



Navigating the New Reciprocal Tariffs



In response to trade imbalances, the U.S. has implemented reciprocal tariffs on most imports from all countries, beginning April 5, 2025.

What are Reciprocal Tariffs:

Reciprocal tariffs are trade measures imposed by a country to counterbalance tariffs levied by another nation. These tariffs aim to level the playing field by ensuring that trade terms are fair and equitable. The U.S. government has adopted such measures to address trade imbalances and protect domestic industries from unfair competition. By implementing reciprocal tariffs, the U.S. seeks to encourage other countries to lower their tariffs and engage in fair trade practices.

Executive Order Details

Authority & Purpose

- Issued on April 2, 2025, under the President's International Emergency Economic Power Act (IEEPA).
- Part of the "Fair and Reciprocal Plan" to address trade deficits

Tariff Rates

- Country-specific tariffs on nations with the largest trade deficits
- All other countries (Mexico and Canada excluded) will have a 10% tariff
- In addition to existing tariffs unless specifically excluded

Implementation Dates

- Effective April 5, 2025: 10% duty on all non-exempt imports.
- Effective April 9, 2025, country-specific import duty rates will be implemented. Non-specified countries will maintain a 10% duty on all non-exempt imports¹

Exemptions

- Donations and information materials
- Section 232 covered steel and aluminum and covered derivatives
- Section 232 covered automobiles and automobile parts
- Enumerated products including copper, pharmaceuticals, semiconductor, lumber, critical minerals, and energy products
- Articles from a country that do not have a normal trade relation with the United States subject to rates in Column 2 of the Harmonized Tariff Schedule of the United States.
- All articles that may become subject to duties pursuant to future action under Section 232.

¹ There still remains uncertainty to whether the increased country-specific rates will replace the 10% *non-specified country* duty rate.

Canada & Mexico

- Existing fentanyl/ migration IEEPA tariffs remain in effect.
- 0% tariff for USMCA-compliant articles
- 25% tariff for non-USMCA compliant goods (these products are not impacted by the reciprocal tariffs)
- 10% tariff for non-USMCA compliant energy and potash (these products are not impacted by the reciprocal tariffs)

De Minimis Treatment

- Effective May 2, 2025, articles from China will not qualify for de minimis exemption.
- De minimis exemption for articles from other countries will remain until notification from the Secretary of Commerce that a system is in place to process and collect revenue.

Tariff Landscape

With the addition of the reciprocal tariffs, imports are now potentially subject to a number of different tariffs. These tables below represent all current tariffs on imports and different product scenarios for Canada and Mexico.

All countries except Canada and Mexico

Tariff Category	Scope	Countries	Duty Rate	Effective Date
HTS Base Tariff	All Products	All	Various	Ongoing
Section 301	Various Products	China	10-25%	July 6, 2018 (first round)
Fentanyl/ migration IEEPA Tariffs	All products	China	20%	February 3, 2025
Section 232 Steel and Aluminum	Steel, Aluminum products and certain derivatives	All	25%	March 12, 2025
Reciprocal	Most products (does not apply to the 6 category exemptions).	All	10-50%	April 2, 2025
Section 232 Automobile and auto parts	Automobiles and certain auto parts.	All	25%	April 3, 2025, for automobiles, May 3, 2025, for auto parts
Venezuela Oil Importer Tariff	All products	TBD	25%	TBD

Canada and Mexico USMCA Qualifying Articles²

Tariff Category	Scope	Duty Rate	US Content Excluded?	Effective Date
Fentanyl /Migration IEEPA Tariffs	All Products	0%	N/A	March 7, 2025
Section 232 Steel and Aluminum	Steel, Aluminum products and certain derivatives	25%	Y (steel must be melted and poured and aluminum smelt and cast in the US)	March 12, 2025
Section 232 Automobile	Automobiles and certain auto parts.	25%	Y	April 3, 2025
Section 232 automobile parts	Certain automobile parts	0% until Commerce can establish a process to exclusively tariff the non-US content, then 25%	Y	Beginning May 3, 2025, TBD for the 25%

² If the fentanyl/migration IEEPA tariffs are removed, duty rates from Canada and Mexico may be impacted. In the April 2, 2025 E.O., USMCA compliant goods would continue to receive preferential tariffs, while non-USMCA compliant goods would be subject to the 12% reciprocal tariff.

Canada and Mexico Non-USMCA Qualifying Articles

Tariff Category	Scope	Duty Rate	US Content Excluded?	Effective Date
HTS Base Tariff	All Products	Various	N	Ongoing
Fentanyl /Migration IEEPA Tariffs	All Products	25%	N/A	March 7, 2025
Section 232 Steel and Aluminum	Steel, Aluminum products and certain derivatives	25%	Y (steel must be melted and poured and aluminum smelt and cast in the US)	March 12, 2025
Section 232 Automobile	Automobiles and certain auto parts.	25%	N	April 3, 2025.
Section 232 automobile parts	Certain automobile parts	25%	N	May 3, 2025

