

# 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 (before or after the transaction) 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's important to note that there is interactions between non-registered and registered accounts. Buying the stocks in one account and selling in another account will still be considered as if they were under the same account. The most important thing to understand is that if you have stocks in your registered accounts (TFSA/RRSP), that you buy/sell in these accounts within the 30 days window in a non-registered account, you will not be able to claim your adjusted cost base. This will result in a permanent loss of this taxable loss. As a simple advice, in other words, do not trade the stocks you have in your TFSA/RRSP in your non-registered accounts. It will simplify your life.

## 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>
- <https://canadiancouchpotato.com/2020/10/22/how-to-avoid-superficial-losses/>