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## Tax Alert – Canada

**Recent developments with respect to steel derivative products, electric vehicles and the automotive remission framework**

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.

The *Steel Derivative Goods Surtax Remission Order*, SOR/2026-34 (Remission Order), issued in accordance with section 115 of the *Customs Tariff*, provides relief from the 25% global surtax imposed on imports of certain steel derivative products in accordance with the *Steel Derivative Goods Surtax Order*, SOR/2025-267 (SDGS Order).

Pursuant to an [announcement](#) made by Prime Minister Mark Carney on 16 January 2026, Canada has implemented a country-specific annual quota of 49,000 Chinese electric vehicles (EVs) at the most-favoured-nation tariff rate of 6.1%, effective 1 March 2026. The Import Control List (ICL) under the *Export and Import Permits Act* (EIPA) has been amended accordingly. Canada has published administrative guidance for the EV quota rules, including import permit requirements.

As well, Canada has initiated consultations on improving Canada's automotive remission framework, beginning 27 February 2026. The Department of Finance is seeking feedback on how the remission framework can better align with the goals outlined in Canada's [new automotive strategy](#), as announced by the prime minister on 5 February 2026. Specifically, Finance is seeking feedback from stakeholders about a proposed tradeable production credit remission framework.



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## ***Steel Derivative Goods Surtax Remission Order***

The SDGS Order imposes a 25% global tariff on certain imported steel derivative products effective 26 December 2025. The SDGS Order generally applies to various categories of derivatives for which steel content is a large portion of the product's full value.

For more information about the SDGS Order, see [EY Tax Alert 2026 Issue No. 3, Canada provides guidance for the steel derivative goods surtax and relief for certain steel goods](#).

The Remission Order provides relief for surtaxes paid or payable under the SDGS Order, including for goods imported by specified entities to support public health, health care, public safety and national security objectives, as well as general relief for specific products, as discussed below.

### **Imports related to public health, public safety and national security purposes**

Remission is available for surtaxes paid or payable under the SDGS Order for goods imported for use by certain prescribed organizations or authorities. These entities include government/clinical health research organizations, organizations that produce/store medical countermeasures, the office of a public health official, law enforcement agencies, the Canadian Forces and the Department of National Defence.

### **Imports related to health care**

Remission is available for surtaxes paid or payable under the SDGS Order for goods imported for use in medically necessary health care services provided at hospitals, long-term care facilities, health care or dental clinics, and certain laboratories. Remission is also available for goods imported for use by the following entities for the purpose of health care or public health:

- ▶ An entity providing products and services related to blood, cells, tissues or organs for medically necessary health care; or
- ▶ A federal, provincial, local or Indigenous health authority.

### **Goods referred to in schedule**

Remission is available for surtaxes paid or payable under the SDGS Order in respect of the goods described in the second column of the schedule that are classified under the tariff classification numbers set out in the first column.

The schedule sets out 43 items for which remission may apply, including the following:

Tariff classification number	Description of the goods
3935.20.00	Doors, windows and their frames and thresholds for doors
7308.90.00.95	Grills, air diffusers or ducts of iron or steel
7317.00.00	Nails of iron or steel, certified for steel and metal manufacturing construction, of a diameter of at least 4 mm but not exceeding 1 inch, coated or uncoated
7318.11.00	Railroad track bolts, of heat-treated carbon steel, with matching untreated carbon steel nuts, with a diameter of 1 inch or 1.125 inch
8302.41.90.20	Window hardware
8302.41.90.39	Door hardware, other than for garage doors
8302.41.90.49	Drapery accessories
9401.79.10	Seats for domestic purposes
9403.99.00	Furniture parts
9406.90.11	Silos for storing ensilage: Unassembled or incomplete, of glass fibre reinforced plastics, for use in the manufacture of silos
9406.90.90.10	Prefabricated buildings, of aluminum

### Wind towers

Remission is available for surtaxes paid or payable under the SDGS Order for utility wind towers and sections of those towers that are classified under tariff item 7308.20.00, if such goods are:

- ▶ Imported for installation on an offshore wind project; or
- ▶ The subject of a purchase order that:
  - ▶ Is signed before 26 December 2025 by the proponent of an energy project in Canada; and
  - ▶ Specifies the goods' price and quantity.

## Requirements for remission

Remission will be granted if:

- ▶ 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 within two years after the importation date.

The Canada Border Services Agency will administer claims for relief under the Remission Order.

## Electric vehicles

Canada will allow up to 49,000 Chinese EVs into the Canadian market, with the most-favoured-nation tariff rate of 6.1%. The *China Surtax Order (2024)*, SOR/2024-187, has been amended to repeal the 100% surtax on imports of EVs originating from China.<sup>1</sup>

A wide range of Chinese origin passenger and commercial vehicles are now included on the ICL under the EIPA, effective 1 March 2026. The *Order Amending the Import Control List (2026-1)*, SOR/2026-32, has amended the ICL accordingly.

