# WELCH TIMES

AUTUMN 2023

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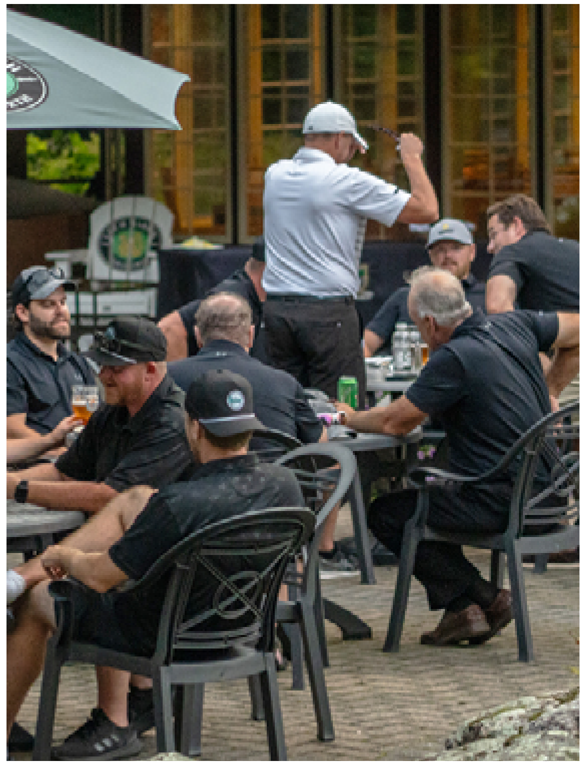
# Ottawa Corporate Cup

Our Welch Team had a tremendous day out on the course with Andrea Timlin and Tricia Ross of the Ottawa Regional Cancer Foundation, helping to raise funds for local charities at the first ever Ottawa Corporate Cup.

Although we didn't get to claim the title of "Top at Golf" this year, you can be sure our golfers will be diligently working on our game to have a better result next year
The first edition of the Ottawa Corporate Cup was held on August 22nd, 2023 at the Loch March Golf and Country Club, organized by Elliott Bourgeois, Sam Fuller (Thomas Fuller Construction Co.), and Kyle Smenziuk (WebMarketers).


*We are so grateful to be named your charity of choice for team Welch LLP ! We truly appreciate all you do for The Ottawa Cancer Foundation*

- TRICIA ROSS, OTTAWA CANCER FOUNDATION



Teams of golfers from businesses all over Ottawa teamed up with their charity of choice to raise money for well-deserving charities all over the city, such as:

Ottawa Regional Cancer Foundation

University of Ottawa Heart Institute

BGC Ottawa

Community Navigation of Eastern Ontario

Royal Ottawa Foundation

Ottawa Community Foundation

CHEO

Athletes Combating Racism





Webinar:

## Mythbusting SR&ED

### Understanding the Program and How To Optimize It

Register Now

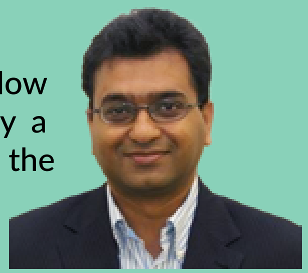
Wednesday, November 22nd
1:30 PM ET / 10:30 AM PT

To make the most of the Scientific Research & Experimental Development (SR&ED) program and the financing opportunities that go along with it, you need to separate myth from reality.

Easly and Welch LLP have come together to bust SR&ED myths and empower you with the knowledge to make informed decisions about your company's growth.

Stop falling prey to common myths—join us to learn from these industry experts and optimize how your business uses SR&ED. There will be time for a Q&A session after the presentation, so come prepared with any questions you have.

**Welch LLP's Joshua Smith** has been helping companies maximize their SR&ED claims for nearly two decades. He's seen it all and has in-depth knowledge and hands-on experience with the program - the perfect mythbuster to separate fact from fiction in the SR&ED program.



**Easly's Nikhil Rodye** has helped companies access non-dilutive cash flow through tax credit financing for nearly a decade. He's also an active member of the Canadian venture capital community. Nikhil's wealth of real-world experience helping Canadian companies get funded through both equity and debt equips him with the knowledge to bust myths about SR&ED financing.

