

# WELCH TIMES



SPRING 2023

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## Meet Welch LLP's *Newest Partner*

The Partners of Welch LLP congratulate our newest Partner, Melanie Platt, in the Ottawa Office.

Melanie joined Welch LLP in February 2023. She has over 25 years of experience working with the charitable and non-profit sector providing financial accounting, auditing, and advisory services.

She is a trusted advisor to her clients overseeing the process of audits and reviews, making recommendations on internal control and policy best practices, and ensuring compliance with relevant laws and regulations.

Prior to joining Welch, Melanie held a senior position with a large international accounting firm, was a leader in its not-for-profit assurance practice in Ottawa and lead many of its audit innovation and quality initiatives.

Melanie is a Chartered Professional Accountant, a Licensed Public Accountant in the Province of Ontario, and a graduate of the NFP Governance Essentials program offered by the Institute of Corporate Directors. She is also a board member of the Canadian Nurses Foundation and proud hockey/soccer mom.

[Learn More About Melanie](#)

## Shawn Kelso's

# Big Jump



Shawn Kelso, Partner in our Ottawa office has achieved his long-time bucket list item: bungee jumping!

While on vacation to visit his daughter in Vancouver, British Columbia, Shawn thought he would be able to make the arrangements to make the dive. He planned the trip around a bungee location in Whistler, over 1.5 hours away from Vancouver.

"Abaigh mentioned that she wanted to bungee jump while we were on vacation once," Shawn tells us. "She was not old enough at the time, but I was impressed that she had the nerve to do it. It got me thinking whether or not I would be able to talk myself into such a thing."

It takes focus and extreme amounts of motivation to follow through with a goal, especially one that terrifies you. So how did Shawn end up making the jump all on his own?

"I made sure I had a busy itinerary that day and really didn't think about it much until I arrived at the jump site. The team there was very friendly and did a very good job preparing me and talking me through the process."

From the moment he arrived, Shawn did not have a single minute to pause and reflect on what he was about to do. One instruction came right after the next, and before he knew, his toes were over the edge of the bridge.

"Just when the voice inside your head starts to tell you *"hey moron this is absolutely nuts...you should not be doing this"*, the jump team starts the count down. For some reason the countdown convinces me that it's too late to back out now... and seconds later I am plummeting head first towards the ground at 9.8 meters per second."

Whistler Bungee is known to be one of the most scenic bungee jumps in the world, surrounded by basalt column cliffs and a dense forest, with a view of Black Tusk mountain in the distance.

The jump itself is 160 ft over the beautiful Cheakamus River, lasting less than 30 seconds. It wasn't until Shawn was being

