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PwC Thailand Tax Alert

The Trump tariffs - What are the measures and impact on Thailand

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The following alert may be of interest to:

All clients involved in international trade

In brief

President Trump has announced 'Liberation Day' tariffs including 36% tariff on all Thai originating goods imported into the US. 10% of which will take effect from 5 April 2025, with the balance of 26% scheduled to be implemented on 9 April.

Thai businesses should consider these latest reciprocal tariff measures carefully, including what it means for their operations, and what action they may need to take.

In detail

The Trump Administration 'American First' Trade Policy has intensified with the highly anticipated imposition of broad-based country specific reciprocal tariffs, including a 36% tariff on Thai originating imports into the United States.

These proposed tariffs are the latest trade measures announced by the Trump Administration, seeking to protect US domestic industries, boost federal revenues, and reduce its USD 1 trillion trade deficit.

In just over 10 weeks since taking office, the Trump Administration has imposed 20% duties on all imports from China, 25% duties on steel and aluminum (and their derivative products) and 25% levy on imported automobile and automotive parts.

The latest reciprocal tariffs under the Trump Administration’s 'Fair and Reciprocal Plan' are a response to the US concerns of 'longstanding imbalances in international trade' and perceived unfair trade practices by US trade partners including tariff and non-tariff barriers, with the US stating their aim to 'match' the tariffs that other countries impose on US goods. In practice the calculation appears to be based on the relative trade imbalance on a country-by-country basis.

What are the latest measures?

The latest measures include additional tariffs of 10% on goods imported from all countries that will apply from 5 April 2025, however certain countries listed on Annex I to the Executive Order will be subject to higher additional tariff rates of between 11% to 50% from 9 April 2025. An additional 26% will apply to Thai origin products, making a total of 36%.

The additional tariffs will only apply to the non-US content of the goods, provided that at least 20% of the value of the goods is US originating.

However, the additional rates of duty will not apply to all trade. Relevant examples for Thailand include to the following

- goods in transit (e.g., have been loaded onto a container ship) before the operative dates of the additional tariffs even if they arrive in the US after this date
- articles subject to additional duties under previous Executive Orders, namely:
  - articles and derivatives of steel and aluminum imported from all countries which are subject to 25% tariffs from 12 March 2025
  - automobiles and automotive parts imported from all countries which are subject to 25% tariffs from 3 May 2025
- other goods outlined in Annex II to the Executive Order, including copper, pharmaceuticals, semiconductors, lumber articles and certain critical minerals, and energy and energy products. It is understood that these are being separately considered and may face tariffs at some future point.

What does this all mean for Thai businesses?

Thailand goods are facing one of the largest tariffs, but neighbouring countries have even higher tariffs. Vietnam faces 46%, Laos 48% and Cambodia 49%. Clearly there will be a period of adjustment, and it is anticipated that countries will attempt to negotiate to reduce the additional tariffs. It is not clear what the timeframe will be or how much impact it may have. Committing to a plan to reduce the deficit may be acceptable, or it may require concrete steps to be taken first.

The challenges and opportunities which Thai exporters should evaluate to gauge potential impact on their operations include:

- cost of operations in the US to potentially increase
- indirect impact through global supply chains (e.g., Thai components going into Chinese exports to the US)
- eCommerce shipments direct to US customers may slow and costs may increase as the removal of the de minimis limit is rolled out
- compliance burden and cost to increase
- freight in a potential state of flux (again)
- currency fluctuations, and
- increased anti-dumping measures to protect domestic industries.

So, what should you be doing now…

Significant tariff changes of this magnitude will naturally require businesses to assess their trade profiles to determine the full impact of the measures, both on their direct and indirect product flows, additional costs to comply, and to understand what mitigation tactics and strategies could be implemented.

Evaluating the effects and determining the degree of changes needed by analysing the impact of tariff increases on purchases and sales will need to be undertaken. This will help to understand how your business model is affected and whether structural or value chain changes, such as altering manufacturing models or shifting sourcing, are necessary. This will also require a detailed understanding and analysis of your 'new' customs duty profile throughout your entire supply chain as a result of the measures to identify any potential to mitigate duty liabilities, for example, by reassessing origin, exploring customs valuation reduction strategies or utilising duty drawbacks (where available).

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