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Tax Executives Institute – British Columbia Ministry of Finance Liaison Meeting – Additional Information

Tax Executives Institute, Inc. (“TEI”) welcomes the opportunity to participate in the liaison meeting with the British Columbia (“BC”) Ministry of Finance (“the Ministry”) and share its recommendations on opportunities to (1) improve the competitiveness of BC through changes to consumer taxation policies and (2) provide clarity and certainty to taxpayers in the province. The information presented for our 2026 Annual Liaison meeting is organized in five parts:

Part I: Opportunities to Reduce Barriers for Business and Increase Competitiveness

Part II: 2026 BC Budget Measures

Part III: Other Recommendations

Part IV: Update from Ministry on Past Discussions

Part V: Audit Discussion

Note on Scope: The questions presented in this submission relate to policy matters and ongoing discussions from prior liaison meetings. TEI and the Ministry have agreed that interpretive questions relating to Budget 2026 measures will be addressed in a separate, subsequent written submission with written responses. Accordingly, this submission does not include questions of an interpretive nature regarding the new taxable professional services effective October 1, 2026.

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. The following recommendations reflect the views of TEI as a whole but, more particularly, those of our Canadian constituency.

PART I: OPPORTUNITIES TO REDUCE BARRIERS FOR BUSINESS AND INCREASE COMPETITIVENESS

The Government of BC has made reducing interprovincial barriers, attracting investment, and boosting competitiveness central pillars of its economic strategy. Through the Look West plan, the Government has set a goal to secure \$200 billion in private-sector investment by 2035 (<https://news.gov.bc.ca/releases/2026PREM0020-000479>). Through the Canadian Mutual Recognition Agreement—an initiative led by BC—the Province has championed the removal of interprovincial trade barriers, with Premier Eby stating: “We’ve led the effort to make it easier for businesses to grow and create good jobs across provincial and territorial lines” (<https://news.gov.bc.ca/releases/2025JEG0054-001139>). Budget 2026 introduced a Manufacturing and Processing Investment Tax Credit to help businesses become “more productive and competitive” (https://archive.news.gov.bc.ca/releases/news_releases_2024-2028/2026FIN0003-000158.htm).

TEI commends these efforts. The recommendations herein are intended to support these same objectives by identifying areas where consumer tax policy may inadvertently work against the Government’s stated economic priorities, and to provide on-the-ground feedback from the taxpayers responsible for administering and complying with the BC Provincial Sales Tax (“PST”). TEI’s members act as agents of the province in collecting PST and have a direct interest in ensuring the tax system operates effectively for both government and business.

(1) BC Harmonization with HST

Issue:

In 2025, TEI submitted a comprehensive recommendation calling on BC to replace the PST with the Harmonized Sales Tax (“HST”) as one of the most impactful measures to enhance BC’s economic competitiveness (<https://www.tei.org/advocacy/submissions/tei-recommends-replacing-bc-pst-hst>).

However, the Premier has recently signalled that the HST is a non-starter (<https://www.biv.com/news/commentary/rob-shaw-ghost-of-hst-returns-as-business-leaders-push-back-on-pst-expansion-11923538>). TEI notes with concern that characterizing harmonization as merely “[taxing] things that we don't currently tax...” and that the push by business and industry for HST is about “...ensuring reduction of paperwork and duplication between federal and provincial tax regimes...” significantly understates the economic benefits of harmonization. As TEI’s 2025 submission demonstrates, harmonization is primarily about

reducing the cost of capital investment, eliminating tax cascading through the supply chain, and removing interprovincial trade barriers. These benefits directly align with the Government's Look West investment objectives. Framing harmonization as a tax increase overlooks the fact that BC's current PST already imposes significant hidden costs on businesses and consumers through its cascading, non-recoverable nature. Most recently, BC expanded the PST base in the 2026 BC Budget by placing PST on several professional services further increasing the cost of capital in BC.

Impact on Competitiveness:

- BC missed an opportunity to impactfully enhance BC's economic competitiveness, reduce interprovincial barriers, and decrease the costs of capital investment by BC by choosing to expand the PST base to certain professional services over harmonization
- Instead of reducing the cost of capital investment in BC, the PST expansion in BC Budget 2026 has increased the cost of capital investment in BC and may act as another deterrent to investment in the province
- BC PST remains a non-recoverable cost that cascades through the supply chain, unlike a value-added tax

TEI Recommendation:

- TEI will continue to advocate that BC harmonize with the GST as one of the most impactful measures to enhance BC's economic competitiveness, reduce interprovincial barriers, and decrease the costs of capital investment in BC
- The Premier has stated: "If that's a campaign that the business community wants to take on, I'd be happy to hear the public discussion about it" (BIV, February 25, 2026). TEI accepts this invitation.

Proposed Actions:

1. Could the Ministry provide their view of what meaningful and concrete steps that TEI and other industry/professional associations could take to meaningfully advance the harmonization conversation in a way that would be productive for the business community, the BC government and the people of BC? If the Ministry cannot speak about this issue at the liaison meeting, TEI requests the Ministry provide such feedback by September 2026.

2. Could the Ministry provide insight to TEI on how the expansion of the PST base to professional services — which increases the non-recoverable cost of capital investment in BC — aligns with the Government's simultaneous introduction of the Manufacturing and Processing Investment Tax Credit, which is designed to encourage such investment (https://archive.news.gov.bc.ca/releases/news_releases_2024-2028/2026FIN0003-000158.htm)

(2) Opportunities for Enhanced Stakeholder Engagement and Prospective Regulation-Making

Issue:

TEI recognizes the significant volume of legislative and administrative changes the Ministry manages and appreciates the Ministry's willingness to engage with stakeholders, including through the TEI-Ministry liaison meeting process. TEI raises this topic as an opportunity to strengthen existing engagement practices, which TEI believes would benefit both the Ministry and the taxpayers who act as agents in administering the BC PST.

When the Ministry engages with stakeholders (including industry associations such as TEI, professional bodies, and directly impacted businesses)—in advance of changes to legislation, regulations, and administrative interpretations, there is a greater likelihood that:

- The resulting measures will reflect how transactions and business operations work in practice;
- Policy objectives will be achieved as intended; and
- The measures can be implemented efficiently by the businesses responsible for collecting and remitting PST on behalf of the province.

TEI believes that enhanced consultation processes, particularly for measures that affect how PST is collected, would benefit both the Ministry and industry by reducing the need for subsequent corrective measures and supporting a stable and predictable regulatory environment for businesses operating in BC.

Examples:

1. *Administrative change to “ordinarily situated in BC”:*

In 2025, the Ministry issued two changes to its interpretation of "ordinarily situated in BC" in respect of mobile electronic devices:

- The first change was made in July 2025 and the second in December 2025.
- In both instances, industry was not consulted in advance, despite stakeholders reaching out to the Ministry after the July 2025 changes to offer input.
- As vendors act as agents in collecting BC PST on behalf of the province, advance engagement on such changes would assist in ensuring a smooth transition and technically sound implementation.

TEI offers this as a constructive observation: where the Ministry has engaged with industry on past changes, the outcome has generally been a smoother implementation with fewer post-implementation issues. Extending this collaborative approach to interpretive changes would benefit both the Ministry and taxpayers alike.

2. *Retroactive Regulation-Making Power – Budget Measures Implementation Act, 2026 – ss. 104 and 105:*

The *Budget Measures Implementation Act, 2026* introduced retroactive regulation-making powers under new sections 104 and 105 of the *Provincial Sales Tax Act* (“PSTA”). . TEI encourages the Ministry to reserve such retroactive powers for only exceptional situations, as their routine use can create uncertainty for taxpayers who have acted in good faith based on the rules in effect at the time.

3. *Section 105 – New Taxable Services:*

This section provides authority to retroactively update definitions for newly taxable professional services through Regulations. TEI notes that consulting impacted industries on retroactive changes would benefit the effectiveness of the PST regime.

Where a retroactive change subsequently relieves the supply from tax, it creates administrative challenges for vendors who collected tax in good faith based on the Regulations at the time of the supply. TEI proposes that in such cases, the Ministry implement requirements that purchasers can only obtain a refund from the Ministry and not from the vendor to avoid creating challenges for vendors.