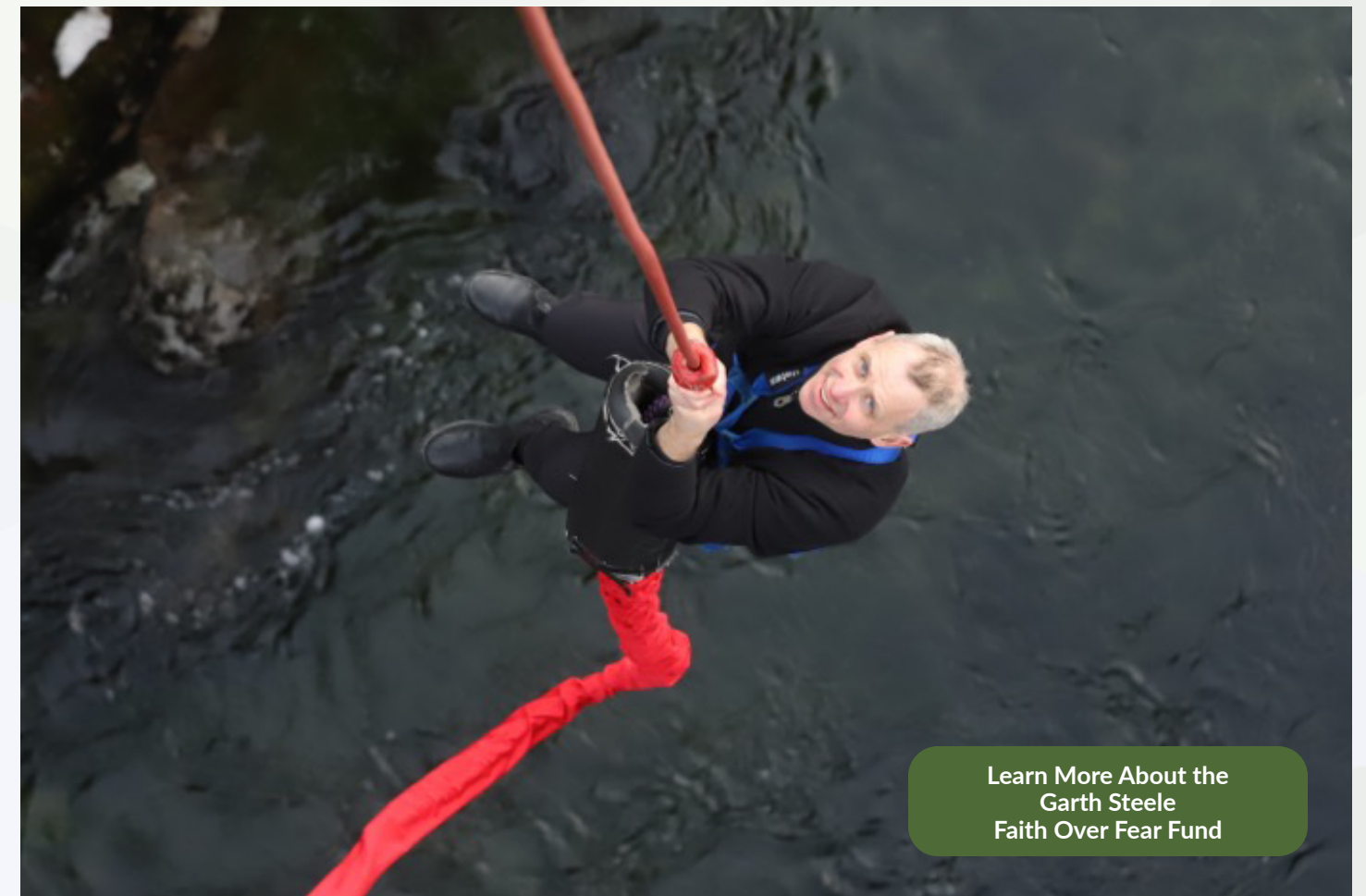
hoisted back up from the bottom of his jump that he was able to take it all in.

"It reminded me a lot of some of the courageous entrepreneurs we work with. Many of them have safe and secure jobs and families to support. Starting a business in such a circumstance can be a very nerve racking pursuit. It is pretty easy to talk yourself out of doing something that is outside your comfort zone. Sitting on the sidelines is safe but what's the fun or the challenge in that. Sometimes you just have to put your toes over the edge...stop looking over your shoulder...and jump."

Shawn would not have been able to complete this bungee jump without the encouragement of his family, friends and colleagues, especially Garth Steele.

"Garth is an amazing colleague and mentor. He achieved so much in his time at Welch and was always an exemplary leader. He is someone I respect very much. The faith and courage he is exhibiting as he battles ALS is inspiring. He has helped me overcome many challenging circumstances throughout my career at Welch. Helping me conquer my bungee jump bucket list item is another accomplishment I can thank him for."

Shawn's bungee jump experience is definitely one he will never forget.



[Learn More About the Garth Steele Faith Over Fear Fund](#)

# MEET OUR NEWEST

# CPA



Congratulations, Valerie, on obtaining your CPA designation!

On March 10, 2023, the annual CPA Quebec – Outaouais “CPA à l’honneur” event took place at the Hilton du Lac-Leamy.

