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Tax Insights
from Customs and International Trade

US imposes new Section 232 tariffs on pharmaceuticals and revises tariffs on aluminum, steel, and copper

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In brief

What happened?

President Trump issued two Section 232 Proclamations on April 2 imposing new tariffs on (i) patented pharmaceuticals and related ingredients and (ii) steel, aluminum, and copper articles and derivatives. Both actions are framed as national security measures aimed at reducing reliance on foreign supply chains and boosting US production.

The pharmaceutical action introduces a baseline 100% tariff on patented pharmaceuticals and associated pharmaceutical ingredients, with reduced or zero rates available for companies that enter into onshoring and/or Most Favored Nations (MFN) pricing agreements, or source from countries with whom the US has an agreed upon pharmaceutical agreement (i.e., Japan, South Korea, Switzerland, Liechtenstein, the United Kingdom, and member countries of the European Union), and currently excludes generics, biosimilars, and associated ingredients.

The actions taken with respect to metals redefine existing measures by applying generally 50% tariffs to many steel, aluminum, and copper articles and reducing the tariff rate for certain derivative goods to 25%, simultaneously creating new standards for tariff calculations and the value to which the tariffs apply.

Why is it relevant?

These measures significantly increase the cost of importing affected goods and introduce complex, variable tariff outcomes depending on product classification, origin, and participation in government programs. For pharmaceuticals, the policy directly targets high-value patented products, creating a strong incentive to onshore manufacturing and R&D or renegotiate pricing arrangements. For metals, the "full value" tariff application for certain derivatives and new "de minimis" rule increases exposure across industrial supply chains, not just raw materials. Multinational companies could see downstream impacts on customs valuation, transfer pricing, supply chain design, and effective tax rates.

Actions to consider

Companies should assess whether their products fall within the relevant Harmonized Tariff Schedule (HTS) classifications and annexes, and determine applicable tariff rates based on origin, product type, and eligibility for reduced-rate programs. Life sciences companies should evaluate whether onshoring strategies or MFN pricing agreements could mitigate tariff exposure, while metals importers should review bill-of-materials and production engineering options to identify opportunities for lower-duty treatment. Businesses also should consider modeling the financial and tax impact, including customs value, intercompany pricing, and contract terms, and consider supply chain restructuring where appropriate. Immediate attention should be given to import timing, existing inventory, and contractual tariff allocation given near-term effective dates.

In Detail

Proclamation on pharmaceuticals and related ingredients

President Trump issued a Presidential Proclamation under Section 232 on April 2 addressing imports of patented pharmaceuticals and associated pharmaceutical ingredients, accompanied by a White House Fact Sheet providing additional implementation detail. The Proclamation imposes tariffs on imports of patented pharmaceuticals, including certain active pharmaceutical ingredients (APIs) and key starting materials, following a Commerce Department finding that import reliance in this sector threatens US national security. According to the Fact Sheet, the tariffs go into effect in 120 days (or July 31, 2026) for certain large companies listed in Annex III, and 180 days (or September 29, 2026) for all other companies.

The tariff framework included in the Proclamation and associated Fact Sheet is illustrated in the table below.

Category	Tariff rate	Conditions
Baseline	100% ad valorem	Applies to covered patented pharmaceutical and pharmaceutical ingredient imports included in Annex I without qualifying arrangements
Onshoring plan	20% escalates to 100% after four years (April 2, 2030)	Applies to covered patented pharmaceuticals pharmaceutical ingredients included in Annex I for companies with approved onshoring plans
Onshoring plan and MFN pricing	0% (through January 20, 2029	Applies to covered patented pharmaceutical and pharmaceutical ingredient imports included in Annex I for companies with both onshoring commitments and MFN pricing agreements
European Union, Japan, Korea, Switzerland, Liechtenstein	15%	Jurisdiction-specific rate for covered patented pharmaceutical and pharmaceutical ingredient imports included in Annex I (unless a lower rate applies)
United Kingdom	10% (potentially 0%)	Jurisdiction-specific rate for covered patented pharmaceutical and pharmaceutical ingredient imports included in Annex I (may be reduced under future agreement)
Generic drugs / specialty products	0%	Generic drugs, biosimilars, and certain specialty or public-health products included in Annex IV are excluded at this stage

The scope of the action is limited to patented pharmaceutical products and related inputs, with generic drugs, biosimilars, and certain specialty or public-health products excluded at this stage. However, as noted in both the Proclamation and Fact Sheet, this scope could be revisited, suggesting potential expansion over time. The materials also signal enhanced monitoring and enforcement, including oversight of compliance with onshoring and pricing commitments.

