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Tax Alert – Canada

Canada announces additional support for the Canadian steel sector

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 16 July 2025, Canada introduced measures to stabilize the domestic steel market and address trade diversion in the wake of tariffs imposed by the United States (US) on imports of steel and aluminum goods. Specifically, Canada will implement a 50% surtax on imports of steel products from most countries with which Canada has a free trade agreement (FTA) if the tariff rate quota (TRQ) of 100% of 2024 levels has been exceeded. Canada will also reduce by half the TRQ applicable to imports of steel products from countries that do not have an FTA with Canada.

Additional investments to support the domestic steel sector and Canadian steel workers were also announced.

On the same day, the *Order Amending the China Surtax Remission Order (2024) and the United States Surtax Remission Order (2025)* (the amending Order) was published in the Canada Gazette. This order amends the *United States Surtax Remission Order (2025)* to provide additional surtax relief for products determined to be in short supply as well as for certain companies that cannot avoid the surtaxes due to contractual obligations or facing other exceptional circumstances. The *China Surtax Remission Order (2024)* is also amended to modify the scope of certain remissions.



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Restricting and reducing foreign steel imports

Background

On 19 June 2025, Canada announced several measures intended to protect Canadian steel and aluminum producers and workers from the impact of US tariffs, which included the establishment of new TRQs of 100% of 2024 levels on imports of steel products from countries that do not have an FTA with Canada.¹

On 27 June 2025, Canada introduced a 50% surtax on certain imports of steel goods from non-FTA countries in accordance with the *Order Imposing a Surtax on the Importation of Certain Steel Goods* (the Surtax Order).

Latest development on the importation of certain steel goods

On 16 July 2025, Canada [announced](#) the following measures to reduce imports of foreign steel products into the Canadian market:

- ▶ Effective 1 August 2025, Canada will introduce TRQs of 100% of 2024 levels on imports of steel products for non-US countries with which Canada has an FTA. A 50% tariff will apply to imports exceeding 2024 levels.
- ▶ TRQ levels for steel products from countries that do not have an FTA with Canada will be reduced from 100% to 50% of 2024 volumes, with a 50% tariff applying to excess imports.
- ▶ Canada will impose an additional 25% tariff on steel imports from all non-US countries containing steel melted and poured in China. This measure will be introduced before the end of July 2025.

No changes will apply to existing trade arrangements with the US and Mexico, including recent trade measures relating to the US.

On the same day, the Surtax Order was published in Part II of the Canada Gazette as SOR/2025-148. The Surtax Order, which came into force on 27 June 2025, establishes a TRQ of 100% of 2024 levels on imports of certain steel products from non-FTA countries. As noted above, Canada subsequently announced it will reduce the TRQ for non-FTA countries from 100% to 50% of 2024 volumes, presumably in an amending order.

The Surtax Order will be repealed on 27 June 2026. For more information, see EY Tax Alert 2025 Issue No. 35, [Canada: Surtax on steel, short supply consultations and DST rescinded](#).

¹ 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](#).

Additionally, the *Order Amending the Import Control List (made under the Export and Import Permits Act)* (the ICL Order) was published in the Canada Gazette as SOR/2025-149 on 16 July 2025. The ICL Order, which came into force on 27 June 2025, adds steel goods that are subject to the Surtax Order under item 82 of the *Import Control List*. Importers must obtain a shipment-specific import permit under subsection 8(1) of the *Export and Import Permits Act* to declare an importation of steel goods to be under the TRQ and be exempted from the surtax. Such permits will not be issued after the maximum TRQ quantities have been reached in a quarter, and the surtax will apply to any subsequent importations.

The ICL Order will be repealed on 27 June 2026.

Changes to the Large Enterprise Tariff Loan facility

In addition to the measures discussed above, Canada [announced](#) additional actions to support Canadian steelworkers and domestic steel production. These include changes to the Large Enterprise Tariff Loan (LETL) facility terms to enable the Canada Enterprise Emergency Funding Corporation (CEEFC) to bolster the steel industry further by:

- ▶ Reducing the minimum annual revenue requirement from \$300 million to \$150 million;
- ▶ Reducing the minimum loan size from \$60 million to \$30 million;
- ▶ Extending loan maturity from five to seven years;
- ▶ Reducing the initial interest rate;
- ▶ Allowing the CEEFC to hold equity in companies; and
- ▶ Requiring companies to prioritize worker retention.