Approximately one hundred individuals attended the gala to celebrate the successful CFE writers of May and September 2022, and to welcome 24 new CPAs to the profession.

The Lévesques Marchand Welch team was in attendance to celebrate Valerie’s accomplishments and mark the beginning of her CPA career.



# CPA *for a* DAY



On February 9 and 10, 2023, the Gatineau office hosted the CPA for a Day activity.

The Comité CPA de l’UQO reached out to our Gatineau Office in hopes of getting the day planned for a few of their students. After a few days of planning, the day was set, and four students were able to live the experience of spending a day in an accounting firm.

Upon arriving, the students had a quick meet-n-greet with the Gatineau team, followed by a tour of the office. Afterwards, the students set off to learn about what it takes to work as an accountant.

Three separate stations were prepared for the students – bookkeeping, insurance & tax compliance, and management. At each station, a Welch team member was there to explain the job and show what their daily duties look like.

The students had a wonderful time, telling us that they enjoyed the time spent with us and being able to make connections between what they learn in school and the reality of being a CPA in an accounting firm.

Thank you to the Comité étudiant CPA de l’UQO for organizing this invaluable activity – we can’t wait for the next one!

# 20K SOCK DAY

Sock Day in the Welch Quinte office was once again a big hit!

Welch Quinte employees and partners purchased 850 pairs of socks which will be distributed to:



# CASUAL FOR A CAUSE

Casual dress down days at work are a great way to raise money for the community while promoting a relaxed and friendly work environment.

The Casual For a Cause concept is simple – our Welch employees at the Quinte Office are allowed to wear casual clothing on a designated day in exchange for a donation.

There are benefits to implementing casual dress down days at work. It can help to boost morale and create a more relaxed atmosphere in the workplace. By allowing employees to dress down, they may feel more comfortable and less stressed, which can lead to increased productivity and job satisfaction.

Welch Quinte employees and Partners have raised \$1,479.50 through their Friday dress down days. Welch Quinte is delighted to match this amount, which will be donated to:



Amazing work to our Quinte Offices to help raise for Casual For a Cause!

Webinar:

## SR&ED: How to Minimize Audit Risk & Maximize Your Claim

Best Practices and Real-World Examples From the Experts

Watch the Recording



ESTIMATE YOUR TAX CREDITS & REFUND

## Scientific Research and Experimental Development (SR&ED)

Use Welch LLP's SR&ED calculator to determine your potential SR&ED tax credit. Your business and bottom line will thank you.

Try the calculator



# AI IN THE WORKPLACE

Language AI like ChatGPT is an innovative tool that has the potential to revolutionize the way the accounting and finance functions operate. The use of AI in the public sector can lead to increased productivity, improved stakeholder experience, and reduced workload for employees. Our presentation will demonstrate firsthand how AI can be utilized in the accounting and finance setting, making it a valuable asset for any public sector or non-profit organization looking to stay ahead of the curve.

Click below to watch the full presentation by Umar Saeed, Partner at Welch LLP.

[Watch the Presentation](#)



LIVE WEBINAR



## MARKET OUTLOOK: WHERE WILL INFLATION GO FROM HERE?

MAY 17, 2023 | 11AM - 12PM

[REGISTER HERE](#)

With recession risks building, where will inflation go from here?

On May 17 at 11:00am, Welch LLP's Family Wealth Advisory Group and guest speaker Craig Basinger, Chief Market Strategist of Purpose Investments, will host an informative discussion on the market outlook.

The panel will be moderated by Welch Family Wealth Advisory's Senior Advisor, Micheal Burch, FCPA, FCA, CFP.

Topics will include:

1. Breaking down inflation and its current trajectory
2. Is a recession coming?  
What the market trends indicate.
3. Find your footing:  
portfolio composition in an ever-changing world.



