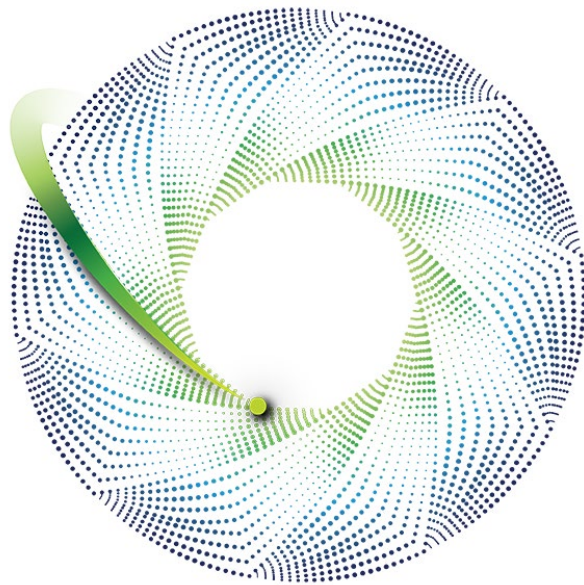




Canadian Tax & Legal Alert

Update: Section 338 tariffs now in force; Canada announces responsive measures amid further US tariff developments

August 27, 2026

Overview

This alert provides an update to our August 12, 2026 publication, [US proposes additional 50% tariffs on select Canadian products](#). Since that publication, discussions between Canada and the US to address a range of bilateral trade concerns have failed to produce a resolution, and the tariffs consequently took effect on August 22, 2026.

Canada has announced that it will respond with dollar-for-dollar counter-tariffs, effective September 8, 2026, applying surtaxes of 15%, 25%, and 50% to a broad range of products. Separately, the president of the United States has announced his intention to increase tariffs on Canadian automobiles, automotive parts, and steel to 50%, effective January 1, 2027.

These developments create additional uncertainty for businesses operating across North American supply chains and underscore the need to closely monitor further trade actions on both sides of the border.

Section 338 tariffs take effect

As discussed in our August 12 alert, the president of the United States signed three proclamations on July 20, 2026, imposing additional 50% tariffs on specified Canadian-origin products under Section 338 of the US Tariff Act of 1930.

The measures were temporarily suspended for three days to allow further negotiations between Canada and the US to continue. However, the suspension expired without an agreement being reached, and the Section 338 tariffs entered into force at 12:01 a.m. Eastern Time on August 22, 2026.

US Customs and Border Protection has since issued implementation guidance confirming the effective date and applicable tariff classifications.

Canada pauses trade negotiations and announces tariff response

On August 21, 2026, Prime Minister Mark Carney announced that Canada would suspend bilateral trade negotiations with the US, citing concerns regarding recent US proposals and the prospects of reaching a mutually acceptable agreement. Accompanying public statements from Canadian and US officials lend concerns that there may be further changes.

The Canadian government has since [announced](#) its response to the Section 338 measures.

Effective at 12:01 a.m. on September 8, 2026, the countermeasures will apply to a broad range of products representing approximately \$27.6 billion of imports from the US, with tariff rates of 15%, 25% and 50%. The applicable Canadian surtax rate is intended to correspond to the tariff rate imposed by the US on the equivalent Canadian product.

The measures cover a broad range of sectors, including steel, dairy, appliances, agricultural equipment, pulp and paper, electronics, cosmetics, plastics, lumber, carpets, apparel, household goods, furniture, industrial machinery, transportation equipment and recreational products. The Department of Finance has already updated the product list following its initial release and has indicated that it will continue to closely assess the effects on industries and the broader economy. Accordingly, the list may continue to evolve, and further changes may be announced.

The surtaxes will apply only to goods originating in the US, determined in accordance with the Determination of Country of Origin for the Purpose of Marking Goods (CUSMA Countries) Regulations. The countermeasures will not apply to US-origin goods that are in transit to Canada when the measures come into force.

Although the implementing Order in Council has not yet been published, the Canadian government has indicated that remission mechanisms will remain available to address exceptional circumstances and potential unintended consequences for Canadian businesses. Additional administrative guidance is expected from the Canada Border Services Agency.

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The Canadian government also announced a \$7.5 billion package of new and enhanced support measures for Canadian workers and businesses affected by US tariffs. The package includes:

- An additional \$1.5 billion through the Regional Tariff Response Initiative, including liquidity support for small and medium-sized enterprises;
- A new \$500 million liquidity stream under the Business Development Bank of Canada's Pivot to Grow program;
- Broader access to the Business Development Bank of Canada's tariff-related programs through a reduction of the minimum applicant revenue requirement to \$1 million;
- An additional \$2 billion through the new Canada Strong Diversification Fund for tariff-affected businesses undertaking shovel-ready capital maintenance projects;
- \$3.5 billion in Rapid Response Supports for Workers and Employers, including temporary Employment Insurance flexibilities, workplace training investments, enhancements to Job Bank, and a new Worker Retention and Retraining Program; and
- New flexibilities under the Large Enterprise Tariff Loan facility administered by the Canada Enterprise Emergency Funding Corporation.

We will continue to monitor developments and provide updates as additional details become available.

Proposed increase to US tariffs affecting the automotive sector

On August 24, 2026, the president of the United States announced his intention to increase tariffs on Canadian automobiles, automotive parts, and steel to 50%, effective January 1, 2027.

As of the date of this alert, no presidential proclamation or other implementing measure has been issued to give effect to the proposed increase. Accordingly, the precise scope of the proposed measures and their interaction with existing US tariff measures remain unclear.

Notably, the announcement expressly referenced automotive parts. This is significant because automotive parts qualifying under the Canada-US-Mexico Agreement (CUSMA) were generally excluded from the 2025 US automotive-parts tariff measures. At present, it remains unclear whether any future measure would preserve similar treatment.

Key considerations

The latest developments reinforce several considerations highlighted in our [alert](#) dated August 12, 2026. Businesses should consider the following:

- Section 338 duties are now in force and should be incorporated into tariff exposure calculations and landed-cost modelling.
- CUSMA qualification does not exempt covered goods from the application of Section 338 duties.
- Businesses importing goods from the US should review the [Canadian counter-tariff list](#) to assess product coverage, confirm origin determinations, and evaluate sourcing, pricing, and supply chain impacts ahead of the September 8, 2026, implementation date.
- Businesses with US-origin goods expected to be in transit on September 8, 2026, should retain records supporting the application of the in-transit exception.

- Businesses should closely monitor forthcoming Canadian measures and guidance concerning remission, drawback, exclusions or other relief mechanisms and assess whether they may qualify for available business-support programs.
- Businesses should also continue assessing the cumulative impact of Section 338, Section 301 and Section 232 measures, together with any forthcoming Canadian tariff measures.
- Manufacturers and suppliers, particularly those operating in the automotive industry, should closely monitor developments relating to the proposed January 1, 2027, increase in tariffs on Canadian automobiles, automotive parts, and steel.

How can Deloitte help you?

Deloitte's professionals can help you understand how these new tariffs may impact your business, including by:

- Assessing product coverage and tariff exposure;
- Reviewing tariff classification, origin, and valuation considerations;
- Modelling landed-cost and supply chain impacts;
- Identifying potential remission or drawback opportunities; and
- Evaluating sourcing, pricing, contractual, and supply chain alternatives;
- Assessing how your organization could benefit from the measures announced to support Canadian businesses and workers affected by US tariffs.

If you have any questions about these developments or want to learn more, please reach out to your Deloitte advisor or any of the Deloitte advisors noted on this alert.



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