Update on Tariffs: What is happening and the impact for your business

Recent developments have brought about a shift in the perspective of the international trade landscape. Although physical borders are not (re)emerging, **trade compliance has become more intricate due to a whirlwind of new regulations**, thinking of carbon border taxes, supply chain sustainability due diligence, additional duties, sanctions and export controls, driven by sustainability and the increase in **geopolitical tension**. With the **election of President Trump** in the US and his action in relation to trade even more uncertainty has been created which adds to the complexity.

US Tariffs:*

- 10% reciprocal tariff on all articles imported into the US (except for China), i.e. pause of 90-day for the country specific reciprocal tariffs;
- 125% reciprocal tariff for goods imported into the US from China, on top of existing 20% tariff;
- 25% tariff for goods from Canada / Mexico, unless goods are covered by USMCA.
- 25% tariff on imported cars and car parts
- Pharmaceuticals, copper, semiconductor, lumber articles, certain critical minerals and energy and energy products are not subject to the reciprocal tariffs – until now
- 25% tariff on steel and aluminum

Global reactions:*

- EU: pauses countermeasures with 90-days
- China: retaliatory 125% tariff
- Global: different approaches per country, e.g. Mexico emphasizes a diplomatic approach and Canada pauses retaliatory measures

* subject to change

Examples of tariff mitigation opportunities

Supply Chain and Operational Activities

- Explore options to modify supply chain, accurate customs origin and tariff classification to mitigate country- and product-specific tariffs
- Optimise use of preferential trade agreements
- Implement strategic sourcing and procurement
- Optimise transfer pricing strategy

Duty Suspension or Deferral Strategies

- Move product storage into Free Zones, exempt from import tariffs
- Explore use of bonded manufacturing or bonded storage facilities
- Optimise use of duty drawback, inward processing / similar regimes

Customs Valuation Strategies

- Optimise customs values by excluding non-dutiable components
- Charge separately for non-product related costs
- Explore use of First Sale for Export into the US

How PwC can help

- To understand the impact on your business, you need access to reliable data, with both external customs and internal ERP data being crucial.
- By analysing your import/export data, we can assess your potential annual impact under prospective tariffs and other trade measures. Your data will show the largest impact by country, supplier, product, and location sourcing goods.
- PwC takes a multi-faceted approach, combining customs, tax, and (sustainable) supply chain expertise.
- After reviewing the data, PwC will provide insights to further analyse and potentially mitigate increased exposure in the short, medium and long term.

Let’s talk

To be resilient against disruptions like Brexit, COVID-19, trade wars, etc. business need to start looking into **diversifying their supply chain.**

Claudia Buysing Damste
Partner | Customs and International Trade
E claudia.buysing.damste@pwc.com
M +31 6 510 304 63

Henrik Stipdonk
Director | International Tax Services
E henrik.stipdonk@pwc.com
M +31 6 423 800 09