Where a retroactive change makes something taxable that was previously not taxable, vendors cannot retroactively collect tax from purchasers. As a result, such changes should apply on a go-forward basis only.

4. *Section 104 – Retroactive Power to Eliminate Exemptions:*

The effect of this section is to provide authority to retroactively eliminate exemptions by Regulation such that a Regulation promulgated before March 31, 2027 is deemed to have come into force by October 1, 2026 – the date that Budget 2026 proposed to eliminate various exemptions.

However, industry requires certainty prior to October 1, 2026 that the legislative authority for the elimination of such exemptions exists and that Regulations will be promulgated before October 1, 2026—not retroactively after the fact.

Impact on Competitiveness:

- Retroactive tax changes create uncertainty for businesses making investment and compliance decisions
- Businesses require a stable and predictable regulatory environment to plan effectively

A collaborative approach to regulatory development supports BC's reputation as a transparent and business-friendly jurisdiction.

TEI Recommendation:

TEI respectfully recommends:

- The Ministry consider formalizing stakeholder engagement processes for changes to administrative interpretations and legislative/regulatory measures, particularly those affecting how PST is collected
- Consider the approach taken by other jurisdictions (such as the federal government), where draft legislation is released for comment prior to its implementation
- Retroactive regulation-making power be reserved for truly exceptional circumstances
- Where retroactive changes relieve a supply from PST, require purchasers to only seek refunds from the Ministry and not vendors
- Where retroactive changes make a supply taxable, such changes apply on a go-forward basis only

- Sufficient time should be allocated between the publication of draft rules or proposed rules and final rules to permit substantive industry consultations (specific to the proposed matter) be conducted in advance of enacting any legislation, regulations, or administrative changes.

Policy Rationale:

Enhanced stakeholder engagement would benefit the Ministry by:

- Reducing the need for retroactive corrective measures, which create administrative complexity for the Ministry, vendors and taxpayers
- Identifying implementation challenges before changes take effect, reducing the volume of enquiries, objections, and refund claims the Ministry must subsequently process
- Supporting higher rates of voluntary compliance. When taxpayers understand and can implement rules as intended, error rates and the need for audit intervention decrease.
- Strengthening BC's reputation as a transparent and predictable jurisdiction for business, which supports the Government of BC's stated objectives of economic development and interprovincial trade.

TEI does not seek to limit the BC Government's Parliamentary Authority or the Ministry's authority under this recommendation; it seeks to support the Ministry in exercising that authority more effectively through consultation that identifies practical implementation considerations in advance.

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider establishing a consultation process for significant interpretive changes; provide update to TEI by next liaison meeting.

(3) Interprovincial Barriers – Better Alignment with Saskatchewan and Manitoba

Issue:

The 2026 BC Budget expanded the PST base to apply to certain professional services. As of October 1, 2026, PST will apply to:

- Accounting services
- Architectural services
- Engineering and geoscience services
- Security services
- Non-residential real estate services

Budget 2026 provides that “Expanding the tax to these services is generally consistent with how tax applies to these services in most provinces” (p.86 of 2026 BC Budget). However, BC crafted new definitions for each of these newly taxable professional services that do not align with either Saskatchewan (“SK”) or Manitoba (“MB”), creating new interprovincial barriers for Canadian businesses.

Specifically, TEI observes the following definitional differences:

- Accounting services – BC's definition is significantly broader than both SK and MB. BC defines "accounting services" to include the preparation of virtually any "accounting record" – a term that itself encompasses invoices, payroll, budgets, tax returns, and applications for credits or refunds (*Budget Measures Implementation Act, 2026*, paragraph 82(a); PSTA s. 1). Critically, BC also taxes "advice or consulting" provided in connection with any accounting service – meaning tax planning advice bundled with return preparation is fully taxable. The only statutory exclusion is services provided to one's employer in the course of employment. SK defines taxable accounting services more narrowly (SK Regs s. 3(1.1): investigating/auditing accounting records, preparing balance sheets, P&L statements, payrolls, budgets, tax returns, bookkeeping, billing, cost accounting, account reconciliation), and explicitly exempts: advice or consulting related to business management, tax planning, estate planning, investments or financial management; management fees (provided no other taxable accounting services are included); and educational seminars, training, and coaching services (SK PST-62, Section B, Rev. May 2024). MB also taxes accounting services (RST Act s. 4(1)(i)(ii)) but provides numerous exemptions (MB Bulletin 057), including: consulting and advisory services, teaching/training, financial planning/investment advice, tax planning (when not part of

return preparation), and estate planning. MB also provides a de minimis rule (no tax where accounting services are less than 20% of the purchase price of a non-taxable service) and a related-party exemption for intercompany charges within a corporate group. BC provides no comparable carve-outs — no exemption for advisory or consulting services, no de minimis threshold, and no related-party relief — making it the broadest taxing jurisdiction for accounting services among the three provinces.

- Engineering and geoscience services — BC taxes all advice or services within the practice of professional engineering or professional geoscience provided by a person registered (or required to be registered) under the *Professional Governance Act (Budget Measures Implementation Act, 2026*, paragraph 82(a); PSTA s. 1). The only statutory exclusion is services provided to one's employer. SK defines taxable "engineering services" more narrowly (SK Regs s. 3(4.2)): design services, construction management, and software/system design, with tax on design services calculated at 30% of the total amount charged (SK Regs s. 7.28(2); PST-65, Section B). SK explicitly exempts services related to the exploration for oil, natural gas, potash or other minerals (SK Regs s. 3(4.2)(e)), as well as feasibility studies, environmental studies, and general consulting or advisory services (PST-65, Section J). MB taxes "geoscientific or engineering services" (RST Act s. 4(1)(i)(iv)) but limits scope to 30% of services under "Category III: Design" in the APEGM Categories of Services (MB Bulletin 058), and explicitly exempts feasibility studies, environmental studies, and general consulting or advisory services (MB Bulletin 058, Exempt Services). BC's definition is materially broader than both.
- Security services — BC defines taxable security services by reference to the *Security Services Act*, tying taxability to whether the provider holds or is required to hold a security business licence (PSTA s. 1, per *Budget Measures Implementation Act, 2026*, paragraph 82(f)). Two separate charging provisions apply depending on whether services are provided in BC (s. 129.51) or outside BC to a BC resident (s. 129.52), each employing an eight-factor "relates to British Columbia" nexus test and requiring purchasers to make "reasonable estimates" of jurisdictional allocations and retain supporting records (s. 129.52(4)). SK also references licensing legislation in its definition — "security or private investigation services" includes services provided by a person licensed under *The Private Investigators and Security Guards Act, 1997*, plus electronic alarm monitoring as a standalone functional category (SK Regs s. 3(7)(a)–(c)) — but applies a single charging provision (s. 5(3): taxable service "purchased at a retail sale in the province") without dual nexus tests or purchaser-side apportionment. MB names "security and security monitoring services" and "private investigation services" as

taxable service categories (RST Act s. 4(1)(i)(v)–(vi)) without reference to licensing legislation, subject to the same "provided in Manitoba or relate to Manitoba in a manner prescribed by regulation" test as other professional services (s. 4(1)(i) chapeau). The critical distinction is BC's dual-provision structure and statutory purchaser-side allocation obligation, which creates materially greater compliance complexity for remotely-delivered security services than exists in either SK or MB.

- Non-residential real estate services — BC taxes non-residential real estate services based on the *Real Estate Services Act* definitions: trading services, rental property management, and strata management (*Budget Measures Implementation Act, 2026*, paragraph 82(c); s. 20.4). Notably, BC's charging section for real estate services (s. 129.41) uses a single provision rather than the dual "provided in BC" / "provided outside BC to a BC resident" structure used for other newly taxable professional services — meaning the place-of-supply rules differ from those applicable to accounting, engineering, and security services. SK taxes "real estate services" defined as services provided by a registrant under *The Real Estate Act* relating to the sale or lease of real property located in Saskatchewan (SK Regs s. 3(5)) — a broader base than BC because it includes residential real estate services (except services relating to the sale of a new residential single-family dwelling). MB does not tax real estate services at all (absent from RST Act s. 4(1) enumerated list; confirmed MNP, March 2026). In sum, BC is the only province among the three to tax non-residential real estate services while simultaneously excluding residential transactions — a (welcomely) narrower base than SK but a net expansion relative to MB, which imposes no tax on real estate services whatsoever.

