



TaxNewsFlash

Canada

Canada Outlines Response to U.S. Tariffs

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UPDATE

Following the issue of this tax publication, the media reported that the United States will temporarily hold off on levying tariffs on goods that fall under the Canada-US-Mexico Agreement (CUSMA). This temporary exemption, which was announced on March 6, 2025, is scheduled to expire on April 2, 2025.

Canadian exporters and importers face significant U.S. and Canadian tariffs effective March 4, 2025. The United States has imposed 25% tariffs on “all articles that are products of Canada”, except for imports of energy resources which will be subject to 10% tariffs. In response, Canada is imposing 25% tariffs on various U.S. goods, the first phase of which is effective March 4, 2025. Canada is also asking stakeholders to provide feedback on goods included in the second phase of intended counter tariffs, which take effect following a 21-day consultation. Canada will accept submissions on the impacts of counter tariffs to these goods until March 25, 2025.

The United States tariffs and the first phase of Canadian counter tariffs were previously set to take effect on February 4, 2025, but their implementation was delayed for 30 days. As these tariffs will significantly affect many businesses, your KPMG adviser can help you assess different potential strategies and scenarios that may apply to your specific facts and circumstances by using our digital tools that allow us to quantify your exposure to the new trade measures, among other analyses. You may want to consider providing feedback on goods included in the planned second phase of the Canadian counter tariffs. We can also

help determine whether you may be eligible for tariff relief under the Canada's Department of Finance's remission program, or other customs programs.

Background

The United States previously announced that it would impose 25% tariffs on "all articles that are products of Canada", except for imports of energy resources which would be subject to 10% tariffs. These tariffs were intended to start on February 4, 2025. In response, the Canadian federal government announced new 25% tariffs on various U.S. goods, the first phase of which was also scheduled to come into effect on February 4, 2025. However, before these trade measures went into effect, the United States decided to hold off on levying tariffs against Canadian goods for 30 days, and in response, Canada also delayed its counter tariffs.

In addition to these tariffs on Canadian goods, the United States also announced over the last few weeks a variety of other tariffs that it proposes to levy at different dates on a wide range of other imported Canadian goods, such as steel, aluminum, automobiles, lumber and copper, among other goods.

For details on these developments, including insights for importers and exporters affected by these changes, see *TaxNewsFlash-Canada* 2025-06, "[New U.S. and Canadian Tariffs — Prepare for Trade Challenges](#)" and *TaxNewsFlash-Canada* 2024-45, "[U.S. Vows 25% Tariffs on Imported Canadian Goods](#)".

U.S. tariffs

The United States confirmed that it now imposes 25% tariffs on "all articles that are products of Canada", except imports of energy resources which that is subject to 10% tariffs, effective March 4, 2025. The United States said that these new 25% tariffs apply in addition to any current duties, fees or charges that apply on imported Canadian goods.

Duty-free de minimis rule

The United States also announced it will maintain the duty-free USD \$800 exemption, also known as the duty-free *de minimis* rule, but will still consider eliminating this measure in the future. Previously, the United States stated that it would cancel this rule as part of the new 25% tariffs.

Canadian counter tariffs

The Canadian federal government responded to the 25% U.S. tariffs on Canadian goods by announcing 25% tariffs on \$155 billion worth of American goods imported into Canada. These 25% tariffs will be implemented in a two-phase process:

- First phase (effective March 4, 2025) — The 25% tariffs apply on approximately 1,300 types of goods, such as orange juice, peanut butter, wine, spirits, beer, coffee, appliances, footwear, motorcycles, cosmetics, and pulp and paper.
- Second phase (subject to a 21-day consultation) — The 25% tariffs will expand to approximately 4,400 types of other goods, subject to consultation with stakeholders, such as passenger vehicles and trucks (including electric vehicles), steel and aluminum products, many fruits and vegetables, aerospace products, beef, pork, dairy, electronics, buses, and recreational boats.

The Department of Finance also said it would consider other non-tariff measures if the United States does not reverse its tariffs. Details of the new 25% tariffs and lists of affected goods were released by the Department of Finance on March 4, 2025.

Canada consultation on second phase of tariffs

Canada's Department of Finance is asking for feedback on the imported U.S. goods that are set to be included in the second phase of counter tariffs. To be considered, stakeholders must submit their comments by March 25, 2025. The Department of Finance also notes that, because the United States could impose additional tariffs on Canada over the next few weeks, it may decide to impose 25% tariffs on these goods before the end of the consultation period.

KPMG observations

Previously, Canada's Department of Finance had not released the list of imported U.S. goods that would be subject to the second phase of counter tariffs. The list, which was released on March 4, 2025, features more than 4,400 tariff items across many industries and businesses. In particular, the second phase of counter tariffs are expected to affect businesses that trade in the following noteworthy goods, among others:

- Animal and vegetable products
- Prepared foods
- Mineral products, such as ore and slag
- Pharmaceuticals
- Fertilizers
- Plastics and articles thereof
- Wood and articles of wood.

Relief measures in Canada — Remission program

The Department of Finance also released details on a remission program that is intended to provide limited relief to help mitigate the effects of the new Canadian tariffs on certain Canadian businesses. The remission program essentially provides relief from otherwise applicable tariffs but only in “exceptional and compelling circumstances”, based on established guidance.

We can help

As exporters, importers and many other businesses across Canada will be significantly affected by these tariffs, it's important to contact your KPMG adviser to help you review the effect of these new tariffs, and other potential trade measures, on your operations. For more details, contact your KPMG adviser.

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