

2025 Issue No. 35  
9 July 2025

# Tax Alert – Canada

## Canada: Surtax on steel, short supply consultations and DST rescinded

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 27 June 2025, Canada introduced a 50% surtax on imports of steel goods in accordance with SOR/2025-148, *Order Imposing a Surtax on the Importation of Certain Steel Goods*, which is intended to address the risk of trade diversion from third countries that could result from tariffs recently imposed by the United States (US) on imports of steel goods.

On 2 July 2025, Canada initiated its consultation with Canadian producers on their ability to produce certain products.

Canada also announced it has halted collection of the digital services tax (DST) imposed under the *Digital Services Tax Act* (DSTA) and that it will introduce legislation to rescind the tax. The DST had proven to be an obstacle in recent trade negotiations between Canada and the US, and the parties have recommitted to reaching a broader trade deal by 21 July 2025.

## Surtax on imports of certain steel goods

### Background

On 10 February 2025, the US announced it would introduce additional tariffs on steel and aluminum, and on 12 March 2025, the US imposed 25% tariffs on imports of steel and aluminum pursuant to section 232 of the *Trade Expansion Act of 1962*.



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In response, Canada implemented the *United States Surtax Order (Steel and Aluminum 2025)*, SOR/2025-95, which imposed counter tariffs on imports of steel products, aluminum products and other goods from the US, effective 13 March 2025 (see EY Tax Alert 2025 Issue No. 15, [Canada imposes new tariffs on US-origin products in response to US tariffs on Canadian steel and aluminum products](#)).

The US increased the tariff rates on steel and aluminum from 25% to 50% effective 4 June 2025.

On 19 June 2025, Canada announced several measures<sup>1</sup> that are intended to protect Canadian steel and aluminum producers and workers from the impact of US tariffs, including:

- ▶ The establishment of new tariff rate quotas (TRQs) of 100% of 2024 levels on imports of steel products from non-free trade agreement partners; and
- ▶ Additional tariff measures to counter risks associated with global overcapacity and unfair trade in the steel and aluminum sectors.

### **Latest development on the importation of certain steel goods**

On 27 June 2025, Canada [announced](#) the implementation of the *Order Imposing a Surtax on the Importation of Certain Steel Goods* (the Order). The Order came into force on 27 June 2025<sup>2</sup> and will be published in Part II of the Canada Gazette as SOR/2025-148 on 16 July 2025. It is scheduled to be repealed on 27 June 2026.

On the same day, Canada released Customs Notice 25-24: [Order Imposing a Surtax on the Importation of Certain Steel Goods](#), and [Notice to importers: Item 82 - Steel goods - Serial No. 1139](#).

The Order sets out TRQs for one year on flat, long, pipe and tube, semi-finished and stainless steel products that are imported for commercial purposes from countries that do not have a free trade agreement with Canada. A surtax will apply to imports of steel goods that exceed the TRQ for an applicable period. Specifically, steel goods that are classified under a tariff item listed in Schedule 1 of the Order will be subject to a surtax of 50% of their value for duty, as determined under sections 47 to 55 of the *Customs Act*, if:

- ▶ The quantity of the same class of goods imported during a quarterly period exceeds the limit for that period as set out in the Order; or
- ▶ The quantity of the same class of goods originating in any one country exceeds the specified percentage of the monthly quota.

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<sup>1</sup> For more information, see EY Tax Alert 2025 Issue No. 32, [Canada announces new border security legislation and further measures to protect steel and aluminum sectors](#).

<sup>2</sup> Section 6 of the Order states that the Order comes into effect on 27 June 2025 unless it is registered after that day, in which case it comes into force on the registration date. However, both Customs Notice 25-24, [Order Imposing a Surtax on the Importation of Certain Steel Goods](#), and [Notice to importers: Item 82 - Steel goods - Serial No. 1139](#), indicate an effective date of 27 June 2025.

The surtax also applies to goods otherwise classifiable under Schedule 1, but that are classified under Chapter 99 of the List of Tariff Provisions, which includes tariff items that can be imported duty free.

Goods originating in a country not listed in Schedule 2 of the Order are subject to the surtax, even if they are exported from a country listed in that schedule. The country of origin will be determined in accordance with the applicable regulations.<sup>3</sup>

The surtax is in addition to any other duties owing, including customs duties, anti-dumping and countervailing duties, other surtaxes (e.g., SOR/2024-187, *China Surtax Order, 2024*) and any applicable taxes, such as GST/HST.