These differences are not minor variations — they represent fundamentally different approaches to what is within the tax base for each category of service. A business operating across BC, SK, and MB must now navigate three materially different definitions, three different sets of exemptions, and three different sets of rules for determining where services are provided and which jurisdiction's tax applies.

Impact on Competitiveness:

In 2025, TEI proposed that BC collaborate with Saskatchewan and Manitoba to align their PST application rules when the same tax base is shared across provinces. Rather than alignment, the 2026 BC Budget has created further divergence by introducing definitions for newly taxable professional services that differ from those in Saskatchewan and Manitoba.

These definitional differences create unnecessary burdens for inter-provincial businesses by:

- Creating new barriers to interprovincial trade
- Reducing regional competitiveness
- Discouraging business expansion across Western Canada
- Increasing compliance costs for businesses operating in multiple PST jurisdictions

TEI Recommendation:

- TEI reiterates its call for BC to work closely with Saskatchewan and Manitoba to better align the PST application rules when provinces tax the same base. Specifically, TEI proposed at the 2025 meeting that BC collaborate with Saskatchewan and Manitoba to align their PST application rules while maintaining individual tax base autonomy. This alignment would:
 - Simplify compliance for businesses,
 - Preserve each province’s authority over their tax base, and
 - Enhance regional economic competitiveness
- TEI notes that the Government’s successful leadership of the Canadian Mutual Recognition Agreement (CMRA) demonstrates the positive outcomes that are achievable when government engages with industry stakeholders collaboratively (<https://news.gov.bc.ca/releases/2025JEG0054-001139>). Minister Kahlon described the CMRA as “the largest set of red tape reduction in Canada’s history,” achieved through partnership with business and other governments. TEI submits that a similar collaborative approach to changes in PST administration would yield comparable benefits and support the Government’s stated goal of making it easier for businesses to grow and create good jobs across provincial and territorial lines.

Policy Rationale:

- BC’s stated rationale for expanding the PST base to professional services is consistency with other provinces—yet the definitions used do not align with SK or MB.
- Better alignment would reduce compliance costs for businesses operating across Western Canada without requiring BC to surrender its tax base autonomy.
- The Government of BC’s participation in the New West Partnership Trade Agreement (NWPTA) with Alberta, Saskatchewan, and Manitoba demonstrates BC’s stated commitment to seamless interprovincial commerce—misaligned PST definitions undermine this objective.

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider providing TEI with the policy rationale for definitional differences from SK and MB for newly taxable professional services.

PART II: 2026 BC BUDGET MEASURES

(4) 2026 Budget – Resident Purchasers and Services Provided Inside the Province: Double Taxation

Issue:

The BC PST legislative measures for the 2026 Budget introduced measures applicable to engineering and architectural services based on where the services are performed and whether the purchaser resides in, or carries on business in, British Columbia.

Pursuant to recently enacted subsection 129.31(1) of the PSTA (from *Budget Measures Implementation Act, 2026*), if a purchaser or recipient of engineering services provided in British Columbia resides, ordinarily resides, or carries on business in British Columbia, the purchaser must pay to the government tax on the provision of the engineering services at the rate of 7% of the amount equal to 30% of the purchase price of the engineering services.

Based on our understanding, this rule would apply even where the services relate to a project located outside British Columbia. Where another jurisdiction also requires the purchaser to pay tax on the basis that the services relate to real property or a project located in that jurisdiction, this could result in double taxation. For example, BC PST could apply in addition to Manitoba or Saskatchewan PST where the services relate to real property located in Manitoba or Saskatchewan.

Example:

An engineering firm registered under the *Professional Governance Act* with the Association of Professional Engineers and Geoscientists of the Province of British Columbia provides services from its offices in British Columbia and supplies design services (Category III services as defined by the Association of Consulting Engineering Companies Saskatchewan (ACEC)) in connection with a real property located in Saskatchewan to a client who resides in British Columbia.

In this scenario, it is our understanding that BC PST would apply in addition to Saskatchewan PST (because the services relate to real property located in Saskatchewan) and would therefore result in double taxation. The same analysis would apply in a situation where the services relate to real property located in Manitoba.

Impact on Competitiveness:

- Creates double taxation for BC-resident businesses acquiring services related to projects in other provinces
- Disadvantages BC-based service providers relative to providers resident in other provinces
- Incentivizes planning or restructuring to avoid BC residency for service acquisition
- Building on the above example, take the case where a purchaser who does not reside in or carry on business in BC, but requires certain engineering services in respect of real property or project in any location outside BC. As enacted, the purchaser is unlikely to consider engaging a BC service provider for such services, thus the provisions of section subsection 129.31(1) puts BC service providers at a competitive disadvantage.

TEI Recommendation:

- TEI recommends the Ministry introduce an exemption to prevent double taxation where engineering or architectural services performed in BC relate to real property, projects, or other matters located outside British Columbia and to level the playing field for BC service providers with competitors from other jurisdictions.
- Alternatively, TEI recommends the Ministry clarify that BC PST does not apply where the services relate to real property, tangible or intangible property, a project, or any other matter located outside British Columbia, even where the recipient of the services resides in British Columbia.
- The Government's Look West strategy aims to secure \$200 billion in private-sector investment by 2035 (<https://news.gov.bc.ca/releases/2026PREM0020-000479>). TEI recommends the Ministry assess the potential impact of double taxation on engineering and architectural services on cross-border project investment decisions. Where a BC-resident purchaser faces PST in BC in addition to PST in another province on the same services, the resulting unrecoverable tax cost may influence where businesses locate projects and personnel. TEI would welcome the Ministry's perspective on whether relief from double taxation in these circumstances would be consistent with the Government's investment attraction objectives.

Policy Rationale:

Providing relief from double taxation in multi-jurisdictional scenarios would:

- Not result in revenue loss where BC has no genuine connection to the consumption of the services as the services relate to property or projects located entirely outside BC
- Reduce the administrative burden of processing refund claims from taxpayers who pay PST in BC and subsequently seek relief on the basis that another province also imposed tax on the same services
- Align with the underlying policy of the charging provisions, which connect tax to the location of the services or the property to which they relate and not simply to the residency of the purchaser in all circumstances
- Be consistent with Saskatchewan's approach to engineering services relating to property located outside the province, which has not resulted in revenue base erosion; and
- Level the playing field and avoid putting BC resident service provider at a competitive disadvantage against competitors in other jurisdictions.

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider providing written clarification on whether relief will be available for double taxation on professional services, prior to October 1, 2026.
- TEI: Available to provide illustrative scenarios to assist the Ministry's analysis.

(5) 2026 Budget – Application of PST to Engineering Services Under Existing Public-Private Partnership (P3/PPP) Contracts

Issue:

Based on our understanding of the recently enacted provisions by *Budget Measures Implementation Act, 2026*, the interaction of (i) the transitional rules under subsections 99(1), 99(2) and 99(3), (ii) section 33 of the PSTA, and (iii) section 26 respecting bundled transactions appears to result in the application of PST to portions of the monthly service payments ("availability payments") under existing P3/DBFOM contracts that may be attributable to engineering services, even where the bulk of the engineering services were fully performed and completed several years prior to October 1, 2026.

Impact on Competitiveness:

The application of these provisions to preexisting P3 contracts raises questions of policy alignment and administrative practicality, given the distinctive commercial and financial characteristics of P3 delivery models.

Examples:

1. Budgetary neutrality and public-sector impact

Existing P3 contracts were executed and financially closed well in advance of the 2026 Budget announcement, based on long-term financial models that did not contemplate the application of PST to professional services embedded within availability payments. As PST is non-recoverable, any such tax would ultimately be borne by public-sector entities (provincial/federal government, municipalities, Crown corporations), creating an unforeseen fiscal burden on public finances over the remaining term of these contracts (often 20 to 25 years), without a corresponding change in service delivery or value received.

From a consolidated public finance perspective, the measure would therefore operate largely as an internal fiscal transfer rather than as a net revenue enhancement.

