



Current State of Trade

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2025 US Cross-Border Tax Summit



With You Today



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Agenda

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- Current Actions
- Proposed Actions

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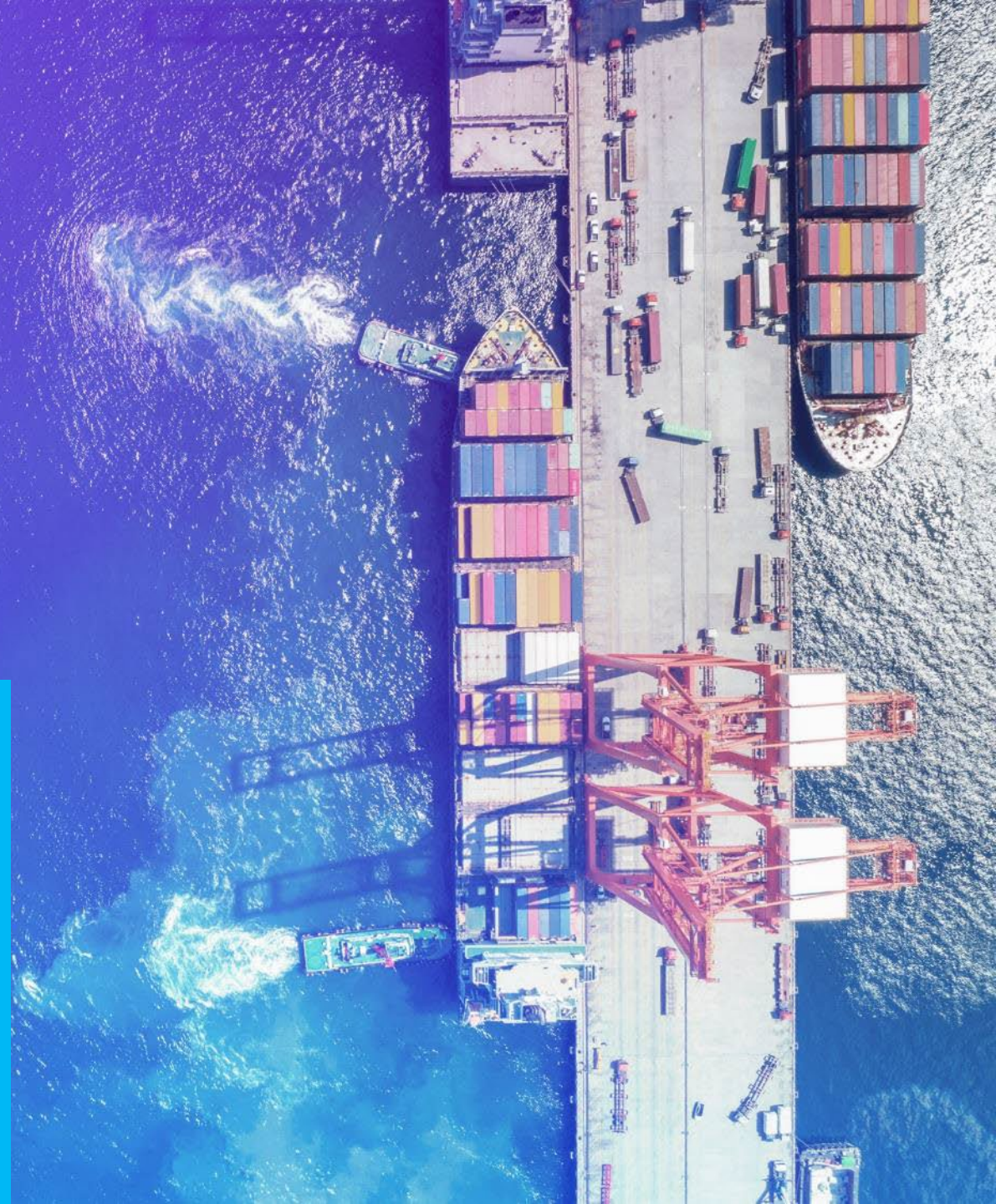
Tariff Landscape

Regulatory Authorities

Presidential Authorities		Timeline
Section 301, Trade Act of 1974 (19 USC § 2411)	Purpose: Address unfair foreign trade practices Trump's History: Initial 25% tariffs affecting \$400 billion of Chinese goods and 10% on aircraft and 25% on other EU goods.	Implementation: After issuance of USTR* investigation report Duration: Undefined
Section 232, Trade Expansion Act of 1962 (19 USC § 1862)	Purpose: Restricts imports that threaten national defense or economic security Trump's History: Imposed 25% tariffs on steel and 10% of tariffs on aluminum	Implementation: Within 90 days of issuance of Dept. of Commerce investigation report Duration: Undefined
Section 201, Trade Act of 1974 (19 USC § 2251)	Purpose: Safeguard for US industries injured by a surge of imports Trump's History: Imposed 20% starting tariffs on first 1.2 million units of washing machines and 30% starting tariffs on solar panels	Implementation: Within 60 days of issuance of USITC* investigation report Duration: Up to 4 years (renewable up to 8 years)
International Emergency Economic Powers Act of 1977 (50 USC § 1702(a))	Purpose: Empowers the President to address unusual and extraordinary threats Trump's History: Threatened 5% tariff on all goods imported from Mexico (although tariffs not actually imposed)	Implementation: Possibly immediately following declaration of national emergency Duration: Undefined (national emergency declaration must be renewed annually)
Section 338, Tariff Act of 1930 (19 USC § 1338)	Purpose: Allows imposition of additional duties and/or import restrictions against products of foreign countries that discriminate against U.S. commerce Trump's History: Not used	Implementation: President's discretion upon determination of discrimination Duration: Undefined
Section 122, Trade Act of 1974 (19 USC § 2132)	Purpose: Allows temporary quotas or import surcharges up to 15% to address balance-of-payment deficits or protection of dollar stability Trump's History: Not used	Implementation: President's discretion Duration: Up to 150 days (unless extended by Congress)

