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Indirect Tax Alert

US New Tariff Policy – Impact on businesses

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Amid escalating geopolitical tensions, the new US tariff policy is set to further disrupt supply chains and global trade. For our region, the most pressing concern is the potential onset of a trade war between the EU and the US. Additionally, growing tensions in US trade relations with countries such as Mexico, Canada, China, and Australia signal the emergence of a broader trade conflict. In this evolving landscape, businesses must act swiftly to mitigate risks while also implementing strategic measures to safeguard their competitiveness and long-term sustainability.

Specifically:

- On February 4, 2025, Imports from Canada (excluding energy, which is subject to a 10% tariff) and Mexico, as well as a 10% tariff on imports from China, were announced. While tariffs on Chinese imports took effect immediately, those on imports from Canada and Mexico were initially suspended for one month.
- On March 4, 2025, new executive orders imposed a 25% tariff on imports from Canada and Mexico, along with an additional 10% tariff on imports from China. However, certain energy products from Canada, such as crude oil and natural gas, remain subject to a 10% import tariff. Additionally, on February 10, 2025, the US extended the 25% tariffs on steel and aluminum imports from the EU, as well as from previously exempted countries, including the United Kingdom and Australia.
- It is currently estimated that by 2025, minimum tariffs of 10% - 20% and up to 60% could be applied to all imports of goods into the US.
- As a result, the above countries, as well as others such as Australia, have announced countermeasures against the US, including the imposition of tariffs, putting additional pressure on companies.

- Tariffs on imports of steel and aluminum products from the EU officially took effect on March 12, 2025. In response, the EU began proceedings to impose tariffs on US products, including steel, aluminum, appliances, tools, plastics, and agricultural goods such as seafood and dairy products. Initially, the EU aimed to phase in these tariffs by mid-April 2025.
- On March 26, 2025, the US further escalated trade measures by announcing 25% tariffs on auto imports from all countries except Mexico and Canada, effective April 3, 2025. Additionally, tariffs on auto parts and components are set to take effect on May 3, 2025. Meanwhile, the EU has postponed implementing its tariffs on US products until mid-April to allow more time for negotiations both with the US and internally among EU Member States.

The ongoing shifts in tariff rates, timelines, and product categories have created significant disruption and uncertainty in global supply chains.

Businesses now face additional barriers to both operational and strategic decision-making, with impacts that can be both direct and indirect. In response to steep US tariffs, companies are left with difficult choices—either absorbing higher costs, which pressures profit margins, or passing them on to consumers, which could negatively affect sales.

Therefore, a holistic approach is needed to address developments along the entire value and supply chain of companies. Indicative actions for companies include:

- Identifying the tariff classification (CN) of imported and exported goods to ensure they are subject to the correct duties and measures, allowing businesses to assess their exposure to tariff changes.
- Leveraging customs procedures, special customs regimes, and Free Trade Agreements to suspend or exempt the payment of duties and taxes, including Value Added Tax (VAT) and related taxes outside the EU (such as the US Sales and Use Tax-SUT).
- Evaluating the economic impact on the supply chain and implementing necessary measures to mitigate costs, such as adjusting supply chain structures, refining purchasing strategies, and optimizing production planning.
- Reviewing the export/import framework to account for both the financial impact of higher tariffs and the administrative burden of compliance, including reporting obligations and market-specific requirements and restrictions.
- Establishing clear internal responsibilities for monitoring trade developments and fostering cross-departmental collaboration to enhance organizational readiness and flexibility in managing ongoing changes.

About EY's Indirect Tax services

Indirect taxes affect the supply chain and the financial system. Our network of dedicated indirect tax professionals combines technical knowledge with industry understanding and access to technologically advanced tools and methodologies. We identify risk areas and sustainable planning opportunities for indirect taxes throughout the tax life cycle, helping you and meet your compliance obligations and your business goals around the world. Our globally integrated teams give you the perspective and support you need to manage indirect taxes effectively. It's how EY makes a difference.

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