



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.

Definitions

54 In this Subdivision,

adjusted cost base to a taxpayer of any property at any time means, except as otherwise provided,

(a) where the property is depreciable property of the taxpayer, the capital cost to the taxpayer of the property as of that time, and

(b) in any other case, the cost to the taxpayer of the property adjusted, as of that time, in accordance with section 53,

except that

(c) for greater certainty, where any property (other than an interest in or a share of the capital stock of a flow-through entity within the meaning assigned by subsection 39.1(1) that was last reacquired by the taxpayer as a result of an election under subsection 110.6(19)) of the taxpayer is property that was reacquired by the taxpayer after having been previously disposed of by the taxpayer, no adjustment to the cost to the taxpayer of the property that was required to be made under section 53 before its reacquisition by the taxpayer shall be made under that section to the cost to the taxpayer of the property as reacquired property of the taxpayer, and

(d) in no case shall the adjusted cost base to a taxpayer of any property at any time be less than nil; (*prix de base rajusté*)

capital property of a taxpayer means

(a) any depreciable property of the taxpayer, and

(b) any property (other than depreciable property), any gain or loss from the disposition of which would, if the property were disposed of, be a capital gain or a capital loss, as the case may be, of the taxpayer; (*immobilisations*)

disposition [Repealed, 2001, c. 17, s. 37]

eligible capital property [Repealed, 2016, c. 12, s. 17]

exemption threshold, of a taxpayer at a particular time in respect of a flow-through share class of property, means the amount determined by the formula

$$A - B$$

where

A is the total of

(a) the total of all amounts, each of which is an amount that would be the cost to the taxpayer, computed without reference to subsection 66.3(3), of a flow-through share that was included at any time before the particular time in the flow-through share class of property and that was issued by a corporation to the taxpayer on or after the taxpayer's fresh-start date in respect of the flow-through share class of property at that time, other than a flow-through share that the taxpayer was obligated, before March 22, 2011, to acquire pursuant to the terms of a flow-through share agreement entered into between the corporation and the taxpayer, and

(b) the total of all amounts, each of which is an amount that would be the adjusted cost base to the taxpayer of an interest in a partnership — computed as if subparagraph 53(1)(e)(vii.1) and clauses 53(2)(c)(ii)(C) and (D) did not apply to any amount incurred by the partnership in respect of a flow-through share

held by the partnership, either directly or indirectly through another partnership — that was included at any time before the particular time in the flow-through share class of property, if

(i) the taxpayer

(A) acquired the interest on or after the taxpayer's fresh-start date in respect of the flow-through share class of property at the particular time (other than an interest that the taxpayer was obligated, before August 16, 2011, to acquire pursuant to the terms of an agreement in writing entered into by the taxpayer), or

(B) made a contribution of capital to the partnership on or after August 16, 2011,

(ii) at any time after the taxpayer acquired the interest or made the contribution of capital, the taxpayer is deemed by subsection 66(18) to have made or incurred an outlay or expense in respect of a flow-through share held by the partnership, either directly or indirectly through another partnership, and

(iii) at any time between the time that the taxpayer acquired the interest or made the contribution of capital and the particular time, more than 50% of the fair market value of the assets of the partnership is attributable to property included in a flow-through share class of property, and

B is the total, if any, of all amounts, each of which is the lesser of

(a) the total of all amounts, each of which is a capital gain from a disposition of a property included in the flow-through share class of property, other than a capital gain referred to in paragraph 38.1(a), at an earlier time that is

- (i) before the particular time, and
 - (ii) after the first time that the taxpayer acquired a flow-through share referred to in paragraph (a) of the description of A or acquired a partnership interest referred to in paragraph (b) of the description of A, and
- (b) the exemption threshold of the taxpayer in respect of the flow-through share class of property immediately before that earlier time; (*seuil d'exonération*)

flow-through share class of property means a group of properties,

(a) in respect of a class of shares of the capital stock of a corporation, each of which is

(i) a share of the class, if any share of the class or any right described in subparagraph (ii) is, at any time, a flow-through share to any person,

(ii) a right to acquire a share of the class, if any share of that class or any right described in this subparagraph is, at any time, a flow-through share to any person, or

(iii) a property that is an identical property of a property described in subparagraph (i) or (ii), or

(b) each of which is an interest in a partnership, if at any time more than 50% of the fair market value of the partnership's assets is attributable to property included in a flow-through share class of property; (*catégorie de biens constituée d'actions accréditives*)

fresh-start date, of a taxpayer at a particular time in respect of a flow-through share class of property, means