United States Trade Representative (USTR)
United States International Trade Commission (USITC)

Current Actions








The Current Landscape

Stacking rules effective May 16, 2025, retroactive to March 4, 2025 (refunds available), except (*) was only prospectively effective since April 5, 2025.

Current CBP application:
“subject to” = tariffs paid

Industry Based Tariffs

In Effect	➤ 	Aluminium Sec. 232	25%	Not subject to: • Reciprocal IEEPA (*)
In Effect	➤ 	Steel Sec. 232	25%	Not subject to: • Reciprocal IEEPA (*)
In Effect	➤ 	Autos Sec. 232 (passenger & light trucks) Except USMCA US Content	25%	Not subject to: • Border IEEPA (CA & MX) • Section 232 (steel & alum.) • Reciprocal IEEPA (*)
In Effect	➤ 	Auto Parts Sec. 232 Except USMCA US Content *Import adjustment offset available	25%*	Not subject to: • Border IEEPA (CA & MX) • Section 232 (steel & alum.) • Reciprocal IEEPA (*)
Authorized: April 2 nd , 2025	➤ 	Venezuela Oil IEEPA All imports from a country that imports VE oil directly or indirectly	25%	

The Current Landscape

Stacking rules effective May 16, 2025, retroactive to March 4, 2025 (refunds available), except (*) was only prospectively effective since April 5, 2025.

Current CBP application:
"subject to" = tariffs paid

Country Based Tariffs

All Countries



Reciprocal IEEPA



Except MX/CA & USMCA goods
(All) foreign content if $\geq 20\%$ US content

country specific rates paused
semi conductor products excluded

Does Not Stack on:

- Section 232 (steel & alum.) (*)
- Section 232 (auto & parts) (*)

Canada



Border IEEPA



10% on energy & potash
Except USMCA goods

Not subject to:

- Section 232 (steel & alum.)

Mexico



Border IEEPA



10% on potash
Except USMCA goods

Not subject to:

- Section 232 (steel & alum.)

China



Fentanyl IEEPA



Reciprocal IEEPA

10%

Sec. 301 25%

*De minimis withdrawn

*Reciprocal: Annex II products excluded;
only foreign content if $\geq 20\%$ US content

*Does Not Stack on:

- Section 232 (steel & alum.) (*)
- Section 232 (auto & parts) (*)

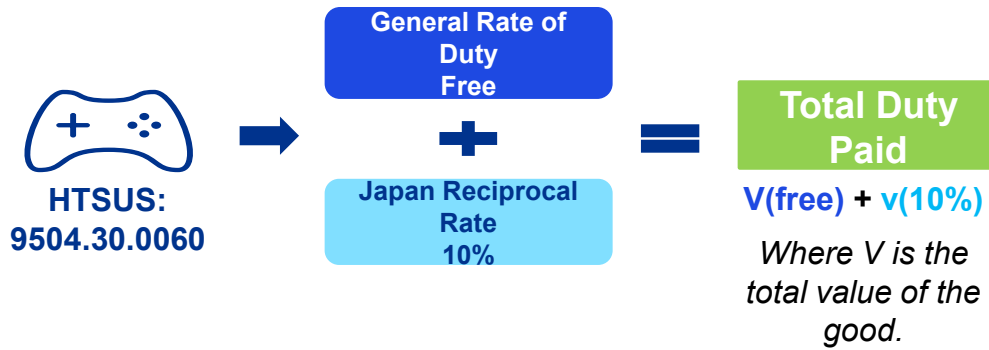
Country Specific Reciprocal Tariff Rates

On April 2, 2025, President Trump announced the implementation of reciprocal tariffs effective April 5th, 2025, with a standard rate of 10% unless a specific rate country rate applied, with those tariffs effective April 9th. As of April 10, 2025, country-specific reciprocal tariffs were paused for 90 days, and a uniform tariff rate of 10% applies to all countries. As of May 14, 2025 China's reciprocal tariff rate was reduced to 10% for 90 days.

