



April 30, 2026

From: Brian Livingston
To: Chinese EV Observers
Re: ADMINISTERING THAT 6.1% TARIFF FOR CHINESE ELECTRIC VEHICLE IMPORTS

The federal government's decision to permit the importing of 49,000 electric vehicles (EVs) from China with a reduced tariff of 6.1 percent has raised questions as to how it will be administered.

The MOU signed with China reduces the tariff to Canada's current most favoured nation rate of 6.1 percent on the first 49,000 EVs imported. Any in excess of 49,000 will also be subject to the existing surtax of 100%, which was imposed by Canada in October 2024, to match new US tariffs on Chinese EVs.

The process for importing any automobiles into Canada is clear. They must first meet Canada's motor vehicle safety standards (CMVSS), including safety, emissions, and other regulatory requirements. The technical term for this process is called homologation.

The responsibility for meeting these regulations is on the company importing the EVs into Canada. If these standards are met, then the importing company has the responsibility to deal with the CBSA to ascertain the applicable tariff.

Because the 100-percent surtax amounts to a ban, this structure will create a powerful incentive to qualify for the 6.1-percent tariff, rather than be relegated to the 106.1-percent category. Qualifying for 6.1 percent becomes a scarce resource that, as economists understand, must be allocated.

The Canada Border Service Agency (CBSA) says it will allocate the 49,000 quota in two six-month periods. The first runs from March 1 to August 31 this year. Permits for 24,500 vehicles will be granted on a first come, first serve basis, much like a bake shop. Companies can apply up to 30 days before the date of entry of the EV, and the permits will be valid for a maximum of 60 days.

Which EV companies will in fact try to import into Canada and obtain the lower tariff? It may well be a mixture of higher priced models from the likes of Tesla and Polestar, which already have a distribution network in Canada. Media reports indicate that Tesla has already changed its supply chain Model 3 and Model Y.

And there have been reports that newer entrants such as BYD and Chery may try to import as well. Chery produces lower priced EVs, and BYD has indicated that it is open to building EV manufacturing facilities in Canada.

The CBSA's second period will run from September 1 to the end of next February, with another 24,500 permits available. Unlike the first come first serve process in the first period, the CBSA says it will undertake consultations regarding the administration of this quota to help meet the government's objective to ensure a portion of the imports be \$35,000 or less, starting at 10 percent of volume in 2027 and rising to 50 percent in 2030, and to have Chinese EV manufacturers build facilities in Canada. BYD and Chery are among the most likely candidates.

Given all of the above, the CBSA will have to allocate some of the lower 6.1-percent tariff to these lower priced EVs. The federal government and the CBSA might look at an alternative to the first-come-first-serve boat race that the CBSA is currently using.

One such alternative for the periods from September 1 and beyond would be for EV importers to submit bids for a given period. The CBSA could then evaluate them and allocate on the two objectives, namely affordability and willingness to make future investments in Canada.

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