Country Reciprocal Tariff List

Country	Reciprocal Tariff	Country	Reciprocal Tariff	Country	Reciprocal Tariff
Algeria	30%	Iraq	39%	Nigeria	14%
Angola	32%	Israel	17%	North Macedonia	33%
Bangladesh	37%	Japan	24%	Norway	16%
Bosnia and Herzegovina	36%	Jordan	20%	Pakistan	30%
Botswana	38%	Kazakhstan	27%	Philippines	18%
Brunei	24%	Laos	48%	Serbia	38%
Cambodia	49%	Lesotho	50%	South Africa	31%
Cameroon	12%	Libya	31%	South Korea	26%
Chad	13%	Liechtenstein	37%	Sri Lanka	44%
China	34%	Madagascar	47%	Switzerland	32%
Côte d'Ivoire	21%	Malawi	18%	Syria	41%
Democratic Republic of the Congo	11%	Malaysia	24%	Taiwan	32%
Equatorial Guinea	13%	Mauritius	40%	Thailand	37%
European Union	20%	Moldova	31%	Tunisia	28%
Falkland Islands	42%	Mozambique	16%	Vanuatu	23%
Fiji	32%	Myanmar (Burma)	45%	Venezuela	15%
Guyana	38%	Namibia	21%	Vietnam	46%
India	27%	Nauru	30%	Zambia	17%
Indonesia	32%	Nicaragua	19%	Zimbabwe	18%

Countries not listed, with the exception of Canada and Mexico, will be subject to a 10% reciprocal tariff rate.

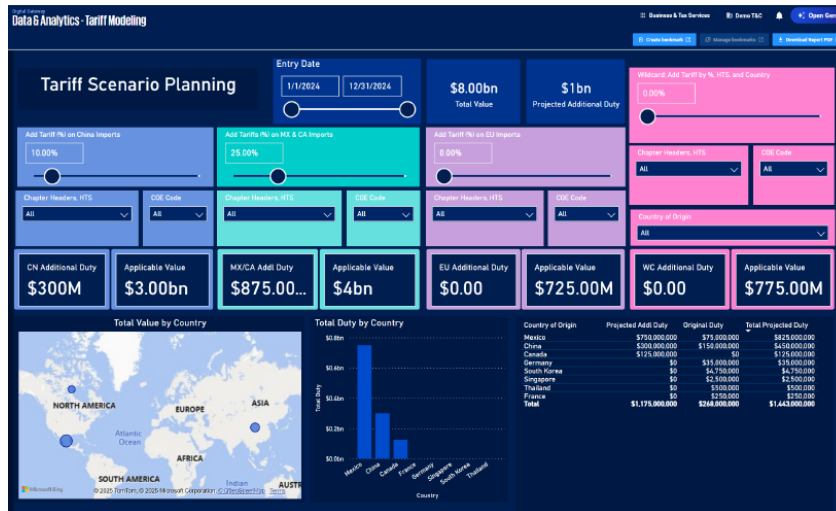
The Importance of Mitigation and Duty Savings Strategies

In the face of these increased tariffs, companies must prioritize effective mitigation and duty savings strategies. The financial impact of the additional reciprocal tariffs, compounded by existing duties, can significantly strain operational budgets and profit margins. Without proactive measures, businesses may face increased costs and disruptions in supply chains. By adopting comprehensive mitigation strategies, businesses can not only alleviate the immediate financial burden but also position themselves for long-term resilience and competitiveness in the global market. These strategies are essential for maintaining cost efficiency, preserving market share, and ensuring business continuity in a rapidly evolving trade environment.

How we can Help

Tariff Impact Analysis:

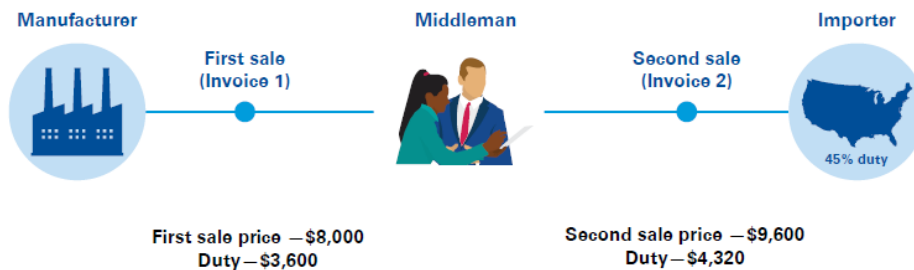
Staying on top of the impact of tariffs is key in making strategic decisions. Our Trade & Customs practice has designed the Tariff Modeler to assist companies with assessing the impact of tariffs. By analyzing our clients' import data globally, we can help provide insights and develop strategies to mitigate the impact. Importantly, while an initial analysis for clients is valuable, we believe these tariff pressures will persist, so we can provide ongoing trade data analytics to clients as a subscription service. Clients gain access to tariff impact analytics globally with the latest tariff regulatory tracking.



Potential Strategies

First Sale for Export

Where there are multiple sales of goods prior to importation into the United States, the First Sale Rule allows importers to use the price paid in the first or earlier sale as the basis for the customs value of the goods, rather than the price the importer paid to the seller. First Sale has become the savings program of choice for any industry using a multi-tiered sales structure, providing reliable and predictable savings.



Foreign Trade Zones

A foreign trade zone (FTZ) may help reduce the landed costs of imported products, components, and materials, and enable cash flow savings. We have the experts to analyze the full scope of potential benefits (including cash flow, inverted tariffs, and duty reduction and elimination) in conjunction with implementation and administration costs.

Valuation Planning

In some instances, the transaction value method of appraisal could yield a higher duty liability than other methods in the customs valuation hierarchy. KPMG can help importers analyze and implement alternative methods of valuation for lower duty obligations while ensuring you exclude non-dutiable costs.

Transfer Pricing Planning

Importers can obtain duty refunds from retroactive downward transfer price adjustments which results in a reduced customs value. KPMG evaluates valuation methodologies and unbundling to ensure that intercompany pricing strategies align with arm's length principles to avoid double taxation, while also managing the increased costs associated with cross-border transactions

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