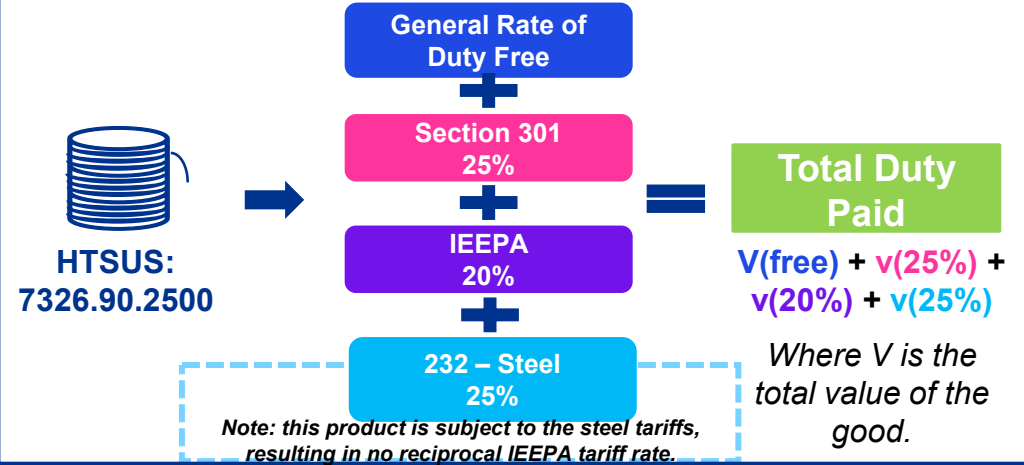
Country	Reciprocal Tariff	Country	Reciprocal Tariff	Country	Reciprocal Tariff
Algeria	30%	Iraq	39%	Nigeria	14%
Angola	32%	Israel	17%	North Macedonia	33%
Bangladesh	37%	Japan	20%	Norway	15%
Bosnia and Herzegovina	35%	Jordan	20%	Pakistan	29%
Botswana	37%	Kazakhstan	20%	Philippines	17%
Brunei	24%	Laos	18%	Romania	37%
Cambodia	49%	Lesotho	20%	South Africa	30%
Cameroon	11%	Libya	31%	South Korea	25%
Chad	13%	Liechtenstein	37%	Sri Lanka	44%
China, including Hong Kong and Macau	10%	Madagascar	47%	Switzerland	31%
Côte d'Ivoire	11%	Malawi	17%	Syria	41%
Democratic Republic of the Congo	11%	Malaysia	24%	Taiwan	32%
Equatorial Guinea	13%	Mauritius	40%	Thailand	36%
European Union	20%	Moldova	31%	Tunisia	28%
Falkland Islands	41%	Mozambique	16%	Vanuatu	22%
Fiji	32%	Myanmar (Burma)	44%	Venezuela	15%
Guyana	38%	Namibia	21%	Vietnam	46%
India	26%	Nauru	30%	Zambia	17%
Indonesia	32%	Nicaragua	18%	Zimbabwe	18%

