pwc

Tax Insights
from Customs and International Trade

Trump proposes tariffs on generic pharmaceuticals -- what companies should know

September 8, 2026

In brief

What happened?

President Trump on July 21 announced via social media a proposed tariff framework for imported generic pharmaceuticals to encourage domestic manufacturing. Under the announced framework, imported generic drugs would remain subject to no additional tariffs for a two-year transition period starting August 1, 2026. The tariff rate would then increase to 100% beginning August 1, 2028, and increase again to 200% beginning August 1, 2029. The announcement states that the existing policy applicable to patented, branded, and innovative pharmaceuticals would remain unchanged. Additional guidance or formal implementing actions have not yet been issued.

Why is it relevant?

This proposal could have significant implications for pharmaceutical manufacturers, importers, distributors, and healthcare stakeholders by substantially increasing the cost of importing generic pharmaceuticals into the United States while further incentivizing domestic manufacturing. Based on an estimated $27 billion in annual US customs import value for generic pharmaceutical products, the proposed tariffs could generate approximately $27 billion in additional annual duties beginning in August 2028 and increase to $54 billion annually beginning in August 2029 if import volumes and sourcing patterns remain unchanged.

Actions to consider

Companies that import generic pharmaceuticals into the United States should monitor developments relating to implementation of the proposed tariffs and evaluate their potential exposure. Businesses may wish to assess affected products, sourcing alternatives, contractual pricing arrangements, customs and transfer pricing implications, and potential opportunities to expand or relocate manufacturing operations in anticipation of the proposed tariff increases.

In detail

Background

President Trump’s announcement builds on the Administration's broader efforts to promote domestic pharmaceutical manufacturing through tariffs and other incentives. In April 2026, President Trump issued a proclamation under Section 232 of the Trade Expansion Act of 1962 imposing a baseline 100% tariff on certain patented pharmaceuticals and associated pharmaceutical ingredients. These tariffs took effect on July 31, 2026 for certain large pharmaceutical companies and are scheduled to take effect on September 29, 2026 for all other covered companies.

Under the April proclamation, reduced or zero tariff rates may be available for qualifying companies that commit to onshoring US manufacturing, participate in most-favored-nation pricing arrangements, or source products from countries with which the United States has a pharmaceutical agreement.

Proposed tariff framework for generic pharmaceuticals

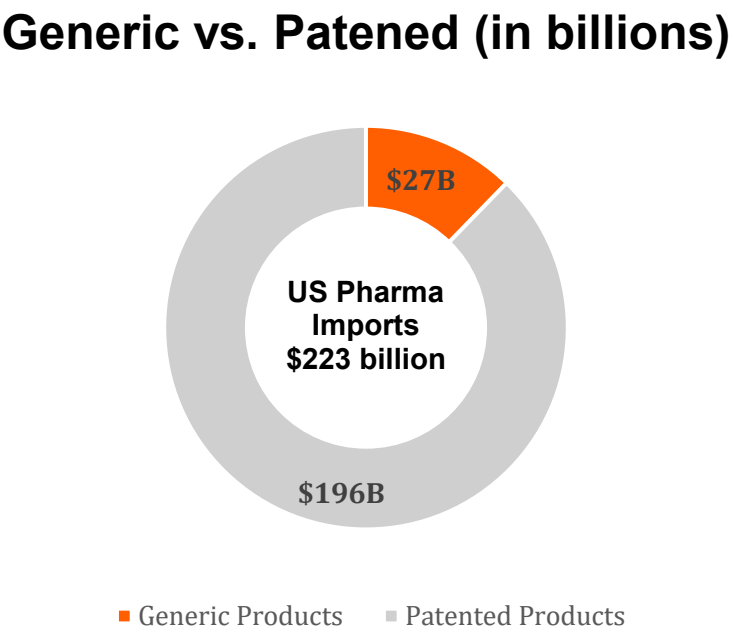
The July 21 social media announcement outlines a phased tariff framework for imported generic pharmaceuticals with no tariff for a two-year transition period beginning August 1, 2026. The proposed rate would then increase to 100% in 2028 for one year and to 200% beginning in 2029.

The announcement frames the transition period as an opportunity for companies to establish or expand US manufacturing capacity and states that the existing policy for patented, branded, and innovative pharmaceuticals would remain regarding the scope, exceptions, and administration of the proposed framework.

Although additional implementation guidance is expected, the proposed framework reinforces the Administration’s continued use of tariffs to encourage domestic investment and reshape pharmaceutical supply chains. Companies should continue monitoring the implementing actions for clarification regarding product coverage, tariff administration, and other forms of alternative treatment.