(a) in the case of a partnership interest that is included in the flow-through share class of property, the day that is the later of

(i) August 16, 2011, and

(ii) the last day, if any, before the particular time, on which the taxpayer held an interest in the partnership, and

(b) in the case of any other property that is included in the flow-through share class of property, the day that is the later of

(i) March 22, 2011, and

(ii) the last day, if any, before the particular time, on which the taxpayer disposed of all property included in the flow-through share class of property; (*date de nouveau départ*)

listed personal property of a taxpayer means the taxpayer's personal-use property that is all or any portion of, or any interest in or right to — or, for civil law, any right in or to — any

(a) print, etching, drawing, painting, sculpture, or other similar work of art,

(b) jewellery,

(c) rare folio, rare manuscript, or rare book,

(d) stamp, or

(e) coin; (*biens meubles déterminés*)

personal-use property of a taxpayer includes

(a) property owned by the taxpayer that is used primarily for the personal use or enjoyment of the taxpayer or for the personal use or enjoyment of one or more individuals each of whom is

(i) the taxpayer,

(ii) a person related to the taxpayer, or

(iii) where the taxpayer is a trust, a beneficiary under the trust or any person related to the beneficiary,

(b) any debt owing to the taxpayer in respect of the disposition of property that was the taxpayer's personal-use property, and

(c) any property of the taxpayer that is an option to acquire property that would, if the taxpayer acquired it, be personal-use property of the taxpayer,

and **personal-use property** of a partnership includes any partnership property that is used primarily for the personal use or enjoyment of any member of the partnership or for the personal use or enjoyment of one or more individuals each of whom is a member of the partnership or a person related to such a member; (*biens à usage personnel*)

principal residence of a taxpayer for a taxation year means a particular property that is a housing unit, a leasehold interest in a housing unit or a share of the capital stock of a co-operative housing corporation acquired for the sole purpose of acquiring the right to inhabit a housing unit owned by the corporation and that is owned, whether jointly with another person or otherwise, in the year by the taxpayer, if

(a) where the taxpayer is an individual other than a personal trust, the housing unit was ordinarily inhabited in the year by the taxpayer, by the taxpayer's spouse or common-law partner or former spouse or common-law partner or by a child of the taxpayer,

(a.1) where the taxpayer is a personal trust, the housing unit was ordinarily inhabited in the calendar year ending in the year by a specified beneficiary of the trust for the year, by the spouse or common-law partner or former spouse or common-law partner of such a beneficiary or by a child of such a beneficiary, or

(b) where the taxpayer is a personal trust or an individual other than a trust, the taxpayer

(i) elected under subsection 45(2) that relates to the change in use of the particular property in the year or a preceding taxation year, other than an election rescinded under subsection 45(2) in the taxpayer's return of income for the year or a preceding taxation year, or

(ii) elected under subsection 45(3) that relates to a change in use of the particular property in a subsequent taxation year,

except that, subject to section 54.1, a particular property shall be considered not to be a taxpayer's principal residence for a taxation year

(c) where the taxpayer is an individual other than a personal trust, unless the particular property was designated by the taxpayer in prescribed form and manner to be the taxpayer's principal residence for the year and no other property has been designated for the purposes of this definition for the year

(i) where the year is before 1982, by the taxpayer, or

(ii) where the year is after 1981,

(A) by the taxpayer,

(B) by a person who was throughout the year the taxpayer's spouse or common-law partner (other than a spouse or common-law partner who was throughout the year living apart from, and was separated under a judicial separation or written separation agreement from, the taxpayer),

(C) by a person who was the taxpayer's child (other than a child who was at any time in the year a married person, a person who is in a common-law partnership or 18 years of age or older), or

(D) where the taxpayer was not at any time in the year a married person, a person who is in a common-law partnership or 18 years of age or older, by a person who was the taxpayer's

(I) mother or father, or

(II) brother or sister, where that brother or sister was not at any time in the year a married person, a person who is in a common-law partnership or 18 years of age or older,

(c.1) where the taxpayer is a personal trust, unless

(i) the particular property was designated by the trust in prescribed form and manner to be the taxpayer's principal residence for the year,

(ii) the trust specifies in the designation each individual (in this definition referred to as a "specified beneficiary" of the trust for the year) who, in the calendar year ending in the year,

