Regulatory News: Alerts & Updates

The United States Surtax Order (2026)

September 7, 2026

On September 7, 2026, the Canada Border Services Agency (CBSA) released Customs Notice 26-23, announcing the implementation of the United States Surtax Order (2026). This order applies 15%, 25%, or 50% surtaxes on certain goods originating from the U.S., effective **September 8, 2026**. These surtaxes are in response to the U.S. government imposing Section 338 tariffs on Canadian-origin products imported into the U.S. from Canada.

The United States Surtax Order (Steel and Aluminum 2025)
On March 12, 2025, the CBSA released Customs Notice 25-11, announcing the implementation of the United States Surtax Order (Steel and Aluminum 2025). This order applies a 25% surtax on certain goods originating from the U.S. The surtax is a response to the U.S. government's actions imposing tariffs on Canadian steel and aluminum products imported into the U.S. from Canada, effective March 12, 2025.

Effective September 8, 2026, under the Order Amending the United States Surtax Order (Steel and Aluminum 2025), the surtax rate of 25% has increased to 50% for aluminum and steel goods listed in the newly added Schedules 1.1 and 2.1. For additional details, please see Customs Notice 25-11 (updated September 7, 2026).

The United States Surtax Order (Motor Vehicles 2025)
On April 8, 2025, the CBSA released Customs Notice 25-15, announcing the implementation of United States Surtax Order (Motor Vehicles 2025). This order applies a 25% surtax on motor vehicles originating from the U.S. The surtax is in response to the U.S. government imposing tariffs on Canadian-origin automobiles and automobile parts.

United States Surtax Order (2025-1) – *repealed September 1, 2025*
Under the Order Amending and Repealing Certain Orders Made Under the Customs Tariff (United States Surtax), the United States Surtax Order (2025-1) was repealed. Effective September 1, 2025, all goods previously subject to this order no longer face the 25% surtax when imported into Canada. However, goods imported into Canada prior to this date may still fall under the order and be charged the surtax. For additional details, please see Customs Notice 25-10 (updated August 29, 2025).

GENERAL INFORMATION

1. **What is the United States Surtax Order (2025-1), the United States Surtax Order (Steel and Aluminum 2025), the United States Surtax Order (Motor Vehicles 2025), and the United States Surtax Order (2026)?**
   The United States Surtax Order (2025-1), the United States Surtax Order (Steel and Aluminum 2025), and the United States Surtax Order (Motor Vehicles 2025) are Canadian measures that impose an additional 25% or 50% surtax on specified goods originating from the United States (U.S.). These surtaxes are a response to the U.S. government's actions imposing tariffs on Canadian goods and energy, products of steel and aluminum, and automobiles and automobile parts imported into the U.S.

   The United States Surtax Order (2026) is a Canadian countermeasure that imposes 15%, 25%, or 50% surtaxes on certain goods originating from the U.S., as a result of the U.S. imposing 50% Section 338 tariffs on Canadian-origin goods imported into the U.S.

   These surtaxes are separate from regular customs duty and are in addition to any otherwise applicable duties and taxes; they are applied even when the imported goods are duty-free under the Canada-United States-Mexico Agreement (CUSMA).

   Note: The United States Surtax Order (2025-1) was repealed effective September 1, 2025 and is no longer in effect.

2. **When did the surtaxes take effect?**
   The United States Surtax Order (2025-1) took effect on **March 4, 2025** (repealed effective September 1, 2025), the United States Surtax Order (Steel and Aluminum 2025) took effect on **March 13, 2025**, the United States Surtax Order (Motor Vehicles 2025) took effect on **April 9, 2025** and the United States Surtax Order (2026) took effect on **September 8, 2026**.

3. **What goods are subject to the surtaxes?**
   The surtaxes apply to certain U.S.-origin goods listed in the Schedules of the United States Surtax Order (2026), United States Surtax Order (Steel and Aluminum 2025) and the United States Surtax Order (Motor Vehicles 2025), with important revisions noted in the Order Amending and Repealing Certain Orders Made Under the Customs Tariff (United States Surtax) and the Order Amending the United States Surtax Order (Steel and Aluminum 2025). The goods are identified by their 8-digit Harmonized System (HS) codes, regardless of the country of export (i.e., the country from which they are shipped).

4. **What is the purpose of the surtaxes?**
   The surtaxes are a retaliatory measure in response to the U.S. government's imposition of Section 338 tariffs and additional tariffs on Canadian goods and energy, products of steel and aluminum and automobiles and automobile parts.

IMPACT TO IMPORTERS

5. **Who is affected by the surtaxes?**
   The surtax applies to both commercial and casual/non-commercial resident and non-resident importers of U.S.-origin goods into Canada.

