



# TaxNewsFlash

Canada

## Importers — New Surtaxes Start October 1, 2024

August 29, 2024

No. 2024-34

Many businesses will soon face additional costs on steel and aluminum products from China and Chinese-made electric vehicles (EVs) imported into Canada. The federal government has announced a 100% surtax on all Chinese-made EVs, effective October 1, 2024 and a 25% surtax on imports of steel and aluminum products from China, effective October 15, 2024. The federal government also noted two other significant initiatives. The government intends to launch a 30-day consultation to hear feedback from other sectors and businesses that import batteries and battery parts, semiconductors, solar products, and critical minerals. The government also intends to limit eligibility for select incentives for zero emission vehicles to trade agreement partners.

The Department of Finance provided a list of more than 200 tariff classifications of steel and aluminum and EV products that may be affected. Businesses facing these new measures may want to take immediate action. KPMG's Trade and Customs professionals can help businesses identify imported goods in their supply chains that may be subject to these increased surtaxes and assess the effects of the new trade measures on their operations.

### Background

The federal government announced the new surtaxes and other significant initiatives on August 26, 2024. Finance released additional details on the surtaxes, including lists of goods and their tariff classifications subject to the surtaxes in two related backgrounders. These measures follow a 30-day consultation which closed on August 1, 2024.

Earlier this year, the United States and European Union announced similar trade measures. The United States announced in May 2024 that it will increase Section 301

tariffs on EVs, and on certain steel and aluminum products imported from China to 100% and 25% respectively in 2024. The European Union announced in June 2024 that it would apply provisional countervailing duties on imports of battery electric vehicles from China beginning July 4, 2024, following a preliminary trade remedy investigation, with final duty rates expected to be finalized in the fall of 2024.

### **New surtax on EVs**

The new 100% surtax on Chinese-made EVs will come into force on October 1, 2024. Specifically, Finance released a list of over 20 tariff items that will be subject to the new surtax, which includes electric and certain hybrid passenger automobiles, trucks, buses, and delivery vans. The surtax will apply in addition to the Most-Favoured Nation import tariff of 6.1% that currently applies to EVs produced in China and imported into Canada.

### **New surtax on steel and aluminum products**

The new 25% surtax on imports of steel and aluminum products from China will be effective on October 15, 2024. Finance has provided an initial list of over 180 steel and aluminum products subject to the new 25% surtax and has asked for feedback by September 20, 2024. The final list of goods subject to the surtax will be announced by October 1, 2024. Finance notes that the surtax will not apply to affected goods that are in transit to Canada on the day the surtax comes into force.

### **Upcoming consultation**

The federal government announced an upcoming 30-day consultation concerning other sectors that may be affected by similar measures in the future. The types of goods at issue include batteries and battery parts, semiconductors, solar products, and critical minerals. Further details on this consultation are expected to be released shortly.

### **New limit on incentives**

The federal government also announced that it intends to limit the eligibility for the Incentives for Zero-Emission Vehicles (iZEV), the Incentives for Medium and Heavy Duty Zero Emission Vehicles (iMHZEV), and the Zero Emission Vehicle Infrastructure Program (ZEVIP) to products made in countries which have negotiated free trade agreements with Canada.

### **KPMG observations**

The new surtaxes will apply soon and will likely affect a wide range of industries beyond the automobile industry, including manufacturers that use steel and aluminum products in their manufactured goods.

With limited details currently available, it is unclear whether the measures for the new surtaxes and related consultations will bring further restrictions. For example, it is

currently unknown if the new measures will include restrictions on duty drawback with respect to goods imported into Canada and subsequently exported. If such drawback restrictions were to be adopted, a Chinese-made EV imported into Canada and then exported to the U.S. could potentially attract 106.1% duty in Canada and another 100% duty in the U.S.

Importers and other affected businesses have limited time to assess the impact of the new surtaxes on their cross-border goods, including inputs in their supply chains. They may also want to provide comments to Finance during this consultation period.

Affected companies may also want to consider if they may be able to take action now to help limit the effects of the new trade measures on their business, including to:

- Review tariff classifications
- Review the base upon which additional surtax may apply
- Review and analyze whether contractual documents with suppliers and customers are flexible enough to address these latest trade changes and related challenges and uncertainties.

## We can help

KPMG's Trade and Customs team can help you analyze the impact of these trade-related measures on your business. Please contact your KPMG advisor or one of the following KPMG Trade and Customs professionals in Canada:

Kenneth Jordan  
Partner, Trade and Customs  
416 476 2257  
[kejordan@kpmg.ca](mailto:kejordan@kpmg.ca)

Bob Sacco  
GTA Trade and Customs Leader  
416 777 3693  
[bobsacco@kpmg.ca](mailto:bobsacco@kpmg.ca)

Angelos Xilinas  
Partner, Trade and Customs  
604 691 3479  
[axilinas@kpmg.ca](mailto:axilinas@kpmg.ca)

James Sutton  
Senior Manager, Trade and Customs  
514 840 2419  
[jamesutton@kpmg.ca](mailto:jamesutton@kpmg.ca)

[kpmg.com/ca](https://kpmg.com/ca)



[Contact Us](#) | [KPMG in Canada Privacy Policy](#) | [Legal](#)

Information is current to August 28, 2024. The information contained in this *TaxNewsFlash-Canada* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to

provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.