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Tax Alert — Canada

Canada extends steel tariff measures for an additional year

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.

As announced by the Minister of Finance and National Revenue on 3 June 2026, Canada is extending its steel tariff rate quota (TRQ) regime that applies to imports from non-Canada-US-Mexico Agreement (CUSMA) partners for an additional year. Canada is also extending tariff relief for eligible steel and aluminum products from the United States (US), and for eligible steel products subject to derivative tariffs.

TRQs continue to be based on 20% of 2024 volumes for partners without a free trade agreement (FTA) with Canada and 75% for partners with an FTA in force with Canada. A 50% surtax continues to apply to imports exceeding quota limits. The US and Mexico remain exempt from the TRQ regime.

Extension of the tariff rate quota regime

Canada announced its extension by an additional year of the steel TRQ regime for imports from non-CUSMA partners to 27 June 2027. The TRQ quota levels continue to be based on 20% of 2024 volumes for non-FTA countries and 75% for countries with an FTA in force with Canada. Imports exceeding quota limits continue to be subject to a 50% tariff.

Effective 28 June 2026, the 50% surtax applies to imports of steel goods originating in non-FTA countries and FTA (non-CUSMA) countries if the quantity of the same class of goods imported during a quarterly period exceeds the limit for that period set out in the relevant column and schedule of the *Order Imposing a Surtax on the Importation of Certain Steel Goods*, SOR/2025-148 (Steel Order).

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The surtax continues not to apply to the following goods:

- Steel goods originating in Canada, the US or Mexico;
- 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); and
- Steel goods classified under a tariff item of Chapter 98 of the List of Tariff Provisions, even if the goods are otherwise classifiable under a tariff item set out in Schedule 1 of the Steel Order.

The TRQs apply from 28 June 2026 to 27 June 2027, in the following quarterly periods:

- 28 June 2026 to 29 September 2026;
- 30 September 2026 to 29 December 2026;
- 30 December 2026 to 29 March 2027; and
- 30 March 2027 to 27 June 2027.

Certain quota volumes have been adjusted to reflect updates to 2024 steel import volumes, resulting in adjustments to single country limits. See *Notice to importers: Item 82 – Steel goods – Serial No. 1163*, which updates the list of the quantity of goods that may be imported without surtax during the period and quarters from 28 June 2026 to 27 June 2027, for FTA and non-FTA countries. As well, four tariff lines have been reclassified from hot-rolled steel sheet to cold-rolled products.

Extension of the steel derivative surtax regime

Canada announced its extension of the existing horizontal tariff relief for eligible steel products subject to derivative tariffs to 30 June 2027.

These changes were implemented by the *Order Amending the Order Imposing a Surtax on the Importation of Certain Steel Goods*, which was published in the Canada Gazette on 1 July 2026 as SOR/2026-119. The *Order Amending the Import Control List (2026-3)*, SOR/2026-120, was published in the Canada Gazette on the same date. This order:

- Extends the repeal date for Item 82 to 28 June 2027; and
- Updates Item 82 to incorporate the reclassification of certain steel products and technical adjustments to quota volumes made by SOR/2026-119.

The *Steel Derivative Goods Surtax Order*, SOR/2025-267 (Derivative Goods Order) is amended to extend the exemption provided for steel derivative goods used in the manufacturing of motor vehicles, aerospace goods and their parts to 30 June 2027, and to exempt goods originating in Canada from the surtax. These changes were implemented by the *Order Amending the Steel Derivative Goods Surtax Order*, SOR/2026-155, published in the Canada Gazette on 1 July 2026.

Extension of the remission for surtaxes on US goods

Finally, the *United States Surtax Remission Order (2025)* is amended to extend remission of surtaxes to:

- 293 products that have been determined to be in short supply;
- Four products imported from the US on a time-limited basis;
- 235 products due to exceptional circumstances that could have significant adverse impacts on the Canadian economy, such as preexisting contractual obligations; and
- 179 products that have been determined not to be produced in Canada.

As well, relief is extended for an additional year to 30 June 2027 for:

- Steel and aluminum goods used for public health, health care, public safety and national security purposes;
- Aluminum goods used for manufacturing, processing, food and beverage packaging, or agricultural production in Canada; and
- Steel goods used in the manufacturing of motor vehicles, aerospace goods and their parts.

These changes were implemented by the *Order Amending the United States Surtax Remission Order (2025)*, SOR/2026-154, published in the Canada Gazette on 1 July 2026.

