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Tax Alert – Canada

Canada responds to US Executive Orders imposing tariffs on imports originating in Canada

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 7 March 2025, pursuant to the United States (US) [Executive Order](#) of 6 March 2025, Canadian-origin imports that qualify under the United States-Mexico-Canada Free Trade Agreement (USMCA) are temporarily exempted from the 25% duty levied on Canadian imports. The 6 March 2025 Executive Order also reduced duties for potash from Canada that does not qualify under the USMCA from 25% to 10%. A 10% duty rate on Canadian energy and energy resources remains.¹

As a countermeasure to US tariffs, Canada imposed a 25% surtax on US-origin goods pursuant to the [United States Surtax Order \(2025-1\)](#) valued at C\$30 billion. The surtax came into effect on 4 March 2025.

A second round of tariffs on a proposed list of C\$125 billion of additional goods from the US has been proposed. Canada's Department of Finance is conducting a public consultation process on the proposed list of goods until 2 April 2025.

In exceptional circumstances, Canada may grant a remission for relief from the payment of retaliatory tariffs on US imports or a refund of tariffs paid. Requests for remission may be made to Canada's Department of Finance.

¹ For more details, see 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 10 March 2025, the following list sets out the applicable US tariffs on Canadian-origin imports into the US, as specified in US Executive Orders issued on 4 March 2025 and 7 March 2025.

- ▶ A 25% ad valorem tariff on products of Canada that do not qualify for preferential tariff treatment under the USMCA (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).²
- ▶ A 10% ad valorem tariff on Canadian-origin potash imports that do not qualify for preferential tariff treatment under the USMCA.³

These tariffs are in addition to the 25% ad valorem tariff on imports of steel and aluminum products, as discussed below.

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.⁴

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 US and in Canada.

² See [CSMS # 64297449 - GUIDANCE: Additional Duties on Imports from Canada](#).

³ [Amendment to Duties to Address the Flow of Illicit Drugs Across Our Northern Border - The White House](#).

⁴ See [CSMS # 64297449 - GUIDANCE: Additional Duties on Imports from Canada](#).

Upcoming tariffs⁵

As noted above, a 25% ad valorem tariff on all imports of steel and aluminum products and derivative steel and aluminum imports into the US will go into effect on 12 March 2025.⁶ This tariff will be imposed under Section 232 of the *Trade Expansion Act of 1962*.⁷

The US 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.⁸

First round of Canadian retaliatory tariffs

Effective as of 4 March 2025, Canada imposed countermeasures in the form of a 25% ad valorem surtax against imports of US-origin goods with a value of C\$30 billion. Harmonized system (HS) codes for the affected products are specified in the [United States Surtax Order \(2025-1\)](#) issued by the Governor in Council under the authority of the *Customs Tariff*. The surtax, which is in addition to any other duties owing, will remain in place until the US eliminates its tariffs against Canadian goods.

“US-origin products” mean goods eligible to be marked as goods of the US under the *Determination of Country of Origin for the Purpose of Making Goods (CUSMA Countries) Regulations* passed under the *Customs Tariff*. The list of products includes items such as meat and dairy products, alcoholic and non-alcoholic beverages, tobacco, cosmetics, tires, clothing, paper products, tools and appliances.

Canada’s duty drawback and duties relief programs remain available for qualifying applicants, subject to the provisions of the USMCA.⁹

The surtax does not apply to:

- ▶ Goods originating in the US that are in transit on the day the surtax order comes into force;
- ▶ Goods classified or that should be classified in Chapter 98 of the Schedule to the *Customs Tariff*, other than goods of 9804.30, 98.25, 98.26, 9897.00.00, 9898.00.00 and 9899.00.00;
- ▶ Goods classified in Chapter 99 of the Schedule to the *Customs Tariff*, with the exception of goods of 9966.00.00, 9971.00.00 and 9989.00.00;

⁵ See EY Global Tax Alert [United States issues Executive Orders imposing additional tariffs on Canada, Mexico and China](#) dated 3 February 2025.

⁶ [Adjusting Imports of Steel into The United States - The White House](#) and [Adjusting Imports of Aluminum into The United States - The White House](#).

⁷ See [CSMS # 64348411 - GUIDANCE: Import Duties on Imports of Steel and Steel Derivative Products](#) and [CSMS # 64348288 - GUIDANCE: Import Duties on Imports of Aluminum and Aluminum Derivative Products](#).

⁸ [Reciprocal Trade and Tariffs - The White House](#).

⁹ [Customs Notice 25-10: United States Surtax Order \(2025-1\)](#).

- ▶ Goods that are classified under heading 40.11 of the Schedule to the *Customs Tariff* that are for use as original equipment in the production of any vehicle, machine or appliance referred to under that heading (this includes Original Equipment Manufacturer tires; aftermarket tires are subject to the surtax under the *United States Surtax Order (2025-1)*);
- ▶ Returning goods that are made in the US and previously imported into Canada and duty-paid; and
- ▶ Goods that are made in the US and are repaired or altered across the border.

Second round of retaliatory 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. 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 2025.¹⁰

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 the following circumstances:

1. Where goods used as inputs cannot be sourced domestically, on a national or regional basis, or reasonably from non-US sources; or
2. To address 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. A request should provide the information identified in the Department of Finance's website ([link here](#)), including, for example:

- ▶ Detailed description of the goods for which remission is sought;
- ▶ Volume and value of the goods;
- ▶ Evidence to support the importer's inability to find alternatively sourced supplies;

¹⁰ [Notice of Intent to Impose Countermeasures in Response to United States Tariffs on Canadian Goods - Canada.ca](#).

- ▶ Contractual limitations to alternative sourcing of supplies;
- ▶ Costs of manufacturing (where inputs from the US are subject to the surtax);
- ▶ Operational impacts of the remission (e.g., on employment, production volume, investments); and
- ▶ Information concerning competitors.

Submissions for remissions should be clear and supported with documentation.

Learn more

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