



TaxNewsFlash

Canada

Importers — Finance Releases Details on Surtax Relief

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Canadian importers of steel and aluminum products and electric vehicles (EVs) from China may benefit from new relief on recently announced surtaxes. Finance has provided details on how Canadian businesses can request remission of surtaxes on these goods, which will only apply in very limited circumstances and for a specific transition period. This relief, which may also apply for the refund of such surtaxes already paid, is intended to allow businesses time to adjust their supply chains. As part of its announcement on October 18, 2024, Finance also stated that this new relief may also extend to other potential surtaxes on batteries, semiconductors, solar panels, among other imported goods from China, under section 53 of the Customs Tariff.

Affected Canadian importers should act quickly to review their operations and determine if they may qualify for relief under this new tariff remission process. Finance advises that it will process remission requests received before November 8, 2024 on a priority basis.

Background

The federal government announced surtaxes on certain Chinese goods on August 26, 2024. Specifically, the government 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 (now extended to October 22, 2024). Finance finalized the preliminary list of over 180 steel and aluminum products subject to the new 25% surtax and announced a remission program related the surtaxes on October 1, 2024, with details on the relief to be released later.

For more information, see *TaxNewsFlash-Canada* 2024-34, "[Importers — New Surtaxes Start October 1, 2024](#)".

Remission of surtaxes in limited circumstances

Finance announced that the new relief on surtaxes on certain Chinese goods will only apply in very limited circumstances, and only for a transition period. Finance stated that the relief may be available where:

- The goods cannot be sourced in Canada or elsewhere (i.e., from non-Chinese sources)
- The goods are subject to a contractual purchase agreement for a specific period of time, and the agreement existed prior to August 26, 2024
- The surtaxes could potentially have severe adverse impacts on Canada's economy.

The relief would apply for approved remission requests for surtaxes paid on EVs imported from China since October 1, 2024, and for steel and aluminum since October 22, 2024. Affected businesses may request for remission retroactively to the effective date of the particular surtax.

Finance also noted certain limits, restrictions and conditions that apply to the relief program, including that:

- The relief applies only to companies registered in Canada
- The relief does not apply on imported goods intended for resale in their identical condition to the United States
- The relief may be limited to a particular period
- The government may consult on any particular request with other relevant federal departments or other interested third parties, such as domestic producers.

Required information for a complete remission request

To request relief from surtaxes that apply on certain imported goods from China, affected businesses are required to submit a remission request that includes 14 categories of specific details about their business and the imported goods, including, among other information:

- Evidence that they were unable to source the specific goods from Canadian suppliers or other non-Chinese suppliers

- Copies of requests for proposal or supplier's replies
- Specific details from their Canadian competitors, including details on whether these competitors are able to source substitutable goods from Canadian or non-Chinese foreign suppliers (if available).

KPMG observations

Affected businesses that are considering making a remission request should be aware that they must provide a significant amount of information. Some of these requested details may take time to collect, while others may need to be clearly identified as confidential and protected. Finance noted that, while it will appropriately treat any details marked confidential, businesses must provide enough non-confidential details in their remission requests to allow for consultation with third parties, such as domestic producers.

Businesses that apply for surtax exemptions from recent surtaxes should consider if an alternate source of supply is available because of some uncertainties related to these surtaxes. For example, it's unknown at this time whether Finance will extend any granted tariff remissions, change any granted remission if an alternate source of supply becomes available, or whether the federal government will extend the application of the recent surtaxes, or add new surtaxes or measures.

Businesses facing potential surtaxes on batteries, semiconductors, solar panels, among other imported goods from China should also determine whether they may benefit under this new remission request process. These businesses may want to determine whether they qualify for relief if the government implements these potential surtaxes, or if there are any steps they can take now to help expedite any future remission requests and mitigate the potential impacts of these surtaxes on their operations.

We can help

KPMG's Trade & Customs team can help you determine if the tariff remission process or other opportunities to alleviate the surtaxes may apply to your operations. We can also help review the impact that the current surtaxes and the effect of potential new surtaxes may have on your operations. Please contact your KPMG advisor or one of the following KPMG Trade & Customs professionals in Canada:

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