ESTIMATE YOUR TAX CREDITS & REFUND

## SR&ED Calculator

TRY THE CALCULATOR

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

# Swimming, Biking, Running OH MY!

## CONGRATULATIONS, DAN, ON CHECKING OFF A MAJOR BUCKET LIST ITEM!


*Meech Lake, located in Gatineau Park, is a clear body of water surrounded by bike trails and scenic hills. With a 1200m swim, 21.7km bike course, and a 6.4km run, this race was far from relaxing.*

Dan Creighton, Senior Manager in our Ottawa office has achieved his long-time bucket list item: Completing his first-ever triathlon.

This dream was born back in 2000, when Dan watched Simon Whitfield win the Gold Medal in the 2000 Sydney Olympics.

Thinking it could be done, and putting in the work to complete the task are two very different things. Dan tells us that preparing for the triathlon was more mental prep than physical prep for him, although he did do a considerable amount of work on the swimming, biking and running aspect of training.





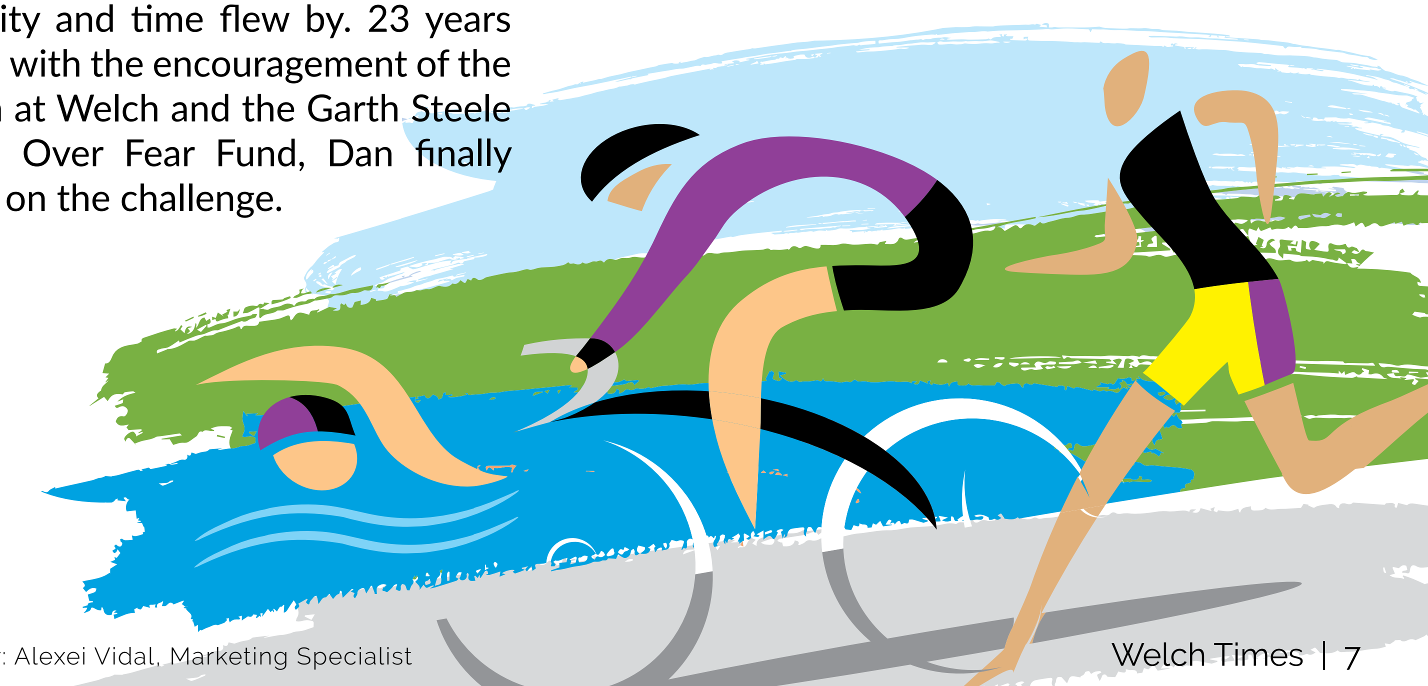
"I felt I should have prepared more but it was important to do it regardless of the end result," says Dan. "Frankly, why did I choose a triathlon (Meech Lake) with so many hills!? I was excited, nonetheless, and taking the adventure in while completing it."


As soon as the race was over, Dan tells us he was excited to complete it, and was already looking forward to the next one. "It's important to note that although it wasn't my greatest performance it was a bucket list item that I completed," Dan tells us.

