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Tax Alert – Canada

British Columbia Budget 2026

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“If we want to protect health care, schools, child care and the services people rely on, we need to rebuild a stable and sustainable revenue base. That is what Budget 2026 does. It makes careful tax changes so we can protect services and avoid deep cuts, while keeping BC competitive.”

*British Columbia Finance Minister Brenda Bailey
2026 budget speech*

On 17 February 2026, British Columbia Finance Minister Brenda Bailey tabled the province's fiscal 2026 budget. The budget contains several tax measures affecting individuals and corporations. The budget contains no new taxes and no corporate income tax increases; however, the rate for the lowest personal income tax bracket is increased, effective 1 January 2026.

The minister anticipates a deficit of \$13.3 billion for 2026-27 and projects deficits for each of the next two years.

Following is a brief summary of the key tax measures.



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Business tax measures

Corporate income tax rates

No changes are proposed to the corporate income tax rates or the \$500,000 small-business limit.

British Columbia’s corporate income tax rates are summarized in Table A.

Table A - 2026 British Columbia corporate income tax rates¹

	BC	Federal and BC combined
Small-business tax rate ²	2.00%	11.00%
General corporate tax rate ^{2, 3}	12.00%	27.00%

¹ The rates represent calendar-year-end rates unless otherwise indicated.

² The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and British Columbia rates above.

³ An additional tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

Other business tax measures

The minister also proposed the following business tax measures:

- ▶ Several changes are proposed to the BC Scientific Research and Experimental Development (SR&ED) tax credit, in order to harmonize with recent changes to the corresponding federal SR&ED tax credit. The sunset date for the credit is removed, and the following changes are effective for taxation years beginning on or after 16 December 2024:
 - ▶ Increase in expenditure limit to \$6 million (from \$3 million);
 - ▶ Increase in taxable capital phase-out thresholds to \$15 million and \$75 million (from \$10 million and \$50 million);
 - ▶ Re-institution of eligibility of capital expenditures for the tax credit; and
 - ▶ Introduction of eligibility for certain Canadian public corporations to claim the refundable SR&ED tax credit.
- ▶ The government intends to consult with stakeholders and with the federal government in 2026 regarding introducing a BC patent box regime to support the BC life sciences sector.

- ▶ A new temporary refundable 15% investment tax credit is introduced for eligible investments by Canadian-controlled private corporations in buildings and machinery and equipment used in manufacturing and processing. The full credit is available for investments of up to \$2 million made on or after 1 April 2026 until 31 March 2031 (for a maximum credit of \$300,000). Investments made between 1 April 2031 and 31 March 2036 will attract a reduced tax credit rate that will be gradually phased out by 2.5% per year.
- ▶ Various administrative changes are proposed to the Film Incentive BC and production services tax credits, as follows:
 - ▶ Elimination of the requirement to file a notice of intent to claim the production services tax credit, applicable to notices due on or after 17 February 2026.
 - ▶ Extension of filing deadline for the Film Incentive BC tax credit and the production services tax credit to 36 months after the end of the corporation's tax year (instead of 18 months), applicable to corporations with tax years beginning on or after 17 February 2026. Corporations with a tax year beginning before that date will also be eligible for the extension if the original 18-month time limit would have expired on or after 17 February 2026.
 - ▶ Elimination of requirement to file a completion certificate with the Canada Revenue Agency for purposes of the Film Incentive BC tax credit, applicable to notices due on or after 17 February 2026.
 - ▶ Introduction of major production tax credit certification fee of \$5,000 and increase in accreditation certificate fee for the production services tax credit to \$19,000 for corporations beginning principal photography after 31 December 2024 and applying for certification on or after 1 March 2026.
- ▶ The shipbuilding and ship repair industry tax credit is extended until the end of 2027, while the farmers' food donation tax credit and book publishing tax credit are being made permanent.
- ▶ The government intends to amend the BC mining exploration tax credit to ensure that expenses incurred to determine the economic viability or engineering feasibility of a mineral resource do not constitute expenses incurred for the purpose of determining the quality of a mineral resource in Canada.

Personal tax

Personal income tax rates

The minister proposes to increase the lowest personal income tax rates beginning in 2026 as outlined in Table B.

Table B - 2026 British Columbia personal income tax rates

Bracket	Pre-budget rate	Proposed rate
\$0 to \$50,363	5.06%	5.60%
\$50,364 to \$100,728	7.70%	7.70%
\$100,729 to \$115,648	10.50%	10.50%
\$115,649 to \$140,430	12.29%	12.29%
\$140,431 to \$190,405	14.70%	14.70%
\$190,406 to \$265,545	16.80%	16.80%
Above \$265,545	20.50%	20.50%

The increase in the lowest personal income tax rate results in an increase in the amount of certain basic non-refundable tax credits that may be claimed by individuals.

