
NEW CONSTRUCTION PROMPT PAYMENT ACT

Payment delays have long been a recognized challenge in the construction industry. Construction projects typically involve multiple tiers of contracting parties, from owners to contractors, subcontractors, trades, and suppliers. A delayed payment at one level can quickly affect the entire project chain. The new legislation proposed by the British Columbia government, Bill 20: Construction Prompt Payment Act, which received Royal Assent on November 27, 2025, is designed to address some of these concerns.

Statutory Payment Timelines

A central feature of the Act is the introduction of legally mandated payment timelines for construction projects. Payment obligations begin when a contractor submits a proper invoice to the owner. Once a proper invoice is received, the owner must pay the contractor within 28 days. From the date of receipt of the proper invoice, there are several important timeline requirements for each level.

If the owner receiving the invoice believes that the invoice does not meet the statutory requirement of a proper invoice, they must notify the contractor in writing of the deficiencies and specify how to remedy those deficiencies within 7 days of receipt. If the owner receiving the invoice wishes to dispute, they must do so within 14 days of receipt of the invoice by providing a written notice of non-payment.

When a contractor receives a written notice of non-payment from an owner, they will need to notify any subcontractors by providing them with the notice within 7 days of receipt or by their own calculated payment date. Those subcontractors will also be subjected to the same 7 days timeline to provide the received notice to anyone expecting payment from them.

Similarly, when a payment is made to a contractor or subcontractor, they must also pay anyone directly below them in the construction pyramid within 7 days of receiving payment. This timeline ensures that funds move through each level of the contractual chain in a prompt and consistent manner.

Adjudication of Payment Disputes

In addition to prompt payment timelines, the Act creates a fast-track adjudication process to resolve specified disputes, including issues relating to proper invoices, failure to make payment, notices of non-payment, and the valuation of services or materials supplied under a contract, and whether payment is required under the contract. Any other matters agreed by the parties may also be submitted to adjudication.

It is important to note that an adjudication must be commenced within 90 days of the completion, abandonment, or termination of the relevant contract. The adjudication process will also be subjected to strict timelines. The adjudicator will issue a written decision within 30 days of receiving relevant records. Once the adjudicator issues a decision, it will be binding on the parties. This means that parties must comply with the determination unless and until the issue is later resolved through arbitration or litigation.

Conclusion

Although not yet in force, the Construction Prompt Payment Act represents a significant development for the construction industry by introducing clear payment timelines and a streamlined adjudication process aimed at improving cash flow and reducing payment disputes.

Although the legislation will only apply to contracts after it comes into force, as implementation approaches, industry participants should review and update their contractual arrangements and payment practices to ensure compliance.

BY FIONA J.Y. FAN

2026

Legal Services provided by CGH Law Corporation. This article is for general information purposes only and does not constitute legal advice. Every situation is unique and readers are encouraged to seek out the advice of a lawyer when implementing the strategies suggested in this article.