable tax on Engineering Services widens the competitiveness gap between British Columbia and other provinces, including those with either no PST or targeted relief frameworks.

Higher capital costs directly reduce the number, scale, and timing of projects that can proceed. The chilling effect will directly impede the development of clean energy projects thus impairing the ability of the government to achieve its climate goals.

We also anticipate negative downstream consequences for employment, including jobs for engineers, technologists, construction trades, Indigenous and local contractors, general laborers and professional services firms based in British Columbia. The increased PST burden will contribute to erode affordability for British Columbians for essentials like energy and housing.

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<sup>1</sup> Paragraph 3(4.2)(e) of the *Provincial Sales Tax Regulation* (Saskatchewan).

### TEI Recommendations

Our member organizations have a long-standing commitments to investing in British Columbia and supporting the province's economic and employment objectives. However, tax policy plays a critical role in determining where capital is deployed. Without targeted relief, the PST expansion on Engineering Services no doubt risks a reduction in future capital investments in the province.

TEI respectfully recommends the Ministry consider one or more of the following targeted measures to address our aforementioned concerns:

(a) Capital Project Exemption:

Along with the Government of Canada's announcement in its Spring Economic Update, in which the Government of Canada identified over \$150 billion of potential LNG investments by the early 2030s, the Government of British Columbia should also take bold and decisive actions to encourage investments in major projects and to partner with the Government of Canada by introducing specific PST exemptions for Engineering Services related to major capital projects, including liquefied natural gas and related infrastructure, oil and natural gas (including exploration, development, and production and processing), utility expansion, clean energy projects and minerals industry where the costs are capitalized to real property.

(b) Sub-Consultant Relief

Allow Engineering Services provided by sub-consultants to prime engineering firms to be PST-exempt, with PST applied only once at the prime contract level, thereby reducing cascading tax exposure, following Manitoba's lead.

(c) Expanded Exclusions for Contract Administration and Commissioning

Explicitly exempt contract administration, commissioning, and construction-phase Engineering Services, consistent with the Saskatchewan PST framework.

(d) Grandfathering of Contracts

Engineering Services performed under contracts entered into prior to the announcement of the 2026 Budget on February 17, 2026, should not be subject to PST, even if such services were performed and consideration for those services paid for after October 1, 2026.

Providing such transitional relief would be consistent with principles of tax fairness and predictability, as taxpayers who entered into these contracts prior to Budget 2026 did not have a reasonable expectation that PST would apply to such services and they would not have accounted for the related increase in costs for those projects. In the absence of these measures, the effective retroactive application of the tax could impose unintended and inequitable financial burdens on both clients and service providers.

TEI supports the Government of British Columbia's goal of ensuring a sustainable PST base. Additionally, TEI strongly recommends that the Government of British Columbia ensure that administrative guidance related to taxable professional services such as Engineering Services provide clarity for vendors to easily determine which services are taxable and which are not. However, we believe targeted relief for Engineering Services associated with major capital projects would align British Columbia more closely with other PST provinces, reduce economic distortion, and support continued investment in critical infrastructure.

We would welcome the opportunity to engage further with you to discuss these proposals and provide additional industry perspectives.

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TEI appreciates the opportunity to provide our views regarding expansion of British Columbia's PST to Engineering Services. TEI's comments were prepared under the aegis of TEI's Canadian Commodity Tax Committee, whose chair is Martin Behagg and whose legal staff liaison is Kelly Madigan. Should you have questions about our recommendation, please contact Mr. Behagg at [martin.behagg@rci.rogers.com](mailto:martin.behagg@rci.rogers.com) or by telephone at (416) 935-7206. We thank you for the opportunity to provide these comments.

Respectfully submitted,

***Walter B. Doggett***

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