Tariff Stacking

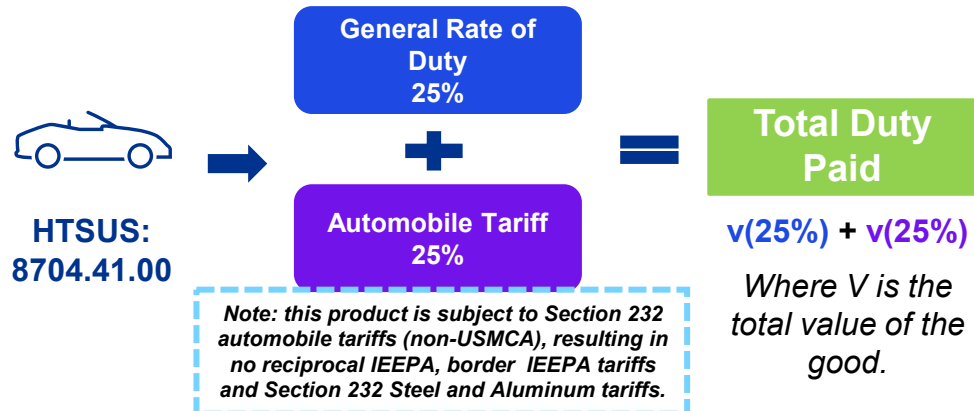
Video Game Console – Japan



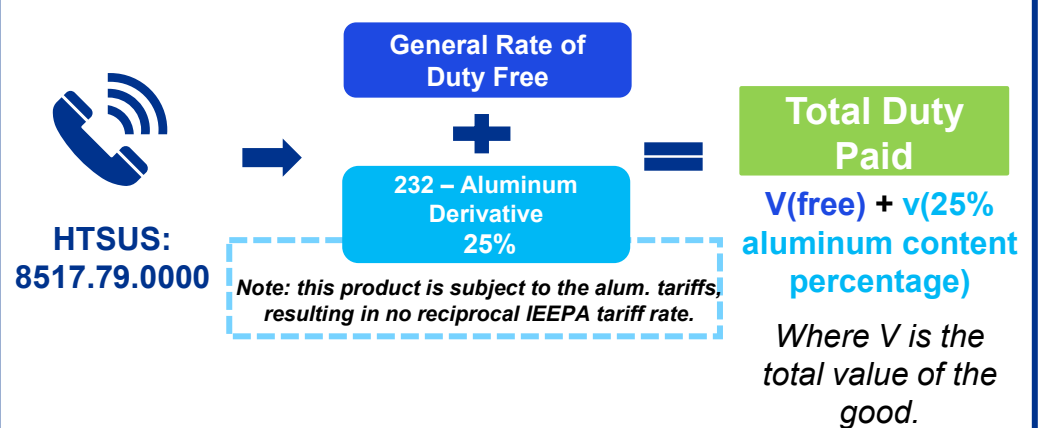
Cable or Inner Wire - China



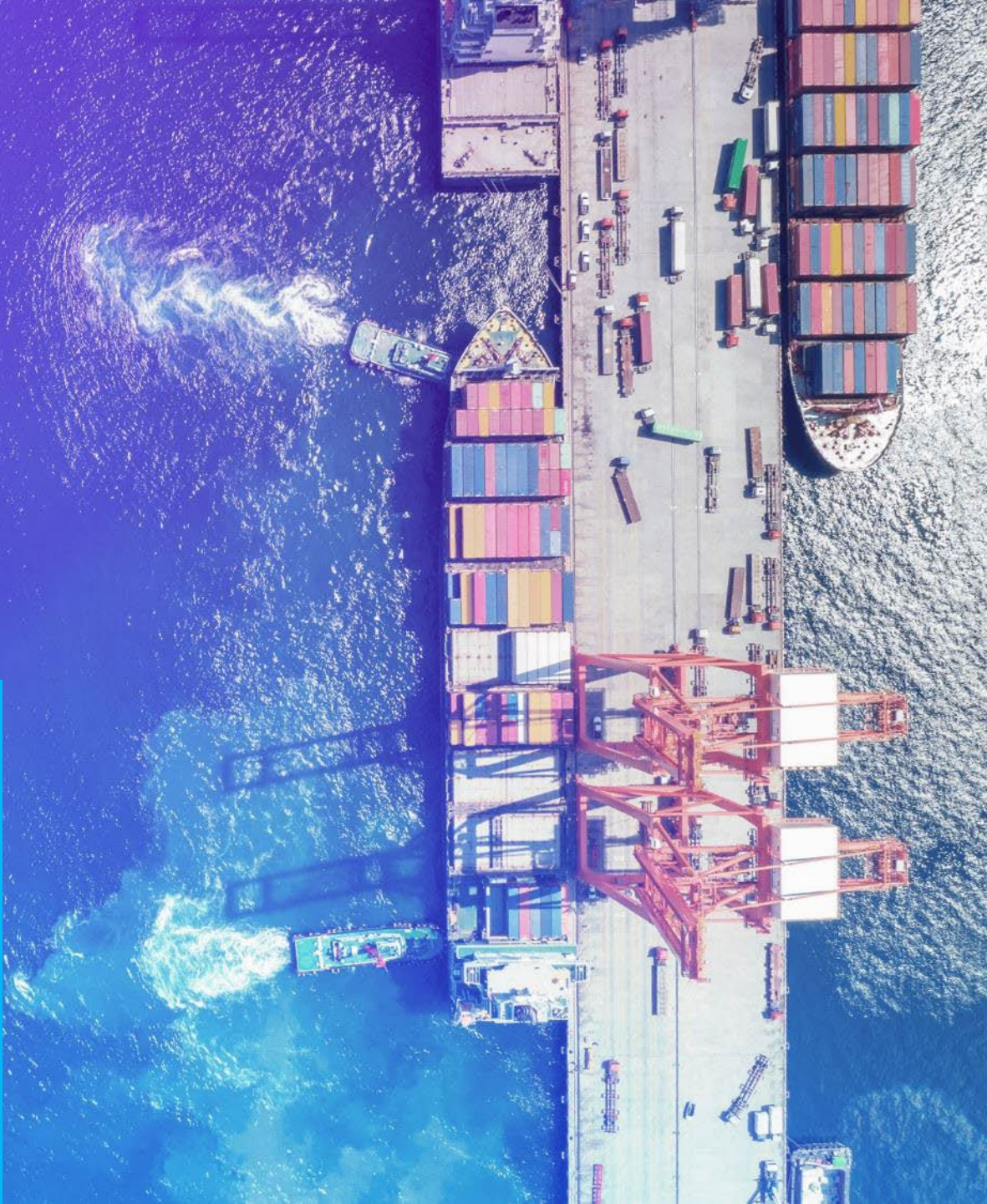
Motor Vehicle (not exceeding 5 metric tons) - Mexico



