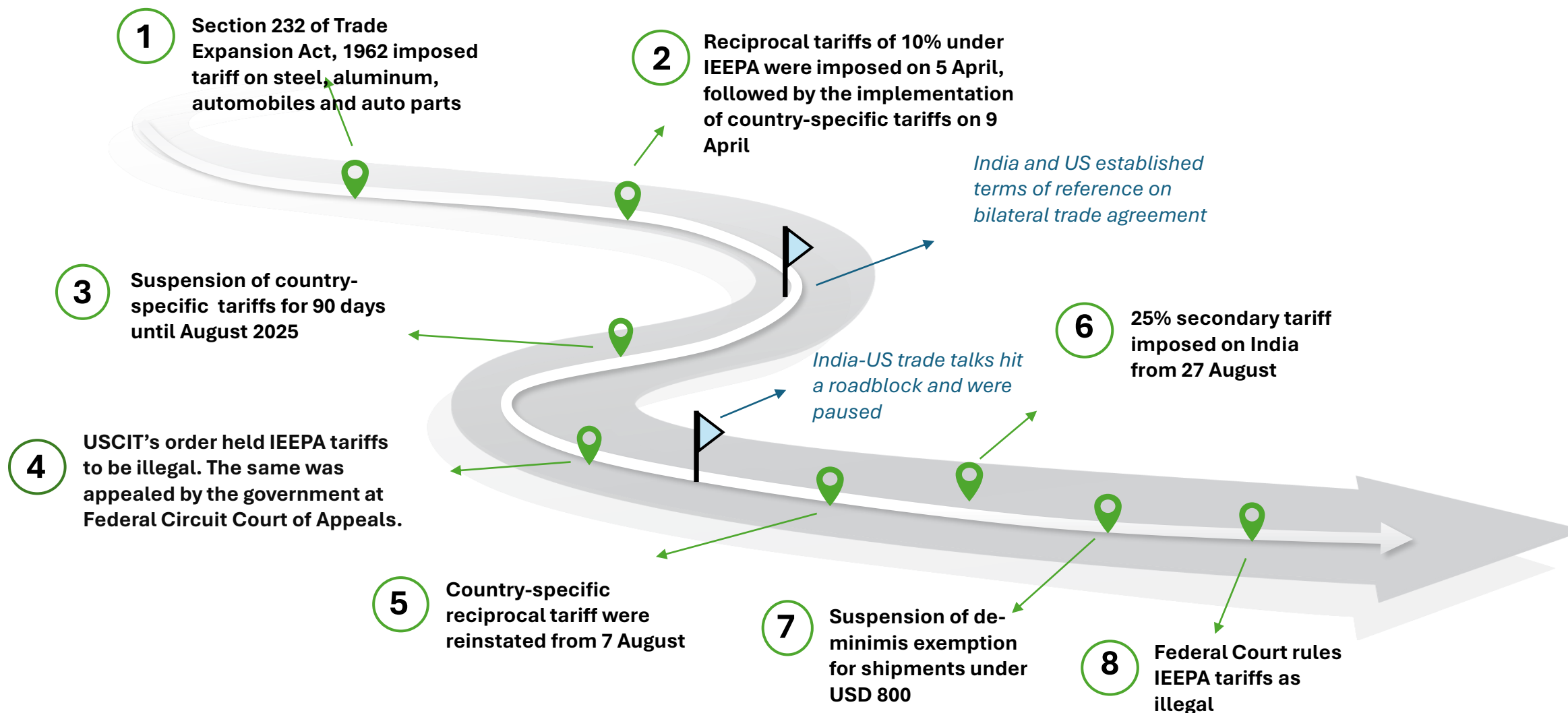




Navigating the impact of additional U.S. tariff imposed on India

Trajectory of US tariff imposition



Secondary tariff- IEEPA- EO No. 14329 dated 6 August 2025



Coverage

Imports of India-origin goods which have entered into the US territory for consumption or have withdrawn from warehouse for consumption on or after 27 August 2025, will attract an additional 25% ad valorem duty under HTSUS heading 9903.01.84.



