



Income Tax Act (R.S.C. (Revised Statutes of Canada), 1985, c. 1 (5th Supp.))

Act current to 2026-07-21 and on 2026-06-18.

Adjustments to cost base

53 (1) In computing the adjusted cost base to a taxpayer of property at any time, there shall be added to the cost to the taxpayer of the property such of the following amounts in respect of the property as are applicable:

(a) any amount deemed by subsection 40(3) to be a gain of the taxpayer for a taxation year from a disposition before that time of the property;

(b) where the property is a share of the capital stock of a corporation resident in Canada, the amount, if any, by which

(i) the total of all amounts each of which is the amount of a dividend on the share deemed by subsection 84(1) to have been received by the taxpayer before that time

exceeds

(ii) the portion of the total determined under subparagraph (i) that relates to dividends in respect of which the taxpayer was permitted a deduction under subsection 112(1) in computing the taxpayer's taxable income, except any portion of the dividend that, if paid as a separate dividend, would not be subject to subsection 55(2) because the amount of the separate dividend would not exceed the amount of the income earned or realized by any corporation — after 1971 and before the safe-income determination time for the transaction, event or series of transactions or events as part of which the dividend is

received — that could reasonably be considered to contribute to the capital gain that could be realized on a disposition at fair market value, immediately before the dividend, of the share on which the dividend is received;

(b.1) where the property is a share of the capital stock of a corporation, the amount of any dividend deemed by paragraph 128.1(1)(c.2) to have been received in respect of the share by the taxpayer before that time and while the taxpayer was resident in Canada;

(c) where the property is a share of the capital stock of a corporation and the taxpayer has, after 1971, made a contribution of capital to the corporation otherwise than by way of a loan, by way of a disposition of shares of a foreign affiliate of the taxpayer to which subsection 85.1(3) or paragraph 95(2)(c) applies or, subject to subsection 53(1.1), a disposition of property in respect of which the taxpayer and the corporation have made an election under section 85, that proportion of such part of the amount of the contribution as cannot reasonably be regarded as a benefit conferred by the taxpayer on a person (other than the corporation) who was related to the taxpayer that

(i) the amount that may reasonably be regarded as the increase in the fair market value, as a result of the contribution, of the share

is of

(ii) the amount that may reasonably be regarded as the increase in the fair market value, as a result of the contribution, of all shares of the capital stock of the corporation owned by the taxpayer immediately after the contribution;

(d) if the property is a share of the capital stock of a foreign affiliate of the taxpayer, any amount required by section 92 to be added in computing the adjusted cost base to the taxpayer of the share;

(d.01) where the property is a share of the capital stock of a corporation, any amount required by paragraph 139.1(16)(l) to be added in computing the adjusted cost base to the taxpayer of the share;

(d.1) if the property is a capital interest in a trust, any amount included under subsection 91(1) or (3) in computing the taxpayer's income for a taxation year that ends at or before that time (or that would have been required to have been included under those subsections but for subsection 56(4.1) and sections 74.1 to 75 of this Act and section 74 of the *Income Tax Act*, chapter 148 of the Revised Statutes of Canada, 1952) in respect of that interest;

(d.2) where the property is a unit in a mutual fund trust, any amount required by subsection 132.1(2) to be added in computing the adjusted cost base to the taxpayer of the unit;

(d.3) where the property is a share of the capital stock of a corporation of which the taxpayer was, at any time, a specified shareholder, any expense incurred by the taxpayer in respect of land or a building of the corporation that was by reason of subsection 18(2) or 18(3.1) not deductible by the taxpayer in computing the taxpayer's income for any taxation year commencing before that time;

(e) where the property is an interest in a partnership,

(i) an amount in respect of each fiscal period of the partnership ending after 1971 and before that time, equal to the total of all amounts each of which is the taxpayer's share (other than a share under an agreement referred to in subsection 96(1.1)) of the income of the partnership from any source for that fiscal period, computed as if this Act were read without reference to

(A) paragraphs 38(a.1) to (a.3) and the fractions set out in the formula in paragraph 14(1)(b) and in subsection 14(5), paragraph 38(a) and subsection 41(1),

(A.1) subparagraph 39(1)(a)(i.1) in respect of an object referred to in that subparagraph that is not the subject of a gifting arrangement, as defined in subsection 237.1(1), nor a property that is a tax shelter,

(A.2) the description of C in the formula in paragraph 14(1)(b), and

(B) paragraph (i), paragraphs 12(1)(o) and (z.5), 18(1)(m), 20(1)(v.1) and 29(1)(b) and (2)(b), section 55, subsections 69(6) and (7) and paragraph 82(1)(b) of this Act and paragraphs 20(1)(gg) and 81(1)(r) and (s) of the *Income Tax Act*, chapter 148 of the Revised Statutes of Canada, 1952, and the provisions of the *Income Tax Application Rules* relating to income from the operation of new mines,

(ii) the taxpayer's share of any capital dividends and any life insurance capital dividends received by the partnership before that time on shares of the capital stock of a corporation that were partnership property,

(iii) the taxpayer's share of the amount, if any, by which

(A) any proceeds of a life insurance policy received by the partnership after 1971 and before that time in consequence of the death of any person whose life was insured under the policy,

exceeds the total of all amounts each of which is

(B) the ***adjusted cost basis*** (in this subparagraph as defined in subsection 148(9)), immediately before the death, of

(I) if the death occurs before March 22, 2016, the policy to the partnership, and

(II) if the death occurs after March 21, 2016, a policyholder's interest in the policy,

(C) the amount by which the fair market value of consideration given in respect of a disposition of an interest in the policy exceeds the greater of the amount determined under subparagraph 148(7)(a)(i) in respect of the disposition and the adjusted cost basis to the policyholder of the interest immediately before the disposition, if

(I) the death occurs after March 21, 2016, and

(II) the disposition was by a policyholder (other than a taxable Canadian corporation) after 1999 and before March 22, 2016, or