2. Structural and practical implementation considerations

Availability payments under P3 arrangements are deliberately structured as blended, unitary payments covering design, construction, financing, long-term operations and maintenance, and rehabilitation, with pricing determined at financial close and not supported by ongoing invoicing of actual costs. Isolating the fair market value of an “engineering services” component from such payments, particularly where the underlying services were mostly performed many years ago, would present significant practical and evidentiary challenges, absent clear and administratively workable allocation rules.

In addition, the monthly payments derived from the financial models were based on budgeted figures established years ago, whereas, if PST were to apply on a portion of the monthly payment, a true-up would need to be effected and actual invoices supporting costs used to justify the PST amount applied, which is not the spirit behind P3/PPP Contracts.

3. Characterization of availability payments

Availability payments are fundamentally consideration for the provision and long-term availability of an asset and related performance obligations, rather than consideration for the contemporaneous supply of discrete professional services. The application of

professional-services tax concepts to this payment model does not appear to have been expressly contemplated in the existing legislative framework.

TEI Recommendation:

Considering the above, and as Regulations and administrative guidance are developed, TEI requests clarification on the following:

- Transitional treatment for existing P3 contracts: TEI recommends the Ministry introduce specific transitional measures—whether by exemption, deeming rules, or other relieving provisions—for pre-existing P3/PPP contracts where engineering services were mostly fully performed prior to October 1, 2026, but where availability payments continue to be made over the contract term (sometimes remaining 20–25 years).
- Allocation methodology in the absence of relief: TEI recommends the Ministry publish rules or guidelines respecting the methodology for determining the fair market value of the “engineering services” component within a blended P3 monthly payment, particularly for the purposes of section 26 of the PSTA and the 30% rule.
- Public-sector fiscal implications: TEI recommends the Ministry assess the fiscal impact of applying PST to existing P3 contracts on public-sector counterparts, given that the resulting tax would represent a non-recoverable and unbudgeted cost borne by government entities, and consider targeted relief accordingly.

Policy Rationale:

- Excluding pre-existing contracts entered into prior to the Budget date from the application of PST would promote certainty and support an orderly and equitable implementation of the recently enacted changes
- The measure would largely operate as an internal fiscal transfer between government entities rather than generating net new revenue
- P3 contracts were structured on long-term financial models that did not and could not have contemplated PST on embedded services

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider advising whether transitional relief for existing P3 contracts is under consideration, prior to October 1, 2026.
- TEI: Available to provide information on the structure of affected contracts to assist policy development.

(6) 2026 Budget – Long-Term Contracts

Issue:

Many engineering and architectural contracts are long-term, fixed-price agreements that were entered into well before the 2026 Budget. The application of PST to engineering and architectural services will result in a significant increase in costs to clients. These costs were neither anticipated nor budgeted at the time these contracts were executed and could have material adverse financial impacts.

Impact on Competitiveness:

- The retroactive impact of the tax could impose unintended financial burdens on clients and service providers alike
- Application of PST to contracts executed prior to the Budget date could result in contractual disputes, renegotiations, or litigation
- These outcomes would create uncertainty, increase costs for taxpayers, and could adversely affect the continuity of such contracts

TEI Recommendation:

TEI recommends the Ministry provide transitional relief in circumstances where contracts were executed prior to Budget 2026. Such relief could include:

- Grandfathering provisions for contracts entered before the 2026 Budget date
- Transitional rules under which PST would not apply to services performed under pre-existing contracts

Policy Rationale:

- Providing transitional relief would be consistent with principles of tax fairness and predictability, as taxpayers entered into these contracts without any reasonable expectation that PST would apply to such services
- Excluding existing contracts entered into prior to the Budget date from the application of PST would promote certainty and support an orderly and equitable implementation of the recently enacted changes

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider providing guidance on transitional treatment for long-term contracts executed prior to Budget 2026, prior to October 1, 2026.

(7) 2026 Budget – Related-Party and Intercompany Exemptions

Issue:

The 2026 Budget's expansion of BC PST to certain professional services raises questions about the application of PST to intercompany transactions within corporate groups. Large professional services organizations frequently operate integrated service delivery models across multiple entities and provinces, resulting in intercompany charges for services rendered internally.

Impact on Competitiveness:

- Without a related party exemption, PST would cascade within corporate groups on internal cost allocations
- Creates unrecoverable PST costs for legitimate intercompany arrangements
- May influence corporate structuring decisions based on tax implications rather than business efficiency

Comparison to Federal Legislation:

Under the *Excise Tax Act* (Canada), section 156 provides a closely related group election that allows intercompany supplies between eligible group members to be deemed to be made for nil consideration, relieving GST/HST on such supplies. A similar mechanism for BC PST would prevent tax cascading within corporate groups.

TEI Recommendation:

TEI recommends the Ministry introduce related-party or intercompany exemptions to prevent cascading PST within corporate groups. Specifically, TEI recommends:

- Where a Canadian parent corporation or subsidiary provides accounting, engineering, architectural or other taxable services to an affiliated entity within the same corporate group, an exemption should be available to relieve PST on intercompany charges.
- Cost-sharing or cost-recovery arrangements between related entities should qualify for relief, which represent a bona fide allocation of internal costs.

Policy Rationale:

Introducing related-party and intercompany exemptions would:

- Not result in lost revenue to the province. The PST would still apply when the service is ultimately consumed by an arm's-length party; the exemption would only relieve cascading tax on internal cost allocations that do not represent final consumption
- Reduce audit disputes where the Ministry assesses PST on intercompany charges that represent genuine cost allocations rather than commercial transactions
- Be consistent with the existing related-party exemption framework for tangible personal property under Part 9 of the *Provincial Sales Tax Exemption and Refund Regulation* (B.C. Reg. 97/2013 as amended), extending the same logic to the newly taxable professional services
- Include appropriate safeguards: the exemption would apply only within consolidated corporate groups at specified ownership thresholds, preventing access by arm's-length parties

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Implement an intercompany or related-party relief for the newly taxable professional services, prior to October 1, 2026.

PART III: OTHER RECOMMENDATIONS

(8) Application of PST to Joint Ventures

Issue:

Unincorporated joint ventures (“JV”)¹ are generally not considered legal persons / entities at common law or partnerships under provincial partnership legislation. Rather, JVs constitute contractual obligations among participants of the JV. It is common practice for JVs to maintain separate accounting records in order to segregate project-specific revenues and costs, and such separate accounting records are generally maintained by the operator of the JV. As a result, operators maintain books and records for and on behalf of joint venture participants and allocates cost and revenues based on each participant’s undivided interest in the JV. Amongst others, the operator of the unincorporated JV also undertakes the following activities:

- Procurement of goods and services on behalf of the JV and includes entering into contracts with suppliers for the acquisition of goods and services for joint venture activities; and
- Account for sales or revenues with respect to the joint venture activities.

Challenges with Current Application:

Some of the services acquired by or provided through the JV operator may qualify as taxable services for PST purposes, while others may not. In addition, goods acquired by the JV operator may be subject to PST, and in certain cases may be acquired from suppliers who do not charge PST, requiring PST to be self-assessed.

The JV operator then allocates all costs incurred and distributes revenues to co-venturers, in accordance with the JV agreement based on each co-venturer’s undivided interest in the JV.

Throughout the course of the JV, it is the operator that maintains the books and records in respect of the joint venture activities.

¹ Joint ventures for the purposes herein refer to “unincorporated” JVs and not JVs formed within a corporation. Where joint ventures are formed by incorporation, the general application of common law and existing provisions of the PSTA shall govern in respect of body corporates.

Comparison to Federal Legislation:

A simplification measure exists for GST/HST purposes under section 273 of the *Excise Tax Act* (Canada) which provides participants of a JV to enter into an election that permits the participants to designate an “operator” for tax administration purposes. Under this election:

- With the execution of the election, the election and provisions of section 273 deem the following:
 - Anything acquired by the operator in the course of JV activities is deemed to have been acquired by the operator and not the co-venturers; and
 - Any supplies/sales made by the operator in the course of JV activities is deemed to have been made by the operator and not the co-venturers;
- Thus, the operator is responsible for collecting and remitting GST/HST on supplies made to customers on behalf of the JV participants
- The operator is also entitled to claim all input tax credits for the GST/HST charged to the JV
- Finally, the election also deems that any billings and/or allocation of sales/revenues (i.e. joint venture billing) to co-ventures are deemed not to be supplies (effectively, a tax free charge to co-venturers as the tax has already been accounted for by the operator
- The mechanism is intended to simplify tax administration and improve compliance

TEI Recommendation:

- TEI recommends the Ministry adopt a similar mechanism for PST purposes that would allow the designation of a JV operator responsible for the collection and remittance of PST in respect of activities carried out through a JV and claim refunds for PST paid in error.

