



MODIFICATIONS TO RECIPROCAL TARIFF RATES AND CANADA TARIFF CHANGES (August 1, 2025)

Late on July 31, the White House issued two Executive Orders (EOs) with changes to the IEEPA Reciprocal Tariff rates and the IEEPA Fentanyl Tariffs applied to Canada. See our previous July 31 [“What’s New”](#) client briefing for additional description of the tariff rate changes, country-specific trade deals, the new Copper Section 232 tariffs, and the suspension of the “de minimis” entry exemption.

MODIFICATION OF IEEPA RECIPROCAL TARIFF RATES

This [Executive Order](#) (EO) applies the new, mostly-increased, country-specific IEEPA Reciprocal Tariff rates beginning Thursday, August 7, 2025. The EO lists new Reciprocal Tariff rates for many countries on Annex I, ranging from 10% to 40%. Many countries will have a 15% Reciprocal Tariff rate. Countries not listed on Annex I (such as Mexico and Canada) will be subject to a 10% Reciprocal Tariff rate, unless otherwise exempted. The new rates take effect at 12:01 am Eastern Daylight Time (EDT) on August 7. The EO provides an in-transit exemption from the new rates for shipments that are both: (1) on their final mode of transport to the United States before 12:01 am EDT on August 7; and (2) entered for consumption or withdrawn from a warehouse for consumption before 12:01 am EDT on October 5, 2025. The specific revisions to the Harmonized Tariff Schedule of the United States (HTSUS) are included in [Annex II](#).

The Reciprocal Tariff rate applied to goods of European Union (EU) countries is determined in a unique fashion. Where the regular HTSUS Column 1 (MFN) Duty Rate is 15% or higher, then essentially no additional Reciprocal Tariffs apply. However, if the Column 1 duty rate is less than 15% (which is the case for the vast majority of HTSUS classifications), then the Column 1 Duty Rate and the additional Reciprocal Tariff rate shall be summed to equal 15%. See new HTSUS subheading 9903.02.20.

The EO does not modify existing Reciprocal Tariff rates on Chinese goods. President Trump previously [paused](#) increases in Reciprocal Tariffs for China until August 12, 2025.

The EO includes an anti-transshipment provision that imposes additional 40% duties on goods that CBP determines have been transshipped to evade applicable duties imposed by the EO. The EO instructs CBP to seek 19 U.S.C. § 1592 penalties and directs that “CBP shall not allow, consistent with applicable law, for mitigation or remission of the penalties assessed on imports found to be transshipped to evade applicable duties.” Furthermore, the Commerce Department is to publish every six (6) months a list of countries and specific facilities used in circumvention schemes.

The EO does not provide new guidance on how these changed IEEPA Reciprocal Tariffs relate to the Section 232 Tariffs (e.g., aluminum, steel, copper, autos, etc.), so the “tariff stacking rules” from prior Reciprocal Tariff EOs still apply.

Further, nothing in the EO changes the requirement in the prior EOs to admit

merchandise into foreign-trade zones (FTZs) in Privileged Foreign (PF) status.

Finally, there are inconsistencies between the text of the EO and the technical language in Chapter 99, Subchapter III that implements these tariffs, so we expect guidance to be issued in Customs CSMS messages and Frequently Asked Questions (FAQs).

IEEPA CANADA FENTANYL TARIFFS

This [Executive Order](#) (EO) increases the IEEPA Canada Fentanyl Tariffs rate from 25% to 35%. These changes went into effect for goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 am EDT on August 1, 2025.

The EO includes an anti-transshipment provision that imposes an additional 40% duty rate on goods that do not qualify for USMCA that CBP determines have been transshipped to evade applicable duties imposed by the EO. The EO instructs CBP to impose 19 U.S.C. § 1592 penalties and prohibit mitigation or remission of penalties for transshipment. Furthermore, the Commerce Department is to publish every 6 months a list of countries and specific facilities used in circumvention schemes.

IEEPA LITIGATION

On July 31, an 11-judge panel of the U.S. Court of Appeals for the Federal Circuit (CAFC) heard oral arguments on the U.S. Government's appeal of the U.S. Court of International Trade's May 28 decision that the Reciprocal Tariffs and Fentanyl Tariffs exceeded the authority granted to the President under IEEPA. The CAFC's decision on this appeal is highly anticipated, but almost certainly will be appealed to the U.S. Supreme Court.

This communication provides only a summary of the many issues and requirements included in these EOs. Clients should read and consider the source documents. Additionally, as previously noted, many very important details are not yet known. Customs should be issuing CSMS messages that provide critically important details on the Customs implementation of these EOs. Please contact [Marshall Miller](#), [Brian Murphy](#), [Sean Murray](#), or [David Ostheimer](#) with questions.

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