Computation

The duty is ad valorem, added on top of all other applicable duties, fees, and taxes, and is calculated on the customs value of the goods as determined under U.S. Customs valuation rules.



Exclusions

- Tariffs imposed u/s 232:
 - Specified products of iron or steel , aluminium, semi-finished copper and their specified derivatives
 - Passenger vehicles (sedans, sport utility vehicles, crossover utility vehicles, minivans, and cargo vans) and light trucks and parts thereof

Non steel, non aluminium and non copper content of a derivative product shall be subjected to secondary tariff

- Products listed under Annex II of EO 14257 and Presidential Memorandum dated 11 April 2025

Secondary tariff- IEEPA- EO No. 14329 dated 6 August 2025



In-transit

- Goods of Indian origin which are loaded onto a vessel and in transit to the U.S. before 12:01 a.m. EDT on 27 August 2025 will not be subject to the additional 25% duty.
- Goods of Indian origin which have entered for consumption or withdrawn from warehouse for consumption in the U.S. before 12:01 a.m. EDT on 17 September 2025 will not be subject to the additional 25% duty.

Country specific tariff rate shall not be applicable for the goods loaded before 7 August and in transit up to 4 October.



US Origin component

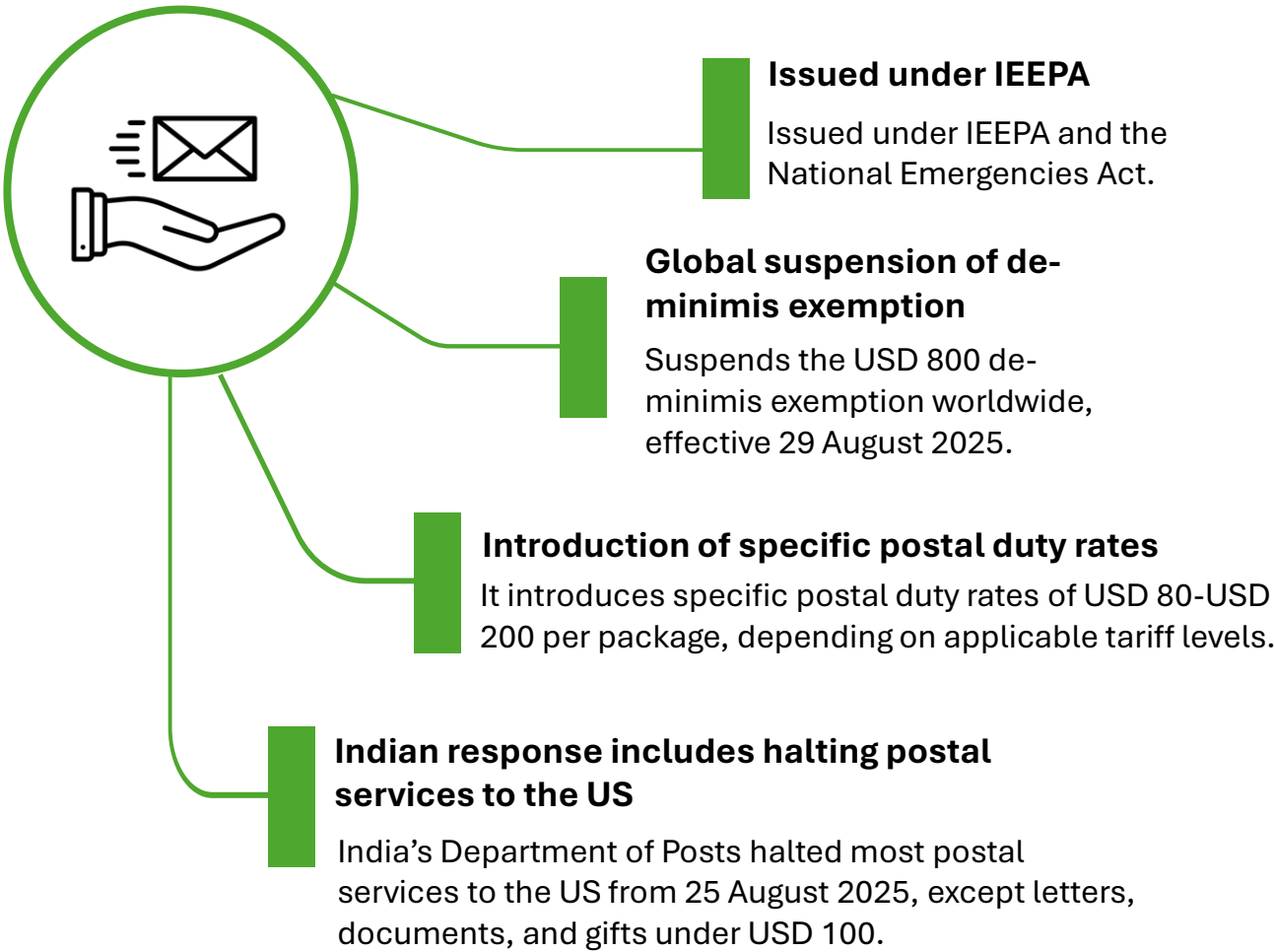
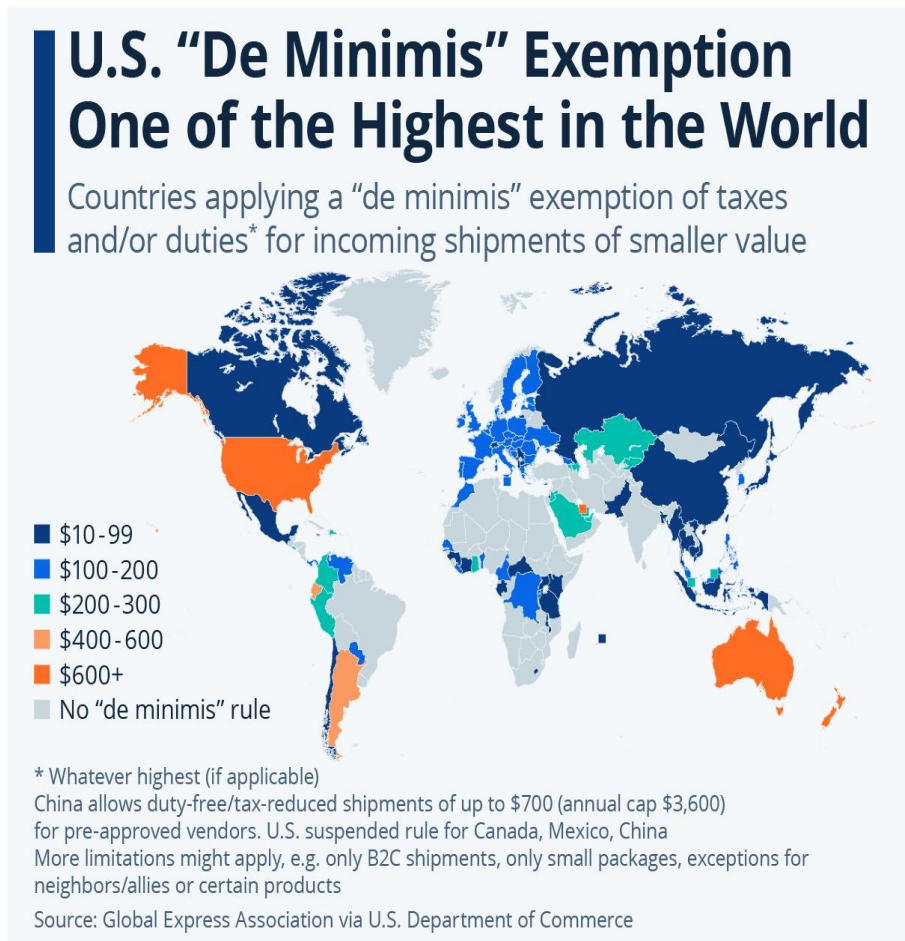
Unlike EO 14257 (reciprocal tariff of 25%), there is no exemption under EO 14329 for goods of the U.S. origin. Such goods will still be subject to the additional 25% ad valorem duty unless they fall within one of the specified exemptions.



