# Publisher's Note

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**TAXATION OF FOREIGN AFFILIATES**
**Angelo Nikolakakis**
**Release No. 1, July 2026**

**Publisher's Special Release Note 2025**

The pages in this work were reissued in October 2025 and updated to reflect that date in the release line. Please note that we did not review the content on every page of this work in the October 2025 release. We will continue to review and update the content according to the work's publication schedule. This will ensure that subscribers are reading commentary that incorporates developments in the law as soon as possible after they have happened or as the author deems them significant.

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Angelo Nikolakakis and Joannie Ethier have updated and added new commentary to Chapter 9, Interest Deductibility.

## Highlights

### Volume 1
### Chapter 9 — Interest Deductibility

This chapter has been reviewed and refreshed. A discussion on former section 18.2 – which has never been enacted – can be found in Appendix B, Archived Materials.

This chapter addresses the deductibility of interest and other borrowing costs for Canadian-resident taxpayers and their controlled foreign affiliates. The chapter begins with the Excessive Interest and Financing Expenses Limitation ("EIFEL") rules under section 18.2, which apply to taxation years beginning on or after October 31, 2023. These rules generally limit interest deductibility to 30% of adjusted taxable income plus 100% of interest and financing revenues. It provides a detailed technical analysis of how EIFEL extends to controlled foreign affiliates through the concepts of "relevant affiliate and interest financing expense" (RAIFE) and "relevant affiliate interest and financing revenue" (RAIFR), covering their definitions, the treatment of recharacterized income, foreign exchange gains/losses, partnership structures, and the inter-affiliate interest rules in subsection 18.2(19). The chapter further examines the anti-avoidance rule in paragraph 18.2(13)(a), the computation of adjusted taxable income as it relates to foreign affiliates, the operative EIFEL rules under paragraph 95(2)(f.11), and the impact of EIFEL on taxable surplus computations. The chapter concludes with a separate discussion on the deductibility of interest on money borrowed to fund interest-free loans to foreign affiliates, addressing relevant case law and administrative practice.