(A) is beneficially interested in the trust, and

(B) except where the trust is entitled to designate it for the year solely because of paragraph (b), ordinarily inhabited the housing unit or has a spouse or common-law partner, former spouse or common-law partner or child who ordinarily inhabited the housing unit,

(iii) no corporation (other than a registered charity) or partnership is beneficially interested in the trust at any time in the year,

(iii.1) if the year begins after 2016, the trust is, in the year,

(A) a trust

(I) for which a day is to be determined under paragraph 104(4)(a), (a.1) or (a.4) by reference to the death or later death, as the case may be, that has not occurred before the beginning of the year, of an individual who is resident in Canada during the year, and

(II) a specified beneficiary of which for the year is the individual referred to in subclause (I),

(B) a trust

(I) that is a *qualified disability trust* (as defined in subsection 122(3)) for the year, and

(II) an *electing beneficiary* (in this clause, as defined in subsection 122(3)) of which for the year is

1 resident in Canada during the year,

2 a specified beneficiary of the trust for the year, and

3 a spouse, common-law partner, former spouse or common-law partner or child of the *settlor* (in this subparagraph, as defined in subsection 108(1)) of the trust,

(C) a trust

(I) a specified beneficiary of which for the year is an individual

1 who is resident in Canada during the year,

2 who has not attained 18 years of age before the end of the year, and

3 a mother or father of whom is a settlor of the trust, and

(II) in respect of which either of the following conditions is met:

1 no mother or father of the individual referred to in subclause (I) is alive at the beginning of the year, or

2 the trust arose before the beginning of the year on and as a consequence of the death of a mother or father of the individual referred to in subclause (I), or

(D) a trust

(I) a specified beneficiary of which for the year is a qualifying individual for the year in respect of the trust, and

(II) under which no person other than a beneficiary described in subclause (I) may receive or otherwise obtain the use of, during the beneficiary's lifetime, any of the income or capital of the trust and the trustees are required to consider the needs of the beneficiary including, without limiting the generality of the foregoing, the comfort, care and maintenance of the beneficiary, and

(iv) no other property has been designated for the purpose of this definition for the calendar year ending in the year by any specified beneficiary of the trust for the year, by a person who was throughout that calendar year such a beneficiary's spouse or common-law partner (other than a spouse or common-law partner who was throughout that calendar year living apart from, and was separated pursuant to a judicial separation or written separation agreement from, the beneficiary), by a person who was such a beneficiary's child (other than a child who was during that calendar year a married person or a person who is in a common-law partnership or a person 18 years or over) or, where such a beneficiary was not during that

calendar year a married person or a person who is in a common-law partnership or a person 18 years or over, by a person who was such a beneficiary's

(A) mother or father, or

(B) brother or sister, where that brother or sister was not during that calendar year a married person or a person who is in a common-law partnership or a person 18 years or over, or

(d) because of paragraph (b), if solely because of that paragraph the property would, but for this paragraph, have been a principal residence of the taxpayer for 4 or more preceding taxation years, and, for the purpose of this definition,

(e) the principal residence of a taxpayer for a taxation year shall be deemed to include, except where the particular property consists of a share of the capital stock of a co-operative housing corporation, the land subjacent to the housing unit and such portion of any immediately contiguous land as can reasonably be regarded as contributing to the use and enjoyment of the housing unit as a residence, except that where the total area of the subjacent land and of that portion exceeds 1/2 hectare, the excess shall be deemed not to have contributed to the use and enjoyment of the housing unit as a residence unless the taxpayer establishes that it was necessary to such use and enjoyment,

(f) a particular property designated under paragraph (c.1) by a trust for a year shall be deemed to be property designated for the purposes of this definition by each specified beneficiary of the trust for the calendar year ending in the year, and

(g) a qualifying individual, for a taxation year in respect of a trust, means an individual who meets the following conditions:

(i) the individual is, in the year, any of

(A) the settlor of the trust,

(B) the child, grandchild, great grandchild, parent, grandparent, great grandparent, brother, sister, uncle, aunt, niece or nephew of the settlor or of the spouse or common-law partner or former spouse or common-law partner of the settlor, and

(C) the spouse or common-law partner or former spouse or common-law partner of any person described in clause (A) or (B),

(ii) the individual is resident in Canada during the year, and

(iii) an amount is deductible, or would be deductible if this Act were read without reference to paragraph 118.3(1)(c), under subsection 118.3(1) in computing the individual's tax payable under this Part for the year; (*résidence principale*)

proceeds of disposition of property includes,

(a) the sale price of property that has been sold,

(b) compensation for property unlawfully taken,

(c) compensation for property destroyed, and any amount payable under a policy of insurance in respect of loss or destruction of property,