# NEW UNDERUSED HOUSING TAX (UHT)

Effective January 1, 2022, new legislation came into effect in Canada, and with that, additional annual tax filing requirements with severe penalties for non-compliance. Initially designed to stop non-residents/foreign investors from “parking money” by buying homes in Canada and leaving them vacant, the the Underused Housing Tax Act (UHTA) has a much broader scope and impacts not only non-residents, but also Canadian corporations, partnerships, and trusts.

This new tax applies to a person whom is an owner of a “residential property” in Canada on December 31 of the relevant year, unless the owner is an “excluded owner” or is eligible to claim one of the available exemptions to the UHT in respect of the particular property.

The first UHT filing is due April 30, 2023, and the tax is 1% of the value of the property. Canada Revenue Agency (CRA) has published additional guidelines on its website (CRA UHT Guidelines) including examples of what is considered residential property, the definition of excluded owner and situations that are exempt from UHT.

A key point to note is that if the owner is not considered an “excluded owner“, but is an “affected owner” there is an obligation to file an annual UHT return (Form UHT-2900 – Underused Housing Tax Return and Election form) before April 30, even if the filer ultimately is not liable for the tax. The legislation does impose severe penalties for non-compliance even if the filing results in no balance due – penalties start at \$10,000 if the owner is an entity/corporation and \$5,000 for an individual owner.

Although the filing requirement imposed by the Underused Housing Tax Act are cumbersome, and at present it is not clear if CRA would provide relief from penalties for the first year filing or extend the filing deadline, we recommend that clients review their residential property holdings as soon as possible. We encourage that you review land register/land title documents to determine whose name is on the legal title of the property.

As stated above, unless an owner explicitly meets the definition of excluded owner, any other owner of Canadian residential property should familiarize themselves with the new legislation and the required tax compliance requirements.

We recommend that you review your Canadian residential property ownership held in corporations, partnerships, or trusts, including bare trusts, and discuss with your tax advisor if the UHT filing requirements would apply.

## Key Tax Exemptions

Some key tax exemptions of the Underused Housing Tax Act include:

- Primary Residence
- Qualifying Occupancy
  - A qualifying occupancy exemption applies for a calendar year if the property is occupied by one or more qualifying occupants in relation to the owner for at least 180 days of the year. To satisfy this test, only days that fall into a qualifying occupancy period in the year are counted.
- Specified Canadian Corporation, but does not include:
  - A corporation for which ownership or control of shares representing 10% or more of the equity or voting rights in the corporation is held by individuals who are neither Canadian citizens nor permanent residents of Canada or foreign corporations;
  - A corporation without share capital, for which the chairperson or other presiding officer, or 10% or more of the directors or other similar officers, are individuals who are neither Canadian citizens nor permanent residents of Canada.
- Specified Canadian Partnership, specified Canadian Trust;
- New owner of the residential property in the calendar year and was never an owner of the residential property in the prior nine calendar years;
- Deceased during the calendar year or the prior calendar year;
- Personal representative in respect of a deceased individual who was an owner of the residential property during the calendar year or the prior calendar year and the person was not otherwise an owner of the residential property in either of those calendar years;
  - The construction of the residential property is not substantially completed before April of the calendar year;
  - The construction of the residential property is substantially completed after March of the calendar year, the residential property is offered for sale to the public during the calendar year and the residential property has never been occupied by an individual as a place of residence or lodging during the calendar year.

## Key Definitions

The Underused Housing Tax Act defines the following terms:





## NEW RESIDENTIAL PROPERTY ANTI-FLIPPING TAX RULES

In recent years, prices in the Canadian housing market have been increasing rapidly. One of the reasons for this excessive price growth is believed to be an increase in speculative “property flipping” activities where a house is purchased and then sold for a higher amount in just a short period of time.

In an effort to turn down the heat on the housing market and make homes more affordable, the Federal government has approved new legislation to implement residential “anti-flipping” tax rules. The goal of these new rules is to ensure profits from residential property flipping are subject to full taxation as business income as opposed to eligible for the preferential capital gains inclusion rate or the principal residence exemption which may discourage some taxpayers from these transactions.