(D) if the death occurs after March 21, 2016, an interest in the policy was disposed of by a policyholder (other than a taxable Canadian corporation) after 1999 and before March 22, 2016 and subsection 148(7) applied to the disposition, the amount, if any, determined by the formula

A – B

where

- A** is the amount, if any, by which the lesser of the adjusted cost basis to the policyholder of the interest immediately before the disposition and the fair market value of consideration given in respect of the disposition exceeds the amount determined under subparagraph 148(7)(a)(i) in respect of the disposition, and
- B** is the absolute value of the negative amount, if any, that would be, in the absence of section 257, the adjusted cost basis, immediately before the death, of the interest in the policy,

(iv) where the taxpayer has, after 1971, made a contribution of capital to the partnership otherwise than by way of loan, such part of the amount of the contribution as cannot reasonably be regarded as a benefit conferred on any other member of the partnership who was related to the taxpayer,

(iv.1) each amount that is in respect of a specified amount described in subsection 80.2(1) and that is paid by the taxpayer to the partnership, to the extent that the amount paid is not deductible in computing the income of the taxpayer,

(v) where the time is immediately before the taxpayer's death and the taxpayer was at that time a member of a partnership, the value, at the time of the taxpayer's death, of the rights or things referred to in subsection 70(2) in respect of a partnership interest held by the taxpayer immediately before the taxpayer's death, other than an interest referred to in subsection 96(1.5),

(vi) any amount deemed by subsection 40(3.1) to be a gain of the taxpayer for a taxation year from a disposition before that time of the property,

(vii) any amount deemed by paragraph 98(1)(c) or 98.1(1)(c) to be a gain of the taxpayer for a taxation year from a disposition before that time of the property,

(vii.1) a share of the taxpayer's Canadian development expense or Canadian oil and gas property expense that was deducted at or before that time in computing the adjusted cost base to the taxpayer of the interest because of subparagraph 53(2)(c)(ii) and in respect of which the taxpayer elected under paragraph (f) of the definition **Canadian development expense** in subsection 66.2(5) or paragraph (b) of the definition **Canadian oil and gas property expense** in subsection 66.4(5), as the case may be,

(viii) an amount deemed, before that time, by subsection 66.1(7), 66.2(6) or 66.4(6) to be an amount referred to in the description of G in the definition **cumulative Canadian exploration expense** in subsection 66.1(6), paragraph (a) of the description of F in the definition **cumulative Canadian development expense** in subsection 66.2(5) or the description of G in that definition, or paragraph (a) of the description of F in the definition **cumulative Canadian oil and gas property expense** in subsection 66.4(5) or the description of G in that definition in respect of the taxpayer,

(viii.1) an amount deemed, before that time, by subsection 59(1.1) to be proceeds of disposition receivable by the taxpayer in respect of the disposition of a foreign resource property,

(ix) the amount, if any, by which

(A) the taxpayer's share of the amount (other than an amount that is received as an *excluded loan* as defined in subsection 12(11)) of any assistance or benefit that the partnership received or became entitled to receive after 1971 and before that time from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, deduction from royalty or tax, investment allowance or any other form of assistance or benefit, in respect of or related to a Canadian resource property or an exploration or development expense incurred in Canada

exceeds

(B) the part, if any, of the amount included in clause 53(1)(e)(ix)(A) in respect of the interest that was repaid before that time by the taxpayer under a legal obligation to repay all or any part of the amount,

(x) any amount required by section 97 to be added before that time in computing the adjusted cost base to the taxpayer of the interest,

(xi) of which the taxpayer's share of any income or loss of the partnership was, at any time, 10% or more, any expense incurred by the taxpayer in respect of land or a building of the partnership that was by reason of subsection 18(2) or 18(3.1) not deductible by the taxpayer in computing the taxpayer's income for any taxation year commencing before that time,

(xii) any amount required by paragraph 110.6(23)(a) to be added at that time in computing the adjusted cost base to the taxpayer of the interest, and

(**xiii**) any amount required by subsection 127(30) or 127.45(17), section 127.48, subsection 127.49(17) or section 127.491 or 211.92 to be added to the taxpayer's tax otherwise payable under this Act for a taxation year that ended before that time in respect of the interest in the partnership;

(**xiv**) [Repealed, 2009, c. 2, s. 11]

(**f**) where the property is substituted property (within the meaning assigned by paragraph (a) of the definition ***superficial loss*** in section 54) of the taxpayer, the amount, if any, by which

(**i**) the amount of the loss that was, because of the acquisition by the taxpayer of the property, a superficial loss of any taxpayer from a disposition of a property

exceeds

(**ii**) where the property disposed of was a share of the capital stock of a corporation, the amount that would, but for paragraph 40(2)(g), be deducted under subsection 112(3), 112(3.1) or 112(3.2) in computing the loss of any taxpayer in respect of the disposition of the share;

(**f.1**) where the taxpayer is a taxable Canadian corporation and the property was disposed of by another taxable Canadian corporation to the taxpayer in circumstances such that

(**i**) paragraph 53(1)(f.2) does not apply to increase the adjusted cost base to the other corporation of shares of the capital stock of the taxpayer, and

(**ii**) the capital loss from the disposition was deemed by paragraph 40(2)(e.1) (or, where the property was acquired by the taxpayer before 1996, by paragraph 40(2)(e) or 85(4)(a) as

those paragraphs read in their application to property acquired before April 26, 1995) to be nil,

the amount that would otherwise have been the capital loss from the disposition;

(f.11) where the property was disposed of by a person (other than a non-resident person or a person exempt from tax under this Part on the person's taxable income) or by an eligible Canadian partnership (as defined in subsection 80(1)) to the taxpayer in circumstances such that

(i) paragraph 53(1)(f.1) does not apply to increase the adjusted cost base to the taxpayer of the property,

(ii) paragraph 53(1)(f.2) does not apply to increase the adjusted cost base to that person of shares of the capital stock of the taxpayer, and

(iii) the capital loss from the disposition was deemed by paragraph 40(2)(e.1) (or, where the property was acquired by the taxpayer before 1996, by paragraph 85(4)(a) as it read in its application to property acquired before April 26, 1995) to be nil,

the amount that would otherwise be the capital loss from the disposition;