Drawback

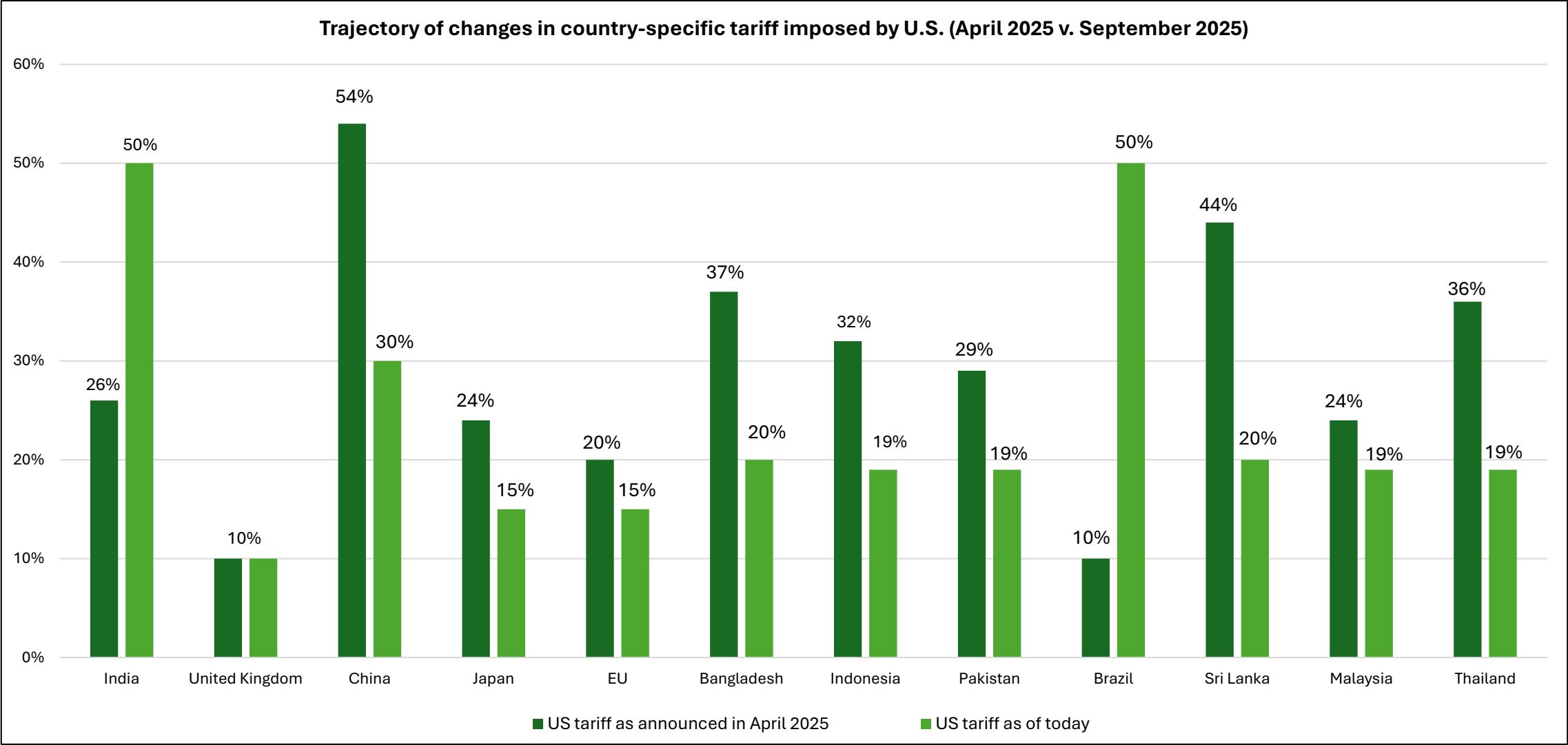
Duties collected under EO 14329 are eligible for duty drawback, provided all statutory and regulatory conditions under the US Customs law are met.