The new “anti-flipping” tax rules will apply to residential properties sold on or after January 1, 2023.

Prior to 2023, there was no specific legislation to determine whether the profit on the sale of a residential property should be treated as a capital gain or business income. Instead, the Canada Revenue Agency (“CRA”) would consider various factors supported by case law when deciding on the type of income including:

- The taxpayer’s intention regarding the property at the time of purchase;
- The nature of the business, profession, calling, or trade of the individual and their associates;
- The extent to which borrowed money was used to finance the acquisition and the financing terms arranged;
- The length of time the real estate was held; and
- The factors motivating the sale.

Depending on the result of the above analysis, the CRA could take the position that the profit is fully taxable as business income and reassess the taxpayer accordingly.

Effective January 1, 2023, under new subsection 12(12) of the Income Tax Act (“ITA”), the gain on the disposition of a “flipped property” will be fully taxable as business income. Additionally, no principal residence exemption will be available to reduce the tax arising from the sale of the property.

The term “flipped property” is now defined in the ITA and will generally include a residential property (or right to such property) that is located in Canada and owned by the taxpayer for less than one year.

There are several exceptions to the new rules, which generally address the situation where the sale of a property can be reasonably considered to occur due to one or more of the following “life events”:

- The death of the taxpayer or a person related to the taxpayer;
- A related person joining the taxpayer’s household or the taxpayer joining the household of a related person;
- The breakdown of marriage or common-law partnership of the taxpayer if the taxpayer has been living separate and apart from their spouse or common-law partner for at least 90 days prior to the disposition;
- The threat to the personal safety of the taxpayer or a related person;
- The taxpayer or a related person suffering from a serious illness or disability;
- An “eligible relocation” of the taxpayer or spouse or common-law partner;
- The involuntary termination of employment of the taxpayer or their spouse or common-law partner;
- The insolvency of the taxpayer; or
- The destruction or expropriation of the property against the taxpayer’s will.

Accordingly, if one or more of the above situations are applicable, the residential property may not be considered a “flipped property” and these new rules should not apply.

Where a residential property is bought and sold within a year, these new “anti-flipping” tax rules provide CRA with a “bright-line test” whereby it will be assumed that the property is a “flipped property” and the profits will be taxed as business income, unless one of the above exclusions can be reasonably considered to apply.

It is important to keep these new rules in mind as the CRA has increased the number of audits relating to these types of transactions and non-compliance may lead to penalties and interest charges. Specifically, if the gain is incorrectly reported as a capital gain rather than business income, the taxpayer could be assessed a gross negligence penalty equal to 50% of the additional taxes owing, in addition to interest charges.

Note also that even where the new residential property flipping rules do not apply to the gain on a disposition, the above case law factors should still be considered to determine the appropriate tax treatment.

Additional GST / HST implications may also need to be considered on the sale of a residential property such as in the situation where the property has undergone a “substantial renovation”.

For further guidance on the impact of the new “anti-flipping” tax legislation on your current situation, please contact your Welch LLP advisor.

OUR CLIENTS IN THE NEWS



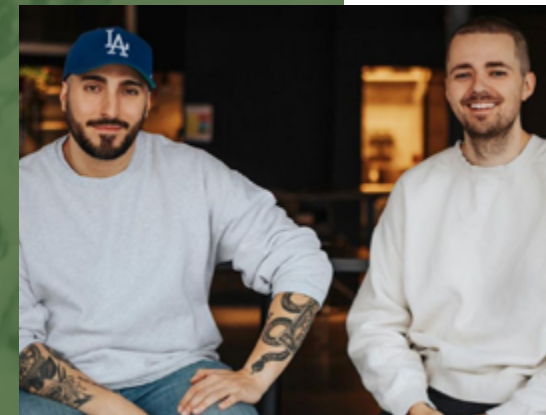
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