Telephone Parts - Malaysia

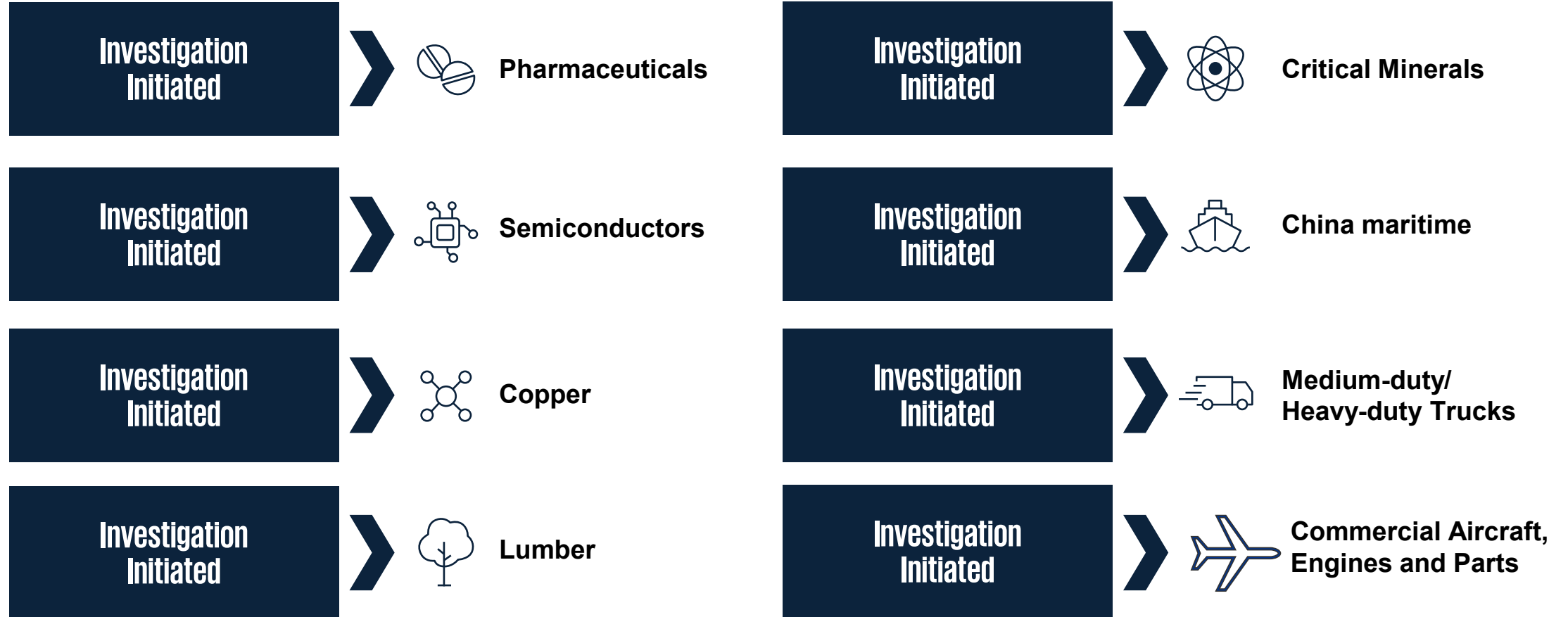


Proposed Actions



The Current Landscape

Industry Based Tariffs (Sec. 232)

