Automotive tariffs: The U.S. Presidential Proclamation and the Canadian response

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The Automotive Sector continues to grapple with the impact of tariffs and in particular with the sector specific tariff measures, marking another turning point in the ongoing tariff landscape affecting the sector in North America and globally.

On March 26, 2025, the U.S. president issued Proclamation 10908 to impose an additional 25% tariff on imports of passenger vehicles, light trucks, and certain automobile parts into the United States. The new 25% tariff is in addition to the existing tariffs on the targeted items, as outlined in the Harmonized Tariff Schedule of the United States (HTSUS). In response, Canada has decided to implement reciprocal tariff measures. This article summarizes key takeaways regarding these new measures.

A. The U.S. Presidential Proclamation

1. What Automobiles are affected?

The term "Automobiles" refers to sedans, sport utility vehicles, crossover utility vehicles, minivans, and cargo vans, and light trucks. A full list of targeted vehicles, as classified under Chapter 87 of the Harmonized Tariff Schedule of the United States (HTSUS), can be found in Annex I of the Proclamation (Section A.a.(b)).

2. What Automobiles are exempted?

The U.S. content of the Automobiles is eligible to be exempt from the 25% tariff. Importers of Canada-U.S.-Mexico Agreement (CUSMA) eligible Automobiles can provide the U.S. Secretary of Commerce with documentation proving the U.S. content in their vehicles. "U.S. content" refers to the value of the Automobile attributable to parts that are wholly obtained, produced entirely, or substantially transformed in the United States. If the Secretary of Commerce determines the automobile qualifies, the 25% tariff will apply only to the value of the non-U.S. content. The non-U.S. content of the Automobile will be calculated by subtracting the value of the U.S. content from the total value of the Automobile. This means the new 25% tariff will only apply to the non-U.S. content of CUSMA-eligible Automobiles.

It is important for manufacturers to accurately declare the U.S. content, as overstating the U.S. content will result in the full additional 25% tariff being applied to the entire vehicle's value, retroactively and prospectively.

3. When do the tariffs on Automobiles take effect?

The new 25% tariffs came into effect on April 3, 2025, for Automobiles.

4. What Automobile Parts are affected?

The term "Automobile Parts" refers to engines and engine parts, transmissions and powertrain parts, and electrical components. A full list of targeted parts, as classified under the HTSUS, can be found in Annex I of the Proclamation (Section B.a.(g)).

5. What Automobile Parts are exempted?

The 25% tariff will not immediately apply to Automobile Parts that qualify for preferential treatment under CUSMA. The Secretary of Commerce, in consultation with Customs and Border Protection, is tasked with creating a system that will allow the tariff to be applied only to the non-U.S. content of CUSMA-eligible Automobile Parts (similar to how it is applied to Automobiles). Once this process is established, the 25% tariff will be applied based on the proportion of non-U.S. content in these Automobile Parts.

This means that Automobile Parts eligible for CUSMA treatment will not face the 25% tariff immediately. However, the system to apply the tariff based on non-U.S. content will be set up in the future.

6. When do the tariffs on Automobile Parts take effect?

The new 25% tariffs on Automobile Parts will take effect by May 3, 2025, except for CUSMA-eligible Automobile Parts, which are temporarily exempted until the relevant process is set up. However, this temporary exemption for CUSMA-eligible Automobile Parts does not apply to automobile knock-down kits or parts compilations. These items will be treated as non-CUSMA-compliant Automobile Parts with regard to the effective date, *i.e.*, by May 3, 2025.

B. The Canadian countermeasure

On April 3, 2025, Canadian Prime Minister Mark Carney announced that Canada would apply a new 25% counter-tariff on:

i. non-CUSMA compliant fully assembled vehicles imported into Canada from the United States; and
ii. non-Canadian and non-Mexican content of CUSMA compliant fully assembled vehicles imported into Canada from the United States.

Absent from the counter-measures are automobile parts. While the details of such counter-measures have not been released yet as of the time of release of this article, Prime Minister Carney further stated that the Canadian government is developing a

"framework" to help auto producers avoid these counter-tariffs, provided they continue to maintain production and investment in Canada.

BLG's Automotive Group continues to monitor the situation closely. If you have any questions about the tariff developments impacting your organization, please reach out to one of our lawyers below.

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