Suspension of de-minimis exemption



Impact and strategizes

Country-specific US tariffs under IEEPA



Industry-wise assessment of US tariff

Industry	Value of Exports in 2024 (in USD billion)	US tariff rate (%)	Impact
Textiles and apparel	10.9	50	High
Diamonds, gold and jewelry	10	50	High
Machinery and mechanical appliances	6.7	50	High
Agriculture, meat and processed food	6	50	High
Steel, Aluminum, Copper	4.7	50	High
Organic Chemicals	2.7	50	High
Shrimps	2.4	50	High
Leather and footwear	1.2	50	High
Furniture, bedding and mattresses	1.1	50	High
Vehicles and parts	2.6	25-50	Medium
Pharmaceuticals	12.7	0	Low
Exempted electronics including smartphones	10.6	0	Low
Petroleum products	4.1	0	Low

Source – PIB, Ministry of Commerce and Industry



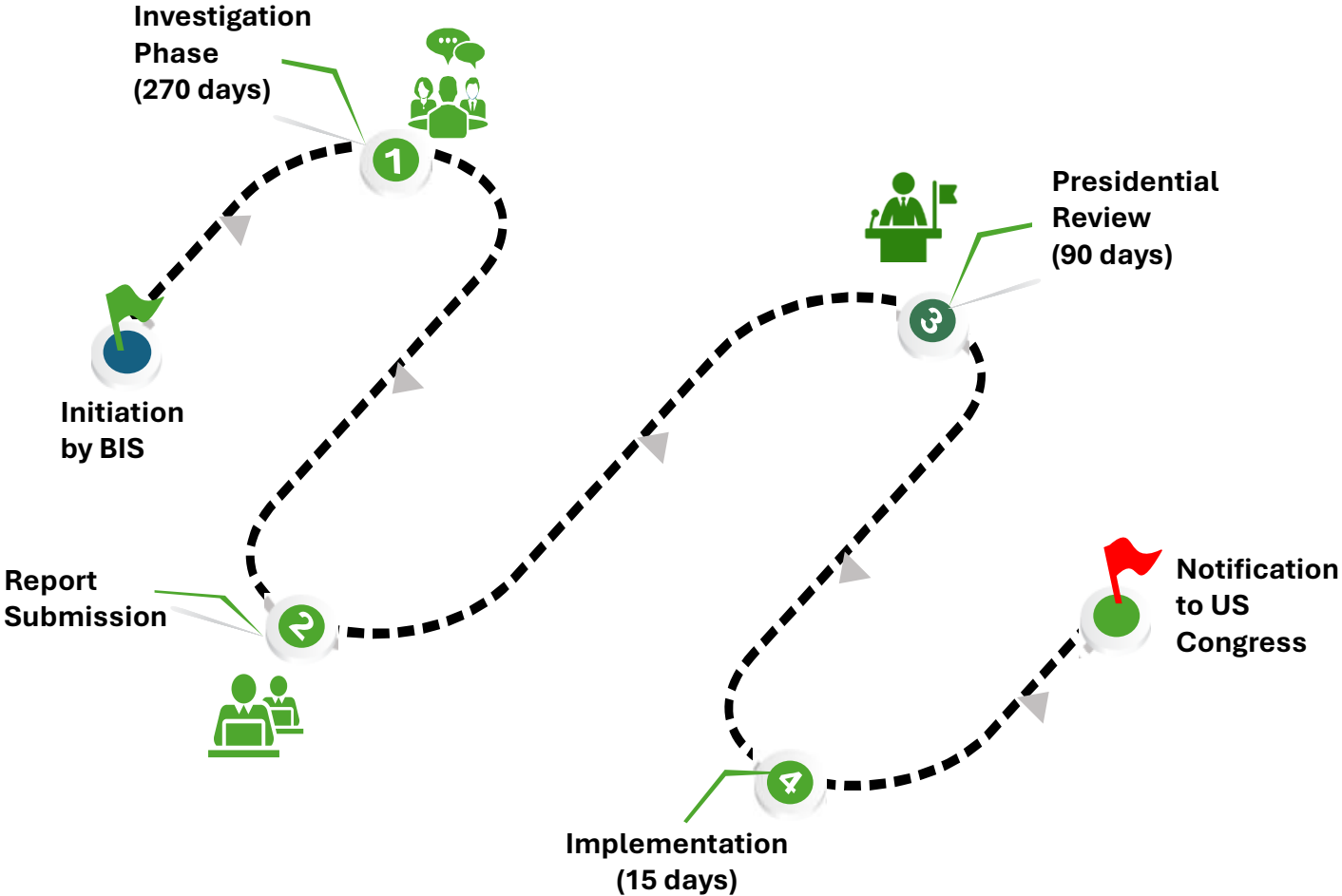
To support some of the affected sectors, Government has initiated providing some of the support.

