Articles + Publications | August 21, 2026

Three-Day Suspension of Section 338 Additional Duties on Canadian Imports

WRITTEN BY

Ryan Last | Daniel N. Anziska

KEY POINTS:

- President Trump suspended additional *ad valorem* duties of up to 50% on certain Canadian imports under Section 338 of the Tariff Act of 1930 for three days, shifting the effective date from August 19 to August 22, 2026, covering the alcoholic beverages, dairy, and motor vehicles sectors.
- Companies with Canadian supply chain exposure in the Covered Sectors should monitor developments closely, as ongoing negotiations may result in further presidential action — including an extension, permanent revocation, or imposition of duties — before August 22.

On August 18, 2026, President Donald Trump issued a proclamation (the August 18 Proclamation) temporarily suspending the additional *ad valorem* duties (the Additional Duties) imposed on certain Canadian imports under Proclamations 11046, 11047, and 11048 (collectively, the Underlying Proclamations). Those Underlying Proclamations, each issued on July 20, 2026, imposed Additional Duties of up to 50% under Section 338 of the Tariff Act of 1930 (Section 338) on certain Canadian goods in response to findings that Canada discriminated against U.S. commerce in the alcoholic beverages, dairy, and motor vehicles sectors (the Covered Sectors). The Additional Duties were originally scheduled to take effect on August 19, 2026.

THE UNDERLYING PROCLAMATIONS

The Underlying Proclamations each found that Canada's measures in the relevant sector constituted an unreasonable imposition not equally enforced on like articles from every foreign country, and that such measures placed a burden on U.S. commerce.

- **Proclamation 11046 (Alcoholic Beverages):** In response to Canadian provincial bans on U.S. alcoholic beverages, the proclamation would have imposed a 50% additional *ad valorem* duty on beer, wine, cider, spirits (including whiskey, rum, vodka, gin, and liqueurs), and certain wood, paper, and hockey equipment products.
- **Proclamation 11047 (Dairy):** In response to Canada's administration of its cheese tariff-rate quota that disadvantaged U.S. dairy exporters, the proclamation would have imposed a 50% additional *ad valorem* duty on cheese, dairy products, and caseins, with some coverage of sugar-containing products and nonalcoholic beverages.
- **Proclamation 11048 (Motor Vehicles):** Despite its name, this proclamation does not cover passenger vehicles or auto parts (which are already subject to Section 232 duties and are excluded from Section 338 coverage). Instead, in response to Canada's 25% tariff on non-United States–Mexico–Canada Agreement (USMCA)-qualifying U.S. vehicles, the proclamation would have imposed a 50% additional *ad valorem* duty on a broad range of goods, including cement, plywood, furniture, cosmetics, textiles, apparel, jewelry, toys, and sporting goods.

THE AUGUST 18 PROCLAMATION

- **New Effective Date:** The August 18 Proclamation temporarily suspends the effective date of the Additional Duties for three days, from August 19, 2026, to 12:01 a.m. ET on August 22, 2026. Unless further action is taken, the Additional Duties will take effect at that time.

- **Refunds:** To the extent Additional Duties were collected between the original effective date and the suspension, refunds will be processed by U.S. Customs and Border Protection (CBP) pursuant to applicable law and CBP's standard procedures.
- **HTSUS Modifications:** The Commissioner of CBP, in consultation with the Secretary of the Treasury, the Secretary of Commerce, the U.S. Trade Representative, and the Chairman of the U.S. International Trade Commission, will determine whether additional modifications to the Harmonized Tariff Schedule of the United States are necessary to effectuate the suspension and will publish any such modifications in the *Federal Register*.

Practical Implications

This suspension provides a narrow, three-day period during which the Additional Duties will not apply to covered Canadian imports. Imports of affected goods entered for consumption during this period should not be subject to the Additional Duties and may be entitled to refunds if such duties were assessed. Absent further presidential action, the Additional Duties will take effect as scheduled on August 22. Companies with Canadian supply chain exposure in the Covered Sectors should monitor developments closely, as the reference to ongoing negotiations suggests that further action — whether an extension, a permanent revocation, or imposition of duties — may follow in the coming days.

For more information about these developments and their potential impact on your business, please contact Ryan Last or Daniel N. Anziska, or visit our Tariff + Trade Task Force page to learn how Troutman Pepper Locke can help you navigate evolving trade obligations.

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