

Views from the Desk

Special Tax Loss Selling Podcast



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Tax Update

Canada and the US are trying to scale back the pandemic spending over the last few years and find new sources of tax revenue to pay back the deficits created. Canada has a focus on supporting the middle class such as the new first-time tax-free home savings account which is expected to be introduced in 2023. There has also been a key theme in transparency with increased disclosure for trusts and aggressive tax planning.

Tax Loss Selling

Tax loss selling is a year end tax strategy where you tally up any realized capital gains and losses in all of your taxable non-registered accounts. If there is an overall net capital gain, you would consider triggering some capital losses to offset the gains that were realized in the current year to reduce your current year tax liability.

Tax Loss Harvesting

By disposing of securities with accrued capital losses, investors can help offset taxes otherwise payable in respect of other securities that were sold at a capital gain. The proceeds from the sale of these securities can then be reinvested in different securities with similar exposures to the securities that were sold, in order to maintain market exposure. If capital gains are not available in the current year, the realized losses may be carried back for three years to shelter gains realized in those years or carried forward to reduce capital gains in upcoming years. The ability to recognize a capital loss for tax purposes may be restricted in certain circumstances, including where the acquired security is identical to the security that is sold. Investors should not repurchase the loss security within 30 days of the loss sale. Investors should consult their own tax advisor to ensure that restrictions do not apply.

Important dates to remember: December 28, 2022 – Last day for Canadian and U.S. tax-loss selling (with T+2 settle)

ETF advantages

Exchanges traded funds (ETFs) are effective tools for investors to help navigate these uncertain markets and can be used to help crystallize loss from a tax perspective. ETFs provide low cost, diversified portfolios that are great for tax harvesting since there are many solutions that provide different sector exposure and or similar exposures to many popular securities.

Please note the tables below are used for illustrative purposes only, where losses are calculated based on year-to-date. For tax purposes, capital losses are based on the difference between price sold and book value.

[BMO ETFs: Tax-Loss Harvesting Guide 2022](#)

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Canadian Equities

Ticker	Name	Total Return YTD as of Oct 11, 2022	BMO ETF	Ticker
SHOP	SHOIFY INC - CLASS A	-79.20	BMO S&P/TSX Capped Composite Index ETF	ZCN
IMG	IAMGOLD CORP	-60.66	BMO Equal Weight Global Gold Index ETF	ZGD
AP-U	ALLIED PROPERTIES REAL ESTAT	-37.26	BMO Equal Weight REITs Index ETF	ZRE
MG	MAGNA INTERNATIONAL INC	-34.15	BMO Equal Weight Industrials Index ETF	ZIN
CCA	COGECO COMMUNICATIONS INC	-33.71	BMO Global Communications Index ETF	COMM

Source: Bloomberg Oct 11th, 2022

US Equities

Ticker	Name	Total Return YTD as of Oct 11, 2022	BMO ETF	Ticker
NFLX	NETFLIX INC	-63.58	BMO Covered Call Technology ETF	ZWT
NVDA	NVIDIA CORP	-60.23	BMO Covered Call Technology ETF	ZWT
MRNA	MODERNA INC	-51.00	BMO Equal Weight US Health Care Hedged to CAD Index ETF BMO Equal Weight US Health Care Index ETF	ZUH ZHU
INTC	INTEL CORP	-49.77	BMO Covered Call Technology ETF	ZWT
NKE	NIKE INC -CL B	-47.14	BMO MSCI USA High Quality Index ETF	ZUQ

Source: Bloomberg Oct 11th, 2022

Fixed Income

Ticker	Name	YTD Return (%)	Ticker	Name
VAB	Vanguard Canadian Aggregate Bond ETF	-11.88	ZDB	BMO Discount Bond Index ETF
XBB	iShares Core Canadian Universe Bond ETF	-11.89	ZDB	BMO Discount Bond Index ETF
HBB	Horizons CDN Select Universe Bond ETF	-12.02	ZDB	BMO Discount Bond Index ETF
ZAG	BMO Aggregate Bond Index ETF	-11.87	ZDB	BMO Discount Bond Index ETF
CACB	CIBC Active Investment Grade Corp Bond ETF	-11.20	ZCDB	BMO Corporate Discount Bond ETF
XCB	iShares Core Canadian Corp Bond ETF	-10.94	ZCDB	BMO Corporate Discount Bond ETF
VCB	Vanguard Canadian Corporate Bond ETF	-10.09	ZCDB	BMO Corporate Discount Bond ETF

Source: Bloomberg September 30th, 2022For more on this topic please review [BMO ETFs: Tax-Loss Harvesting Guide 2022](#)

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Source: Bloomberg, All returns and data points November 2022.

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