For instance:

- Reduction of import duty on cotton
- Increase in drawback for articles of gold and silver jewellery

Ongoing Section 232 Investigations

Product	Date of initiation
Semiconductors and Semiconductor Manufacturing Equipment	1 March 2025
Pharmaceuticals and Pharmaceutical Ingredients	1 March 2025
Trucks	22 March 2025
Processed Critical Minerals and Derivative Products	22 March 2025
Timber and Lumber	10 April 2025
Commercial Aircraft and Jet Engines	1 May 2025
Polysilicon and its Derivatives	1 July 2025
Unmanned Aircraft Systems and their parts and components	1 July 2025
Wind Turbines	13 August 2025



Strategies to mitigate US tariffs (1/2)



Capitalizing on the first sale doctrine via an intermediary

Routing goods through an intermediary can leverage the “first sale” principle to reduce US Customs duties by basing them on the initial sale price.



Unbundling transactions to isolate dutiable components

Segregating product sales from associated services (e.g., brand licensing, marketing) can help reduce the dutiable value of US imports.



Reducing the value to the extent of export incentives

Explore the possibility of reducing the amount of export incentives from value of goods



Redesigning supply chains for US localization

Shifting value-adding functions(e.g., assembly, packaging) or converting US subsidiaries into full-risk distributors can help align profits with value creation and support US localization.

Strategies to mitigate US tariffs (2/2)



Establishing or expanding manufacturing in favourable jurisdictions

Nearshoring or reshoring production can reduce tariff exposure by leveraging favourable trade agreements or relocating manufacturing to the US.



Determination of origin of goods

Thoroughly review rules of origin to confirm if the goods exported from India are of Indian originating or not



Ensure accurate classification

Ensure accurate classification to emphasize precision and compliance in tariff coding



US+1 Diversification Strategy

Adopt a “US+1” approach by complementing U.S. market engagement with entry into other strategic geographies, reducing dependency on a single market.

Detailed overview of key strategizes

First Sale Invoice (1/2)



First Sale for Export Valuation in Multi-Tiered Transactions

In the context of multi-tiered transactions, where goods are sold through one or more intermediaries before being imported into the United States, CBP permits the use of the “First Sale for Export” price, i.e., the price between the manufacturer and the intermediary—as the basis for valuation, provided that certain legal conditions are met.



