

Superficial loss rule

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1 Question

What is the superficial loss rule applied to stocks and how does it impact me?

2 Answer

The superficial loss rule states:

A superficial loss can occur when you dispose of capital property for a loss and both of the following conditions are met:

- You, or a person affiliated with you, buys, or has a right to buy, the same or identical property (called “substituted property”) during the period starting 30 calendar days before the sale and ending 30 calendar days after the sale.
- You, or a person affiliated with you, still owns, or has a right to buy, the substituted property 30 calendar days after the sale.

What this effectively does is that it prevents you from selling at a loss and rebuying the same stock within a 30 days period for the purpose of tax harvesting during that year. This however does not prevent you from claiming the loss when you finally sell the stock.

It is not clear to me how this applies when you have different types of accounts. As far as I understand it, you cannot claim losses on a TFSA account, it is tax-free. The tax impact on an RRSP account appears to only be calculated when you withdraw your money from the account so I would expect it to be a very uncommon occurrence. However, it is not clear whether the accounts interact with each other, that is, if I sell some XYZ shares at a loss in my taxed account, then buy some XYZ shares in my TFSA/RRSP account, will the superficial loss rule apply? This would mean that I would only be able to claim the loss when buying and selling the same asset again. Based on this last statement, I would consider that accounts do not interact with each other, meaning that buying a stock you sold in your taxed account in your TFSA/RRSP account would not trigger the superficial loss rule.

3 References

- <https://www.adjustedcostbase.ca/blog/what-is-the-superficial-loss-rule/>
- <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/personal-income/line-127-capital-gains/capital-losses-deductions/what-a-superficial-loss.html>