When asked what was preventing him from completing this bucket list item, Dan says he didn't make this a priority and time flew by. 23 years later, with the encouragement of the team at Welch and the Garth Steele Faith Over Fear Fund, Dan finally took on the challenge.

"I worked for Garth for many years before his retirement and he is a mentor to me. I know my experience at Welch as a whole was shaped by his leadership and guidance. I am happy to be able to complete this and provide some inspiration as he continues his journey."

Congratulations, once again, Dan Creighton! We are looking forward to hearing how your next race turns out!



Author: Alexei Vidal, Marketing Specialist





# Purchasing a Capital Asset?

## Consider buying now to advance your tax savings

It seems like only yesterday that the snow was melting and the spring flowers were blooming, but the summer flew by and the leaves are now getting ready to turn as we rapidly approach the holiday season (bet you didn't see that reference coming) and the new year. While thinking about the year gone by and the year to come I realized that the immediate expensing rules were about to end for our corporate clients along with the current year. These rules, while only short lived (2021 to 2023), have provided some substantial cash flow improvements to our clients by advancing the tax savings they would otherwise receive over multiple years.

These rules are not going to help everyone, but if you are considering purchasing an asset to use in your business in early 2024 you should really consider advancing that purchase to take advantage of these rules. The advanced savings will vary depending on each company's specific tax scenario and the type of asset purchased, but if we assume a Canadian Controlled Private Corporation ("CCPC") purchases an eligible property that becomes available for use for $1.5 million dollars in 2023 and that the asset is a class 10 asset, the CCPC would get a full deduction in 2023 of $1.5 million dollars. If on the other hand, the CCPC waits until 2024, the deduction against taxable income will only be $450,000.

The advantage of the advanced deduction to reduce overall taxable income in the current year and potential cash savings for those companies that would otherwise have a tax bill is clear. I encourage those of you looking to acquire assets in the near term to contact your Welch advisor and ask about accessing this opportunity before it is gone along with the falling leaves and holiday season. I would wish you all Happy Holidays, but it feels a little to early....

Click here for a summary of the application of the immediate expensing rules.

- JOSHUA SMITH, CPA, CA, PARTNER

# 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 Underused Housing Tax Act **(UHTA)** has a much broader scope and impacts not only non-residents, but also Canadian corporations, partnerships, and trusts.

**IMPORTANT REMINDER:**
**New Underused Housing Tax (UHT) compliance requirement – Due April 30, 2023**

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 [(this 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.

**CLICK HERE FOR KEY DEFINITIONS.**

An affected owner might not be subject to the 1% tax liability on the value of the property, if they qualify for tax exemptions listed specifically in the UHTA. Some of the key tax exemptions are listed below. For a complete list of tax exemptions we recommend reviewing the CRA guidelines and UHTA.





## 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 capivtal, 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.

## WELCH LLP COMMENTS

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.

# The Enhanced GST Rental Rebate

The Department of Finance has released a ***Backgrounder*** which provides additional details further to the Prime Minister's announcement which was made on September 14th, 2023 indicating the government's intention to remove the GST from purpose built rental housing. We now have draft legislation contained in Bill C-56, short titled the Affordable Housing and Groceries Act. At the time of writing, the bill is in its second reading in the House of Commons.

The stated purpose of the enhanced GST rental rebate is to incentivize construction of rental homes for Canadians.

The enhanced rebate will apply to new purpose-built rental housing construction projects that began on or after ***September 14, 2023***, and on or before ***December 31, 2030.*** The project would need to be complete by ***December 31, 2035***.

The current GST rental rebate provides a rebate to residential landlords of 36% of the 5% GST applicable to the purchase price of new residential housing. However, under the current system, the rebate amount is reduced proportionately when the value of the residential property is between $350,000 and $450,000. The rebate is totally eliminated for property values in excess of $450,000.

The new enhanced rebate will be equal to 100% of the 5% GST and will not be subject to any reduction regardless of the value of the property.

According to the Backgrounder:

Qualifying new residential units are those that qualify for the existing GST Rental Rebate and are in buildings with at least:

1. Four private apartment units (i.e., a unit with a private kitchen, bathroom, and living areas), or at least 10 private rooms or suites (e.g., a 10-unit residence for students, seniors, or people with disabilities); and,
2. Ninety per cent of residential units designated for long-term rental.