(f.12) where the property is a particular commercial obligation (in this paragraph having the meaning assigned by subsection 80(1)) payable to the taxpayer as consideration for the settlement or extinguishment of another commercial obligation payable to the taxpayer and the taxpayer's loss from the disposition of the other obligation was reduced because of paragraph 40(2)(e.2), the proportion of the reduction that the principal amount of the

particular obligation is of the total of all amounts each of which is the principal amount of a commercial obligation payable to the taxpayer as consideration for the settlement or extinguishment of that other obligation;

(f.2) where the property is a share, any amount required by paragraph 40(3.6)(b) (or, where the property was acquired by the taxpayer before 1996, by paragraph 85(4)(b) as it read in its application to property disposed of before April 26, 1995) to be added in computing the adjusted cost base to the taxpayer of the share;

(g) where the property is a bond, debenture, bill, note, mortgage, hypothecary claim or similar obligation, the amount, if any, by which the principal amount of the obligation exceeds the amount for which the obligation was issued, if the excess was required by subsection 16(2) or (3) to be included in computing the income of the taxpayer for a taxation year commencing before that time;

(g.1) where the property is an indexed debt obligation, any amount determined under subparagraph 16(6)(a)(i) in respect of the obligation and required to be included in computing the taxpayer's income for a taxation year beginning before that time;

(h) where the property is land of the taxpayer, any amount paid by the taxpayer or by another taxpayer in respect of whom the taxpayer was a person, corporation or partnership described in subparagraph (b)(i), (ii) or (iii) of the definition ***interest on debt relating to the acquisition of land*** in subsection 18(3), after 1971 and before that time pursuant to a legal obligation to pay

(i) interest on debt relating to the acquisition of land (within the meaning assigned by subsection 18(3)), or

(ii) property taxes (not including income or profits taxes or taxes imposed by reference to the transfer of property) paid by the taxpayer in respect of the property to a province or to a Canadian municipality

to the extent that the amount was, because of subsection 18(2),

(iii) not deductible in computing the taxpayer's income from the land or from a business for any taxation year beginning before that time, or

(iv) not deductible in computing the income of the other taxpayer and was not included in or added to the cost to the other taxpayer of any property otherwise than because of subparagraph (d.3) or subparagraph (e)(xi);

(i) where the property is land used in a farming business carried on by the taxpayer, an amount in respect of each taxation year ending after 1971 and commencing before that time, equal to the taxpayer's loss, if any, for that year from the farming business, to the extent that the loss

(i) was not, by virtue of section 31, deductible in computing the taxpayer's income for that year,

(ii) was not deducted in computing the taxpayer's taxable income for the taxation year in which the taxpayer disposed of the property or any preceding taxation year,

(iii) did not exceed the total of

(A) taxes (other than income or profits taxes or taxes imposed by reference to the transfer of the property) paid by the taxpayer in that year or payable by the taxpayer in

respect of that year to a province or a Canadian municipality in respect of the property, and

(B) interest, paid by the taxpayer in that year or payable by the taxpayer in respect of that year, pursuant to a legal obligation to pay interest on borrowed money used to acquire the property or on any amount as consideration payable for the property,

to the extent that those taxes and interest were included in computing the loss, and

(iv) did not exceed the remainder obtained when

(A) the total of each of the taxpayer's losses from the farming business for taxation years preceding that year (to the extent that they are required by this paragraph to be added in computing the taxpayer's adjusted cost base of the property),

is deducted from

(B) the amount, if any, by which the taxpayer's proceeds of disposition of the property exceed the adjusted cost base to the taxpayer of the property immediately before that time, determined without reference to this paragraph;

(j) if the property is a security (within the meaning assigned by subsection 7(7)) and, in respect of its acquisition by the taxpayer, a benefit was deemed by section 7 to have been received in any taxation year that ends after 1971 and begins before that time by the taxpayer or by a person that did not deal at arm's length with the taxpayer or, if the security was acquired after February 27,

2000, would have been so deemed if section 7 were read without reference to subsections 7(1.1) and (8), the amount of the benefit that was, or would have been, so deemed to have been received;

(k) where the property is an expropriation asset of the taxpayer (within the meaning assigned by section 80.1) or an asset of the taxpayer assumed for the purposes of that section to be an expropriation asset thereof, any amount required by paragraph 80.1(2)(b) to be added in computing the adjusted cost base to the taxpayer of the asset;

(l) where the property is an interest in a related segregated fund trust referred to in section 138.1,

(i) each amount deemed by paragraph 138.1(1)(f) to be an amount payable to the taxpayer before that time in respect of that interest,

(ii) each amount required by subparagraph 138.1(1)(g)(ii) to be added before that time in respect of that interest,

(iii) each amount in respect of that interest that is a capital gain deemed to have been allocated under subsection 138.1(4) to the taxpayer before that time, and

(iv) each amount in respect of that interest that before that time was deemed by subsection 138.1(3) to be a capital gain of the taxpayer;

(m) where the property is an offshore investment fund property (within the meaning assigned by subsection 94.1(1)),

(i) any amount included in respect of the property by virtue of subsection 94.1(1) in computing the taxpayer's income for a taxation year commencing before that time, or

(ii) where the taxpayer is a controlled foreign affiliate (within the meaning of subsection 95(1)), of a person resident in Canada, any amount included in respect of the property in computing the foreign accrual property income of the controlled foreign affiliate by reason of the description of C in the definition ***foreign accrual property income*** in subsection 95(1) for a taxation year commencing before that time;

(n) the reasonable costs incurred by the taxpayer, before that time, of surveying or valuing the property for the purpose of its acquisition or disposition (to the extent that those costs are not deducted by the taxpayer in computing the taxpayer's income for any taxation year or attributable to any other property);

(o) where the property is real property of the taxpayer, any amount required by paragraph 43.1(2)(b) to be added in computing the adjusted cost base to the taxpayer of the property;