The surtax does not apply to the following goods:

- ▶ Goods that were in transit to Canada<sup>4</sup> on 27 June 2025 or that were in transit before the surtax came into force;
- ▶ Goods originating in any country listed in Schedule 2 (i.e., free trade agreement countries);
- ▶ “Casual goods,”<sup>5</sup> as defined by SOR/95-418, *Persons Authorized to Account for Casual Goods Regulations*, passed in accordance with the *Customs Act*; and
- ▶ Goods classified under a tariff item of Chapter 98 of the List of Tariff Regulations, even if they are otherwise classifiable under a tariff item set out in Schedule 1 of the Order.

Goods that are exempt from the surtax are also excluded when determining the quantity of goods imported during a quarterly period.

The TRQs will apply from 27 June 2025 to 26 June 2026, in the following quarterly periods:

- ▶ 27 June 2025 to 25 September 2025;
- ▶ 26 September 2025 to 25 December 2025;
- ▶ 26 December 2025 to 26 March 2026; and
- ▶ 27 March 2026 to 26 June 2026.

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<sup>3</sup> SOR/94-23, *Determination of Country of Origin for the Purpose of Marking Goods (CUSMA Countries) Regulations* and SOR/94-16, *Determination of Country of Origin for the Purpose of Marking Goods (Non-CUSMA Countries) Regulations*.

<sup>4</sup> Goods are considered to be “in transit to Canada” when they are bound for but have not yet arrived in Canada and under the control of a carrier.

<sup>5</sup> The regulations define “casual goods” as any goods imported into Canada other than goods imported for sale or for any commercial, industrial, occupational, institutional or other like use.

The following table shows the maximum quantity of goods that may be imported under the TRQs for each quarterly period before the surtax applies, as well as the maximum share for any one country:<sup>6</sup>

Product	Quota per quarterly period (kilograms)	Maximum share of each quarterly period for any single country
Flat	186,856,000	36%
Long	178,512,000	28%
Pipe and tube	117,406,000	47%
Semi-finished	152,383,000	72%
Stainless	5,568,000	91%

Any unused portion of the quarterly quota will be added to the next quarterly period.

Importers must obtain a shipment-specific permit under item 82 of the *Import Control List* to declare an importation of steel goods to be under the TRQ and thereby exempt from the surtax. An importer must present the permit to the Canada Border Services Agency (CBSA) at the time of final accounting. Goods that are imported without a shipment-specific permit or that are imported after the maximum TRQ quantities have been reached in a quarter must be imported in accordance with General Import Permit 80 or General Import Permit 81. While there is no limit to the quantity of steel goods that may enter Canada under the General Import Permits, such importations are subject to the surtax.

Importers may obtain shipment-specific permits for importations that have already been accounted for by the CBSA. An importer who receives a retroactive permit from Global Affairs Canada may ask the CBSA for a refund of surtax paid on shipments imported prior to receiving the permit.

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<sup>6</sup> Paragraph 3.4 in *Notice to importers: Item 82 - Steel goods - Serial No. 1139*.

## Short supply consultations

The Ministry of Finance has indicated that in accordance with the remission framework for tariffs on products from the US, remission requests based on “short supply” (i.e., where goods used as inputs cannot be sourced domestically or reasonably from non-US sources) are subject to consultations with domestic producers about domestic supply conditions.

Domestic producers are encouraged to provide information about their ability to produce products (including steel goods) that are subject to short supply claims. Comments may be submitted until 15 July 2025. For more information, see [Domestic Supply Consultations for Consideration in the Assessment of Tariff Remission Requests](#).

## Rescinding the digital services tax

The DSTA, which entered into force on 28 June 2024, is intended to ensure that large businesses pay their fair share of tax on revenues generated from Canadians. A large business may be liable for the DST if its total revenue from all sources (or total consolidated group revenue) is at least €750 million during a fiscal year that ends in the preceding calendar year, and its Canadian digital services revenue (or the total of all such revenue for all entities in the consolidated group) exceeds \$20 million CAD in the calendar year.

The US had expressed concern over the implementation of the DST, which it viewed as disproportionately impacting certain US companies. On 27 June 2025, President Trump announced that the US was terminating all discussions on trade with Canada in response to the imposition of the DST.

On 29 June 2025, Canada announced it would rescind the DST, and the collection of the tax has been halted. In accordance with this announcement, Canada and the US will resume trade negotiations with the goal of concluding a deal no later than 21 July 2025. The Minister of Finance and National Revenue will soon introduce legislation to rescind the DSTA.<sup>7</sup>

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<sup>7</sup> For more information on Canada's DST, see EY Tax Alert 2025 Issue No. 28, [Preparing for digital services tax filing and payment obligations](#).

## Learn more

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