6. **How are the surtaxes calculated?**
The surtaxes are calculated as 15%, 25%, or 50% of the value for duty (VFD) of the imported goods. This is in addition to any other duties and taxes owed.

Example 1: United States Surtax (2026) – Calculation of a 50% surtax
The value for duty (VFD) of an imported good subject to a surtax is $150. The imported good has a Most Favoured Nation (MFN) duty rate of 0%. The applicable surtax is 50%, as per the Schedule 3 to the *United States Surtax Order (2026)*.

The amount of surtax is calculated as follows:
- $150 (VFD) x 0.5 (% surtax) = $75 (surtax payable)

Customs duties and taxes are to be calculated as follows:
- $150 (VFD) x 0 (% MFN duty) = $0 (customs duty)
- $150 (VFD) + $75 (surtax payable) + $0 (customs duty) = $225 (value for tax)
- $225 x 0.05 (% GST) = $11.25 (GST)
- Total of surtax, customs duty, and GST payable is $75 + $11.25 = $86.25

Example 2: United States Surtax Order (Steel and Aluminum 2025) – Calculation of 25% surtax
The value for duty (VFD) of an imported good subject to a surtax is $150. The imported good has a Most Favoured Nation (MFN) duty rate of 5% and is subject to anti-dumping duties of $34. The applicable surtax is 25%, as per Schedule 1 or 2 to the *Order Amending the United States Surtax Order (Steel and Aluminum 2025)* (SOR/2026-187).

The amount of surtax is calculated as follows:
- $150 (VFD) x 0.25 (% surtax) = $37.50 (surtax payable)

Customs duties and taxes are to be calculated as follows:
- $150 (VFD) x 0.05 (% MFN duty) = $7.50 (customs duty)
- $150 (VFD) + $37.50 (surtax payable) + $7.50 (customs duty) + $34.00 (anti-dumping duties) = $229.00 (value for tax)
- $229.00 x 0.05 (% GST) = $11.45 (GST)
- Total of surtax, customs duty, anti-dumping duty, and GST payable is $37.50 + $7.50 + $34.00 + $11.45 = $90.45

Exclusions for motor vehicles qualifying under CUSMA
For motor vehicles that qualify under CUSMA, the value of the goods originating in Canada or Mexico is excluded from the VFD for the purposes of calculating the surtax. A standard deduction of 15% will be applied to the VFD, reflecting the assumed value of the Canadian and Mexican-origin components used in production. Importers seeking to claim an exclusion amount greater than 15%, must obtain sufficient supporting documentation of goods that originate in Canada or Mexico used in the production of the motor vehicle and provide it to the CBSA upon request. For additional details, refer to Customs Notice 25-15.

Example 3: Motor vehicle entitled to the United States Tariff (15% deduction)
An imported motor vehicle has a VFD of $30,000 and qualifies for the United States Tariff (UST) under CUSMA, which has 0% duty rate. The applicable surtax under the United States Surtax Order (Motor Vehicles 2025) is 25%. Since the vehicle qualifies under CUSMA, a 15% deduction is applied to the VFD to account for Canadian and Mexican-origin components. Therefore, the surtax is calculated based on 85% of the VFD.

The surtax is calculated as follows:
- $30,000 (VFD) x 0.15 (%) = $4,500 (value of excluded Canadian/Mexican content)
- $30,000 - $4,500 = $25,500 (adjusted VFD for surtax)
- $25,500 (VFD for the purposes of surtax calculation) x 0.25 (% surtax) = $6,375 (surtax payable)

Customs duties and taxes are to be calculated as follows:
- $30,000 (VFD) x 0 (% UST duty) = $0 (customs duty)
- $30,000 (VFD) + $6,375 (surtax payable) + $0 (customs duty) = $36,375 (Taxable value for GST)
- $36,375 x 0.05 (% GST) = $1,818.75 (GST)
- Total of surtax, customs duty, and GST payable is $6,375 + $1,818.75 = $8,193.75

7. **What is the value for duty (VFD)?**
The primary method used to calculate VFD is the 'Transaction Value Method'. Using this method, the VFD is based on the price paid or payable for the goods. For more details, refer to Memorandum D13-3-1.

8. **Do the surtaxes apply to casual/non-commercial goods that qualify for *de minimis* treatment?**
Yes, the surtax applies even to U.S.-origin goods eligible for *de minimis* treatment under the Courier Imports Remission Order (shipment valued at CA$40 or less exported from the U.S. or Mexico; or CA$20 exported from elsewhere) or the Postal Imports Remission Order (shipment imported by post/mail and valued at CA$20 or less).

