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Tax Alert – Canada

Canada provides guidance for the steel derivative goods surtax and relief for certain steel goods

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 24 December 2025, the Canada Border Services Agency published Customs Notice 25-33, [Steel Derivative Goods Surtax Order](#). This notice provides administrative guidance for the *Steel Derivative Goods Surtax Order*, SOR/2025-267 (SDGS Order), which imposes a 25% surtax on certain steel derivative goods imported into Canada on or after 26 December 2025.

The surtax was one of several measures announced by Prime Minister Mark Carney on 26 November 2025 to support Canada's steel industry (see [EY Tax Alert 2025 Issue No. 55, Canada announces new measures for steel imports](#), and [EY Tax Alert 2025 Issue No. 59, Information released with respect to measures announced to protect Canada's steel industry](#)).

As well, the *Surtax on Imports of Certain Steel Goods Remission Order*, 2025, SOR/2025-287 was published in Part II of the Canada Gazette on 31 December 2025. This order provides remission for the 50% surtax imposed on certain imported steel goods for which there are no identified domestically produced alternatives.

SDGS Order – Customs Notice 25-33

The SDGS Order imposes a 25% surtax on imports of certain steel derivative products from all countries, effective 26 December 2025. The surtax is intended to support the domestic industry in light of global overcapacity and various policies and practices adversely impacting the steel sector, including recent tariffs imposed by the United States (US) on steel imports.



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The surtax applies to goods classified under a tariff item set out in the schedule of the SDGS Order, as well as goods classified under a tariff item of Chapter 99¹ of the List of Tariff Provisions that would be otherwise classifiable under a tariff item listed in the schedule.

The surtax is calculated as 25% of the value for duty of the imported good, as determined under sections 47 to 55 of the *Customs Act*, and applies in addition to any other duties such as customs duties, anti-dumping and countervailing duties, and any applicable taxes (e.g., GST/HST).

Notably, Customs Notice 25-33 affirms that Canada does not “stack” steel surtaxes. Therefore, only one of the following surtaxes can apply to a particular good, as ranked in the following order:

1. Surtax on steel imports over the tariff rate quotas (TRQs) established under the *Order Imposing a Surtax on the Importation of Certain Steel Goods*, SOR/2025-148, for countries that are not party to the Canada-US-Mexico Agreement (CUSMA);
2. Any one of:
 - ▶ Surtax on US steel products imposed under the *United States Surtax Order (Steel and Aluminum 2025)*, SOR/2025-95;
 - ▶ Surtax on Chinese steel products imposed under the *China Surtax Order (2024)*, SOR/2024-187; or
 - ▶ Surtax on non-US imports containing steel melted and poured in China, imposed under the *Steel Goods and Aluminum Goods Surtax Order*, SOR/2025-154;
3. Global surtax on steel derivative products imposed under the SDGS Order.

Importers may obtain relief in accordance with Canada's Duty Drawback and Duties Relief programs, subject to CUSMA provisions.

The surtax does not apply to steel derivative goods that are in transit to Canada on 26 December 2025, which includes goods that were in transit before the surtax came into force. Customs Notice 25-33 indicates that “in transit to Canada” means goods bound for but not yet arrived in Canada and under a carrier’s control.

As well, the surtax does not apply to steel derivative goods that are:

- ▶ Subject to a surtax under SOR/2024-187, SOR/2025-95, SOR/2025-148 or SOR/2025-154 (in accordance with Canada’s “non-stacking” policy);
- ▶ Classified under a tariff item of Chapter 98² of the List of Tariff Provisions, even if the goods are classifiable under a tariff item set out in the schedule;

¹ Chapter 99 includes tariff items allowing commercial goods to receive a duty-free rate or reduced duty rate.

² The relief provisions in Chapter 98 apply to temporary importations under specific conditions, traveller exemptions and other miscellaneous tariff items.

- ▶ Imported before 1 July 2026 for use in the manufacture of motor vehicles or chassis for motor vehicles, or parts of or accessories for motor vehicles or chassis for motor vehicles; or
- ▶ Imported before 1 July 2026 for use in aircraft, ground flying trainers or spacecraft, or parts of aircraft, ground flying trainers or spacecraft.

Relief is also provided for “casual goods” (i.e., any goods imported into Canada other than goods imported for sale or for any commercial, industrial, occupational, institutional or other like use). Finally, a specific exemption applies to utility wind towers, and sections of those towers, which are classified under tariff item 7308.20.00 and imported for installation in energy projects located west of the Ontario-Manitoba border.

Surtax on Imports of Certain Steel Goods Remission Order

The *Order Imposing a Surtax on the Importation of Certain Steel Goods*, SOR/2025-148, which came into force on 27 June 2025, imposes a 50% surtax on imports of specified steel products from countries that do not have a free trade agreement (FTA) with Canada. The surtax initially applied to imports that exceeded a TRQ of 100% of 2024 levels, as administered on a quarterly basis.

On 16 July 2025, Canada announced it would reduce TRQ levels for specified steel products from non-FTA countries from 100% to 50% of 2024 volumes, with the 50% surtax applying to excess imports. Canada also announced it would introduce a 50% surtax on imports of specified steel products from non-CUSMA countries with which Canada has an FTA, where such imports exceeded a TRQ of 100% of 2024 levels. These measures took effect on 1 August 2025. The TRQ applicable to non-FTA countries for the first quarterly period was adjusted accordingly.

While the TRQs were only intended to cover steel products produced in Canada, stakeholders noted they covered certain products that are not produced domestically. Concerns were also expressed about applying the amended TRQs to steel goods already in transit on or before 1 August 2025.

To address these concerns, the *Surtax on Imports of Certain Steel Goods Remission Order*, SOR/2025-287, provides remission of the 50% surtax for eight types of imported steel goods for which there are no identified domestically produced alternatives. Relief is available for specified steel billets and blooms, line pipe, steel plate, and hollow structural sections, as described in the Schedule. Remission will be granted if:

- ▶ The good is imported into Canada on or after 27 June 2025;
- ▶ No other claim for surtax relief has been granted under the *Customs Tariff* for the good; and
- ▶ The importer files a remission claim with the Minister of Public Safety and Emergency Preparedness (the minister) within two years after the importation date.

The order also provides remission for the 50% surtax in respect of steel goods that were in transit from non-FTA partners on or before 1 August 2025. Remission will be granted if:

- ▶ The good is imported into Canada on or after 1 August 2025;
- ▶ Surtax is paid or payable under subsections 2(1) and (1.1) of the *Order Imposing a Surtax on the Importation of Certain Steel Goods*;
- ▶ No other claim for surtax relief has been granted under the *Customs Tariff* for the good; and
- ▶ The importer files a remission claim with the minister within two years after the importation date.

SOR/2025-287 came into force on its registration date of 19 December 2025.

It should be noted that Canada subsequently amended the TRQ levels for specified steel imports occurring on or after 26 December 2025. TRQs for non-FTA countries are reduced from 50% to 20% of 2024 levels, while TRQs for non-CUSMA countries that have an FTA with Canada are reduced from 100% to 75% of 2024 levels.

For more information about these changes, see [EY Tax Alert 2025 Issue No. 59, Information released with respect to measures announced to protect Canada's steel industry](#).

Learn more

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