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Tax & Legal Alert

U.S. Reciprocal Tariff: How to navigate the impacts

April 2025



Background

On 02 April 2025, U.S. President Donald J. Trump signed an Executive Order imposing a 10% tariff on all trading partner countries (effective from 05 April 2025), and with a higher 46% reciprocal tariff on Vietnam goods imported into the U.S. (effective from 09 April 2025).

The reciprocal tariffs impact on almost all product sectors, but with most significant impact in **Footwear and Apparel, Electronics, Furniture, and Agriculture Industries**, which have major exporting volume to the U.S.

The Vietnam Government is in active discussion with their U.S. counterparts to postpone and reduce the imposition of reciprocal tariff on Vietnam. Whilst this is occurring, companies in Vietnam exporting to the U.S. market, need to determine and decide on courses of action to be taken in the short, medium, and longer terms – to remain connected into global value chains.

Impacts of reciprocal tariffs on Vietnam exporters to the U.S.



The imposition of U.S. reciprocal tariff can impact Vietnam exporters' position in global value chains in the following ways:

1	Weaken the competitiveness of Vietnamese products to U.S. buyers, potentially leading to the decline of purchase orders.
2	The need to reduce selling prices to U.S. buyers for the products to remain competitive in the U.S. market and therefore squeezing profit margins in Vietnam.
3	Under-utilization of Vietnam factory capacity, impacting on overhead and inventory costs.



Deloitte's recommendations for businesses

Faced with the above challenges businesses need to determine and decide on courses of action to be taken in the short, medium, and longer terms to address these – and remain connected into global value chains. These actions could include:



Immediate and short-term actions

- ✓ Confirming that the HTS codes declared on import into the U.S. are correct and identify whether the products can fall into exclusion list of reciprocal tariff.
- ✓ Expediting the export shipments from Vietnam to the U.S. before the timeline to impose reciprocal tariff for the exported goods.
- ✓ Examine short-term product pricing strategies with the U.S. trading partners to manage the value base on which reciprocal tariff will be applied. Consideration will need to be given to the customs, tax and transfer pricing considerations of any changes in pricing.
- ✓ Actively participating in making representations to the Vietnam authorities on the significant negative impact the U.S. reciprocal tariffs will have on your business.



Medium and long-term actions

- ✓ Explore the availability of any schemes/arrangements in the U.S. that offer tariff exemptions/ reduction (e.g., duty relief scheme; 20% Exemption Rule, etc.) for products to be imported into the U.S.
- ✓ Evaluate scope for customs tariff engineering that would enable alternative HTS codes with lower MFN rates to be declared, and identify the opportunities for products to fall under any published exclusion list(s).
- ✓ Consider the conversion of current business models and restructuring global value chains to manage the impacts of reciprocal tariff and enhance businesses sustainability and resilience.
- ✓ Develop an integrated approach to supply chain planning, incorporating Customs, Tax and Transfer Pricing considerations, considering business driver impacts.
- ✓ Diversify the export markets by utilizing the available Free Trade Agreements that Vietnam is a Signatory Party - but need to consider the quality and technical standards in those destination countries.



How Deloitte can support

Our Tax & Legal team comprising Customs & Trade, Tax, Transfer Pricing and Legal specialists, can support you to remain connected in global value chains – through:



Immediate exposures assessment

To assess the impact of the U.S. reciprocal tariff on your business; and potential exposures in short-term.



Supply chain restructuring strategy

To advise on strategies that could be adopted in the short, medium, and longer term, including access to alternative customers markets.



Scenario modelling and associated tax and legal implications

To advise on potential customs duties, tax, transfer pricing and legal implications of any revisions to the business models, and support in implementation.



Regulatory updates

To provide timely updates on changes to U.S. tariff policies and impacts on your business models.





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