Policy Rationale:

Adopting such a mechanism for BC PST would offer several significant benefits, including:

- Improved transparency for taxpayers where projects are structured through JVs, by clearly identifying a single party responsible for PST
- Centralization of PST self-assessment and remittance, whereby a single designated operator would self-assess and remit PST on behalf of all JV participants
- Reduced administrative burden for taxpayers
- More efficient audits for the BC Ministry (i.e. audit of JV operators versus audits of multiple co-venturers), together with a reduced risk of PST non-remittance, thereby strengthening overall compliance and protecting provincial revenues

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider advising whether a JV operator mechanism (similar to ETA s.273) is under consideration for PST purposes, by the next liaison meeting.

(9) Currency and Accessibility of the Tax Interpretation Manual (TIM)**Issue:**

The Tax Interpretation Manual (“TIM”) for the PSTA serves a critical role in promoting tax fairness, transparency, and the equitable application of the law. The TIM publishes sanitized rulings and interpretive guidance issued by the Ministry of Finance, enabling taxpayers to apply the rules consistently and predictably. BC withdrew the TIM from third-party subscription services (e.g., Knotia, taxnet.pro), making the Ministry’s own publication at www.gov.bc.ca/gov/content/taxes/tim/pst the sole means by which taxpayers can access this guidance.

Challenges:

Two significant concerns have arisen with respect to the TIM:

- Currency – The TIM has not been updated since February 1, 2024, despite ongoing legislative amendments and the issuance of new rulings by the Ministry during the intervening period. This is particularly problematic given that the Budget 2026 measures (effective October 1, 2026) will introduce five new categories of taxable services – each requiring interpretive guidance before taxpayers and their advisors can apply the rules with confidence.
- Searchability – The TIM is currently published in a format that does not permit full-text search across all sections and rulings. For a document of this size and complexity, the inability to search by keyword, statutory provision, or subject matter materially impedes its utility for taxpayers, professional advisors, and compliance teams seeking to determine how the Ministry has applied the legislation in analogous circumstances.

Policy Rationale:

The transparency and accessibility of interpretive guidance are fundamental to voluntary compliance. When taxpayers can see how the Ministry applies the law (through sanitized rulings and interpretive positions published in a timely and searchable manner), they are better able to self-assess correctly, reducing the need for costly audit activity on both sides. This is consistent with the Ministry's stated objective of "fair and consistent application of tax legislation" and aligns with the administrative transparency practices of other Canadian provincial tax authorities (e.g., The Canada Revenue Agency's release of redacted rulings and interpretations to legal publishers, Saskatchewan's publicly available and searchable Information Bulletins).

With five new categories of taxable professional services taking effect on October 1, 2026, the absence of current TIM guidance creates a compliance gap during the period when taxpayers most need clarity.

TEI Recommendation:

- TEI recommends that the Ministry commit to updating the TIM to reflect all rulings and interpretive positions issued to date, and to publishing such updates on a quarterly basis going forward.
- TEI further recommends that the TIM be published in a searchable format — enabling full-text keyword search across all sections, statutory provisions, and rulings — to improve its utility as the sole publicly available source of interpretive guidance.
- TEI recommends that these updates be substantially completed before October 1, 2026, so that taxpayers, professional advisors, and the Ministry's own administration are supported by current guidance at the time the Budget 2026 measures come into force.

Proposed Actions and Timeline:

TEI proposes the following actions to support continued progress on this topic:

- Ministry of Finance: Consider committing to a quarterly TIM update cycle, with the first update (covering all rulings and interpretive positions issued since February 2024) published before October 1, 2026. Consider publishing the TIM in a searchable digital format (e.g., full-text searchable HTML or indexed PDF).
- TEI: Available to provide feedback on format and usability improvements, including input from member organizations on the most critical interpretive questions arising from the Budget 2026 measures.

PART IV: UPDATE FROM MINISTRY ON PAST DISCUSSIONS

(10) PST Treatment of Related Party Transactions (2025 Q1)

Issue:

At the 2025 TEI-BC Ministry liaison meeting, TEI raised that the related party asset transfer requirements under Part 9 – Related Party Asset Transfers of the *Provincial Sales Tax Exemption and Refund Regulation*, BC Reg. 97/2013 (“Regulation”) of beneficial ownership of at least 95% of outstanding shares of each class of share capital impacts BC competitiveness by restricting capital raising flexibility for corporate groups, forcing reliance on debt financing over equity options, impeding use of preferred shares or non-voting common shares for capital raising, creating unnecessary PST costs for legitimate corporate restructuring, limiting business competitiveness in capital markets and potentially influencing corporate financing decisions based on tax implications rather than business needs.

Previous Discussions:

During discussions at the 2025 meeting, while noting concerns around the unknown costs associated with such a measure, the Ministry asked TEI whether implementing one of share class and share ownership changes would produce positive impacts on the ability to raise capital. TEI acknowledged that removing the share class requirement would be a good first step and more impactful than just adjusting the share ownership percentage.

TEI Recommendation:

- TEI recommends amending the related party rules to apply the thresholds to only voting shares.
- As an alternative, TEI recommends that the related party rules be amended to reduce the ownership threshold from 95% to 90% and the removal of each share class..

Policy Rationale:

Amending the related party threshold would:

- Pose minimal revenue risk, as the 90% voting share threshold (aligned with the *Excise Tax Act*) would still ensure genuine related-party status and prevents arm’s-length parties from accessing the exemption. Companies that maintain 90% ownership are certainly “related”.
- Reduce audit complexity for the Ministry, as a single voting-share threshold is simpler to verify than the current requirement to assess all classes of shares

- Not create new avoidance opportunities as the threshold remains high and focuses on voting control, which is the established federal standard for determining related party status
- The Ministry itself acknowledged at the 2025 meeting that removing the share class requirement could be a good first step, suggesting alignment with the Ministry's own assessment of the issue

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider providing a written update on the status of the 2025 recommendation regarding the share class requirement, by Q4 2026.

TEI appreciates the Ministry's continued engagement on this topic and welcomes further discussion.

(11) PST Treatment of Legal Services for Multi-Jurisdictional Matters (2025 Q3)

Issue:

At the 2025 TEI-BC Ministry liaison meeting, TEI raised concerns that the existing PST application to legal services creates inconsistent tax treatment based on service provider and location. Further, TEI raised that the current approach:

- Incentivizes using out-of-province legal services for non-BC matters
- Creates potential double taxation when multiple jurisdictions' taxes apply
- Disadvantages BC-based legal service providers
- Influences service provider selection based on tax implications rather than expertise
- Creates inequitable treatment between BC and non-BC businesses
- Increases costs for BC businesses operating in multiple jurisdictions

Previous Discussions:

At the 2025 liaison meeting, TEI noted the approach taken by Saskatchewan wherein legal services performed in Saskatchewan but in respect of subject matter outside of Saskatchewan are not subject to SK PST. Further, TEI noted this approach would address the issues raised above if this approach was taken for BC PST. The Ministry acknowledged Saskatchewan's approach and mentioned it would review.

Challenges with Current Application:

The current application of PST on legal services creates inconsistent application and issues of double taxation. Further, TEI notes a similar treatment for certain professional services that will now be taxable as of October 1, 2026 as a result of the 2026 BC Budget.