Potential customs duty exposure

PwC estimates that generic pharmaceutical products represent approximately $27 billion of annual US customs import value, based on US Census import data for the 12-month period from May 2025 through May 2026. This estimate assumes generic pharmaceuticals represent approximately 12% of total US pharmaceutical imports, using as a proxy their share of US prescription drug spending, which the Association for Accessible Medicines (AAM) estimates at approximately 12% in 2024 ($98 billion of $798 billion in total spending), compared with approximately 88% for branded medicines. Applying this 12% share to total US pharmaceutical import value provides an estimated annual customs import value of approximately $27 billion for generic pharmaceutical products.



Assuming import volumes, product mix, and sourcing patterns remain unchanged, the proposed tariff framework could result in additional annual customs duties of approximately $27 billion beginning in August 2028 and approximately $54 billion beginning in August 2029.

Figure 2. Estimated annual customs duty exposure under the proposed tariff framework

Effective Date	August 1, 2028	August 1, 2029
Expected Additional Tariff	100%	200%
Estimated Increased Duty Impact	$27 billion	$54 billion

***Note*:** These estimates are illustrative and do not reflect potential changes in import volumes, product mix, exclusions, or future implementing guidance. The actual duty impact could differ significantly from these estimates.

Observation: The announcement itself is intended to encourage manufacturers to establish or expand domestic production in the United States for generic pharmaceuticals during the transition period, which could reduce future imports of generic pharmaceuticals before the higher tariff rates become effective. As a result, the value of imported products, and the resulting customs duties ultimately collected, could decline over time as companies adjust their manufacturing footprints and sourcing strategies.

Business considerations

The proposed tariff framework could have significant commercial implications for companies throughout the pharmaceutical supply chain. Generic pharmaceuticals typically compete on price and generally operate with lower, often single-digit profit margins compared to patented products. Given the lower margin of many generic pharmaceutical products, tariffs at the significant proposed rates could materially affect profitability for US importers and, in some cases, make certain transactions commercially unviable where the additional landed costs cannot be passed on to customers.

The potential implications extend beyond near-term tariff costs and may require broader strategic consideration at the executive level. As Ned Hux, PwC's Pharmaceutical & Life Sciences Tax Leader, observes:

> *"Tariffs continue to be a board and C-suite issue impacting the entire organization. The magnitude of the proposed tariffs on generic pharmaceuticals may ultimately influence sourcing strategies, capital investment decisions, and the broader economics of the impacted businesses. Companies should use the transition period to continue to evaluate supply chain resilience and determine how best to align their operating model with this evolving policy environment."*

A range of strategic responses may be considered during the transition period. Some manufacturers may determine that expanding US production capacity or diversifying sourcing locations offers the most effective long-term strategy. Others may focus on improving operational efficiencies, renegotiating supplier arrangements, or adjusting commercial pricing where market conditions allow. The proposal also could accelerate ongoing supply chain planning efforts already underway in response to the Administration's broader pharmaceutical trade policies.

The Administration's recent pharmaceutical tariff actions indicate that direct, company-specific engagement with the White House remains an important part of the implementation process. Consistent with the existing Section 232 pharmaceutical framework, such engagement with the Administration appears to be a viable avenue for mitigating potential tariff exposure. The Administration's August 31 announcement of agreements with nine additional pharmaceutical manufacturers further reinforces this approach. Those agreements, which include commitments to most-favored-nation pricing and at least $19.6 billion in collective near-term US manufacturing investment, further demonstrate the Administration's use of company-specific arrangements to advance its pharmaceutical pricing, domestic manufacturing, and supply chain objectives.

Key Takeaways

While the proposal is not yet formally implemented, companies that import generic pharmaceuticals into the United States may wish to begin assessing their potential exposure. Areas for consideration include identifying affected products, modeling potential customs duty costs under different sourcing scenarios, evaluating opportunities to onshore or diversify manufacturing, reviewing transfer pricing and customs valuation implications, assessing contractual pricing provisions, and monitoring for implementing proclamations, Federal Register notices, and Customs and Border Protection (CBP) guidance.

Let’s talk

For a deeper discussion of how the proposed tariffs on generic pharmaceuticals might affect your business, please contact:

Customs and International Trade

Chris Desmond
christopher.desmond@pwc.com

Kristin Bohl
kristin.m.bohl@pwc.com

Anthony Tennariello
anthony.tennariello@pwc.com

Mark Truchan
mark.truchan@pwc.com

Everson Ascencio
everson.ascencio@pwc.com

Sharon Martin
sharon.martin@pwc.com

Maytee Pereira
maytee.pereira@pwc.com

Craig Pinkerton
craig.j.pinkerton@pwc.com

Helen Xiao
helen.xiao@pwc.com

Washington National Tax Services - Customs and International Trade

Sarah Kafka
sarah.kafka@pwc.com

Global Trade Policy

Scott McCandless
scott.mccandless@pwc.com