BC Budget 2026: PST expansion increases costs for commercial real estate

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Background

Subject to Royal Assent of Bill 2 and final regulations, effective Oct. 1, 2026, British Columbia will expand the provincial sales tax (PST) to apply to several professional services commonly used in commercial real estate. As a result, buying, selling, managing, and developing commercial properties, such as office, retail, and industrial buildings, will generally become more expensive across B.C.

Analysis

What changed

BC Budget 2026 expands the scope of PST to cover several professional services that were previously not subject to this tax. While the PST rate itself is not changing, the tax will apply to a wider range of services that businesses regularly rely on.

In practical terms, this means many professional service fees that were previously paid without PST will now include PST starting Oct. 1, 2026.

Services newly subject to PST (Effective Oct. 1, 2026)

PST will apply at rate of 7 per cent to the following services:

- Non-residential real estate services, including:
  - commissions related to buying and selling non-residential real estate;
  - trading services;
  - rental property management services; and
  - strata management services.
- Architectural, engineering, and geoscience services. Note: PST will apply to only 30 per cent of the purchase price of those services, resulting in an effective PST rate of 2.1 per cent on the full fee.
- Accounting and bookkeeping services.
- Security and private investigation services.

Businesses that provide these services will be required to register for PST (if they are not already registered), and to collect and remit PST on their fees as well as disbursements billed to clients, unless specific exemptions apply.

Legal framework

These changes are implemented through Bill 2, the *Budget Measures Implementation Act, 2026*, which amends the *Provincial Sales Tax Act* (subject to Royal Assent). The Minister of Finance has also issued administrative guidance in Notice 2026-001, confirming the scope of taxable services and registration obligations.

Practical commercial real estate impacts

Although PST is charged by service providers, the added costs are often passed on to property owners, tenants and in some cases consumers.

Transaction costs

- PST will now apply to brokerage commissions on commercial real estate transactions, increasing closing costs for purchasers and vendors.
- Whether PST applies may depend on when services are performed, not necessarily when agreements are signed or invoices are issued. For example, brokerage contracts entered into in 2025-2026 but completed after Oct. 1, 2026 may still attract PST.

Operating costs

- Property management and strata management fees will be subject to PST. Whether tenants ultimately bear these costs will depend on the wording of their lease agreements.

Development costs

- Although architectural, engineering, and geoscience services are only partly taxable, the effective PST may increase soft costs on development projects.

What does not change

For clarity, the PST rate remains 7 per cent, and residential real estate commissions are outside the scope of this expansion.

What is still unclear

- How PST will be allocated between landlords and tenants under existing net lease provisions.
- Whether further exemptions or clarifications will be introduced by regulation.
- How PST will apply to mixed-use properties where services relate to both residential and non-residential components.

What you can do now

- Budget for added tax on listed services for work performed on or after Oct. 1, 2026.
- Review contracts and leases to see who pays service costs and taxes (especially in net leases and management agreements).
- Consider timing for major projects or transactions where professional fees are significant.
- Service providers: get ready to register, update invoicing, and adjust pricing so you can charge and remit PST where required.

This publication is of a general nature only. If you have any questions or require advice regarding specific transactions or circumstances, please contact one of the authors listed below.

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