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# Tax Alert – Canada

## Latest Canada-US trade developments - as of 10 April 2025

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.

On 9 April 2025, the United States (US) announced a 90-day pause on the reciprocal tariffs for all countries, except China, that were announced on 2 April 2025 by [Executive Order 14257](#). Since no reciprocal tariffs were applied to Canada, the announcement to pause their application does not impact Canada.

Products imported into the US from all countries remain subject to a universal ad valorem 10% baseline tariff as declared in Executive Order 14257 (Canada is not subject to the baseline tariff).

On 3 April 2025, Canada announced countermeasures to the US tariffs on automobiles and automobile parts. Further details were released in [Customs Notice 25-15: United States Surtax Order \(Motor Vehicles 2025\)](#), released on 8 April 2025. Details regarding a remission framework for auto producers will be announced soon.

On 4 April 2025, the US Department of Commerce (USDOC) released its preliminary determination for the sixth administrative review (AR6) of countervailing duties (CVDs).

The dumping and subsidy investigations into US-origin renewable diesel imported into Canada conducted by the Canada Border Services Agency (CBSA) are ongoing. Responses from the US government and exporters to the CBSA's request for information are due on 11 April 2025.



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## Goods exempt from the reciprocal tariffs

Executive Order 14257 specifies that certain goods will be exempt from the ad valorem rates of duty outlined in the order, including:

- ▶ Articles covered by 50 USC 1702(b), including personal communications without value transfer, donations, the importation and exportation of informational materials (excluding those controlled for non-proliferation or antiterrorism), and transactions related to personal travel, including baggage importation and living expenses;
- ▶ Steel and aluminum products subject to existing duties under Section 232 of the *Trade Expansion Act*, including those specified in various proclamations from 2018 and 2025;
- ▶ Automobiles and automotive parts also subject to Section 232 duties, as amended;
- ▶ Products listed in [Annex II](#), such as copper, pharmaceuticals, semiconductors, lumber, critical minerals and energy products;
- ▶ Articles from trading partners with which the US does not have normal trade relations (i.e., countries subject to Column 2 of the Harmonized Tariff Schedule of the United States); and
- ▶ Articles that may be subject to future duties under Section 232.

Moreover, the additional duties only apply to the non-US content of an article if at least 20% of its value originates from the US.

## CUSMA qualifying products remain exempt

The reciprocal tariffs announced in Executive Order 14257 will not apply to imports from Canada and Mexico that qualify under the Canada-United States-Mexico Agreement (CUSMA). Non-qualifying goods remain subject to existing 25% tariffs, and non-qualifying energy and potash imports continue to be subject to 10% tariffs.

## Tariffs on automobiles and automobile parts

On 26 March 2025, a Presidential Proclamation was issued declaring a 25% tariff on all automobiles imported into the US, effective 3 April 2025, and a 25% tariff on automobile parts that will come into effect 3 May 2025.<sup>1</sup>

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<sup>1</sup> [2025AutomobileImportsTariff.prc.pdf](#); and EY Global Tax Alert, [US President Trump announces 25% additional tariff on imported automobiles and automobile parts](#), dated 27 March 2025.

## Calculation of automobile tariffs

- ▶ CUSMA-eligible products can seek application of tariffs exclusively on non-US content (total value of the automobile – value of the US content).
- ▶ “US content” is defined in the Proclamation/Executive Order as the “value of the automobile attributable to parts wholly obtained, produced entirely, or substantially transformed in the United States.”

## Customs and Border Protection (CBP) enforcement and oversight

- ▶ CBP will scrutinize cases in which companies overstate US content.
- ▶ In case of non-compliance, a 25% tariff will be imposed on the full value of the auto as follows:
  - ▶ Retroactively (from 3 April 2025 to the date of the inaccurate overstatement)
  - ▶ Prospectively (from the date of the inaccurate overstatement to the date the importer corrects the overstatement, as verified by CBP)

For now, the 25% tariff will not apply to automobile parts that qualify for preferential treatment under the CUSMA. This may change once a process to apply the tariff exclusively to the value of the non-US content of such automobile parts can be established.

Additional automobile parts may become subject to the tariff (e.g., at the request of a domestic producer or industry association).

## Government of Canada responds to US automobile tariffs

On 3 April 2025, the Government of Canada announced a 25% surtax as a countermeasure in response to the US tariffs imposed on automobiles and automobile parts. On 8 April 2025, details with respect to the surtax were detailed in [Customs Notice 25-15: United States Surtax Order \(Motor Vehicles 2025\)](#).