The minister also proposes to suspend indexation of the personal income tax brackets and non-refundable tax credits for the 2027 to 2030 years, effectively freezing the brackets and rates at their 2026 levels until indexation resumes in 2031.

For taxable income in excess of \$190,405, the 2026 combined federal-British Columbia personal income tax rates are outlined in Table C.

Table C - Combined 2026 federal and British Columbia personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$190,406 to \$258,482 ²	46.09%	26.32%	40.37%
\$258,483 to \$265,545	49.80 %	31.44%	44.64%
Above \$265,545	53.50%	36.54%	48.89%

¹ The rate on capital gains is one-half the ordinary income tax rate.

² The federal basic personal amount comprises two elements: the base amount (\$14,829 for 2026) and an additional amount (\$1,623 for 2026). The additional amount is reduced for individuals with net income in excess of \$181,440 and is fully eliminated for individuals with net income in excess of \$258,482. Consequently, the additional amount is clawed back on net income in excess of \$181,440 until the additional tax credit of \$227 is eliminated; this results in additional federal income tax (e.g., 0.29% on ordinary income) on net income between \$181,441 and \$258,482.

Personal tax credits

This budget proposes changes to the following personal credits/amounts:

- ▶ The non-refundable BC tax reduction credit amount is increased to a maximum of \$690 for the 2026 taxation year.

- ▶ The government is doubling (to \$6,000) the amount of income an individual may claim for the tax credit for volunteer firefighters and search and rescue volunteers, effective for 2026 and subsequent years.
- ▶ As noted above, the farmers' food donation tax credit is being made permanent.

Other personal tax measures include:

- ▶ A new children and youth disability supplement of up to \$6,000 for the BC Family Benefit is being introduced for payments beginning 1 July 2027, with eligibility being tied to entitlement to the federal disability tax credit.

Provincial sales tax

- ▶ The scope of the provincial sales tax (PST) is being extended to apply to the following services, effective 1 October 2026:
 - ▶ Accounting and bookkeeping;
 - ▶ Architectural services, engineering, and geoscience services (PST will apply only to 30% of the purchase price of the services);
 - ▶ Rental property and strata management services;
 - ▶ Commissions on buying and selling non-residential real estate; and
 - ▶ Security and private investigation services.
- ▶ The PST exemption on the following items is eliminated, effective 1 October 2026: clothing patterns, yarn, natural fibres, synthetic thread and fabrics commonly used to repair or maintain clothing.
- ▶ The PST exemptions on clothing and footwear services, basic cable television services, toll-free telephone services and residential landline services are being removed.
- ▶ Sellers of goods will be able to provide a point-of-sale exemption or refund to businesses purchasing goods for use outside the province, effective 18 February 2026, provided the purchaser provides evidence the goods are being shipped outside of BC for business use.

Other tax measures

Speculation and vacancy tax

The BC government proposes to increase the speculation and vacancy tax rate applicable to foreign owners and untaxed worldwide earners to 4% (from 3%), beginning 1 January 2027 and applicable based on use of residential properties during the 2027 and subsequent calendar years.

Two technical changes are also proposed to the *Speculation and Vacancy Tax Act*, as follows:

- ▶ A non-refundable late declaration penalty of \$250 is introduced, effective 1 January 2027; and
- ▶ A property owner may not appeal an assessment arising from their declaration that an exemption does not apply to their property, applicable on Royal Assent to the enacting legislation.

Property tax and property transfer tax

Budget 2026 announces several changes to various provincial property taxes:

- ▶ The property transfer tax exemptions for purpose-built rentals are expanded, effective 1 January 2025. The exemptions will now apply to newly constructed purpose-built rental buildings leased for up to 24 months before their first sale, provided that the lease term is one month or longer.
- ▶ The school tax rate applicable to residential properties valued at over \$3 million to \$4 million is increased to 0.3% (from 0.2%) and the rate applicable to residential properties valued at over \$4 million is increased to 0.6% (from 0.4%), applicable to 2027 and subsequent taxation years.

Other technical amendments

Technical amendments are proposed to various provincial statutes, including the *Income Tax Act*, *Speculation and Vacancy Tax Act* and *Property Transfer Tax Act*. These amendments are generally intended to improve administrative effectiveness or enforcement, maintain the integrity of tax and revenue collection systems, or enhance legislative clarity or regulatory flexibility to preserve policy intent.

Of note, the technical amendments include:

- ▶ The BC *Income Tax Act* is amended, effective 4 August 2023, to enable the Canada Revenue Agency to reduce renounced amounts for the BC mining flow-through share tax credit and the mining exploration tax credit.
- ▶ The *Property Transfer Tax Act* is amended to:
 - ▶ Allow appeals against the imposition of gross negligence penalties;
 - ▶ Extend to six years (from one year) the limitation period for charging a person with an offence; and
 - ▶ Clarify that residential property is property classified under Class 1 on the assessment roll for a particular year.

These amendments are effective on Royal Assent to the amending legislation.

Learn more

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