

Additional and Reciprocal Tariffs imposed by the US and the impact on India

10 April 2025

Introduction

On 02 April 2025, the President of the United States issued Executive Order 14257 to impose universal *ad valorem* tariff @10% on all goods imported into the US, from all its trading partners to rebalance global trade flow. This universal 10% tariff has taken effect from 05 April 2025.

Further, imports from more than 50 countries, including India, would be subjected to higher country-specific reciprocal tariffs on all goods with effect from 09 April 2025, irrespective of existing bilateral or multilateral trade agreements. China would suffer a 34% tariff whereas India will face tariff @26%.

In the wake of retaliatory tariffs imposed by China on US goods, another Executive Order dated 8 April 2025 was issued increasing reciprocal tariff from 34% to 84%. In yet another Executive Order dated 9 April 2025, reciprocal tariff was further increased from 84% to 125%. However, reciprocal tariff imposed on all other countries has been suspended till 9 July 2025.

Additional and reciprocal tariff is imposed under HTSUS 9903 of Chapter 99 [Temporary Modification]. All goods entered for consumption or withdrawn from warehouses after the effective date would be subjected to a higher tariff. Other applicable tariffs (e.g., antidumping/ countervailing duties, duties imposed under Section 301 of the Trade Act of 1974, etc.) would also be levied in addition to the universal 10% tariff or country-specific reciprocal tariff.

Reciprocal duty takes into consideration not only import duty levied on US origin goods by the respective countries but also trade deficit and non-tariff trade barriers. It also ignores countervailing duties (equal to tax levied on domestic goods i.e. Central excise / GST) imposed on the imported goods to provide level playing field to the domestically produced goods.

Goods containing '*at least 20 percent of their value generated from US content*' would be subjected to higher tariffs only on the non-US origin content of the good. Thus, goods containing US content would be subjected to tax at pro-rated lower value.

Exception and exclusion

- Goods loaded onto a vessel at the port of loading and in transit on the final mode of transit before 12:01 a.m. EDT on 05 April 2025 (for Universal 10% tariff) or 09 April 2025 (for reciprocal tariff).
- Steel and aluminium products; automobiles and automotive parts which are subjected to higher duty.
- Goods listed in Annex II of the Executive Order, which includes specified goods of Chapter 25 & 26 [graphite, phosphate, magnesium, asbestos, mineral ores and concentrates], chapter 27 [coal and Petroleum products], chapter 28 & 29 [Chemicals], chapter 30 [pharmaceuticals & medicaments], chapter 31 [Fertilizer], chapter 32 & 34 [dyes & pigments, surfactants], chapter 39 [Polymers], chapter 40 [natural rubber], chapter 44 [lumber & wood products], chapter 49 [printed materials], chapter 71 [precious & semiprecious metals], chapter 72 [ferro-alloys], chapter 74, 79, 80 & 81 [copper, zinc, tin products], and chapter 85 [electronic components].

Impact on India

Higher tariff will have a significant impact on Indian exporters and US importers. US importers would reevaluate their procurement and would also renegotiate price which will squeeze margin. While minerals, pharmaceuticals and base metals are not subjected to higher tariff, sectors such as electronics and smartphones, gems and jewellery, fisheries, solar energy modules, and textiles and apparel are likely to face significant impact.

- ✓ Most of the Indian origin goods would continue to be subjected to Universal tariff @10%
- ✓ As a large number of goods listed in Annex II with HTSUS code are not subject to higher duty, Indian exporters should determine very carefully applicable HTSUS code as well as description mentioned against such code to assess exclusion from the higher tariff.
- ✓ Indian exporters may realign their production and cost records to obtain benefit available for US content in the export product.
- ✓ Compare competitor's advantage and disadvantage on tariff score. Exporters from China, Bangladesh, Sri Lanka, Vietnam, Thailand, Indonesia etc. face higher tariff than India creating an opportunity to the Indian exporters.
- ✓ US has very robust rules for determination of "Country of Origin" and therefore should avoid temptation of routing Chinese goods as of Indian origin goods. However, huge differential duty opens a huge window for Indian manufacturers.
- ✓ Indian exporters and US importers need to work together to seek product exclusion under Annex II.

Comments

The Indian Government is actively negotiating a bilateral trade agreement with US. Indian exporters may also approach negotiators / government for inclusion of their products in the negotiations.

To discuss further options, Khaitan & Co's international trade team remain available to discuss how businesses can navigate the uncertainty, and mitigate the impact, of the unprecedented tariff actions invoked by the US.

Original document published on 7 April 2025 has been updated on 10 April 2025.

- *Dinesh Agarwal (Executive Director), Mayank Jain (Partner) & Vikram Naik (Principal Associate)*



About Khaitan & Co

Khaitan & Co is a top tier and full-service law firm with over 1200 legal professionals, including 270+ leaders and presence in India and Singapore. With more than a century of experience in practicing law, we offer end-to-end legal solutions in diverse practice areas to our clients across the world. We have a team of highly motivated and dynamic professionals delivering outstanding client service and expert legal advice across a wide gamut of sectors and industries.

To know more, visit www.khaitanco.com



This document has been created for informational purposes only. Neither Khaitan & Co nor any of its partners, associates or allied professionals shall be liable for any interpretation or accuracy of the information contained herein, including any errors or incompleteness. This document is intended for non-commercial use and for the general consumption of the reader, and should not be considered as legal advice or legal opinion of any form and may not be relied upon by any person for such purpose. It may not be quoted or referred to in any public document, or shown to, or filed with any government authority, agency or other official body.

www.khaitanco.com | © Khaitan & Co 2025 | All Rights Reserved.

Ahmedabad • Bengaluru • Chennai • Delhi-NCR • Kolkata • Mumbai • Pune • Singapore