(p) where the time is after 2004 and the property is an interest in or a share of the capital stock of a flow-through entity (within the meaning assigned by subsection 39.1(1)), the amount determined by the formula

$$A \times B/C$$

where

A is the amount, if any, that would, if the definition **exempt capital gains balance** in subsection 39.1(1) were read without reference to "that ends before 2005", be the taxpayer's exempt capital gains balance in respect of the entity for the taxpayer's 2005 taxation year,

B is the fair market value at that time of the property, and

C is the fair market value at that time of all the taxpayer's interests in or shares of the capital stock of the entity;

(q) any amount required under paragraph 53(4)(b), (5)(b), (6)(b), 47(1)(d), 49(3.01)(b), 51(1)(d.2), 86(4)(b) or 87(5.1)(b) or (6.1)(b) to be added in computing the adjusted cost base to the taxpayer of the property;

(r) if the time is before 2005, the property is an interest in, or a share of the capital stock of, a flow-through entity described in any of paragraphs (a) to (f) and (h) of the definition ***flow-through entity*** in subsection 39.1(1) and immediately after that time the taxpayer disposed of all their interests in, and shares of the capital stock of, the entity, the amount determined by the formula

$$A \times B/C$$

where

A is the amount, if any, by which the taxpayer's exempt capital gains balance (as defined in subsection 39.1(1)) in respect of the entity for the taxpayer's taxation year that includes that time exceeds the total of all amounts each of which is

(i) the amount by which a capital gain is reduced under section 39.1 for the year because of the taxpayer's exempt capital gains balance in respect of the entity, or

(ii) twice an amount by which a taxable capital gain, or the income from a business, is reduced under section 39.1 for the year because of the taxpayer's exempt capital gains balance in respect of the entity,

B is the fair market value at that time of the property, and

C is the fair market value at that time of all the taxpayer's interests in, and shares of the capital stock of, the entity;

(s) if the property was acquired under a derivative forward agreement, any amount required to be included in respect of the property under subparagraph 12(1)(z.7)(i) in computing the income of the taxpayer for a taxation year; and

(t) if the property is disposed of under a derivative forward agreement, any amount required to be included in respect of the property under subparagraph 12(1)(z.7)(ii) in computing the income of the taxpayer for the taxation year that includes that time.

Deemed contribution of capital

(1.1) For the purposes of paragraph 53(1)(c), where there has been a disposition of property before May 7, 1974 and

(a) the taxpayer and the corporation referred to in that paragraph have made an election under section 85 in respect of that property, and

(b) the consideration received by the taxpayer for the property did not include shares of the capital stock of the corporation,

the disposition of property shall be deemed to be a contribution of capital equal to the amount, if any, by which

(c) the amount that the taxpayer and the corporation have agreed on in the election

exceeds

(d) the fair market value at the time of the disposition of any consideration received by the taxpayer for the property so disposed of.

Flow-through entity before 2005

(1.2) For the purposes of paragraph (1)(r), if the fair market value of all of a taxpayer's interests in, and shares of the capital stock of, a flow-through entity is nil when the taxpayer disposes of those interests and shares, the fair market value of each such interest or share at that time is deemed to be \$1.

Amounts to be deducted

(2) In computing the adjusted cost base to a taxpayer of property at any time, there shall be deducted such of the following amounts in respect of the property as are applicable:

(a) where the property is a share of the capital stock of a corporation resident in Canada,

(i) any amount received by the taxpayer after 1971 and before that time as, on account or in lieu of payment of, or in satisfaction of, a dividend on the share (other than a taxable dividend or a dividend in respect of which the corporation paying the dividend has elected in accordance with subsection 83(2) or 83(2.1) in respect of the full amount thereof),

(ii) any amount received by the taxpayer after 1971 and before that time on a reduction of the paid-up capital of the corporation in respect of the share, except to the extent that the amount is deemed by subsection 84(4) or 84(4.1) to be a dividend received by the taxpayer,

(iii) any amount required to be deducted before that time under section 84.1 of the *Income Tax Act*, chapter 148 of the Revised Statutes of Canada, 1952, as it applied before May 23, 1985 in computing the adjusted cost base to the taxpayer of the share,

(iv) any amount, to the extent that such amount is not proceeds of disposition of a share, received by the taxpayer before that time that would, but for subsection 84(8), be deemed by subsection 84(2) to be a dividend received by the taxpayer, and

(v) any amount required by paragraph 44.1(2)(b) to be deducted in computing the adjusted cost base to the taxpayer of the share;

(b) where the property is a share of the capital stock of a non-resident corporation,

(i) if the corporation is a foreign affiliate of the taxpayer,

(A) any amount required under paragraph 80.1(4)(d) or section 92 to be deducted in computing the adjusted cost base to the taxpayer of the share, and

(B) any amount received by the taxpayer before that time, on a reduction of the paid-up capital of the corporation in respect of the share, that is so received

(I) after 1971 and on or before August 19, 2011, or

(II) after August 19, 2011, where the reduction is a qualifying return of capital (within the meaning assigned by subsection 90(3)) in respect of the share, or

(ii) in any other case, any amount received by the taxpayer after 1971 and before that time on a reduction of the paid-up capital of the corporation in respect of the share;

(b.1) if the property is a capital interest in a trust, any amount deducted by the taxpayer by reason of subsection 91(2) or (4) in computing the taxpayer's income for a taxation year that ends at

or before that time (or that would have been so deductible by the taxpayer but for subsection 56(4.1) and sections 74.1 to 75 of this Act and section 74 of the *Income Tax Act*, chapter 148 of the Revised Statutes of Canada, 1952) in respect of that interest;

(b.2) if the property is property of a taxpayer that was subject to a loss restriction event at or before that time, any amount required by paragraph 111(4)(c) to be deducted in computing the adjusted cost base of the property;

(c) where the property is an interest in a partnership,

(i) an amount in respect of each fiscal period of the partnership ending after 1971 and before that time, equal to the total of amounts each of which is the taxpayer's share (other than a share under an agreement referred to in subsection 96(1.1)) of any loss of the partnership from any source for that fiscal period, computed as if this Act were read without reference to

