Tax Insights
from Customs and International Trade

US revises Section 338 tariffs on Canadian goods and imposes targeted import bans

September 11, 2026

In brief

What happened?

President Trump on September 8 issued five proclamations under Section 338 of the Tariff Act of 1930 that impose import bans on certain Canadian products and modify the scope of previously imposed 50% tariffs on other Canadian products. The actions follow the Administration's position that Canada maintained or increased discriminatory treatment of US commerce with respect to alcoholic beverages, dairy products, and motor vehicles. The import bans take effect September 29, while modifications to the products subject to the 50% tariffs take effect September 15.

Why is it relevant?

The actions represent a significant escalation in US trade measures against Canada, shifting certain products from a 50% additional tariff to an import ban, effective September 29. The Section 338 tariffs apply to covered goods regardless of whether they qualify as originating under the United States-Mexico-Canada Agreement (USMCA) and, where applicable, in addition to Section 232 tariffs. Companies importing Canadian products therefore may face increased tariff exposure or, where products are subject to the new import bans, the need to identify alternative sources of supply.

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Actions to consider

Companies with Canadian supply chains should identify products potentially affected by the September 15 tariff modifications and September 29 import bans, assess goods currently in transit or in bonded inventory, and evaluate alternative sourcing and supply-chain arrangements where necessary. Companies also may wish to model the impact of overlapping tariffs and review implications related to contractual arrangements, customs valuation, and transfer pricing. Finally, impacted companies should monitor forthcoming US Customs and Border Protection (CBP) guidance and Federal Register notices implementing the measures.

In detail

Background

On July 20, President Trump issued three Section 338 proclamations addressing Canadian measures involving alcoholic beverages, dairy, and motor vehicles. Each imposed an additional 50% ad valorem duty on specified Canadian-origin goods. Although the proclamations respond to Canadian measures affecting the motor vehicle, alcoholic beverage, and dairy sectors, the covered products span a much broader range. See PwC's Tax Insight dated July 22 for more details.

On August 18, the Administration temporarily suspended the effective date of the three tariff actions for three days after Canada expressed a commitment to address the measures identified in the July proclamations. The September 8 proclamations state that Canada did not remove the measures at issue and that the suspension therefore lapsed at 12:01 am eastern time on August 22, when the 50% duties became effective.

The five proclamations issued on September 8 take two approaches to those measures. First, the Administration modifies the scope of products subject to the 50% Section 338 tariffs, removing certain products, including rock salt and cement, and adding other products, including all-terrain vehicles (ATVs) and additional dairy products, effective September 15. Second, the Administration excludes from importation certain Canadian products that are currently subject to the 50% tariffs associated with the alcoholic-beverage, dairy, and motor-vehicle actions, effective September 29.

Alcoholic beverages

The alcoholic-beverage proclamation modifies the products subject to the 50% Section 338 duty originally imposed under Proclamation 11046. Annex I of the tariff-modification proclamation separates the changes between newly covered products and products no longer covered by the additional duty. The proclamation also provides that the modified Section 338 tariffs apply in addition to any applicable tariffs imposed under Section 232 of the Trade Expansion Act of 1962.

The newly covered products extend beyond alcoholic beverages. Among other products, Part A includes numerous classifications of cheese, certain modified fats and oils, bovine hides and leather, furskins, and recreational motorboats. The Annex provides an exception for articles of civil aircraft and aircraft parts meeting the criteria of General Note 6 of the Harmonized Tariff Schedule of the United States (HTSUS). Part B removes two classifications from the 50% tariff: (1) certain whiskies in containers holding more than four liters and liqueurs; and (2) cordials in containers holding more than four liters. Additionally, Annex II makes corresponding changes to Chapter 99 of the HTSUS.

The separate import-prohibition proclamation states that Canada maintained or increased the treatment identified in Proclamation 11046 after the Section 338 duties became effective, citing an August 27 announcement by the Canadian provincial government of Saskatchewan that it would impose an additional 50% levy on US alcoholic beverages, effective September 8. The accompanying Annex covers a broad range of alcoholic beverages, including beer, wine, cider and other fermented beverages, brandies, whiskies, rum, gin, vodka, liqueurs and cordials, and other spirits. However, for some HTSUS provisions, the import prohibition is expressly limited to products designated as "Packaged," which the Annex clarifies as alcohol products packaged in bottles, cans, boxes, kegs, or other similar direct-to-consumer containers.