Conditions for applying First Sale valuation

Bona-fide sale



Transaction should be at arm's length



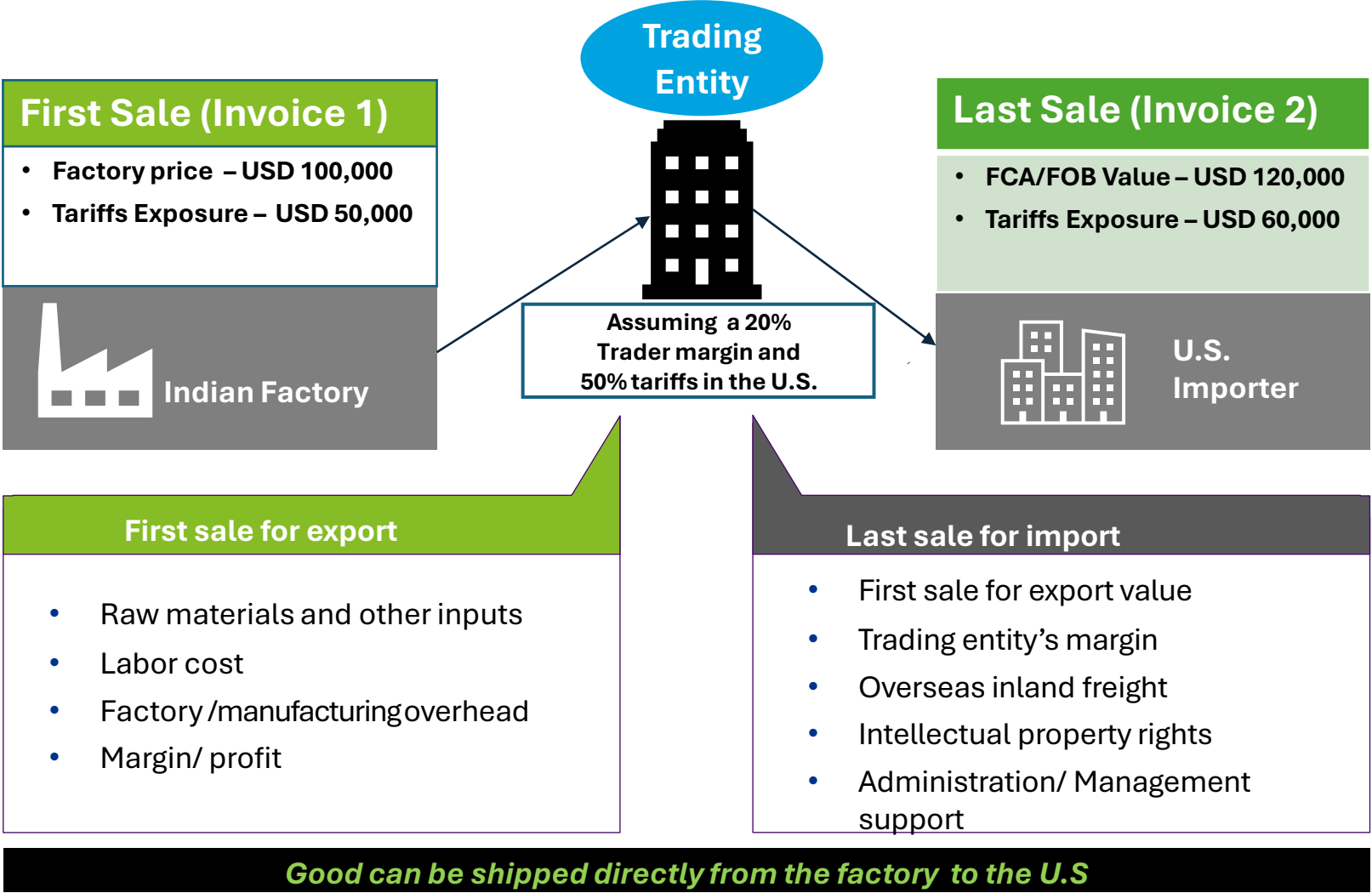
Goods must be destined to US



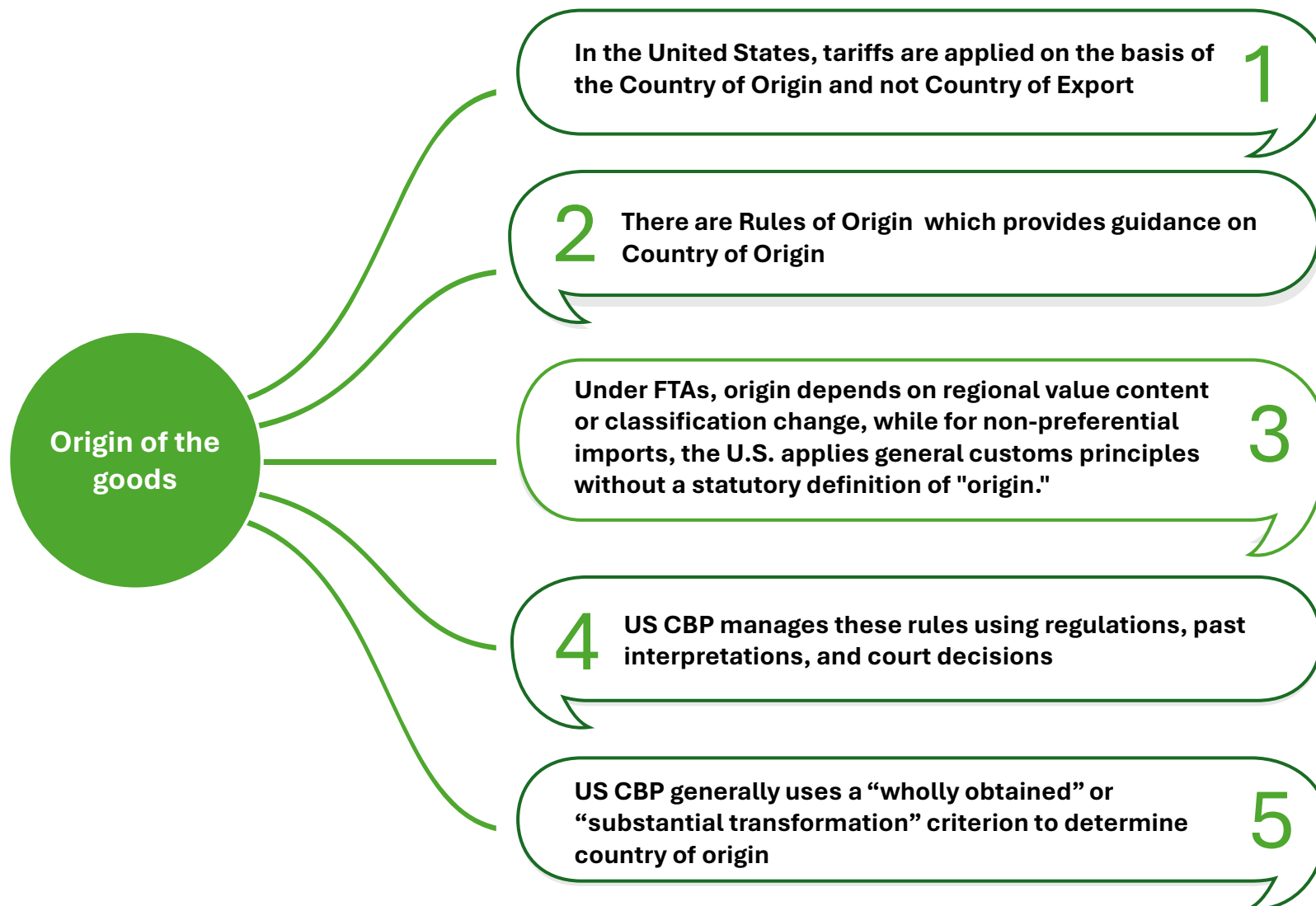
Documentation Requirements for Compliance

Proper documentation needs to be maintained to substantiate fulfilment of above conditions. Additionally, auditable records demonstrating the arm's-length nature of the transaction and the absence of any non-market influences must be retained to withstand a review

First Sale Invoice (2/2)



Origin of the goods



Transshipment

If goods are found to be transshipped to evade tariffs, an additional ad-valorem duty of **40%** along with penalty/fine will be applicable.

In lieu of this, origin engineering process gains prominence and businesses should strategise for the same.

Indian Exports



Specifically relevant for the Indian exporters involved in –

- Trading of imported goods from India to US
- Involved in simple assembling of imported goods
- Manufacturing FG using substantial amount of imported goods

Way Forward

1. Conduct an ***immediate impact assessment*** of US Tariffs on your supply chain
2. Identify the ***short term and medium-term*** actions to minimize the impact of tariffs
3. Assess the ***comparative tariff advantage*** enjoyed by other countries and conduct your pricing negotiations
4. Make ***necessary adjustments in the supply chain*** to explore reshoring of your manufacturing operations
5. ***Strong advocacy*** with the Government of India to help minimize the impact by providing necessary policy support
6. Set-up the ***internal responsibilities*** to track the changes and update business impact accordingly

Thank you!

Kindly spare a minute to help us with your valuable feedback for today's session...

For any queries, please feel free to write to us at intax@deloitte.com



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