



TaxNewsFlash

Canada

Canada Removes Surtax on Certain U.S. Goods

September 11, 2025

No. 2025-37

Canadian importers may benefit from Canada's recent removal of many of the retaliatory tariffs on imports of U.S. goods effective September 1, 2025. Despite this change, Canada said its retaliatory tariffs (i.e., surtax) will remain in place for imports of U.S. aluminum, steel and automobiles. These changes were announced on August 22, 2025.

Canada also announced it will launch public consultations in September 2025 to obtain stakeholder feedback on the global trade environment prior to the review of Canada-United States-Mexico Agreement (CUSMA), scheduled to occur at the end of June 2026.

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 U.S. and Canadian tariffs. Many of these strategies, including potential remission requests made to the Department of Finance and opportunities to recover Canadian surtax paid, 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 to mitigate US tariffs 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

On August 1, 2025, the United States increased to 35% (from 25%) tariffs on imports of "all articles that are products of Canada" that are not compliant with the CUSMA. The United States originally imposed the 25% tariffs on March 4, 2025, except for imports of energy resources and potash which are subject to 10% tariffs. The 25% tariffs were later

amended to restrict their application essentially to goods not compliant with the CUSMA. In response, Canada imposed 25% tariffs (i.e., surtax) on various U.S. goods, whether these goods were compliant with CUSMA or not, 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 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 withdrew 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* 2025-34 [“Businesses — Don’t Delay in Addressing Tariff Challenges”](#), *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”](#).

Removal of tariffs on certain goods

Canada removed many of the retaliatory tariffs (i.e., surtax) on U.S. goods effective September 1, 2025 via an Order in Council. The Order essentially removes tariffs on the goods that were surtaxed in March 2025 under the United States Surtax Order (2025-1), as well as all of the non-steel and non-aluminum goods listed under the United States Surtax Order (Steel and Aluminum 2025). However, Canada has maintained the retaliatory tariffs for imports of U.S. aluminum, steel and automobiles.

Based on the Order, the surtax also does not apply to qualifying heavy electric trucks (i.e., those with a gross vehicle weight over five tonnes) and vintage vehicles, as well as to temporary imports into Canada of qualifying reusable steel containers (e.g., canisters and racks for automotive parts).

KPMG observations

With surtax no longer being payable on many imported finished U.S. goods, companies should review the amounts of surtax they paid between March 4 and August 31, 2025 to verify the accuracy of payments and identify opportunities to recover overpayments of surtax. The relief measures which were enacted by the Government of Canada remain available to importers who paid the surtax, as well as regular customs relief programs. Importers should consider:

- Replacing surtax paid inventory in Canada and exporting excess inventory, allowing for a drawback to recover surtaxes
- Applying for remission requests which can be eligible back to the date of surtax implementation
- Adjusting import values, where applicable, to achieve target operating margins, or
- Verifying the classifications declared at time of import.

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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