



TaxNewsFlash

Canada

Businesses — Don't Delay in Addressing Tariff Challenges

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Canadian exporters and importers continue to face U.S. and Canadian tariffs. The United States recently increased tariffs on Canadian goods that are not compliant with the Canada-U.S.-Mexico Agreement (CUSMA) to 35% (from 25%) effective August 1, 2025. Earlier this year, Canada imposed 25% retaliatory tariffs on certain U.S. goods in response to previous U.S. trade measures, though many of those retaliatory tariffs continue to be wound back. While Canada continues to release details of support measures intended to help businesses mitigate the economic impact of tariffs, including industries such as lumber, steel, aluminum, and automobiles, it appears that affected Canadians will have to continue to adapt to the uncertainty created by these ongoing trade announcements.

Businesses across Canada that have yet to take action in response to the evolving trade environment should not wait any longer to put strategies in place to help mitigate the impact of tariffs. Many of these strategies are discussed in a replay of a recent KPMG Canada webcast, "[The future of trade: Redefining strategies for a new era](#)". Your KPMG adviser can help you assess the effect of the latest U.S. and Canadian trade measures, including to determine whether your goods can comply with CUSMA exemptions and to consider strategies that can deliver value in important areas across your business, including transfer pricing analysis, supply chain planning and legal considerations.

Background

The United States imposed 25% tariffs on "all articles that are products of Canada" on March 4, 2025, except for imports of energy resources which are subject to 10% tariffs. These 25% tariffs were later amended to restrict their application essentially to goods not compliant with the CUSMA. In response, Canada imposed 25% tariffs on various U.S. goods, the first phase of which was effective March 4, 2025. The United States

subsequently announced 25% tariffs on all automobiles imported into the United States, effective April 3, 2025. Canada responded by applying 25% tariffs on automobiles imported from the United States that are not compliant with the Canada-United States-Mexico Agreement (CUSMA), effective April 9, 2025. In addition to these tariffs, the United States announced other tariffs on a wide range of other imported Canadian goods, such as steel, copper and aluminum. The United States also announced that it will withdraw the “de minimis exemption” for commercial shipments coming into the country, starting August 29, 2025. Previously, shipments valued under USD \$800 were considered duty-free.

For details on these developments, including insights for importers and exporters affected by these changes, see *TaxNewsFlash-Canada* 2025-21, “[Tariffs — Canadian Businesses May Qualify for New Relief](#)”, *TaxNewsFlash-Canada* 2025-18, “[Canada Responds to U.S. Global Tariff Announcement](#)”, *TaxNewsFlash-Canada* 2025-09, “[Canada Outlines Response to U.S. Tariffs](#)”, and *TaxNewsFlash-Canada* 2025-06, “[New U.S. and Canadian Tariffs — Prepare for Trade Challenges](#)”.

Trade uncertainty — No end in sight

The United States continues to use tariffs as a tool to raise revenues and to achieve its foreign policy objectives. As the CUSMA trade agreement is scheduled to be reviewed at the end of June 2026, Canada and the United States may not be prepared to announce trade concessions until official negotiations are underway.

Although the United States has recently announced trade deals with some countries, including the UK, Japan and EU members, these agreements have included non-trade related commitments that do not affect industry-specific tariffs.

It also remains to be seen whether Canada intends to gradually wind back remaining retaliatory tariff measures in favour of other non-tariff measures, such as excluding U.S. businesses from government contracts.

Canada's response

Canada continues to release details of programs intended to support Canadian businesses through this uncertainty, including to invest in domestic production and help industries access other markets around the world. In particular, Canada announced new support for the softwood lumber industry on August 5, 2025 that, among other benefits, would:

- Provide up to \$700 million in loan guarantees
- Invest \$500 million for product and market diversification
- Prioritize Canadian materials in construction and federal procurement processes

- Diversify international markets
- Provide \$50 million for upskilling, reskilling, and income supports.

In addition to these softwood lumber initiatives, Canada may announce further measures to mitigate the impact on tariffs affected industries and their workforces.

KPMG observations

It's not too late for affected Canadian businesses to consider how to proactively reduce risks and mitigate any impacts. Specifically, affected businesses should:

- Ensure appropriate clauses are included or adjusted in sales agreements (e.g., all-inclusive contracts) dealing with sales into the United States so that any potential tariff costs can be passed on to purchasers
- Review their import and export pricing to ensure all statutory deductions allowable under customs valuation rules are properly applied to declarations at the border to ensure the lowest possible base upon which the tariffs would be calculated
- Verify the eligibility of goods and materials made or bought under the CUSMA to minimize duties paid to offset tariff impacts
- Review their supply chains for opportunities to possibly diversify or shift goods and materials production, warehousing, and distribution in anticipation of possible disruptions that may occur
- Review transfer pricing policies, which may have an impact on customs valuations, to ensure they are appropriate in today's tariff environment.

We can help

Your KPMG adviser can help you assess the effect of tariffs and other potential trade measures on your operations, and help determine whether you are eligible for any relief measures and other available relief programs. For more details, contact your KPMG adviser.

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