TEI Recommendation:

- TEI respectfully requests an update on the Ministry's analysis of the treatment of legal services under SK PST.
- TEI reconfirms its recommendation to amend the PSTA and Regulations to:
 - Exempt PST on legal services provided in BC when relating to other jurisdictions
 - Align with other provinces' approach to multi-jurisdictional legal services
- Additionally, TEI recommends amendments to remedy similar issues with certain professional services newly taxable as of October 1, 2026:
 - Exempt PST on professional services provided in BC when relating to other jurisdictions
 - Align with other provinces' approach to multi-jurisdictional professional services

Policy Rationale:

Clarifying the treatment of multi-jurisdictional legal and professional services would:

- Eliminate double taxation scenarios that the PSTA was not designed to create, aligning the application of the tax with its legislative intent
- Reduce the administrative burden of processing refund claims where taxpayers pay PST in BC and subsequently claim relief on the basis that another jurisdiction also imposed tax on the same services
- Align BC with Saskatchewan's existing approach, which has not resulted in revenue base erosion or abuse

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider providing an update on the analysis of the SK approach to legal services and its applicability to BC, by Q4 2026.
- TEI: Notes that this issue now extends to newly taxable professional services effective October 1, 2026.

TEI appreciates the Ministry's continued engagement on this topic.

(12) Motor Fuel Tax Treatment of Wholesale Propane Transactions (2025 Q4)

Issue:

At the 2025 TEI-BC Ministry liaison meeting, TEI raised concerns regarding BC's Motor Fuel Tax framework as it applies to propane transactions. Specifically, the framework lacks wholesale and export exemptions and licensing provisions for propane transactions, resulting in:

- Tax being charged on initial sale and carried through the value chain.
- Requirement for refund applications on exported propane.
- No distinction between wholesale/export transactions and end-user consumption.
- Unnecessary tax burden on wholesale, non-combustible, fuel transactions.
- Misalignment of security-based tax framework with primarily exempt customer base.

Previous discussions:

Following the 2025 liaison meeting, BC appeared to be considering this issue. TEI wishes to discuss this matter further in the context of the 2027 Budget.

Challenges with current application:

The current system was not designed for a predominantly export-oriented market:

- Few end consumers of propane; BC does not have a petrochemical industry or large bulk industrial users of propane. The only viable significant long-term market for BC-produced propane is Asia through exports.
- Security-based tax results in significant cash flow burden without corresponding revenue generation. Interest paid on refunds does not compensate taxpayers for the opportunity cost of stranded capital.
- Administrative burden is unbalanced when considering preparation and submission of refund documentation, Ministry processing time, and internal reconciliation, compared to revenue generation.
- Importing propane from Alberta, or other jurisdictions, does not attract motor fuel tax and therefore the current tax policy penalizes domestic production in favor of imports from other jurisdictions.

Comparison to Other Jurisdictions:

- Other provinces and territories allow registration and exemption documentation for wholesale and export transactions.
- The nature of the sales for export or raw material has been recognized in other jurisdictions in Canada and United States, which offer wholesale licenses or registrations where tax becomes payable by the end user, rather than a security framework requiring supplier refunds.
- All provinces and territories have a licence or exemption for wholesale and exported propane. For example, Alberta, Saskatchewan and Manitoba all have licences for propane distributors or bulk fuel dealers.

TEI Recommendation:

Implement a process to:

- Update the Motor Fuel Tax Regulation to add a wholesale registration or prescribed exemption certificate that would allow registered taxpayers to purchase propane for the purposes of resale or export, exempt of motor fuel tax.

Policy Rationale:

The Government's Look West strategy identifies BC's natural resource and energy sectors as key drivers of economic growth, with a goal to "get major projects built, create good jobs" and strengthen BC's economic security (<https://news.gov.bc.ca/releases/2026PREM0020-000479>). The current Motor Fuel Tax framework for propane works against these objectives by imposing unnecessary costs and administrative barriers on BC's propane export sector. The following changes would align tax policy with the Government's economic strategy and:

- Align tax policy with a predominantly exempt and exported product market.
- Support BC's natural gas sector development and enhance BC's energy export competitiveness.
- Improve cash flow efficiency for businesses to redeploy capital into BC economic development.
- Reduce administrative burden for government and large taxpayers.
- Create similar exemption documentation and registration processes to all other provinces and territories.
- Allow the Ministry to trace exempt purchasers through a registration or certificate system, providing clear audit trails. The relatively small number of participants in the BC propane industry would make a registration system administratively manageable.

- Leverage the existing BC OBPS registry infrastructure to mitigate risk of large industrial users of propane.

Cost Estimate:

While specific fiscal impact requires Ministry analysis, considerations include:

- Current refund processing costs
- Administrative savings from reduced refund claims
- Potential increased business activity from improved competitiveness

TEI welcomes further discussion on implementation approaches or policy considerations for this recommendation.

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider advising whether a wholesale registration or exemption framework for propane is under consideration for the 2027 Budget.
- TEI: Available to provide industry data on current refund volumes and processing costs to support the Ministry's analysis.

(13) Application of PSTA Paragraph 205(c) 10% Penalty (2025 Q6)

Issue:

At the 2025 TEI-BC Ministry liaison meeting, TEI raised concerns of members that the Ministry's current administrative approach to the application of the paragraph 205(c) penalty:

- Effectively applies a 10% penalty automatically to any error found in subsequent audits regardless of error type or relationship to prior error
- Strict application treats as absolute liability despite PSTA providing the Director with discretion
- Ignores operational complexities of large-scale businesses
- Disregards complexity of PSTA
- Fails to consider the context and purpose of the penalty provision in the PSTA
- Similar penalties in other jurisdictions require demonstrated negligence
- Other provinces recognize due diligence compliance efforts and greater consideration of business operational realities

Previous Discussions:

At the 2025 liaison meeting, the Ministry confirmed the application of the penalty is discretionary and that auditors apply it in order to encourage compliance. The Ministry mentioned it would be open to considering examples of due diligence from TEI to consider.

Challenges with Current Application:

TEI reiterated that it is our members' experience that the penalties are generally applied routinely without discretion and without considering any due diligence that may have been undertaken for prior issues.

Further, TEI members have observed this penalty being applied in respect of provisions of the BC PSTA that have never been audited before. This is contrary to the Ministry's published policy in Bulletin CTB 005 and what Ministry officials have explained about how the penalty applies. The policy states the penalty should apply where errors are repeated or where the taxpayer was aware of the obligation—not on a first audit of a particular provision.

Example:

The charging provision for tax collected by a marketplace facilitator under Division 5.1 of the PSTA is a distinct and separate charging provision from the provisions applicable to sales made directly by a vendor under Part 3 of the PSTA. When a marketplace facilitator is audited for the first time under Division 5.1—a provision that did not exist prior to its enactment—errors identified in respect of that provision should not attract the 10% penalty because:

- The taxpayer has never been previously audited on this specific charging provision;
- The errors were inadvertent and not the result of repeated non-compliance with the same provision; and
- The Ministry's own published policy and statements by Ministry officials indicate the penalty is intended for situations of repeated non-compliance, not first-time errors on newly enacted provisions.

It is TEI's view that it would be inappropriate for the Ministry to apply the penalty in these circumstances as it would be inconsistent with the stated purpose of the penalty and undermines taxpayer confidence in the fairness and predictability of the administration of the BC PSTA.

TEI Recommendation:

- TEI recommends the Ministry confirm, through published guidance, that the 10% penalty under paragraph 205(c) does not apply on a first audit of a provision or specific transactions that have never previously been audited for that taxpayer.
- TEI recommends the Ministry confirm that the penalty is intended to apply only where there is a nexus between prior errors communicated to the taxpayer and subsequent errors of the same type.
- TEI recommends the Ministry update Bulletin CTB 005 and provide administrative guidance to auditors to clarify the circumstances in which the penalty should and should not be applied.

In light of the above, TEI respectfully requests the Ministry to reconsider its administrative guidance for applying the penalty and particularly:

- Revise 10% penalty application guidelines to clarify that the penalty should not apply on the first audit of a provision or specific transactions
- Consider the relationship between current and prior errors before applying the 10% penalty – the penalty should only apply where the same type of error has been previously identified and assessed
- Implement a more equitable approach to the application of the 10% penalty that recognizes due diligence compliance efforts
- Align the penalty approach with other Canadian jurisdictions
- Establish clear criteria for auditors for penalty application

Policy Rationale:

Clarifying penalty application criteria would:

- Reduce the number of objections and appeals filed in respect of penalty assessments, decreasing administrative costs for the Ministry's Tax Appeals and Litigation Branch
- Provide auditors with clear, administrable criteria that support consistent application across audit teams, reducing the risk of inconsistent outcomes and subsequent disputes
- Maintain the deterrent effect of the penalty for genuinely repeated non-compliance while removing its application in circumstances where it serves no compliance purpose
- Strengthen taxpayer confidence in the fairness of the administration of the BC PSTA, supporting voluntary compliance

The recommendation does not seek to eliminate the penalty, but seeks to ensure its application is consistent with the Ministry's own stated policy and legislative intent.