The 25% surtax, which comes into effect as of 9 April 2025, only applies to motor vehicles that originate in the US. The determination of whether goods originate in Canada, the US or Mexico must be made in accordance with the *Determination of Country of Origin for the Purpose of Marking Goods (CUSMA Countries) Regulations*. The surtax is not applicable to goods eligible to be marked as originating from Puerto Rico, Guam, the Northern Mariana Islands, American Samoa or the US Virgin Islands.

The surtax is applicable to motor vehicles identified in Schedule 1 to the *United States Surtax Order (Motor Vehicles 2025)* that are imported for commercial and personal purposes, even when such motor vehicles are exported from countries other than the US into Canada.

New and used motor vehicles are subject to the surtax (including motor vehicles with electric motors and motor vehicles with internal combustion piston engines). Vehicles specifically designed for travel on snow, golf cars and similar vehicles and motor vehicles with only spark-ignition internal combustion piston engines of a cylinder capacity not exceeding 1,000 cc are excluded from the application of the surtax.

Customs Notice 25-15 outlines the following guidelines on the application of the surtax on motor vehicles that qualify under CUSMA:

- ▶ If a motor vehicle is entitled to the CUSMA preferential tariff treatment duty rate, the value of all goods originating in Canada or Mexico that are used in the motor vehicle's production are excluded from the motor vehicle's value for duty for the purposes of calculating the surtax.
- ▶ To account for the assumed value of all goods originating in Canada or Mexico that are used in the motor vehicle's production, an amount equal to 15% of the motor vehicle's value for duty will be excluded from the value for duty for the purposes of calculating the surtax (i.e., the value for duty for the surtax is computed at 85% of the total value for duty of the goods).
- ▶ To claim a higher exclusion amount, the importer is advised to obtain evidence of the value of goods originating in Canada or Mexico used in the motor vehicle's production and provide such evidence to the CBSA upon request. Supporting information may include a valid CUSMA certification of origin, records substantiating compliance with Regional Value Content, core parts, steel/aluminum and Labour Value Content, value for duty documentation, and documentation of Canadian and Mexican parts used. Importers who elect to obtain and retain the required evidence are encouraged by the CBSA to use the Release Prior to Payment program.

The amount of surtax owing may be re-computed by the CBSA based on the 15% content amount described above in certain circumstances (e.g., where the origin of the good is changed because a material used in the production is determined to be non-originating or where the CBSA is denied access to supporting records).

The Government of Canada also announced that a remission framework for auto producers (to help incentivize production and investment in Canada and maintain Canadian jobs) will also be implemented; details on this will be announced soon.

## Canadian softwood lumber update

On 4 April 2025, the USDOC released its preliminary determination for the AR6 of CVDs on certain softwood lumber products from Canada. The updated CVD rates range from 11.87% to 16.57%, with the “all other” rate set at 14.38%. These results follow the preliminary determination for anti-dumping duties (ADD) that were announced earlier in March, which ranged from 9.48% to 34.61%, with the “all other” rate at 20.07%.<sup>2</sup>

The preliminary determination does not have any impact on current duties or cash deposit rates. ADD and CVD rates for Canadian softwood lumber will be updated in the USDOC’s final determination, expected in August 2025.<sup>3</sup>

## Renewable diesel from the US

On 6 March 2025, the CBSA initiated investigations under the *Special Import Measures Act*, respecting the alleged dumping and subsidizing of renewable diesel from the US. The investigations by the CBSA are ongoing.<sup>4</sup>

Responses from the US government and exporters to the CBSA’s request for information are due on 11 April 2025.

The Canadian International Trade Tribunal is conducting its preliminary injury inquiry to determine whether the imports are injuring the Canadian producers; this determination is due to be issued on 5 May 2025.

The CBSA will issue its preliminary determinations by 4 June 2025, at which time provisional duties under the *Special Import Measures Act* may be imposed on US-origin renewable diesel imports.

## Learn more

As tariffs and countermeasures continue to evolve, EY is closely monitoring the latest developments and helping businesses find strategies to navigate trade uncertainty and identify cost mitigation strategies.

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<sup>2</sup> See [US Department of Commerce, International Trade Administration, Notice C-122-858](#) and [US Department of Commerce, International Trade Administration, Notice A-122-857](#).

<sup>3</sup> [Softwood Lumber Trade Dispute - Province of British Columbia](#).

<sup>4</sup> For more information, see [Notice of initiation of investigations: Renewable Diesel \(RD 2025 IN\)](#).

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