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September 5, 2025

Priceela Pursun
Director General, Business Returns
Directorate
Canada Revenue Agency
Ottawa, Ontario

Via email: priceela.pursun@cra-arc.gc.ca

RE: EIFEL Compliance

Dear Ms. Pursun:

Canadian taxpayers have navigated the new Excessive Interest and Finance Expense Limitation ("EIFEL") legislation for over a year. Most recently, taxpayers prepared and filed multiple new prescribed forms and reporting schedules associated with the EIFEL rules.

Tax Executives Institute, Inc. ("TEI") has consistently highlighted the negative impacts resulting from taxpayers having to comply with these rules. This letter supplements prior communications between TEI and the Canada Revenue Agency ("CRA") regarding the EIFEL rules. Such communications include our annual liaison meeting in November 2024 and our detailed comments provided on the (then) draft EIFEL forms and schedules.

The CRA committed verbally to TEI to review the EIFEL forms and schedules after compliance season during these prior engagements. The review was to assess the information the CRA gathered on such forms and schedules and determine what information was valuable versus what information was redundant.

TEI's Canadian Income Tax Committee also committed to reviewing the forms and schedules after compliance season. We have included the result of that review and our recommendations in this letter. Given TEI's experience with the forms over the past several months, we have had difficulty assessing the utility to the CRA of much of the information required. We are thus interested in CRA's post-compliance season assessment of the EIFEL forms and schedules and its view of usefulness of the required information. We hope our comments will be considered as part of your internal review of the EIFEL forms and schedules and your continual commitment to reviewing the effectiveness of tax administrative forms, elections and schedules.

About TEI

TEI was founded in 1944 to serve the professional needs of in-house tax professionals.[1] Today, the organization has 55 chapters across North and South America, Europe the Middle East & Africa ("EMEA"), and Asia, including four chapters in Canada. Our over 6,000 members represent 2,800 of the world's leading companies, many of which either are resident or do business in Canada. Over 15% of TEI's in-house tax professionals work for Canadian businesses in a variety of industries across the country. The following recommendations reflect the views of TEI as a whole but, more particularly, those of our Canadian constituency.

TEI Comments

Overview

TEI recommends the CRA eliminate certain EIFEL forms and, instead, provide that a taxpayer's filing position on Schedule 130 satisfies the legislative intent of allowing taxpayers to take certain positions while computing the denied interest percentage. Our recommendations are rooted in simplicity for taxpayers and the CRA alike and align with Right 10 of the Taxpayers' Bill of Rights, which states the CRA's duty to ensure "Costs of Compliance are Taken into Account When Administering Tax Legislation" ("Right 10").

CRA resources would be better allocated elsewhere if the EIFEL forms and scheduled were eliminated or condensed. The influx of data and information the EIFEL schedules and forms create means the CRA must allocate resources to maintain, store, and process the forms and schedules for years to come. Eliminating the six prescribed forms – as discussed below – would cut "red tape" and reduce complexity and the taxpayers' compliance burden, which most recently has become a mandate of the Prime Minister's office, as was communicated by the Treasury Board President on July 9th, 2025.

In this submission, we have identified several areas where Schedule 130 could be streamlined to remove unnecessary detail and redundant information. We believe the current 14-plus pages could reasonably be condensed to approximately 2–4 pages without compromising the integrity or usefulness of the schedule.

In summary, our two-part recommendation focuses on achieving simplicity for both the CRA and taxpayers while reducing the cost of compliance associated with the EFIEL rules. We stress the importance of this now in the context of our new government mandate to cut red tape and make Canada an efficient and competitive place to do business.

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[1] TEI is organized under the Not-For-Profit Corporation Law of the State of New York. TEI is exempt from U.S. Federal Income Tax under section 501(c)(6) of the U.S. Internal Revenue Code of 1986 (as amended).

Prescribed Forms T2224 through T2229

Overall, these forms are unnecessary, duplicative in some cases, and should be eliminated entirely. Our more specific comments as to each form are below.

Form T2224

This form is obsolete because the period for taxpayers to make pre-regime elections has ended and should be eliminated.