(A) the fractions set out in subsection 14(5), paragraph 38(b) and in the formula in paragraph 14(1)(b),

(A.1) [Repealed, 2013, c. 34, s. 190]

(A.2) the description of C in the formula in paragraph 14(1)(b),

(B) paragraphs 12(1)(o) and 12(1)(z.5), 18(1)(m) and 20(1)(v.1), section 31, subsection 40(2), section 55 and subsections 69(6) and 69(7) of this Act and paragraphs 20(1)(gg) and 81(1)(r) and (s) of the *Income Tax Act*, chapter 148 of the Revised Statutes of Canada, 1952, and

(C) subsections 100(4), 112(3.1), (4), (4.2) as it read in its application to dispositions of property that occurred before April 27, 1995 and (5.2),

except to the extent that all or a portion of such a loss may reasonably be considered to have been included in the taxpayer's limited partnership loss in respect of the partnership for the taxpayer's taxation year in which that fiscal period ended,

(i.1) an amount in respect of each fiscal period of the partnership ending before that time that is the taxpayer's limited partnership loss in respect of the partnership for the taxation year in which that fiscal period ends to the extent that such loss was deducted by the taxpayer in computing the taxpayer's taxable income for any taxation year that commenced before that time,

(i.2) any amount deemed by subsection 40(3.12) to be a loss of the taxpayer for a taxation year from a disposition before that time of the property,

(i.3) if at that time the property is not a tax shelter investment as defined by section 143.2 and the taxpayer would be a member, described in subsection 40(3.1), of the partnership if the fiscal period of the partnership that includes that time ended at that time, the unpaid principal amount of any indebtedness of the taxpayer for which recourse is limited, either immediately or in the future and either absolutely or contingently, and that can reasonably be considered to have been used to acquire the property,

(i.4) unless that time is immediately before a disposition of the interest, if the taxpayer is a member of the partnership and the taxpayer has been a specified member of the partnership at all times since becoming a member of the partnership, or the taxpayer is at that time a limited partner of the partnership for the purposes of subsection 40(3.1),

(A) where that time is in the taxpayer's first taxation year for which the taxpayer is eligible to deduct an amount in respect of the partnership under subsection 34.2(11), the portion of the amount deducted in computing the taxpayer's income for the taxation year under subsection 34.2(11) in respect of the partnership that would have been deductible if the definition ***qualifying transitional income*** in subsection 34.2(1) were read without reference to paragraph (b), and

(B) where that time is in any other taxation year, the portion of the amount deducted in computing the taxpayer's income for the taxation year immediately preceding that other year under subsection 34.2(11) in respect of the partnership that would have been deductible if the definition ***qualifying transitional income*** in subsection 34.2(1) were read without reference to paragraph (b),

(ii) an amount in respect of each fiscal period of the partnership ending after 1971 and before that time, other than a fiscal period after the fiscal period in which the taxpayer ceased to be a member of the partnership, equal to the taxpayer's share of the total of

(A) amounts that, but for paragraph 96(1)(d), would be deductible in computing the income of the partnership for the fiscal period by virtue of the provisions of the *Income Tax Application Rules* relating to the exploration and development expenses,

(B) the Canadian exploration and development expenses and foreign resource pool expenses, if any, incurred by the partnership in the fiscal period,

(C) the Canadian exploration expense, if any, incurred by the partnership in the fiscal period,

(D) the Canadian development expense, if any, incurred by the partnership in the fiscal period, and

(E) the Canadian oil and gas property expense, if any, incurred by the partnership in the fiscal period,

(iii) any amount deemed by subsection 110.1(4) or 118.1(8) to have been the eligible amount of a gift made by the taxpayer by reason of the taxpayer's membership in the partnership at the end of a fiscal period of the partnership ending before that time,

(iv) any amount required by section 97 to be deducted before that time in computing the adjusted cost base to the taxpayer of the interest,

(v) any amount received by the taxpayer after 1971 and before that time as, on account or in lieu of payment of, or in satisfaction of, a distribution of the taxpayer's share (other than a share under an agreement referred to in subsection 96(1.1)) of the partnership profits or partnership capital,

(vi) an amount equal to that portion of all amounts deducted under subsection 127(5) in computing the tax otherwise payable by the taxpayer under this Part for the taxpayer's taxation years ending before that time that may reasonably be attributed to amounts added in computing the investment tax credit of the taxpayer by virtue of subsection 127(8),

(vi.1) an amount equal to that portion of all amounts of a CCUS tax credit deducted under subsection 127.44(3) in computing the tax otherwise payable by the taxpayer under this Part for the taxpayer's taxation years ending before that time that may reasonably be attributed to amounts added in computing the tax credit of the taxpayer because of subsection 127.44(11),

(vi.2) an amount equal to that portion of all amounts of a clean technology investment tax credit deducted under subsection 127.45(6) in computing the tax otherwise payable by the taxpayer under this Part for the taxpayer's taxation years ending before that time that may reasonably be attributed to amounts added in computing the tax credit of the taxpayer because of subsection 127.45(8),

(vi.3) an amount equal to that portion of all amounts deemed deducted under subsection 127.48(3) in computing the tax otherwise payable by the taxpayer under this Part for the taxpayer's taxation years ending before that time that may reasonably be attributed to amounts added in computing the *clean hydrogen tax credit* (as defined in subsection 127.48(1)) of the taxpayer under subsection 127.48(12),

(vi.4) an amount equal to that portion of all amounts deemed deducted under subsection 127.49(6) in computing the tax otherwise payable by the taxpayer under this Part for the taxpayer's taxation years ending before that time that may reasonably be attributed to amounts added in computing the *CTM investment tax credit* (as defined in subsection 127.49(1)) of the taxpayer under subsection 127.49(8),

