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## Tax Alert – Canada

### Canada imposes new tariffs on US-origin products in response to US tariffs on Canadian steel and aluminum products

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

Effective 13 March 2025, an additional C\$29.8 billion worth of products originating in the United States (US) are subject to a 25% tariff in Canada pursuant to the [United States Surtax Order \(Steel and Aluminum 2025\)](#) issued under the *Customs Tariff*. A 25% reciprocal tariff is now in effect for US-origin steel and aluminum products. Retaliatory tariffs also now apply to additional US-origin imports including tools, computers and servers, display monitors, sports equipment and cast-iron products. These tariffs are in addition to Canada's 25% counter tariffs on C\$30 billion of imports from the US that came into effect on 4 March 2025, pursuant to the [United States Surtax Order \(2025-1\)](#).

The additional tariffs imposed on US goods were enacted in response to a 25% ad valorem tariff on Canadian-origin steel and aluminum that went into effect on 12 March 2025. Canadian-origin imports that qualify under the United States-Mexico-Canada Free Trade Agreement (USMCA) remain exempted from the 25% duty levied on Canadian imports until 2 April 2025, pursuant to the 6 March 2025 Executive Order.<sup>1</sup> A 10% duty on qualifying Canadian potash and Canadian energy and energy resources continues to apply.

The public consultation period for the proposed list of C\$125 billion worth of additional goods from the US has been extended until 2 April 2025.

Importers may request a remission order of Canadian retaliatory tariffs on US imports based on exceptional circumstances. The duty-drawback and duties-relief programs will remain available for surtax paid or payable on goods, subject to the duty refund provisions of the USMCA.

<sup>1</sup> For more details, see EY Canada Tax Alert 2025 Issue No. 14, [Canada responds to US Executive Orders imposing tariffs on imports originating in Canada](#), dated 10 March 2025, as well as EY Global Tax Alerts, [US adjusts tariffs on Canada and Mexico in response to automotive industry concerns](#), dated 7 March 2025; [United States imposes additional tariffs on Canada and Mexico, raises additional tariffs on China](#), dated 5 March 2025 and [United States issues Executive Orders imposing additional tariffs on Canada, Mexico and China](#), dated 3 February 2025.



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## Status of US tariffs

As of 13 March 2025, the following list sets out the applicable duties on Canadian imports into the US:

- ▶ A 25% ad valorem tariff on all imports of steel and aluminum products and derivative steel and aluminum imports into the US went into effect on 12 March 2025.<sup>2</sup>
- ▶ A 25% ad valorem tariff on products of Canada that do not qualify for preferential tariff treatment under the USMCA<sup>3</sup> (tariff exemption for goods that qualify for USMCA preferential tariff treatment expires on 2 April 2025).
- ▶ A 10% ad valorem tariff on Canadian-origin energy or energy resources that do not qualify for preferential tariff treatment under the USMCA. For the purposes of the US tariff, the terms “energy” and “energy resources” are defined in section 8 of [Executive Order](#) 14156 of 20 January 2025 (Declaring a National Energy Emergency).
- ▶ A 10% ad valorem tariff on Canadian-origin potash imports that do not qualify for preferential tariff treatment under the USMCA.<sup>4</sup>

With respect to goods that do not qualify for preferential tariff treatment under the USMCA, the 25% and 10% tariffs apply specifically to goods of Canadian origin:

- ▶ As determined under the rules of origin in part 102, title 19 of the US Code of Federal Regulations, as applicable; and
- ▶ For which Canada was the last country of substantial transformation prior to importation into the US.<sup>5</sup>

As noted above, the exemption provided under the USMCA preferential tariff treatment is set to expire on 2 April 2025.

The status of US tariffs on Canadian imports continues to evolve and is subject to change. EY Global Trade continues to monitor developments as they are announced in the United States and in Canada.

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<sup>2</sup> Section 232 of the *Trade Expansion Act of 1962*; [Adjusting Imports of Steel into The United States - The White House](#), and [Adjusting Imports of Aluminum into The United States - The White House](#).

<sup>3</sup> 6 March 2025 Executive Order, [Amendment to Duties to Address the Flow of Illicit Drugs Across Our Northern Border - The White House](#).

<sup>4</sup> 6 March 2025 Executive Order, [Amendment to Duties to Address the Flow of Illicit Drugs Across Our Northern Border - The White House](#).

<sup>5</sup> See [CSMS # 64297449 - GUIDANCE: Additional Duties on Imports from Canada](#).