9. **What documentation is required for commercial goods?**
Commercial importers must provide proof of origin documentation (e.g., a certificate or certification of origin) as outlined in the Canada-United States-Mexico Agreement (CUSMA).

10. **How is the origin of casual goods determined?**
For casual goods, the country-of-origin markings on the shipment documentation will be used. If no information is provided and there is no evidence that the goods originate from another country, the goods will be assumed to originate from the U.S. when shipped from the U.S.

11. **Who would be responsible for paying the surtaxes?**
The party (individual or business) acting as the importer of record for the goods would be responsible for paying the surtaxes, along with any applicable duties and taxes.

EXCEPTIONS TO THE SURTAXES

12. **Are there any exceptions to the surtaxes?**
Yes, the surtaxes do not apply to:
- Goods in transit to Canada on or before the effective date of the Surtax Orders. See below.
  - March 4, 2025 – For goods listed in the Schedule of the United States Surtax Order (2025-1) – repealed as of September 1, 2025
  - March 13, 2025 – For goods listed in the Schedules of the United States Surtax Order (Steel and Aluminum 2025)
  - April 9, 2025 – For goods listed in the Schedules of the United States Surtax Order (Motor Vehicles 2025)
  - September 8, 2026 – For goods listed in the Schedules of the United States Surtax Order (2026)
- Goods returning to Canada that were previously imported and duty-paid.
- Certain goods imported for repair/alteration or returning after repair/alteration in the U.S. (excluding vessels).
- Certain goods classified under Chapter 40, Chapter 98, or Chapter 99 of the Canadian Customs Tariff.
- Goods eligible for remission under the Akwesasne Residents Remission Order.
- Goods eligible for remission under the United States Surtax Remission Order (2025) and the United States Surtax Remission Order (Motor Vehicles 2025).

- Goods eligible to be marked as originating from Puerto Rico, Guam, the Northern Mariana Islands, American Samoa or the U.S. Virgin Islands.
- Goods imported from the United States at a port of entry on Campobello Island, New Brunswick, if the goods are imported:
  - By a person who ordinarily resides on Campobello Island and who is returning after an absence from Canada of less than 24 hours, and
  - Are in the person's possession or form part of their baggage, and
  - Are for personal or household use.
- Exempt from surtaxes imposed under the United States Surtax Order (2026) only:
  - Baggage and conveyances temporarily imported by a person who is not a resident of Canada for use by that person in Canada. Refer to Memorandum D2-1-1: Temporary Importation of Baggage and Conveyances by Non-residents for details.
  - Eligible ships' stores that are not diverted. Refer to Memorandum D4-2-1: Ships' Stores for details.
  - Goods that are imported under the authority of a permit issued under subsection 8.3(3) of the *Export and Import Permits Act*, if the permit specifies that it is issued for the purposes of the Import for Re-Export Program.

13. Do goods classified under Chapter 98 or Chapter 99 qualify for exceptions?

Yes, except in the following cases:

- The Harmonized System (HS) code used is listed in Schedule 3 of the United States Surtax Order (Steel and Aluminum 2025) and the goods are also eligible to be classified using an HS code listed in Schedules 1 and 1.1 (aluminum goods) of the Order Amending the United States Surtax Order (Steel and Aluminum 2025). Note – Schedule 3 HS codes include: 9804.30.00, 9825.10.00, 9825.20.00, 9825.30.00, 9826.10.00, 9826.20.00, 9826.30.00, 9826.40.00, 9897.00.00, 9898.00.00, 9899.00.00, 9971.00.00, 9989.00.00).
- The HS code used is listed in Schedule 4 of the Order Amending and Repealing Certain Orders Made Under the Customs Tariff (United States Surtax) and the goods are also eligible to be classified using an HS code listed in Schedules 2 and 2.1 (steel goods) of the United States Surtax Order (Steel and Aluminum 2025).
- The applicable Chapter 98 or 99 HS code is specifically listed in Schedule 4 of the United States Surtax Order (2026).

14. What goods classified under Chapter 40 qualify for exceptions?

Goods under heading 40.11 that are for use as original equipment in the production of any vehicle, machine or appliance referred to under that heading, including Original Equipment Manufacturer (OEM) tires.

RELIEF AND DRAWBACK PROGRAMS

15. Can importers claim relief for surtaxes paid?

Yes, the Duties Relief and Duty Drawback programs are available for surtaxes paid or payable, subject to the provisions of the Canada-United States-Mexico Agreement (CUSMA).