(vi.5) an amount equal to that portion of all amounts deemed deducted under subsection 127.491(10) in computing the tax otherwise payable by the taxpayer under this Part for the taxpayer's taxation years ending before that time that may reasonably be attributed to amounts added in computing the *clean electricity investment tax credit* (as defined in subsection 127.491(1)) of the taxpayer because of subsection 127.491(12),

(vii) any amount added pursuant to subsection 127.2(4) in computing the taxpayer's share-purchase tax credit for a taxation year ending before or after that time,

(viii) an amount equal to 50% of the amount deemed to be designated pursuant to subsection 127.3(4) before that time in respect of each share, debt obligation or right acquired by the partnership and deemed to have been acquired by the taxpayer under that subsection,

(ix) the amount of all assistance received by the taxpayer before that time that has resulted in a reduction of the capital cost of a depreciable property to the partnership by virtue of subsection 13(7.2),

(x) any amount deductible by the taxpayer under subparagraph 20(1)(e)(vi) in respect of the partnership for a taxation year of the taxpayer ending at or after that time,

(xi) any amount required by paragraph 110.6(23)(b) to be deducted at that time in computing the adjusted cost base to the taxpayer of the interest,

(xii) any amount payable by the partnership, to the extent that the amount is deductible under subsection 20.01(1) in computing the taxpayer's income for a taxation year that began before that time, and

(xiii) the amount of any reduction (within the meaning of paragraph 247(13)(a)) of the amount of a dividend deemed to have been received by the taxpayer in respect of a transaction (as defined in subsection 247(1)) or series of transactions in which the partnership was a participant;

(d) where the property is such that the taxpayer has, after 1971 and before that time, disposed of a part of it while retaining another part of it, the amount determined under section 43 to be the adjusted cost base to the taxpayer of the part so disposed of;

(e) if the property is a share, or an interest in or a right to — or, for civil law, a right in or to — a share, of the capital stock of a corporation acquired before August 1976, an amount equal to any expense incurred by the taxpayer in consideration therefor, to the extent that the expense was, by virtue of

(i) paragraph (e) of the definition **Canadian exploration and development expenses** in subsection 66(15), a Canadian exploration and development expense,

(ii) paragraph (i) of the definition **Canadian exploration expense** in subsection 66.1(6), a Canadian exploration expense,

(iii) paragraph (g) of the definition **Canadian development expense** in subsection 66.2(5), a Canadian development expense, or

(iv) paragraph (c) of the definition **Canadian oil and gas property expense** in subsection 66.4(5), a Canadian oil and gas property expense

incurred by the taxpayer;

(f) where the property was received by the taxpayer as consideration for any payment or loan

(i) made before April 20, 1983 by the taxpayer as a shareholder corporation (within the meaning assigned by subsection 66(15)) to a joint exploration corporation of the shareholder, and

(ii) described in paragraph (a) of the definition **agreed portion** in subsection 66(15),

or the property was substituted for such a property, such portion of the payment or loan as may reasonably be considered to be related to an agreed portion (within the meaning assigned by subsection 66(15)) of the joint exploration corporation's

(iii) Canadian exploration and development expenses,

(iv) Canadian exploration expense,

(v) Canadian development expense, or

(vi) Canadian oil and gas property expense,

as the case may be;

(f.1) where the property is a share of the capital stock of a joint exploration corporation resident in Canada and the taxpayer has, after 1971, made a contribution of capital to the corporation otherwise than by way of a loan, which contribution was included in computing the adjusted cost base of the property by virtue of paragraph 53(1)(c), such portion of the contribution as may reasonably be considered to be part of an agreed portion (within the meaning assigned by subsection 66(15)) of the corporation's

(i) Canadian exploration and development expenses,

(ii) Canadian exploration expense,

(iii) Canadian development expense, or

(iv) Canadian oil and gas property expense,

as the case may be;

(f.2) any amount required by paragraph 66(10.4)(a) to be deducted before that time in computing the adjusted cost base to the taxpayer of the property;

(g) where section 80 is applicable in respect of the taxpayer, the amount, if any, by which the adjusted cost base to the taxpayer of the property is required in prescribed manner to be reduced before that time;

(g.1) any amount required under paragraph 53(4)(a), 53(5)(a), 53(6)(a), 47(1)(c), 49(3.01)(a), 51(1)(d.1), 86(4)(a) or 87(5.1)(a) or 87(6.1)(a) to be deducted in computing the adjusted cost base to the taxpayer of the property or any amount by which that adjusted cost base is required to be reduced because of subsection 80(9), 80(10) or 80(11);

(h) where the property is a capital interest of the taxpayer in a trust (other than an interest in a personal trust that has never been acquired for consideration or an interest of a taxpayer in a trust described in any of paragraphs (a) to (e.1) of the definition **trust** in subsection 108(1)),

(i) any amount paid to the taxpayer by the trust after 1971 and before that time as a distribution or payment of capital by the trust (otherwise than as proceeds of disposition of the interest or part thereof), to the extent that the amount became payable before 1988,

(i.1) any amount that has become payable to the taxpayer by the trust after 1987 and before that time in respect of the interest (otherwise than as proceeds of disposition of the interest or part thereof), except to the extent of the portion thereof

(A) that was included in the taxpayer's income by reason of subsection 104(13) or from which an amount of tax was deducted under Part XIII by reason of paragraph 212(1)(c),

(A.1) that was deemed by subsection 104(16) to be a dividend received by the taxpayer, or

(B) where the trust was resident in Canada throughout its taxation year in which the amount became payable

(I) that is equal to the amount designated by the trust under subsection 104(21) in respect of the taxpayer,

(II) that was designated by the trust under subsection 104(20) in respect of the taxpayer, or

(III) that is an assessable distribution (as defined in subsection 218.3(1)) to the taxpayer,

(ii) an amount equal to that portion of all amounts deducted under subsection 127(5) in computing the tax otherwise payable by the taxpayer under this Part for the taxpayer's taxation years ending before that time that may reasonably be attributed to amounts added in computing the investment tax credit of the taxpayer by virtue of subsection 127(7),