Form T2225

Pursuant to paragraph 18.21(2)(c) of the Income Tax Act ("ITA"), eligible entities of the same consolidated group can elect to compute denied interest expense under the EIFEL rules using a group ratio rather than the prescribed ratio of permissible expenses. The level of detail currently required by Form T2225 to make such an election, however, is excessive.

The granular detail in form T2225 does not meaningfully enhance auditability. Taxpayers should be permitted to report the applicable group ratio percentage as a single input. Whether or not a line-by-line calculation is included on the Form, the CRA could still compel access to the underlying documentation to conduct an effective audit.

In addition, there is no legislative basis for the mandatory detailed reporting of amounts paid or payable to specified non-members and therefore the expectation of this breakdown goes beyond what the legislation contemplates.

Form T2226

Subsection 18.2(4) of the ITA allows the transfer of "Cumulative Unused Excess Capacity" ("CUEC") between group entities. Transferring CUEC amounts between group entities should simply be a filing position on the transferor and transferee's applicable Schedule 130. For example, Part 1A discloses the transferor's information and the total CUEC balance transferred to the transferee. Thus, duplication of this information on a separate form (i.e., T2226) is unnecessary.

We recommend a simple solution that will eliminate the burden of maintaining, preparing, filing, processing, and storing Form T2226. Specifically, the CRA should allow the parties to utilize their current compliance mechanisms. Both the transferee, by completing Part 1A of Schedule 130, and the transferor, by completing a revised Part 2I (see below for recommended changes), can signal an agreement to transfer amounts between group entities. If the CRA implements this recommendation, Form T2226 would become irrelevant and unnecessary. Form T2226 could then be eliminated for tax years ending on or after January 1, 2025.

Form T2227

Subsection 18.2(1) of the ITA allows taxpayers to exclude from the interest and finance expense (as well as interest and finance revenue) computation amounts from loans meeting specified criteria. As above, we see an opportunity to avoid unnecessary reporting obligations and burdens on the CRA of duplicative information reporting. We recommend the CRA not require a prescribed form in this instance to save time and resources.

The CRA should exclude from the EIEFEL computation a loan meeting the specified criteria, unless a taxpayer reports otherwise. By doing this, the CRA would eliminate the need for another election – burdensome on both taxpayers and the CRA – while maintaining the purpose of the definition in Subsection 18.2(1) to allow taxpayers the option to include or exclude these loans/borrowings in the EIFEL computation. This would also align with Right 10 as effecting these elections costs time and resources.

Form T2228

Subsection 18.2(1) of the ITA also permits taxpayers to elect to include in "adjusted taxable income" 25 percent of a loss generated from a pre-regime year, which has been carried forward and claimed in the current tax year. TEI recommends the CRA replace this election with a filing position on Schedule 130, again reducing the compliance and administrative burden on taxpayers and the CRA.

In lieu of Form T2228, taxpayers could enter an amount on line 90 of Part 2F of Schedule 130. A CRA auditor could then easily tie this amount back to the taxpayer's schedule 4, or request on audit any necessary supporting information. If the CRA agrees with this approach, Form T2228 would no longer be needed, and any election would simply be noted on line 90 of Part 2F of Schedule 130.

Form T2228 as it currently stands is burdensome and does not reflect Right 10. By replacing this form with filing position on Schedule 130, the CRA would reduce compliance costs and dramatically reduce the amount of information taxpayers submit to the CRA for processing and storage.

Form T2229

Form T2229 allows taxpayers to elect to exclude certain amounts from the computation of relevant affiliate interest and financing expense as defined in subsection 18.2(1) for a controlled foreign affiliate's ("CFA") tax year. We recommend Form T2229 be eliminated and replaced with a box on Schedule 130 where a taxpayer can indicate it is making the election. We believe the other details on Form T2229 are of limited utility to the CRA.

That said, if the election is maintained, we recommend the CRA modify Form T2229 so it requires only a single taxpayer signature rather than a signature for each CFA.

