

## Alert | International Trade



April 2025

### **25% Tariff on Automobiles and Automobile Parts Begins April 3; USMCA Vehicles May Qualify for Partial Relief**

#### **Go-To Guide**

- New 25% tariff on imported cars starts April 3, 2025, citing national security concerns.
- Automobile parts from USMCA countries temporarily exempt, but full implementation expected by May 3, 2025.
- USMCA-qualifying vehicles may receive partial relief based on U.S. content value.
- Importers that do not carefully document U.S. content may face retroactive, full tariffs on misstatements.

On March 26, 2025, President Donald Trump announced a proclamation, “[Adjusting Imports of Automobiles and Automobile Parts Into the United States](#),” directing the imposition of a 25% tariff on imports of passenger vehicles, light trucks, and certain automobile parts, citing national security concerns under section 232 of the Trade Expansion Act of 1962. The 25% duty will apply to designated Harmonized Tariff Schedule of the U.S. (HTSUS) codes listed in the [proclamation’s annex](#), which was published in the Federal Register on April 3.

U.S. Customs and Border Protection (CBP) will begin collecting duties on imports of covered automobiles at 12:01 a.m. EDT on April 3, 2025. Covered automobile parts will be subject to the same duty on a date to be determined, but no later than May 3, 2025.

### **Covered Products and Future Expansion**

The proclamation applies the 25% tariff to passenger vehicles (sedans, SUVs, crossovers, minivans, cargo vans), light trucks, and selected automobile parts including engines and engine parts, transmissions and powertrain parts, and electrical components. The precise list of covered vehicles and parts (by HTSUS code) will be contained in the yet-to-be-published annex to the proclamation. Additional categories of automobile parts may be included over time. Domestic producers and industry associations may request the inclusion of other parts if they demonstrate that increased imports threaten to impair U.S. national security.

### **USMCA Automobiles: Partial Duty Based on US Content**

The proclamation introduces a new content-based valuation system for qualifying automobiles under the United States-Mexico-Canada Agreement (USMCA). Importers of USMCA-qualifying automobiles may submit documentation supporting the value of U.S. content in a given model, defined as “the value of parts wholly obtained, produced entirely, or substantially transformed in the United States.” The 25% tariff will apply only to the automobile’s non-U.S. content, calculated as the vehicle’s total value minus the verified U.S. content.

#### *Enforcement and Penalties for Misstatements*

Importers should take note of deterrent measures built into the proclamation. If CBP determines that the declared non-U.S. content of a USMCA-qualifying automobile has been understated, the 25% tariff will apply retroactively and prospectively to the full value of the affected model. Specifically, duties will be retroactively assessed from April 3, 2025, and will continue to apply to all subsequent imports of the same model by the same importer until CBP verifies corrected values.

### **USMCA Automobile Parts: Temporary Exemption**

USMCA-qualifying automobile parts are temporarily exempt from the 25% tariff. This exemption will remain in place until the secretary of Commerce establishes a process to calculate and apply the tariff only to the non-U.S. content of each part and publishes a notice in the Federal Register. In contrast, non-USMCA-qualifying parts will become subject to the full 25% tariff no later than May 3, 2025.

### **Other Implementation Measures: FTZs and Duty Drawback**

Any automobile or automobile part subject to the 25% tariff and admitted into a U.S. foreign-trade zone (FTZ) on or after the effective date must be admitted in privileged foreign (PF) status—unless eligible for admission under domestic status (referring to goods that have been imported to the United States and for which all duties and taxes paid). Upon entry for consumption from the FTZ, the article will be subject to the duty rate applicable to its HTSUS subheading as of the admission date into the FTZ. Importers utilizing FTZs should review inventory and entry strategies, as this provision may reduce one of the traditional benefits of FTZ operations.

Additionally, duty drawback will not be available for the new 25% tariffs. Companies seeking to recover duties through export programs will not be able to claim refunds for these duties, even if the automobile

or part is subsequently exported. This may affect cost planning for companies with international supply chains and re-export strategies.

### **Key Takeaways: Automobiles**

1. Effective at 12:01 a.m. EDT on April 3, 2025, covered imports of passenger vehicles and light trucks will be subject to a 25% duty on entry or withdrawal from warehouse for consumption.
2. USMCA-qualifying automobiles may receive a partial exemption, with the 25% duty applied only to the non-U.S. content of each model.
3. Understatement of non-U.S. content will trigger full-duty liability on the total value of all affected models, retroactive to April 3, 2025, and continuing until CBP verifies corrected values.
4. Importers must maintain thorough documentation of U.S. content and be prepared for CBP audits and potential enforcement actions.
5. Additional automobile parts may be added to the tariff schedule based on industry petitions and agency determinations.

### **Key Takeaways: Automobile Parts**

1. A 25% duty will apply to covered automobile parts—engines, transmissions, and electrical components—no later than May 3, 2025.
2. USMCA-qualifying parts are temporarily exempt until Commerce and CBP establish a U.S. content-based valuation system.
3. Additional automobile parts may be included under the tariff regime upon petition by domestic producers or industry groups.
4. Importers should prepare for heightened CBP scrutiny on valuation and content origin, especially for complex supply chains involving USMCA-qualifying parts.

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