Observations: The pharmaceutical tariffs represent a notable expansion of Section 232 into high-value, IP-driven industries and introduce a tiered tariff regime tied to business decisions such as onshoring and pricing commitments. Based on PwC estimates, approximately $15 billion of the total estimated $170 billion IEEPA tariffs, and therefore potential refunds, are attributable to the pharmaceutical sector, underscoring the material financial impact of these measures (see PwC's Tax Insight). As a result, companies could need to reassess transfer pricing policies, principal structures, and contract manufacturing arrangements where duty costs materially increase, particularly if the importer of record is not aligned with value creation. The availability of reduced or zero tariffs tied to onshoring could accelerate US supply chain restructuring, with implications for effective tax rates, incentives, and legal entity alignment. In addition, the interaction of high tariff rates with customs valuation, royalties, and intercompany pricing could increase controversy risk and compliance complexity, making timing and structuring decisions especially important in the near term.

Proclamation on steel, aluminum, and copper imports

The President on April 2 issued a second Presidential Proclamation under Section 232 strengthening existing tariffs on steel, aluminum, and copper imports, effective April 6, 2026, alongside a related White

House Fact Sheet describing the policy rationale and implementation. The Proclamation builds on prior Section 232 measures and reflects continued concerns regarding global excess capacity, import penetration, and the long-term viability of domestic metals production.

The Proclamation, together with the accompanying Fact Sheet, establishes the following tariff structure for aluminum, steel, and copper.

Category	Tariff rate	Conditions
Core metal articles	50% ad valorem	Applies generally to articles made entirely or almost entirely of aluminum, steel, or copper (see Annex I-A)
United Kingdom core metal articles	25%	Applies to UK-origin products made entirely or almost entirely of aluminum, steel, or copper that was smelted/cast or melted/poured in the UK (see Annex I-A)
Derivative metal products	25%	Applies to certain derivative articles made essentially of steel, aluminum, or copper (see Annex I-B)
United Kingdom derivative metal products	15%	Applies to UK-origin derivative articles made essentially of steel, aluminum, or copper that was smelted/cast or melted/poured in the UK (see Annex I-B)
Certain metal-intensive industrial equipment and electrical grid equipment	15%	Applies through 2027; revised rates effective January 1, 2028
US-origin metal products (manufactured abroad)	10%	Applies to products manufactured abroad but made from at least 95% US-origin steel, aluminum, and copper
Low metal content products	0%	Products containing 15% or less steel, aluminum, or copper will no longer be subject to Section 232 tariffs

A key feature of the updated regime, as described in both the Proclamation and Fact Sheet, is the refinement of its scope and methodology, specifically a reduced list of covered derivative products coupled with a revised tariff calculation approach under which duties are applied to the full value of the imported goods rather than limited to the value of the metal content. This update also includes a previously absent “de minimis” threshold for imported goods containing less than 15% subject metals. The Proclamation also refines classification and reporting expectations, signaling increased scrutiny around product scope, metal content, and origin determinations.

Observations: The steel, aluminum, and copper tariffs are likely to have broad cross-industry implications, particularly as the inclusion of derivative products extends tariff exposure beyond primary metals into manufacturing, construction, automotive, and consumer goods sectors. Customs has clarified previously ambiguous reporting requirements and methodologies and now expects full compliance under these streamlined rules. Importers should assess their tariff exposure and take appropriate steps to ensure adherence to these updated requirements. These developments could drive companies to reevaluate sourcing, supplier diversification, and potential nearshoring or domestic production strategies, while also requiring closer alignment between customs, tax, and transfer pricing functions.

Let’s talk

For a deeper discussion of how this issue might affect your business, please contact:

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