(iii) any amount added pursuant to subsection 127.2(3) in computing the taxpayer's share-purchase tax credit for a taxation year ending before or after that time,

(iv) an amount equal to 50% of the amount deemed to be designated pursuant to subsection 127.3(3) before that time in respect of each share, debt obligation or right acquired by the trust and deemed to have been acquired by the taxpayer under that subsection, and

(v) an amount equal to the amount of all assistance received by the taxpayer before that time that has resulted in a reduction of the capital cost of a depreciable property to the trust by virtue of subsection 13(7.2);

(i) where the property is a capital interest in a trust (other than a unit trust) not resident in Canada that was purchased after 1971 and before that time by the taxpayer from a non-resident person at a time (in this paragraph referred to as the "purchase time") when the property was not taxable Canadian property and the fair market value of such of the trust property as was

(i) a Canadian resource property,

(iii) an income interest in a trust resident in Canada,

(iv) taxable Canadian property, or

(v) a timber resource property

was not less than 50% of the fair market value of all the trust property, that proportion of the amount, if any, by which

(vi) the fair market value at the purchase time of such of the trust properties as were properties described in any of subparagraphs (i) to (v)

exceeds

(vii) the total of the cost amounts to the trust at the purchase time of such of the trust properties as were properties described in any of subparagraphs (i) to (v),

that the fair market value at the purchase time of the interest is of the fair market value at the purchase time of all capital interests in the trust;

(j) where the property is a unit of a unit trust not resident in Canada that was purchased after 1971 and before that time by the taxpayer from a non-resident person at a time (in this paragraph referred to as the “purchase time”) when the property was not taxable Canadian property and the fair market value of such of the trust property as was

(i) a Canadian resource property,

(iii) an income interest in a trust resident in Canada,

(iv) taxable Canadian property, or

(v) a timber resource property

was not less than 50% of the fair market value of all the trust property, that proportion of the amount, if any, by which

(vi) the fair market value at the purchase time of such of the trust properties as were properties described in any of subparagraphs (i) to (v)

exceeds

(vii) the total of the cost amounts to the trust at the purchase time of such of the trust properties as were properties described in any of subparagraphs (i) to (v),

that the fair market value at the purchase time of the unit is of the fair market value at the purchase time of all the issued units of the trust;

(k) where the property was acquired by the taxpayer after 1971, the amount, if any, by which the total of

(i) the amount of any assistance which the taxpayer has received or is entitled to receive before that time from a government, municipality or other public authority, in respect of, or for the acquisition of, the property, whether as a grant, subsidy, forgivable loan, deduction from tax not otherwise provided for under this paragraph, investment allowance or as any other form of assistance other than

(A) an amount described in paragraph 37(1)(d),

(B) an amount deducted as an allowance under section 65,

(C) the amount of prescribed assistance that the taxpayer has received or is entitled to receive in respect of, or for the acquisition of, shares of the capital stock of a prescribed venture capital corporation or a prescribed labour-

sponsored venture capital corporation or shares of the capital stock of a taxable Canadian corporation that are held in a prescribed stock savings plan,

(D) an amount included in income by virtue of paragraph 12(1)(u) or 56(1)(s), or

(E) an amount received as an *excluded loan* as defined in subsection 12(11), and

(ii) all amounts deducted under subsection 127(5) or 127(6) in respect of the property before that time,

exceeds such part, if any, of the assistance referred to in subparagraph 53(2)(k)(i) as has been repaid before that time by the taxpayer pursuant to an obligation to repay all or any part of that assistance;

(I) where the property is a debt obligation, any amount that was deductible by virtue of subsection 20(14) in computing the taxpayer's income for any taxation year commencing before that time in respect of interest on that debt obligation;

(I.1) where the property is an indexed debt obligation,

(i) any amount determined under subparagraph 16(6)(a)(ii) in respect of the obligation and deductible in computing the income of the taxpayer for a taxation year beginning before that time, and

(ii) the amount of any payment that was received or that became receivable by the taxpayer at or before that time in respect of an amount that was added under paragraph 53(1)(g.1) to the cost to the taxpayer of the obligation;

(m) any part of the cost to the taxpayer of the property that was deductible (otherwise than because of this Subdivision or paragraph 8(1)(r)) in computing the taxpayer's income for any taxation year commencing before that time and ending after 1971;

(n) where the property is an expropriation asset of the taxpayer (within the meaning assigned by section 80.1) or an asset of the taxpayer assumed for the purposes of that section to be an expropriation asset thereof, any amount required by paragraph 80.1(2)(b) to be deducted in computing the adjusted cost base to the taxpayer of the asset;

(o) where the property is a right to receive partnership property within the meaning assigned by paragraph 98.2(a) or 100(3)(a), any amount received by the taxpayer in full or partial satisfaction of that right;

(p) where the property is a debt owing to the taxpayer by a corporation, any amount required to be deducted before that time under section 84.1 of the *Income Tax Act*, chapter 148 of the Revised Statutes of Canada, 1952, as it applied before May 23, 1985 or subsection 84.2(2) in computing the adjusted cost base to the taxpayer of the debt;

(q) where the property is an interest in a related segregated fund trust referred to in section 138.1,

(i) each amount in respect of that interest that is a capital loss deemed to have been allocated under subsection 138.1(4) to the taxpayer before that time, and

(ii) each amount in respect of that interest that before that time was deemed by subsection 138.1(3) to be a capital loss of the taxpayer;

(s) the amount, if any, by which

(i) the amount elected by the taxpayer before that time under subsection 53(2.1)

exceeds

(ii) any repayment before that time by the taxpayer of an amount received by the taxpayer as described in subsection 53(2.1) that may reasonably be considered to relate to the amount elected where the repayment is made pursuant to a legal obligation to repay all or any part of the amount so received;

(t) if the property is a right to acquire shares or units under an agreement, any amount required by paragraph 164(6.1)(b) to be deducted in computing the adjusted cost base to the taxpayer of the right;

(u) where the property was at the end of February 22, 1994 a non-qualifying real property (within the meaning assigned by subsection 110.6(1) as that subsection applies to the 1994 taxation year) of a taxpayer, any amount required by paragraph 110.6(21)(b) to be deducted in computing the adjusted cost base to the taxpayer of the property;

(v) where the taxpayer elected under subsection 110.6(19) in respect of the property, any amount required by subsection 110.6(22) to be deducted in computing the adjusted cost base to the taxpayer of the property at that time;

(w) if the property was acquired under a derivative forward agreement, any amount deductible in respect of the property under paragraph 20(1)(xx) in computing the income of the

taxpayer for a taxation year; and

(x) if the property is disposed of under a derivative forward agreement, any amount deductible in respect of the property under paragraph 20(1)(xx) in computing the income of the taxpayer for the taxation year that includes that time.

