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Tax Alert – Canada

Finance announces intent to enact final safeguards on imports of heavy plate and stainless-steel wire

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 26 April 2019, the federal Department of Finance (Finance) announced that it will enact final safeguards on heavy plate and stainless-steel wire originating from countries other than the US, Mexico, Israel, South Korea, Panama, Peru, Colombia and Honduras, and countries whose goods are eligible for *General Preferential Tariff* (GPT) treatment.¹ Finance has yet to specify the form of the final safeguards.

Background

As discussed in 2019 EY [Tax Alert No. 17](#), the Canadian International Trade Tribunal (CITT) completed its safeguard inquiry into seven classes of steel goods imports as referred to by the government.² On 3 April 2019, the CITT recommended that only two of the seven classes (heavy plate and stainless-steel wire) be subject to a trade remedy in the form of a Tariff Rate Quota with over-access surtaxes commencing at 20% for heavy plate and 25% for stainless steel wire (TRQ surtaxes) for a period of three years.

¹ See Canadian International Trade Tribunal, *Safeguard Inquiry into the Importation of Certain Steel Goods*. Inquiry No. GC-2018-001.

² The classes of goods are: heavy plate, stainless-steel wire, concrete reinforcing bar, energy tubular products, hot-rolled sheet, pre-painted steel, and wire rod.

Discussion

On 26 April 2019, Finance announced it will hold an intensive 30-day consultation with industry and workers, in response to the CITT's ruling on the other five classes of steel goods, to determine what further trade protections would be required.

In addition to the final safeguards, Finance intends within the next few weeks to pursue new measures to protect Canadian industry and trade. These measures will include:³

- ▶ Conducting a timely and targeted review of dumping cases to boost protections through higher duties to ensure Canadian companies are not at an unfair disadvantage with foreign competitors
- ▶ The introduction of a more extensive steel import reporting (import permits are required in order to monitor pricing, and to facilitate import monitoring by domestic producers) with a view to strengthening import data usefulness such as product type, quantity, and origin information
- ▶ Greater flexibility for the Canada Border Services Agency (CBSA) to address price and cost distortions in foreign markets when determining whether dumping has occurred (which presumably will require legislative or regulatory change)
- ▶ In cooperation with industry, developing a framework to better “guide” the CBSA when determining whether trade remedy actions should be self-initiated
- ▶ Consulting with stakeholders on the framework for remission of surtaxes imposed on imports from the US to further incentivize the use of Canadian-made steel products
- ▶ The government will also ensure that support for domestic producers provided through Innovation, Science and Economic Development Canada and its agencies is responsive to the evolving needs of steel and aluminum companies by making use of program flexibility

The government has announced increased funding for the CBSA and Global Affairs Canada (GAC) to further strengthen Canada's trade enforcement. The increased funding will consist of more than \$30 million over a period of five years beginning immediately for the CBSA to hire an additional 40 officers to investigate trade-related complaints, including complaints related to steel and aluminum.⁴

³ Department of Finance Canada, *Final Safeguards to be Imposed to Protect Canadian Steel Workers*. <https://www.fin.gc.ca/n19/19-046-eng.asp>

⁴ Prime Minister of Canada, *Canada Further Strengthens Trade Enforcement to Protect Steel and Aluminum Workers and Industries*. <https://pm.gc.ca/eng/news/2018/04/26/canada-further-strengthens-trade-enforcement-protect-steel-and-aluminum-workers-and>

The government also aims to introduce regulatory changes⁵ to expand the scope of steel and aluminum products that are required to be marked with their country of origin. The government intends these changes to further align Canada's marking regime with that of the US. Further, regulatory changes announced on 27 March 2018⁶ to prevent transshipment and diversion of steel and aluminum into Canada will be brought into force. These regulatory changes will allow the CBSA to identify and stop companies attempting to avoid customs duties, and will provide the CBSA greater flexibility to determine whether prices charged in an exporter's domestic market are distorted.⁷

Learn more

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⁵ These changes are subject to a 15-day consultation period through the *Canada Gazette*.

⁶ Prime Minister of Canada, Canada Acts to Further Prevent Transshipment and Diversion of Steel and Aluminum to Protect North American Workers Against Unfair Trade. <https://pm.gc.ca/eng/news/2018/03/27/canada-acts-further-prevent-transshipment-and-diversion-steel-and-aluminum-protect>

⁷ Prime Minister of Canada, Canada Further Strengthens Trade Enforcement to Protect Steel and Aluminum Workers and Industries. <https://pm.gc.ca/eng/news/2018/04/26/canada-further-strengthens-trade-enforcement-protect-steel-and-aluminum-workers-and>

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