Backgrounder: steel tariff rate quota

The Steel Order came into force on 27 June 2025. The Steel Order imposed a 50% surtax on imports of flat, long, pipe and tube, semi-finished and stainless-steel products from countries that do not have an FTA with Canada. The surtax initially applied to imports that exceeded a TRQ of 100% of 2024 levels, as administered on a quarterly basis. Steel goods classified under a tariff item listed in the Steel Order were generally subject to a surtax of 50% of their value for duty if:

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

The *Order Amending the Import Control List (made under the Export and Import Permits Act)* (ICL Order), which came into force on 27 June 2025, added steel goods that are subject to the Steel 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 exempt from the surtax.

On 1 August 2025, Canada introduced TRQs of 100% of 2024 levels on imports of steel products for countries with which Canada has an FTA, other than the US or Mexico, with a 50% tariff applying to imports exceeding 2024 levels. As well, the TRQ levels for steel products from non-FTA countries were reduced from 100% to 50% of 2024 volumes, with the 50% surtax applying to imports exceeding the TRQ. Effective 1 August 2025, if goods are potentially subject to multiple surtaxes imposed under the *Customs Tariff*, only the surtax imposed under the Steel Order applies.

The *Order Amending the Order Imposing a Surtax on the Importation of Certain Steel Goods*, SOR/2025-266, made the following changes to TRQ levels for steel imports effective 26 December 2025:

- TRQs for countries that do not have an FTA with Canada were reduced from 50% to 20% of 2024 levels; and
- TRQs for non-CUSMA countries that have an FTA with Canada were reduced from 100% to 75% of 2024 levels.

Backgrounder: steel derivatives surtax

In accordance with the Derivative Goods Order, Canada introduced a 25% surtax on the full value of certain steel derivative products from all countries, effective 26 December 2025. This surtax applies to a variety of goods made with steel, such as prefabricated buildings, wire, cable, chain, fasteners and metal office furniture. Section 2 of the Derivative Goods Order exempts a variety of goods from the surtax, including goods that are imported before 1 July 2026 for use in:

- The manufacture of motor vehicles or chassis for motor vehicles, or related parts and accessories; and
- Aircraft, ground flying trainers or spacecraft, or in related parts.

Backgrounder: surtax remissions

The *Steel Derivative Goods Surtax Remission Order*, SOR/2026-34, came into force on 24 February 2026. This order provides relief for surtaxes paid or payable under the Derivative Goods 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.

The *United States Surtax Remission Order (2025)*, SOR/2025-122, provides relief for surtaxes on certain steel and aluminum goods imported from the US, including goods used to support public health, health care, public safety and national security objectives, as well as goods imported for use in Canadian manufacturing, processing, and food and beverage packaging.[1] The *Order Amending the United States Surtax Remission Order (2025)*, SOR/2025-269, extended remission periods for the following goods to 30 June 2026:

- Steel and aluminum goods used for public health, health care, public safety and national security purposes;
- Aluminum goods used for manufacturing, processing, food and beverage packaging, or agricultural production in Canada; and
- Steel goods for use in:
  - Manufacturing motor vehicles or chassis for motor vehicles, or in manufacturing related parts and accessories; or
  - Aircraft, ground flying trainers, or spacecraft, or in related parts.

For more information about surtaxes on steel and aluminum goods, see the following EY Tax Alerts:

- EY Tax Alert 2025 Issue No. 35, *Canada: Surtax on steel, short supply consultations and DST rescinded*;
- EY Tax Alert 2025 Issue No. 37, *Canada announces additional support for the Canadian steel sector*;
- EY Tax Alert 2025 Issue No. 38, *Canada imposes additional surtaxes on certain steel and aluminum goods*;
- EY Tax Alert 2025 Issue No. 59, *Information released with respect to measures announced to protect Canada's steel industry*; and
- EY Tax Alert 2026 Issue No. 15, *Recent developments with respect to steel derivative products, electric vehicles and the automotive remission framework*.

[1] While the TRQ regime does not apply to imports from the US, a 25% surtax applies to imports of steel and aluminum goods that originate in the US in accordance with the *United States Surtax Order (Steel and Aluminum 2025)*, SOR/2025-95. A 25% surtax also applies to motor vehicles originating in the US in accordance with the *United States Surtax Order (Motor Vehicles 2025)*, SOR/2025-118.

Learn more

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