Schedule 130 of T2 Corporation Income Tax Return

As indicated above, the CRA should significantly reduce the information required on Schedule 130 and include only totals for significant definitions under the EIFEL rules, i.e., Adjusted Taxable Income (Part 2F), Interest and Financing Expense (Part 2A), and Interest and Financing Revenue (Part 2D). While the EIFEL rules are complex, over 14 pages of reporting requirements only makes compliance with the rules more complicated and cumbersome.

The EIFEL rules are just as complex as other ITA rules that do not have such detailed reporting schedules, e.g., Section 55 – Safe Income, Section 95 – Foreign Accrual Property Income, and Section 113 – Deductible Dividends (specifically surplus balances). If the CRA is comfortable with its administration of these regimes, surely the EIFEL rules can be administered in a similar fashion.

To that end, the following comments are specific to the Corporate T2 Schedule 130 and are generally focused on how the schedule can be condensed while maintaining the integrity of the EIFEL computations.

Parts 1B, 1C, and 1D

The level of detail in these parts is unnecessary and burdensome.

Part 1B requires the taxpayer to highlight details of loans exempted from computing denied interest under section 18.2(1). These loans have no bearing on this computation in Schedule 130, and therefore the requirement should be removed due to its irrelevance.

Parts 1C and 1D require taxpayers to disclose financings and borrowings in four different categories. They also require additional details, such as in column 2, "Total of the principal amounts of borrowings or other financing at any point in the tax year." These details take time for taxpayers to gather and provide no value in determining the denied interest under EIFEL. We recommend Part 1C be removed from Schedule 130 for this reason. The amounts needed to determine denied interest under EIFEL currently submitted in Part 1C and flow through to Part 2A should simply be entered directly onto the applicable lines of Part 2A, reducing resource needs and the cost of complying with the new rules.

Parts 2B and 2C

As with Parts 1B, 1C, and 1D, we do not believe the level of detail in Part 2B – the capitalized interest in depreciable assets and resource pools – is necessary to prepare the EIFEL computation. Any needed adjustments to the EIFEL computation currently reported on Parts 2B and 2C can instead

be made directly in Part 2A, reducing the information gathering and reporting burden on the CRA and taxpayers alike.

Parts 2I and 2J

Parts 2I and 2J are useful because they assist record keeping for excess capacity and restricted interest and financing expense, as well as balances transferred to and from group entities. However, taxpayers cannot report the amount of excess capacity transferred if they file Part 2I in the current period. The form should mimic Schedule 4 for non-capital and capital loss carryforwards in which the balance is revised in the current period for any and all adjustments made, including CUEC transferred to another group entity. This change would also make it easier to eliminate prescribed form T2226, as discussed above.

Part 2M

Where a CFA has no amounts determined for Variable A in the interest and financing expense definition, the CRA should clarify that taxpayers are not required to list the CFA in the relevant table. Similarly, where a taxpayer's proportion determined under subsection 18.2(2) is zero, the taxpayer should not be required to complete Part 2M. The CRA should make these changes, if adopted, clear in either CRA online guidance, CRA position papers, or notes to the schedule.

Trust T3 & Partnership T5013 - Schedule 130

Most, if not all, of our comments above regarding T2 Schedule 130 also apply to the T3 and T5013 Schedule 130 and so we will not repeat them here. We do have a specific recommendation regarding Part 2H of the T3 version of Schedule 130, however.

Note 4 of the schedule states if a loss restriction event occurs the CUEC for any taxation year after the event should be determined without regard for certain defined balances, effectively rendering the balance zero. We question how the CRA will process changes to prior balances in their system. Often the CRA system will override taxpayer balances when the CRA cannot reconcile a year over year balance change. How will the CRA's system track balance changes to when loss restrictions impact the balance?

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TEI appreciates the opportunity to provide recommendation on how the CRA can ease compliance with the EIFEL rules. Please do not hesitate to contact Sandy Shanks, Chair of TEI's

Canadian Income Tax Committee, at sandy.shanks@conocophillips.com, or Benjamin R. Shreck of TEI's legal staff at bshreck@tei.org or +1 202 464 8353 with any questions.

Respectfully submitted,

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