The Backgrounder makes it clear that individually-owned condominium units, single-unit housing, duplexes, triplexes, housing co-ops and owned houses situated on leased land and sites in residential trailer parks **will not be eligible**.

However, the existing rebate will continue to be available for properties not eligible for the enhanced rebate as long as the conditions for that rebate have been met.

Furthermore, substantial renovations of existing residential complexes are specifically ineligible for the enhanced rebate in order to de-incentivize "renovictions".

The value of the enhanced rebate will be substantially reduced for residential properties located in HST provinces that do not offer a similar rebate in respect of the provincial portion of the HST or Quebec since it is only the 5% GST that is eligible for the enhanced rebate. Quebec has indicated that it can't afford to offer the same deal as the Feds. Although Ontario, PEI and Nova Scotia have announced they will harmonize their position with the federal government, it's not clear whether their intention is to provide a full refund of the provincial portion of the HST or just a partial rebate. We'll have to wait and see what the future will bring.

Although the enhanced GST Rental Rebate for purpose-built rental housing will be effective as of **September 14, 2023**, it is subject to the passage of implementing legislation.

For any more questions about GST, our Welch Tax Team is ready to assist.

Author: Mona Tessier, CPA, CA, Indirect Tax Specialist, Partner





**Increased Interest Rates**

# Don't Forget About CRA

When we think of interest rates and how they have increased so dramatically over the last year or so we think of mortgages, lines of credit, credit cards and other forms of bank debt. But there is another creditor that may be looking to be paid – the Canada Revenue Agency (CRA).

Currently, bank interest rates hover around 7% or so. The current CRA interest rate on outstanding tax balances is 9% and might possibly increase to 10% in the fall (it was as low as 5% in 2022). This is an expensive debt to carry.

There are two ways in which CRA will charge interest:
1. On taxes owed but unpaid by the "balance due date" – April 30 for individuals; 2 or 3 months after year-end for corporations (referred to as "arrears interest").
2. When there is a requirement to prepay the tax bill through instalment payments during the year (referred to as "instalment interest").

Current year tax instalments are required if the tax owing on filing is consistently more that $3,000 ($1,800 if you are an individual living in Quebec) each year. For individual taxpayers it can be relatively easy to know what is required to be paid – CRA will send an instalment notice in February (for March and June payments) and August (for September and December payments) advising of the amounts to be paid – if this is followed, no interest will be charged by CRA. If it is estimated that the current year tax bill will be less than the CRA notices, less can be paid and there will be no follow up from CRA. But if the estimate turns out to be wrong and there is tax owing at the end of the year instalment interest will be charged.

This advance notice does not happen for corporate taxpayers, so it is important to be on top of what needs to be paid; either quarterly or monthly depending upon the circumstances. And, while the current rate is 9% if the instalment interest charge exceeds a certain level, a further 25% penalty is applied increasing the rate to almost 12%.

So, with the high rate charged by CRA, it is important to look at financing arrangements to perhaps increase bank debt to reduce CRA debt/pay instalment obligations and reduce the overall interest cost – don't use CRA as a bank. And, both instalment and arrears interest charged by CRA is not deductible for tax purposes. It may be possible to rearrange debt such that some or all of the refinanced debt/interest is deductible for tax – something we at Welch regularly review with our clients. We also make sure our clients understand the cost of CRA tax debt – CRA already takes enough from us in taxes; we don't need to pay interest too....

Author: Don Scott, FCPA, FCA, Senior Advisor

# Employer Health Tax in BC

## IS IT AFFECTING MY BUSINESS?

The Province of British Columbia (BC) has been a popular destination for non-resident companies to land on, as there are no restrictions on the residency of the directors to incorporate in BC. Directors of a BC corporation can be 100% made up of persons who are neither Canadian citizens nor permanent residents.

The term “permanent establishment” (PE) means any fixed place of business, which may include a factory, a leased or owned office space, a farm, timberland or other physical existence. For some non-resident companies incorporated in BC, they may not have any fixed place of business location in BC or elsewhere in Canada. Nevertheless, a corporation would be deemed to have a PE for BC Employer Health Tax (EHT) purposes, if one of the following scenarios applies:

- it has a place designated in the Articles of Incorporation as being the corporation’s head or registered office; there is a jurisdiction where an employer owns a stock of merchandise and fills orders from the stock; or
- an employer carries on business in the jurisdiction through an employee or agent who has the general authority to contract on behalf of the employer.