Covered products imported before September 29 but not yet entered for consumption or withdrawn from warehouse for consumption remain subject to the 50% duty established under Proclamation 11046. The proclamation similarly provides that the 50% Section 338 duty would apply if the import prohibition were invalidated with respect to an affected import.

***Observation*:** Companies should review specific HTSUS provisions and scope limitations rather than assume the measures apply only to industries associated with the underlying Section 338 action. The expanded tariff scope includes certain non-alcohol products, while the "Packaged" limitation could affect whether certain alcoholic beverages are subject to the import prohibition.

Motor vehicles

The motor-vehicle proclamation similarly modifies the products subject to the 50% Section 338 duty imposed under Proclamation 11048. The revised scope adds a broad range of Canadian-origin products while removing several classifications from the existing tariff list. In addition, the proclamation states that the modified Section 338 duties apply in addition to any applicable duties imposed under Section 232 of the Trade Expansion Act of 1962.

The separate import-prohibition proclamation states that Canada maintained the motor-vehicle tariff scheme identified in Proclamation 11048 and excludes selected products previously subject to the 50% Section 338 tariff from importation beginning September 29. The accompanying Annex narrowly targets HTSUS subheading 8711.50.00, covering motorcycles, including mopeds, and cycles fitted with a reciprocating internal-combustion piston engine with a cylinder capacity exceeding 800 cc.

Other products

The proclamation also addresses other non-motor vehicle categories. Part A of Annex I identifies newly covered products, including certain cheese and paper products; iron and steel structures; aluminum profiles, bars, rods, tubes, and pipes; other base-metal products; welding materials; golf carts; certain passenger vehicles with engines not exceeding 1,000 cc; an outboard motorboat classification; seats and furniture; mattresses; and lamps. The Annex also provides an exception for qualifying articles of civil aircraft and aircraft parts under General Note 6 of the HTSUS.

Part B removes eight classifications from the additional tariff. These include salt and pure sodium chloride, Portland cement, chemically pure sugars, certain household or sanitary paper products, refined lead, certain switchgear assemblies, and fishing-rod parts and accessories. Annex II makes corresponding modifications to Chapter 99 of the HTSUS, effective September 15.

Covered products imported before September 29 but not yet entered for consumption or withdrawn from warehouse for consumption remain subject to the 50% duty established under Proclamation 11048. The proclamation similarly provides that the 50% Section 338 duty would apply if the import prohibition were invalidated with respect to an affected import.

***Observation*:** The revised coverage could affect companies outside the automotive sector that would not necessarily associate their products with the underlying motor-vehicle dispute. The inclusion of certain steel and aluminum products is significant because the proclamation provides that the Section 338 duties apply in addition to Section 232. Importers should review affected products at the applicable HTSUS classification level and determine whether multiple additional duty regimes apply.

Dairy products

The proclamation addressing dairy products invokes the same Section 338 import-exclusion authority based on the Administration's finding that Canada maintained the tariff-rate quota allocation measures involving dairy identified in Proclamation 11047. The covered products are excluded from importation beginning September 29.

The dairy Annex covers 14 HTSUS subheadings, including whey protein concentrates and several forms of modified, fluid, and dried whey. The list also includes invert molasses, several cane and other molasses classifications, and non-alcoholic beer.

***Observation*:** As with the other Section 338 actions, the products covered by the trade measure are not limited exclusively to the industry associated with the underlying Canadian measure. Companies should review the specific HTSUS provisions subject to the import prohibition rather than relying on the dairy focus of the underlying Section 338 action. The inclusion of products such as molasses and non-alcoholic beer means that companies outside the dairy sector also could be affected.

Covered products imported before September 29 but not yet entered for consumption or withdrawn from warehouse for consumption remain subject to the 50% duty established under Proclamation 11047. The proclamation similarly provides that the 50% Section 338 duty would apply if the import prohibition were invalidated with respect to an affected import.

Key takeaways

The September 8 actions broaden the potential impact of the Section 338 measures beyond the industries associated with the underlying Canadian measures. Companies importing Canadian-origin goods should review the applicable HTSUS classifications and scope limitations to determine whether products are newly subject to the 50% additional duty, no longer subject to that duty, or covered by an import prohibition. Companies also should assess the potential interaction with other trade measures, including Section 232 duties, and monitor CBP guidance and Federal Register notices implementing the September 8 actions.

Let’s talk

For a deeper discussion of how the revised Section 338 tariffs and import bans might affect your business, please contact:

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