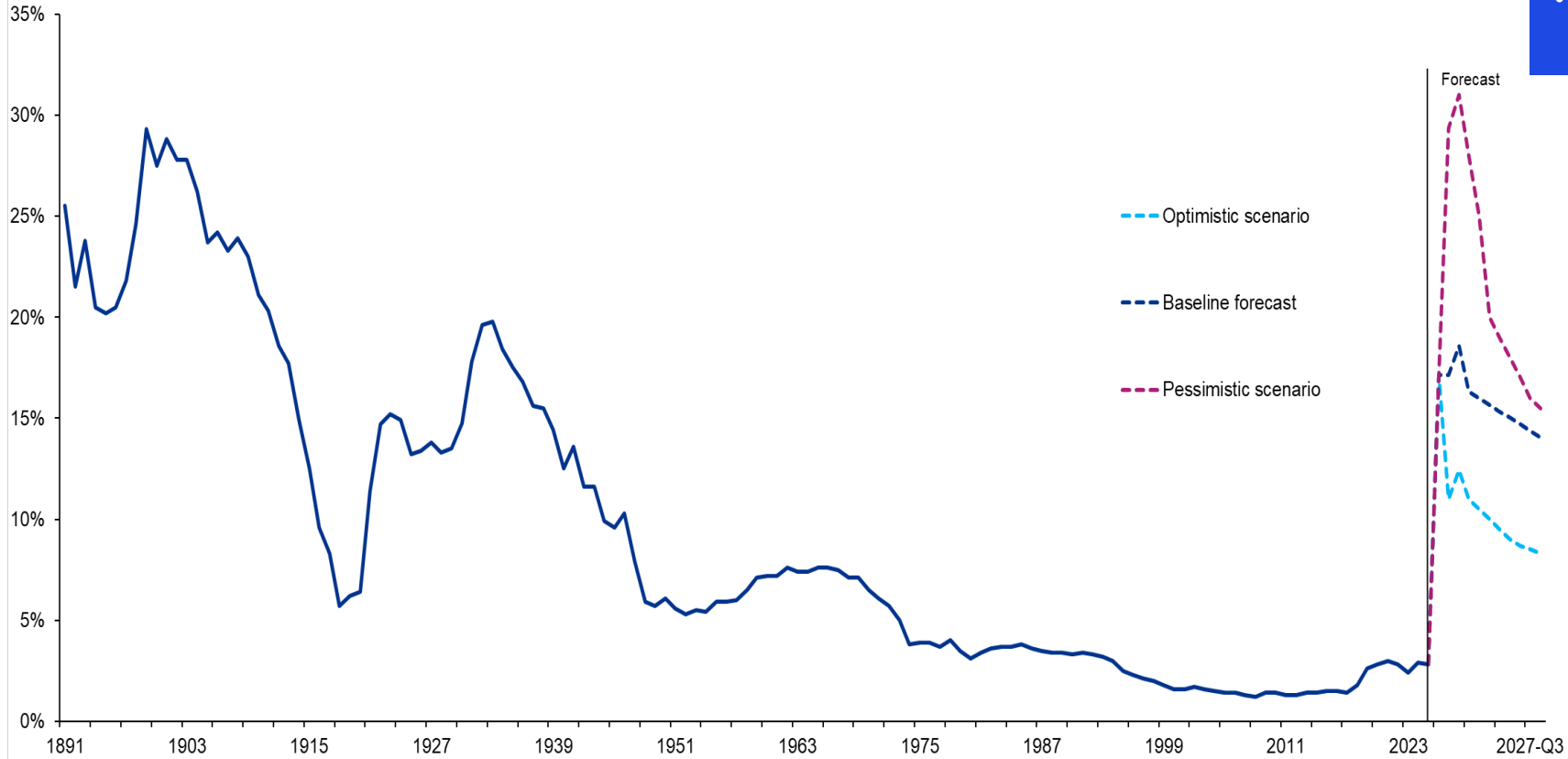


Tracking Effective Tariff Rates

Key Data Points

- Pre-Trump 1.0: 1.5%
- End Trump 1.0: 2.8%
- Baseline Scenario ('26): 15.3% -16.3%
- Optimistic Scenario ('26): 9.5% - 11%
- Pessimistic Scenario ('26): 19% - 28%

Effective tariff rate, percent



Source: KPMG Economics, United States Census Bureau



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Retaliatory Measures by Trading Partners

Retaliatory Tariffs

China



10% all products

- By May 14th 2025 China will suspend its 125% tariff on all American products for a 90-day period, leaving the retaliatory tariff rate at 10%.
- China will take the appropriate steps to suspend or remove non-tariff retaliatory measures.

Canada



25% certain products

- **List 1 Products:** Beginning March 4, Canada implemented 25% tariffs on \$30 billion dollars of American goods covered in "List 1".*
- **Steel and Aluminum Products:** Beginning March 13, 2025, Canada implemented a 25% duty on \$29.8 billion worth of U.S. steel and aluminum and other products of base metal.
- **Automobiles:** Beginning April 9, Canada implemented a 25% tariff on non-CUSMA compliant U.S. made vehicles and on the non-Canadian and non-Mexican content of CUSMA-compliant U.S. made vehicles
- **List 2 Products (Proposed):** Canada prepared a second list of retaliatory tariffs, "List 2," targeting \$125 billion worth of American goods*. These tariffs were expected to take effect on April 2nd after a 21-day public comment period.

European Union

Paused for 90 days (July 9)

- The EU paused retaliation for U.S. automobiles, steel, and aluminum tariffs for 90 days. Prior to this announcement, the EU had plans to implement the below retaliatory tariffs on U.S. goods.
- **Paused:** Reimpose up to 25% retaliatory tariffs that were suspended in 2018 and 2020 that target \$8 billion of US goods including whiskey, cereals, steel and aluminum products, and motorbikes.
- **Paused:** Impose additional retaliatory tariffs on \$18 billion worth of U.S. goods including steel and aluminum products, textiles, leather goods, home appliances, house tools, plastics, wood products, and agriculture products.

Mexico



No Action

- The Mexican government indicated that it would issue retaliatory tariffs and has yet to specify product details for goods subject to the impending tariffs.

*List 1 targets agricultural products, apparel and footwear, industrial manufacturing goods and automotive components.

**List 2 targets impact passenger vehicles, trucks and buses, steel and aluminum products, certain fruits and vegetables, aerospace products, and beef, pork, and dairy products.

Export Landscape

Export Controls

While export controls have not been a primary focus of the Trump administration, below are some notable themes observed thus far.

01

Heightened due diligence for Chinese exports due to potential regulations requiring verification of whether an end-user outside China is owned by a Chinese entity



02

Potential expansion of the 50% rule to the BIS entity list

Per comments during Assistant Secretary's confirmation hearing



03

Ongoing development of restrictions on AI controls and industry specific controls



04

Significant focus on China affecting all exports of items "subject to the EAR" to China



Export Controls Under the Trump and Biden Administration

Below overview key themes in export control regulations under the second Trump and Biden administrations.