Effective January 1, 2019, BC resident employers are subject to BC EHT. A BC resident is a person who has a PE, including having a deemed PE, in BC. If a corporation’s registered office is in BC and it does not have a PE elsewhere in Canada, it will be considered a BC resident employer and must consider the BC EHT implications.

The EHT is calculated based on the BC remuneration that exceeds the exemption amount. The exemption amount is $1,500,000 per calendar year for registered charities or not-for-profit employers. It is $500,000



**BC REMUNERATION INCLUDES:**

- **all remuneration paid to the employees who report for work at the employer’s PE, including deemed PE in BC; and**
- **all remuneration paid to the employees who do not report for work at the employer’s PE in BC, but are paid through a PE in BC.**

for all other employers per calendar year. The exemption amount must be shared amongst associated employers and must be prorated if the BC resident employer begins or ceases to have a PE in BC during the calendar year. The term “associated” employers for BC EHT purposes is based on the definition of “associated” in section 256 of the Income Tax Act.

It is clear that if an employer has a fixed place of business in BC, it would be considered a BC resident employer and must consider the EHT requirements. However, for corporations that do not have a fixed place of business in BC, by having a registered office in BC or meeting other conditions under the extended meaning of having a deemed PE in BC, the employer must also consider if it is subject to the BC EHT.

If your business is required to but hasn’t yet fulfilled BC EHT obligations, you should consider making a voluntary disclosure. A successfully filed voluntary disclosure would relieve the business from paying some interest, penalties or from prosecution.



Author: Jessica Zhang-Chapman, CPA, CGA, CIA, Senior Manager

# An Overview of PSAB's Conceptual Framework with Umar Saeed

*"Thanks to LumiQ for inviting me to speak about PSAB's new conceptual framework. It was a fun podcast to do on one of my favourite topics and I think Stephen did a great job of probing and outlining the most practical implications of the new framework that will impact practitioners (preparers, auditors, and everyone else in that eco-system). Hope you all enjoy it."*

*- Umar Saeed, CPA, CA*
*Partner at Welch LLP*

The Conceptual Framework for financial reporting in the public sector is foundational to the accounting practice. As practitioners, it's critical that we stay up to date and alert of any incoming changes.

Umar Saeed had the opportunity to participate as a speaker on LumiQ's podcast to explain the objectives and scope of the Conceptual Framework along with the related considerations for public sector practitioners.

**Listen to the Podcast**





Congratulations!

# Ryan Pothier

Scholarship Award Recipient of 2023

**The Partners of Welch LLP recently presented Ryan Pothier with a Scholarship Award of $2,500.**

Beginning in 2008, the Quinte offices of Welch LLP announced they would be awarding a scholarship annually.

Ryan Pothier, the winner of the Anniversary Scholarship for 2023, resides in the Quinte Region and is heading to the Wilfred Laurier University where he is enrolled in their Honours Bachelor of Business Administration program.

Best wishes on your career, Ryan!

Independent READERS' CHOICE 2023 DIAMOND WINNER

# THANK YOU

for VOTING us as Best Accounting Services in the 2023 Readers' Choice Awards!

Welch LLP Chartered Professional Accountants

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# our CLIENTS IN THE NEWS


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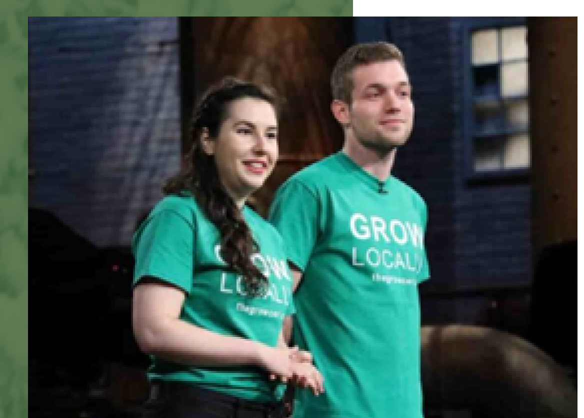

## OTTAWA'S GROWCER

MAKES VERTICAL FARMING ACCESSIBLE TO THOSE WITH PHYSICAL CHALLENGES


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