## Upcoming US tariffs

Goods that were exempted from the tariffs announced in Executive Orders issued by the United States on 3 February 2025 based on their qualification under USMCA will be subject to an additional tariff of 25%, starting 2 April 2025.<sup>6</sup>

The United States is currently exploring reciprocal tariffs with respect to its trade partners to respond to perceived unfair trade barriers including, for example, taxes on US imports such as the value-added tax, non-tariff barriers and exchange rate policies.<sup>7</sup>

## Status of Canadian tariffs

As of 13 March 2025, the following list sets out the applicable counter tariffs imposed on US imports into Canada as a response to the US tariffs:

- ▶ A 25% tariff on a list of C\$12.6 billion US-origin steel products and C\$3 billion US-origin aluminum products effective 13 March 2025;<sup>8</sup>
- ▶ A 25% tariff on a list of C\$14.2 billion US-origin additional products effective 13 March 2025;<sup>9</sup> and
- ▶ A 25% tariff on a list of C\$30 billion US-origin products in response to US International Emergency Economic Powers Act tariffs put in place on 4 March 2025 that remain in effect since 4 March 2025.

## Upcoming Canadian tariffs

The Department of Finance issued a *Notice of Intent to Impose Countermeasures in Response to United States Tariffs on Canadian Goods* outlining Canada's plan to implement a second round of tariffs on a proposed list of C\$125 billion of additional goods from the US.<sup>10</sup> Table 1 in the Notice sets out proposed products to be subject to tariffs. These goods include steel and aluminum products, motor vehicles and vessels, airplanes, paper, certain vegetables, fruits, meats and dairy products.

Consultations regarding the proposed tariffs are ongoing, and business, stakeholders and Canadians may provide views to the Department of Finance until 2 April 2025.

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<sup>6</sup> See EY Global Tax Alert [United States issues Executive Orders imposing additional tariffs on Canada, Mexico and China](#) dated 3 February 2025.

<sup>7</sup> [Reciprocal Trade and Tariffs - The White House](#).

<sup>8</sup> [List of products from the United States subject to 25 per cent tariffs effective March 13, 2025 - Canada.ca](#).

<sup>9</sup> [List of products from the United States subject to 25 per cent tariffs effective March 13, 2025 - Canada.ca](#).

<sup>10</sup> See [Canada responds to unjustified U.S. tariffs on Canadian steel and aluminum products - Canada.ca](#), and [Notice of Intent to Impose Countermeasures in Response to United States Tariffs on Canadian Goods - Canada.ca](#).

## Remission process

In exceptional circumstances, Canada may grant remission of the surtax on US-origin products imported into Canada. This process will also apply for goods that become subject to additional tariffs under the second phase of the Canadian response. The federal government will consider remission requests in either of the following circumstances:

1. If goods used as inputs cannot be sourced domestically, on a national or regional basis, or reasonably from non-US sources; or
2. In other exceptional circumstances that could have significant adverse effects on the Canadian economy.

A request for remission may be made by filing a submission with the Department of Finance. The granting of remission is on a discretionary basis.

A request should provide the information identified in the Department of Finance's website ([link here](#)), including, for example:

- ▶ A detailed description of the goods for which remission is sought;
- ▶ The volume and value of the goods;
- ▶ Evidence to support the importer's inability to find alternatively sourced supplies;
- ▶ Any contractual limitations to alternative sourcing of supplies;
- ▶ The costs of manufacturing (where inputs from the US are subject to the surtax);
- ▶ Any operational impacts of the remission (e.g., employment, production volume, investments); and
- ▶ Information concerning competitors.

Submissions for remissions should be clear and supported with documentation.

## Other relief measures

The duty-drawback and duties-relief programs will remain available for surtax paid or payable on goods, subject to the duty refund provisions of the USMCA.

In addition, surtax will not apply to certain goods classifiable in Chapters 98 or 99 of the Customs Tariff, subject to certain exceptions. However, with respect to steel goods identified in Schedule 2 of the *United States Surtax Order (Steel and Aluminum 2025)*, such goods will remain subject to surtax even if eligible for classification under Chapter 98 or 99.<sup>11</sup>

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<sup>11</sup> See [Customs Notice 25-11: United States Surtax Order \(Steel and Aluminum 2025\)](#) and [Customs Notice 25-10: United States Surtax Order \(2025-1\)](#).

## Learn more

For more information, please contact one of the following EY Global Trade professionals:

### **Ernst & Young LLP (Canada)**

**Sylvain Golsse, Partner**

Toronto, Ontario

+1 416 932 5165

[sylvain.golsse@ca.ey.com](mailto:sylvain.golsse@ca.ey.com)

**Kristian Kot**

Victoria, British Columbia

+1 250 294 8384

[kristian.kot@ca.ey.com](mailto:kristian.kot@ca.ey.com)

**Denis Chrissikos**

Montreal, Quebec

+1 514 879 8153

[denis.chrissikos@ca.ey.com](mailto:denis.chrissikos@ca.ey.com)

### **EY Law LLP (Canada)**

**Helen Byon, Partner**

Ottawa, Ontario

+1 613 598 0418

[helen.byon@ca.ey.com](mailto:helen.byon@ca.ey.com)

**Carolyn Wong**

Calgary, Alberta

+1 403 206 5022

[carolyn.wong@ca.ey.com](mailto:carolyn.wong@ca.ey.com)

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