Second Trump Administration



- Enhanced export controls on advanced computing technologies



- Additional artificial Intelligence Controls under the EAR



- Enhanced national security objectives through regulations targeting emerging technologies

Both



- Restrictions on semiconductor technologies and advanced technologies



- Additions to the Restricted Entity List targeting specific parties

Biden Administration



- Incentivized ally countries to align export controls with U.S. policies



- Enhanced due diligence through red flag guidance to prevent diversion of controlled technologies

Trade Optimization Strategies

Optimizing for Tariff Uncertainty

Managing disruption from tariffs requires a multifaceted strategy. By leveraging short and long term duty mitigation strategies, companies can optimize tariff liabilities and promote supply chain resiliency while enhancing their competitive edge in the global market.

First Sale for Export	➤ Reduce duty costs by declaring customs value based on manufacturer's initial sales price rather than final price paid by the importer	Strategic Tariff Classification	➤ Ensure precise and strategic classification to avoid overpayment and capitalize on favorable tariff treatments
Foreign Trade Zones	➤ Defer duty payment until foreign merchandise leaves the FTZ for US Consumption	Valuation: Post Importation Refunds	➤ Obtain duty refunds from retroactive downward transfer price adjustments which results in a reduced customs value
Country of Origin Planning	➤ Plan and manage the country of origin for goods strategically to benefit from preferential trade agreements and reduced duty rates	Duty Drawback	➤ Claim 99% refund of duties, fees and taxes paid on goods imported into the U.S. that are ultimately exported or destroyed (certain Tariffs are excluded)
Cost Unbundling	➤ Removing or "unbundling" elements from the declared customs price to facilitate a reduction in customs duties	Other Strategies	➤ Bonded warehouses, Temporary Importation Bonds, Chapter 98



KPMG will speak more in depth on optimizing for tariff uncertainty in the upcoming **Tariff Impact Modeling and Mitigation session on 5/20 from 3:30 PM – 4:30 PM EST.**

Industry Perspective

Lam Research

*A global leader in wafer fabrication
equipment and services since 1980*

KPMG US Cross-Border Tax Summit

May 2025



Complexity beyond technology



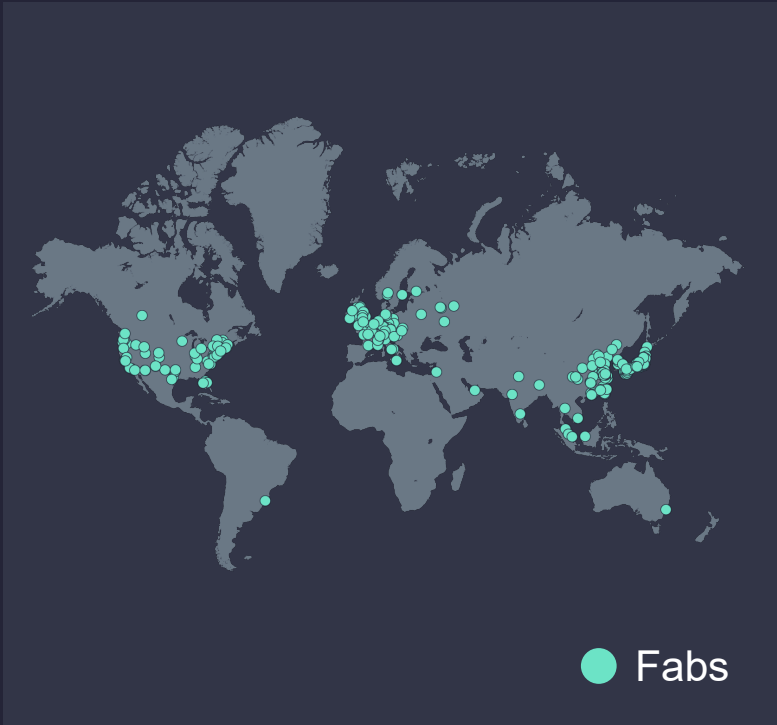
Geographic fab expansion on a global scale



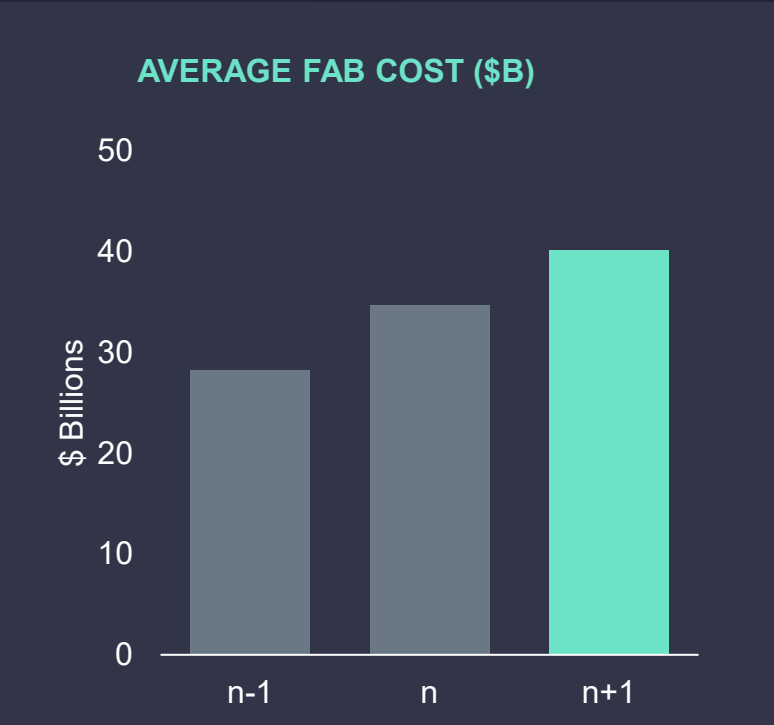
Semiconductor industry boom causes significant talent shortage