TEI welcomes further discussion on the appropriate administration of this penalty.

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider updating Bulletin CTB 005 to clarify the circumstances in which the paragraph 205(c) penalty should and should not be applied, by Q4 2026.
- Ministry: Consider providing guidance to auditors on the application of the penalty to provisions that have never previously been audited for a taxpayer.

(14) Failure to Provide Information Penalty (2025 Q10)

Issue:

At the 2025 TEI-BC Ministry liaison meeting, TEI raised concerns regarding the application of the "failure to provide information" penalty under the PSTA. In February 2026, the Ministry updated Bulletin CTB 005 to address marketplace-specific penalties, including a \$100 penalty that applies "for each failure" to provide required information or records with a return.

While TEI appreciates the Ministry's effort to provide guidance, the CTB 005 update raises practical questions for marketplace facilitators filing Annual Information Returns, particularly regarding how the penalty is calculated, what constitutes a "failure," and what process is followed before penalties are applied.

Challenges with current application:

- Marketplace facilitators file Annual Information Returns that may contain thousands of individual seller records. CTB 005 indicates a \$100 penalty applies "for each failure" to provide required information or records, but it is unclear how "each failure" is determined for penalty calculation purposes—whether per return (i.e., one incomplete return constitutes a single failure) or per field, per transaction, or per seller record.

- Marketplaces may not have access to all required information for every seller. For example, certain sellers may not have a Business Number, US Federal Employer Identification Number, or particular individual contact details—either because the information does not exist (e.g., an individual seller with no BN) or because it is not necessary for the seller's operations on that marketplace. Where a marketplace reports such information as "unavailable" rather than leaving a field blank, it is unclear whether this would constitute a "failure to provide" a record.
- It is unclear what process the Ministry follows before applying this penalty. Specifically, whether a return filer is provided with notice or a warning if the Ministry believes a return is incomplete before a penalty is assessed, or whether penalties are applied without prior communication. Marketplace facilitators may believe their filings are complete based on their prior filings and the information available to them.

TEI Recommendation:

TEI recommends the Ministry clarify the following through published guidance or amendment to CTB 005:

- Confirm that, consistent with the treatment of similar federal information returns, penalties under this provision are applied per return (i.e., an incomplete return constitutes a single failure), not per individual field or record within a return.
- Confirm that where a marketplace facilitator has made reasonable efforts to collect seller information but certain information is unavailable, because the information does not exist or is not required for the seller's operations on the marketplace, reporting a field as "unavailable", or leaving it blank, does not constitute a failure to provide a record for penalty purposes. The marketplace should not be required to compel sellers to provide information that may not exist.
- Clarify the administrative process for applying this penalty: specifically, confirm that return filers will receive notice that the Ministry considers a return incomplete and be provided an opportunity to respond or supplement their filing before penalties are assessed.

Policy Rationale:

- Marketplace facilitators who are filing Annual Information Returns in good faith are demonstrating compliance with their reporting obligations. Disproportionate penalties that could arise from ambiguity in how "each failure" is calculated would undermine voluntary compliance rather than encourage it.
- Providing certainty on what constitutes a "failure" enables marketplace facilitators to invest appropriately in their compliance systems and reporting processes, rather than operating under uncertainty about potential penalty exposure.
- A transparent process that includes notice before penalty application is consistent with principles of administrative fairness and is more likely to achieve the Ministry's compliance objectives—filers who are given an opportunity to correct or explain a filing will do so, reducing the need for penalties altogether.
- The Ministry benefits from returns that contain accurate, available information. Penalizing filers for information that does not exist or that they cannot reasonably obtain does not further the information-gathering objective of the return and may discourage voluntary participation in the reporting framework.

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider providing written clarification on how "each failure" is determined for penalty calculation on Annual Information Returns, by Q4 2026.
- Ministry: Consider confirming that reporting a field as "unavailable" does not constitute a failure to provide information.

PART V: AUDIT DISCUSSION

(15) BC Refund Claims

Issue:

In reviewing applications for refunds of BC PST, the Ministry's auditors will sometimes require banking records of the taxpayer as proof that the taxpayer paid the PST amounts for which the refund is requested.

Challenges with current application:

- Large organizations generally make payments through batch banking entries which can make it difficult for large organizations to segregate out specific invoice payments in order to show the BC PST on those invoices was included with the payment.
- While TEI understands sometimes it may be necessary to confirm payment of taxes, TEI requests the Ministry consider alternative methods to prove that tax was paid when producing itemized bank records would be difficult for taxpayers.

TEI Recommendation:

TEI recommends the Ministry accept proof of payment through alternative means such as:

- Journal entries
- Accounting records detailing the payment amounts, dates, and payment numbers
- Letters from suppliers confirming that amounts owed to the supplier (including BC PST) were paid; and
- Work with industry groups, such as TEI, before implementing changes, to ensure any future requirements are workable and fit-for-purpose.

TEI welcomes further discussion on alternative approaches that would satisfy the Ministry's evidentiary requirements while reducing the administrative burden on taxpayers.

Proposed Actions:

TEI proposes the following to support continued progress on this topic:

- Ministry: Consider providing an update on proof of payment alternatives, by next liaison meeting.

CONCLUSION

TEI appreciates the Ministry's continued willingness to engage with industry through the liaison meeting process. The recommendations herein are offered in the spirit of partnership—TEI's members act as agents of the province in administering the BC PST, and we share the Ministry's interest in a tax system that is clear, fair, and effective.

TEI is committed to supporting the Ministry in achieving its policy objectives and is prepared to assist by:

- Providing industry data and analysis on the practical impacts of proposed changes;
- Consulting on implementation timelines to ensure new measures can be operationalized effectively;
- Offering comparative analysis from other Canadian and international jurisdictions; and
- Engaging our members to provide practical, on-the-ground feedback on proposed changes before they take effect.

TEI looks forward to a productive dialogue at the June 2026 liaison meeting and to continued collaboration with the Ministry.

APPENDIX A

Relevant Questions from TEI-BC Ministry of Finance 2025 Liaison Meeting

The following questions were raised at the 2025 TEI-BC Ministry of Finance liaison meeting and are referenced as follow-up items in the 2026 submission above. The full 2025 submission is available at: <https://www.tei.org/advocacy/liaison-meetings/tei-holds-liaison-meeting-british-columbia-ministry-finance-1>

2025 Q1 PST Treatment of Related Party Transactions

Issue: Part 9 – Related Party Asset Transfers of the *Provincial Sales Tax Exemption and Refund Regulation*, BC Reg. 97/2013 (“Regulation”) provides a PST exemption for transfers among related corporations to prevent multiple PST payments on the same tangible personal property (“TPP”) or software. Currently, eligibility requires:

- Corporations to be wholly owned subsidiaries of each other or of the same corporation
- Beneficial ownership of at least 95% of outstanding shares of each class of share capital

Impact on Competitiveness: The current 95% ownership threshold across all share classes:

- Restricts capital raising flexibility for corporate groups
- Forces reliance on debt financing over equity options
- Impedes use of preferred shares or non-voting common shares for capital raising
- Creates unnecessary PST costs for legitimate corporate restructuring
- Limits business competitiveness in capital markets
- May influence corporate financing decisions based on tax implications rather than business needs

Comparison to Federal Legislation: The *Excise Tax Act* (Canada) Section 128 provides a more flexible framework by:

- Requiring only 90% ownership of voting shares
- Focusing on voting control rather than all share classes
- Allowing greater flexibility in corporate structure while maintaining related party status
- Enabling diverse capital raising options

TEI Recommendation: Amend the Regulation to:

- Reduce ownership threshold from 95% to 90%
- Apply threshold only to voting shares
- Align with federal legislation criteria for closely related corporations

Policy Rationale: Implementing these changes would:

- Align BC with federal approach to related party transfers
- Enable more efficient capital raising options for BC businesses
- Maintain appropriate tax base protection through 90% threshold
- Support competitive financing options for BC businesses
- Reduce complexity in corporate restructuring
- Remove tax barriers to legitimate business financing decisions

While TEI acknowledges that BC's current approach is similar to the Saskatchewan and Manitoba PST regimes, in this context, alignment with Saskatchewan and Manitoba will not provide the BC competitiveness benefits listed above.