Election

(2.1) For the purpose of paragraph 53(2)(s), where in a taxation year a taxpayer receives an amount that would, but for this subsection, be included in the taxpayer's income under paragraph 12(1)(x) in respect of the cost of a property (other than depreciable property) acquired by the taxpayer in the year, in the 3 taxation years preceding the year or in the taxation year following the year, the taxpayer may elect under this subsection on or before the date on or before which the taxpayer's return of income under this Part for the year is required to be filed or, where the property is acquired in the following year, for that following year, to reduce the cost of the property by such amount as the taxpayer specifies, not exceeding the least of

(a) the adjusted cost base, determined without reference to paragraph 53(2)(s), at the time the property was acquired,

(b) the amount so received by the taxpayer, and

(c) where the taxpayer has disposed of the property before the year, nil.

(3) [Repealed, 2001, c. 17, s. 36(13)]

Recomputation of adjusted cost base on transfers and deemed dispositions

(4) If at any time in a taxation year a person or partnership (in this subsection referred to as the "vendor") disposes of a specified property and the proceeds of disposition of the property are

determined under paragraph 48.1(1)(c), section 70 or 73, subsection 85(1), paragraph 87(4)(a) or (c) or 88(1)(a), subsection 97(2) or 98(2), paragraph 98(3)(f) or (5)(f), subsection 104(4), paragraph 107(2)(a) or (2.1)(a), 107.4(3)(a) or 111(4)(e) or section 128.1,

(a) there shall be deducted after that time in computing the adjusted cost base to the person or partnership (in this subsection referred to as the “transferee”) who acquires or reacquires the property at or immediately after that time the amount, if any, by which

(i) the total of all amounts deducted under paragraph 53(2)(g.1) in computing, immediately before that time, the adjusted cost base to the vendor of the property,

exceeds

(ii) the amount that would be the vendor’s capital gain for the year from that disposition if this Act were read without reference to subparagraph 40(1)(a)(iii) and subsection 100(2); and

(b) the amount determined under paragraph 53(4)(a) in respect of that disposition shall be added after that time in computing the adjusted cost base to the transferee of the property.

Recomputation of adjusted cost base on other transfer

(5) Where

(a) at any time in a taxation year a person or partnership (in this subsection referred to as the “vendor”) disposes of a specified property to another person or partnership (in this subsection referred to as the “transferee”),

(b) immediately before that time, the vendor and the transferee do not deal with each other at arm's length or would not deal with each other at arm's length if paragraph 80(2)(j) applied for the purpose of this subsection,

(c) paragraph 53(5)(b) would apply in respect of the disposition if each right referred to in paragraph 251(5)(b) that is a right of the transferee to acquire the specified property from the vendor or a right of the transferee to acquire other property as part of a transaction or event or series of transactions or events that includes the disposition were not taken into account, and

(d) the proceeds of the disposition are not determined under any of the provisions referred to in subsection 53(4),

the following rules apply:

(e) there shall be deducted after that time in computing the adjusted cost base to the transferee of the property the amount, if any, by which

(i) the total of all amounts deducted under paragraph 53(2)(g.1) in computing the adjusted cost base to the vendor of the property immediately before that time

exceeds

(ii) the amount that would be the vendor's capital gain for the year from that disposition if this Act were read without reference to subparagraph 40(1)(a)(iii) and subsection 100(2), and

(f) the amount determined under paragraph 53(5)(e) in respect of that disposition shall be added after that time in computing the adjusted cost base to the transferee of the property.

Recomputation of adjusted cost base on amalgamation

(6) Where a capital property that is a specified property is acquired by a new corporate entity at any time as a result of the amalgamation or merger of 2 or more predecessor corporations,

(a) there shall be deducted after that time in computing the adjusted cost base to the new entity of the property the total of all amounts deducted under paragraph 53(2)(g.1) in computing, immediately before that time, the adjusted cost base to a predecessor corporation of the property, unless those amounts are otherwise deducted under that paragraph in computing the adjusted cost base to the new entity of the property; and

(b) the amount deducted under paragraph 53(6)(a) in respect of the acquisition shall be added after that time in computing the adjusted cost base to the new entity of the property.

[NOTE: Application provisions are not included in the consolidated text; see relevant amending Acts and regulations.] ; R.S., 1985, c. 1 (5th Supp.), s. 53; 1994, c. 7, Sch II, s. 30, Sch VIII, s. 15, c. 21, s. 22; 1995, c. 3, s. 14, c. 21, s. 17; 1996, c. 21, s. 12; 1997, c. 25, s. 7; 1998, c. 19, s. 94; 1999, c. 22, s. 14; 2000, c. 19, s. 4; 2001, c. 17, ss. 36, 206; 2002, c. 9, s. 23; 2005, c. 19, s. 14; 2006, c. 4, s. 52; 2007, c. 29, s. 2, c. 35, s. 16; 2009, c. 2, s. 11; 2011, c. 24, s. 8; 2012, c. 31, s. 10; 2013, c. 34, ss. 4, 29, 61, 106, 190, c. 40, s. 22; 2016, c. 7, s. 3, c. 12, s. 16; 2017, c. 33, s. 12; 2024, c. 15, s. 11; 2024, c. 17, s. 10; 2024, c. 17, s. 80; 2026, c. 3, s. 9.

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