The new controls apply to:

- ▶ Passenger cars;
- ▶ SUVs and light trucks;
- ▶ Commercial vehicles (various classes); and
- ▶ Certain vehicles originating in China that are classified under a tariff item of Chapter 99 of the List of Tariff Provisions set out in the schedule to the *Customs Tariff*.

Any importer that brings into Canada a listed vehicle originating in China must now obtain a shipment-specific import permit from Global Affairs Canada (GAC) before the goods can enter the country.

Customs Notice 26-05, [Permit Requirement to Import Chinese-Made Electric Vehicles to Canada](#), provides a brief summary of the import permit requirements. As well, GAC has published FA Notice 1162, [Import of Electric Vehicles from the People's Republic of China - Serial No. 1162](#), which offers additional administrative guidance for the rules and procedures governing the new EV quota.

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<sup>1</sup> *Order Amending the China Surtax Order (2024)*, SOR/2026-33, section 3.

## Administration of quota for imports of Chinese EVs

A person is eligible to import EVs originating in China under the quota if they are a “resident of Canada”<sup>2</sup> and an original equipment manufacturer (OEM) of EVs (i.e., an OEM engaged in manufacturing or assembling new motor vehicles, specifically EVs). A nonresident OEM may appoint an agent who is a resident of Canada to be the importer.

The quota year runs from 1 March to the end of February, each year. For the first six months of the initial quota year (1 March 2026 to 31 August 2026), up to 24,500 EVs may be imported. For the second six months of the initial quota year (1 September 2026 to 28 February 2027), the available quantity is 24,500 EVs plus any unused quota from the first six-month period. Import permits will be issued on a first-come, first-served basis.

An importer may apply for an import permit up to 30 days before the shipment’s expected entry date into Canada. These permits are valid for 60 days from the date they are issued. Note that the importer must obtain an EIPA number before applying for any permit, which is the official identifier under the EIPA and is required for all permit applications.

The permit requirements do not apply to non-commercial importations of EVs classified under Chapter 98 of the *Customs Tariff*.

To be released into Canada, all imported vehicles must comply with transportation safety requirements under the *Motor Vehicle Safety Act*, the *Motor Vehicle Safety Regulations*, the *Plant Protection Act* and the *Motor Vehicle Tire Safety Regulations*.

## Automotive remission framework consultation

In a [news release](#) dated 27 February 2026, the Department of Finance announced it has initiated [consultations](#) on Canada’s automotive remission framework and that it is seeking feedback from interested parties.

By way of background, Canada has implemented a 25% counter-tariff on non-CUSMA compliant fully assembled automobiles imported from the US and a 25% tariff on non-Canadian and non-Mexican content of CUSMA-compliant fully assembled automobiles imported from the US.

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<sup>2</sup> In the case of a natural person, “resident in Canada” means a person who ordinarily resides in Canada. For a corporation, it means a corporation having its head office in Canada or operating a branch office in Canada. See section 2 of the EIPA.

Remission of these counter-tariffs is provided to companies that produce automobiles in Canada. Specifically, the current remission framework provides an import quota to automakers producing vehicles in Canada, which allows them to import US-made vehicles without paying counter-tariffs. A company is liable for tariffs when its imports exceed its quota. A company's quota can be reduced if it fails to maintain Canadian production at existing levels or fails to carry out planned investments in the domestic industry.

Canada is considering how it can improve the current automotive remission framework by incentivizing automakers to increase their domestic production and make further investments in the domestic automotive sector. Specifically, Canada may introduce a tradeable "production credit" remission framework that would allocate import credits in accordance with a company's contribution to the domestic automotive industry. Companies could use these credits to import US-made vehicles into Canada without paying counter-tariffs. Credits would also be tradeable, allowing the sale of surplus credits to companies seeking to import US-made vehicles into Canada.

In addition, Canada is considering the possibility of providing credits for activities consistent with Canada's broader auto sector strategy, such as for:

- ▶ Canadian production of engines, batteries and transmissions for automotive assembly;
- ▶ New investments in Canada's automotive sector, including from companies aiming to enter the Canadian market for the first time;
- ▶ Using Canadian content in vehicles;
- ▶ Using unionized labour; and
- ▶ Prioritizing EV production.

To ensure a viable credit market, the government would establish the overall supply of import credits and allocate them in accordance with a company's share of domestic production. The government would also be required to track both the number of allocated credits and redeemed credits.

Interested parties are invited to submit feedback by 13 April 2026. Submissions can be sent to [autos.consultations@fin.gc.ca](mailto:autos.consultations@fin.gc.ca).

## Learn more

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