Cost Estimate: The Ministry had previously requested a cost impact estimation for this proposal. TEI cannot provide specific estimates since it would require an estimate of events that did not occur, and that data is not available.

TEI welcomes further discussion on alternative approaches or the policy rationale for maintaining current requirements.

2025 Q3 PST Treatment of Legal Services for Multi-Jurisdictional Matters

Issue: Current PST rules on legal services create inconsistent tax treatment based on service provider and client location:

- BC-based providers serving BC clients: PST applies to all legal services regardless of jurisdiction (PSTA s.126(1))
- Non-BC providers serving BC clients: PST applies with exemption for non-BC matters (PSTA s.127(1))

- BC providers serving non-BC clients: PST applies only to BC-related matters (PSTA s.126(2))

Impact on Competitiveness: The current framework creates several business barriers:

- Incentivizes using out-of-province legal services for non-BC matters
- Creates potential double taxation when multiple jurisdictions' taxes apply
- Disadvantages BC-based legal service providers
- Influences service provider selection based on tax implications rather than expertise
- Creates inequitable treatment between BC and non-BC businesses
- Increases costs for BC businesses operating in multiple jurisdictions

Practical Example:

Facts:

- ABC and XYZ form a 50/50 Joint Venture ("JV") to construct real property in Saskatchewan.
- ABC does not carry on business in BC and has no BC PST registration.
- XYZ carries on business in BC, and across Canada, and is registered for BC PST.
- A BC Law firm is hired by the JV to provide legal advice. The legal services are provided in BC. The legal services provided relate only to the real property of the JV in Saskatchewan.
- Law Firm invoices ABC and XYZ separately for its services

Application of the law:

- As XYZ carries on business in BC, it is required to pay both BC PST on the legal services under s. 126(1) of the BC PSTA and Saskatchewan PST under s. 5(10) of the Saskatchewan *Provincial Sales Tax Act*.
- ABC is only required to pay Saskatchewan PST for the legal services by virtue of it not carrying on business in BC.

Comparison to Other Provincial Legislation: Saskatchewan's approach provides a more efficient framework by:

- Exempting legal services related to other jurisdictions
- Avoiding double taxation scenarios
- Focusing taxation on services related to Saskatchewan matters
- Creating more equitable treatment across jurisdictions

TEI Recommendation: Amend the PSTA or Regulation to:

- Exempt PST on legal services provided in BC when relating to other jurisdictions
- Align with other provinces' approach to multi-jurisdictional legal services

Policy Rationale: Implementing these changes would:

- Apply tax based on the location most closely related to the place of consumption of the legal services
- Remove artificial barriers to using BC-based legal services
- Prevent double taxation on multi-jurisdictional matters, or matters relating entirely to a non-BC jurisdiction
- Support BC's legal services sector competitiveness
- Allow business decisions based on expertise rather than tax implications
- Align with other provinces' treatment of legal services
- Simplify tax compliance for multi-jurisdictional businesses

Cost Estimate: The Ministry requested TEI's assessment of cost impacts in 2024. While we cannot quantify how frequently our members will choose non-BC legal counsel due to PST treatment or calculate current BC PST collections on legal services for non-BC matters, this tax consideration significantly influences counsel selection. When the matter relates to another jurisdiction, BC-based legal services incur an additional 7% cost for businesses operating in BC, often exceeding typical profit margins and potentially driving businesses to seek counsel outside the province.

2025 Q4 Motor Fuel Tax Treatment of Wholesale Propane Transactions

Issue: BC's current Motor Fuel Tax framework lacks wholesale exemptions or licensing provisions for propane transactions, resulting in:

- Tax being charged on initial sale and carried through the value chain
- Requirement for refund applications on exported product
- No distinction between wholesale/export transactions and end-user consumption
- Unnecessary tax burden on non-combustion transactions

Impact on Competitiveness: The current system creates several business barriers:

- Delayed tax refunds creating significant working capital constraints

- Trapped investment capital due to tax-related cash flow inefficiencies
- Reduced competitiveness compared to other jurisdictions with wholesale exemptions
- Unnecessary administrative burden for both businesses and government
- Deterred infrastructure investment in BC's natural gas sector
- Weakened position in North American and Asian export markets

Comparison to Other Jurisdictions: Other provinces and territories provide more efficient frameworks through:

- Wholesale registration systems
- Exemption certificates for wholesale transactions
- Streamlined processes for export transactions
- Recognition of distinction between wholesale and retail consumption

TEI Recommendation: Implement a process to:

- Remove Motor Fuel Tax on bulk propane exports
- Create wholesale licensing system for propane transactions
- Align with other jurisdictions' wholesale exemption frameworks
- Leverage existing BC Output-Based Pricing System (OBPS) registry infrastructure

Policy Rationale: These changes would:

- Align with BC's interprovincial trade objectives
- Support BC's natural gas sector development
- Improve cash flow efficiency for businesses
- Reduce administrative burden for government and industry
- Enhance BC's energy export competitiveness
- Better reflect non-combustion nature of wholesale/export transactions
- Leverage existing regulatory frameworks (OBPS)

Cost Estimate: While specific fiscal impact requires Ministry analysis, considerations include:

- Current refund processing costs
- Administrative savings from reduced refund claims
- Potential increased business activity from improved competitiveness
- Impact on investment in BC's natural gas infrastructure

TEI welcomes further discussion on implementation approaches or policy considerations for this recommendation.

2025 Q6 Application of PSTA Paragraph 205(c) 10% Penalty

Issue: The Ministry's current administrative approach to the application of the paragraph 205(c) penalty:

- Effectively applies a 10% penalty automatically to any error found in subsequent audits regardless of error type or relationship to prior error
- Strict application treats as absolute liability despite PSTA providing Director with discretion
- Ignores operational complexities of large-scale businesses
- Ignores complexity of PST legislation
- Fails to consider the context and purpose of the penalty provision in the PSTA
- Similar penalties in other jurisdictions require demonstrated negligence
- Other provinces recognize due diligence compliance efforts and greater consideration of business operational realities

TEI Recommendation: We respectfully request the Ministry to:

- Revise 10% penalty application guidelines
- Consider relationship between current and prior errors before applying 10% penalties
- Implement more equitable approach to application of 10% penalty that recognizes due diligence compliance efforts
- Align penalty approach with other Canadian jurisdictions
- Establish clear criteria for auditors for penalty application

In TEI's view, a cost estimate is not appropriate for this recommendation given that penalties should not be viewed as a fiscal benefit to the Ministry rather a compliance tool to be levied when the taxpayer did not make sufficient efforts to comply with their obligations under the PSTA.

We welcome the opportunity to discuss these recommendations and work together toward a more equitable approach to penalty application that maintains compliance objectives.

2025 Q10 Failure to Provide Information Penalty

Issue: The *Budget Measures Implementation Act, 2024* introduced section 205.3, establishing a \$100 penalty for each failure to provide required information in returns. TEI continues to seek clarification on the application and implementation of this new provision.

Challenges with current application: Clarification is needed to address the following concerns:

- Distinction between genuine errors (e.g. human errors) and deliberate omissions
- Information accessibility limitations
- Compliance effort recognition
- Third-party data access limitations
- Online marketplace facilitator challenges:
 - US-based seller identification numbers
 - Information not required under PSTA
 - Legitimate withholding of information by online sellers for information not required to be collected under PSTA
 - Cross-border compliance complexities

Previous discussions: The Ministry has previously noted:

- There will be a policy document released to accompany this new discretionary penalty
- No section 205.3 penalties will be levied until after the release of this policy document.

Questions to Ministry:

1. Can the Ministry advise when they expect to release this document?
2. Will there be any public consultation prior to its release?
3. Can the Ministry clarify when will this new penalty begin to apply?