ADDITIONAL RESOURCES

16. Where can I find the complete list of impacted goods?

The complete list of impacted goods is available in the Schedules of the United States Surtax Order (2026), United States Surtax Order (Steel and Aluminum 2025) and the United States Surtax Order (Motor Vehicles 2025), with important revisions noted in the Order Amending and Repealing Certain Orders Made Under the Customs Tariff (United States Surtax) and the Order Amending the United States Surtax Order (Steel and Aluminum 2025). The goods are organized by 8-digit Harmonized System (HS) codes. Alternatively, you can find a complete list of current and previously impacted goods organized by 8-digit HS codes and corresponding descriptions on the Department of Finance Canada website for the United States Surtax Order (2026), the United States Surtax Order (Steel and Aluminum 2025), and the United States Surtax Order (Motor Vehicles 2025).

17. Where can I get more information about surtaxes?

Refer to Memorandum D16-1-1 for detailed information on the application, collection, and adjustment of surtaxes, or visit the Government of Canada's Trade Commissioners website.

18. Who can I contact for further assistance?

For more information, contact the **Border Information Service (BIS)**:
- Toll-free in Canada and the U.S.: 1.800.461.9999
- Outside Canada and the U.S.: 1.204.983.3500

KEY TAKEAWAYS

19. How do the U.S. surtaxes impact FedEx shipments?

When shipping certain U.S.-origin goods into Canada, a 15%, 25%, or 50% surtax will be applied to the value of your goods in addition to standard import duties and taxes. This will result in higher total import charges for affected shipments.

We recommend using the Canada Tariff Finder provided by the Government of Canada to confirm whether products are subject to these surtaxes and to plan your shipping budget accordingly.

Note: At the time of this posting, the Canada Tariff Finder was not yet updated with the applicable surtaxes under the United States Surtax Order (2026).

20. What should Canadian importers do to prepare for the surtaxes?

- Review the list of impacted goods in the Schedules of the United States Surtax Order (2026), the Schedules of the United States Surtax Order (Steel and Aluminum 2025), the Schedules of the United States Surtax Order (Motor Vehicles 2025), or compiled on the Department of Finance Canada website.
- Review the United States Surtax Remission Order (2025) and the United States Surtax Remission Order (Motor Vehicles 2025) to:
  - Determine whether the U.S. origin goods you import into Canada qualify for a surtax exemption.
  - Notify your customs broker of your qualifying commodities.

FedEx customers only: Supporting shipment documentation (e.g., Commercial Invoice) must clearly demonstrate that the imported goods qualify for surtax relief under an applicable remission order for an exemption to be applied at the time of entry processing.

Eligible goods include those imported into Canada

- For the following qualifying end-uses:
  - In the manufacture or processing of any good*
  - In the production of any agricultural product or the packaging of a food product or beverage*
- For use by the following entities in direct support of public health, public safety, and national security or defense:
  - A government health research organization or clinical health research organization
  - An organization that produces or stores medical countermeasures, including pharmaceuticals or medical devices
  - The office of a public health official, as defined in subsection C.10.001(1) of the Food and Drug Regulations
  - An organization that provides ambulance or other emergency response services
  - A firefighting service
  - A law enforcement agency
  - A federal or provincial correctional service
  - The Department of National Defense
  - The Canadian Armed Forces
  - The Canadian Security Intelligence Service
  - An entity that provides products or services related to blood, cells, tissues or organs
  - A federal, provincial, local or Indigenous health authority
- For use in health care services, including those provided at:
  - A hospital,
  - A health care or dental clinic,
  - A medical, dental, or diagnostic laboratory, or
  - A long-term care facility
- Referred to in Schedule 1, 2, 3, 4, 4.1, 5, or 6 of the United States Surtax Remission (2025) based on their applicable HS code.

Example: Goods used for the general upkeep of a manufacturing or processing facility (i.e., hand soap or personal protective equipment for workers) or goods used for storage or transportation solely before or after processing (i.e., a forklift solely used for loading finished product or a freezer that is solely used to store finished product) may ***not*** be eligible.

To help ensure that surtax exemptions are consistently and accurately applied, importers are advised to confirm that their goods are eligible (specify the qualified end use or entity importing the goods) and/or to provide a list of your qualifying goods (by applicable HS code) by emailing clearancehelpline@fedex.com.

Note: It is the importer's responsibility to demonstrate how their goods qualify for remission and to maintain documentation to support all claims for relief.

- Ensure proper proof of origin documentation is available for commercial goods.
- Verify the country-of-origin markings for casual goods.
- Explore relief options under the Duties Relief and Duty Drawback programs.

21. Are the surtaxes permanent?

The surtaxes are subject to change. Importers should stay updated on any amendments or revocations of the orders.

*Only manufacturing or processing machinery and direct inputs used in the activity of manufacturing or processing are eligible. Inputs that do not form an integral part of the manufactured or processed product may ***not*** be eligible.