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Indirect Tax Alert

News from EY Americas Tax

Canada ratifies trade agreement with US and Mexico

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On 13 March 2020, Bill C-4, *An Act to implement the Agreement between Canada, the United States of America and the United Mexican States*, passed final reading in the Parliament of Canada and was subsequently ratified through Royal Assent.

As part of a unanimous motion adjourning the House of Commons over concerns about the spreading of the COVID-19 outbreak, the House of Commons agreed to adopt Bill C-4; the bill was then passed by the Senate without amendment and finally received Royal Assent from the Governor General on the same day.

As mentioned in our previous Tax Alert,¹ per Section 2 of the Protocol replacing the North American Free Trade Agreement with the Agreement between Canada, the United States of America, and the United Mexican States, Canada-United States (US)-Mexico Agreement (CUSMA) enters into force on the first day of the third month following the last notification of ratification. Canada had to complete its legislative process for Bill C-4 before notification can be executed under the relevant CUSMA provisions.

Assuming such notification is executed before the end of March, CUSMA should enter into force on 1 June 2020 per the relevant CUSMA provisions. As the agreement does not contain any official provisions for the transition from the North American Free Trade Agreement (NAFTA) to CUSMA, importers will

effectively have three months or less from the date of Canada's execution of the notification to ensure their imports qualify for preferential tariff treatment under CUSMA. Given the growing disruptions to Canadian and international supply chains due to trade disputes and the ongoing COVID-19 outbreak, importers should ensure as soon as possible that their goods will qualify for CUSMA preferential tariff treatment. Duty savings from CUSMA preferential tariff treatment will be of great value to importers as financial impacts from international trade disruptions show no signs of easing in the near future.

Endnote

1. [EY Tax Alert 2020 No. 2](#)

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