For more information about the LETL facility, see EY Tax Alert 2025 Issue No. 26, [Latest relief measures for Canadian businesses impacted by US tariffs](#).

US surtax remission order

Background

As a countermeasure to US tariffs imposed on Canadian goods,² including steel and aluminum products, as well as imports of passenger vehicles and trucks, Canada has implemented surtaxes through the following orders in council:

- ▶ *United States Surtax Order (2025-1)*, SOR/2025-66;
- ▶ *United States Surtax Order (Steel and Aluminum, 2025)*, SOR/2025-95; and
- ▶ *United States Surtax Order (Motor Vehicles 2025)*, SOR/2025-118.

² For a summary of recent US tariffs and Canadian countermeasures, 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](#), [EY Tax Alert 2025 Issue No. 25, Latest Canada-US trade developments - as of 10 April 2025](#), and [EY Tax Alert 2025 Issue No. 35, Canada: Surtax on steel, short supply consultations and DST rescinded](#).

SOR/2025-66 and SOR/2025-95 impose a 25% surtax on various goods imported from the US, including steel and aluminum products. SOR/2025-118 imposes a 25% surtax on non-CUSMA-compliant US-made vehicles and on the non-Canadian and non-Mexican content of CUSMA-compliant US-made vehicles.

In subsequent public consultations concerning a potential remission framework, various stakeholders indicated their ability to shift from US suppliers could be limited by a lack of viable alternative suppliers (short supply) or by specific certification or contractual requirements.

On 15 April 2025, Canada announced a series of temporary relief measures for Canadian businesses affected by the US tariffs, which included the *United States Surtax Remission Order (2025)*, SOR/2025-122, and the *United States Surtax Remission Order (Motor Vehicles 2025)*, SI/2025-60.

Latest development on the US surtax remission order

On 16 July 2025, the amending Order was published in Part II of the Canada Gazette as SOR/2025-147.

The amending Order modifies the *United States Surtax Remission Order (2025)* to provide additional surtax relief where exceptional circumstances exist and to provide relief for specific motor vehicle imports.

Specifically, remission is extended to goods classified under a tariff item listed in the following Schedules:

- ▶ Schedule 2 provides surtax relief for 46 products imported from the US on or after the date the relevant surtax order came into force, on the basis such goods have been determined to be in short supply.
- ▶ Schedule 3 provides surtax relief with respect to certain steel products imported from the US on or after 13 March 2025.
- ▶ Schedule 4 provides surtax relief for certain products imported from the US by 23 companies where, due to exceptional circumstances (e.g., unavoidable contractual obligations), the Canadian economy could experience significant adverse impacts if remission were not granted.
- ▶ Schedule 5 provides surtax relief for certain motor vehicle imports that were subject to surtax under SOR/2025-118, including motor homes, ambulances, hearses, prison vans and all-terrain vehicles.

In general, remission will be provided for listed goods imported into Canada on or after the date the relevant surtax order came into force and before 16 October 2025. However, for goods listed in Schedule 3, the surtax relief period is extended to 13 March 2026. As well, the surtax relief period varies by specific company for goods listed in Schedule 4.

China surtax remission order

Background

In accordance with the *China Surtax Order (2024)*, SOR/2024-187, Canada imposes a 100% surtax on Chinese-made electric vehicles effective 1 October 2024 and a 25% surtax on Chinese-made steel and aluminum products effective 22 October 2024.

To provide relief in exceptional circumstances, Canada introduced the *China Surtax Remission Order (2024)*, SOR/2025-12, effective 31 January 2025. This order provides temporary surtax relief on imports of certain steel, aluminum and electric vehicles. Product-specific relief applies to items listed in Schedule 1 of the remission order, while company-specific relief applies items listed in Schedule 2.

Latest development on the China surtax remission order

The amending Order modifies the *China Surtax Remission Order (2024)* to move the following products from Schedule 1 to Schedule 2, as a domestic source of supply has been identified for these products:

Tariff item	Description of goods
7217.10.00	Non-alloy steel wire, not plated or coated, whether polished or not
7217.30.00	Copper plated steel wires, plated or coated with other base metal
7217.90.00	Steel black annealed wire coils, rebar tie wire and galvanized black annealed wire coils
7222.11.00.10	Stainless steel rebar

The *China Surtax Remission Order (2024)* is also amended to:

- ▶ Provide specific relief for an additional company with respect to tariff item 7607.11.00.20; and
- ▶ Correct an inaccurate tariff item reference in Schedule 2.

Learn more

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