New fab ROI requires quick yield and high productivity



1 MILLION
additional skilled
workers by 2030

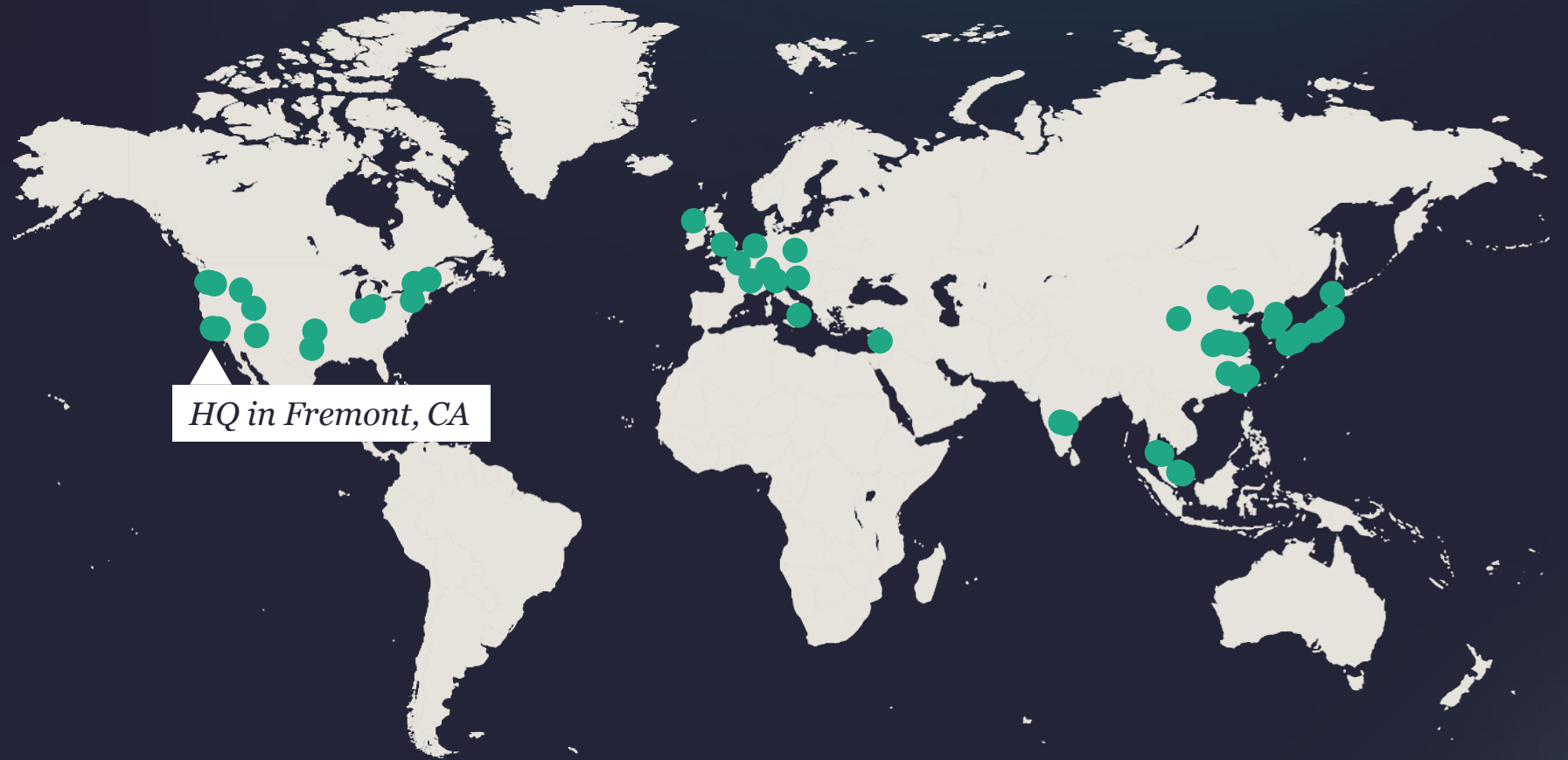


We source innovation from all over the world

Our global positioning and reach allow us to advance our products and services.

With locations and team members across the globe, we innovate to power the greatest possibilities of tomorrow.

We have strategically invested in our global footprint in order to support our customers and unlock essential innovation and industry collaboration.



Q&A



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