(d) compensation for property taken under statutory authority or the sale price of property sold to a person by whom notice of an intention to take it under statutory authority was given,

(e) compensation for property injuriously affected, whether lawfully or unlawfully or under statutory authority or otherwise,

(f) compensation for property damaged and any amount payable under a policy of insurance in respect of damage to property, except to the extent that such compensation or amount, as the

case may be, has within a reasonable time after the damage been expended on repairing the damage,

(g) an amount by which the liability of a taxpayer to a mortgagee or hypothecary creditor is reduced as a result of the sale of mortgaged or hypothecated property under a provision of the mortgage or hypothec, plus any amount received by the taxpayer out of the proceeds of the sale,

(h) any amount included in computing a taxpayer's proceeds of disposition of the property because of section 79, and

(i) in the case of a share, an amount deemed by subparagraph 88(2)(b)(ii) not to be a dividend on that share,

but notwithstanding any other provision of this Part, does not include

(j) any amount that would otherwise be proceeds of disposition of a share to the extent that the amount is deemed by subsection 84(2) or (3) to be a dividend received except to the extent the dividend is deemed

(i) by paragraph 55(2)(b) to be proceeds of disposition of the share, or

(ii) by subparagraph 88(2)(b)(ii) not to be a dividend, or

(k) any amount that would otherwise be proceeds of disposition of property of a taxpayer to the extent that the amount is deemed by subsection 84.1(1), 212.1(1.1) or 212.2(2) to be a dividend paid to the taxpayer or, if the taxpayer is a partnership, to a member of the taxpayer; (*produit de disposition*)

specified property of a taxpayer is capital property of the taxpayer that is

(a) a share,

(b) a capital interest in a trust,

(c) an interest in a partnership, or

(d) an option to acquire specified property of the taxpayer; (*bien déterminé*)

superficial loss of a taxpayer means the taxpayer's loss from the disposition of a particular property where

(a) during the period that begins 30 days before and ends 30 days after the disposition, the taxpayer or a person affiliated with the taxpayer acquires a property (in this definition referred to as the "substituted property") that is, or is identical to, the particular property, and

(b) at the end of that period, the taxpayer or a person affiliated with the taxpayer owns or had a right to acquire the substituted property,

except where the disposition was

(c) a disposition deemed to have been made by subsection 45(1), section 48 as it read in its application before 1993, section 50 or 70, subsection 104(4), section 128.1, paragraph 132.2(3)(a) or (c), subsection 138(11.3) or 138.2(4) or 142.5(2), section 142.6 or any of subsections 144(4.1) and (4.2) and 149(10),

(d) the expiry of an option,

(e) a disposition to which paragraph 40(2)(e.1) applies,

(f) a disposition by a taxpayer that was subject to a loss restriction event within 30 days after the disposition,

(g) a disposition by a person that, within 30 days after the disposition, became or ceased to be exempt from tax under this Part on its taxable income, or

(h) a disposition to which subsection 40(3.4) or 69(5) applies,

and, for the purpose of this definition,

(i) a right to acquire a property (other than a right, as security only, derived from a mortgage, hypothec, agreement for sale or similar obligation) is deemed to be a property that is identical to the property, and

(j) a share of the capital stock of a SIFT wind-up corporation in respect of a SIFT wind-up entity is, if the share was acquired before 2013, deemed to be a property that is identical to equity in the SIFT wind-up entity. (*perte apparente*)

[NOTE: Application provisions are not included in the consolidated text; see relevant amending Acts and regulations.] ; R.S., 1985, c. 1 (5th Supp.), s. 54; 1994, c. 7, Sch. II, s. 31, Sch. VIII, s. 16, c. 21, s. 23; 1995, c. 3, s. 15, c. 21, ss. 18, 77; 1998, c. 19, s. 95; 2000, c. 12, ss. 130(F), 142, c. 19, s. 5; 2001, c. 17, ss. 37, 207(E); 2009, c. 2, s. 12; 2011, c. 24, s. 9; 2013, c. 34, ss. 107, 191, c. 40, s. 23; 2016, c. 7, s. 4, c. 12, s. 17; 2017, c. 33, s. 13; 2018, c. 27, s. 4; 2023, c. 26, s. 10; 2024, c. 17, s. 11(E).

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