

How tax leaders can adapt to ongoing trade, tariff and tax uncertainty



The better the question. The better the answer.
The better the world works.



Agenda

US trade agenda

Transfer pricing and customs

Geopolitics

US trade agenda



Trump Administration trade agenda

“ To me, the most beautiful word in the dictionary is tariff, and it’s my favorite word.

- President Donald Trump, October 15, 2024

Trump tariff proposals

- In his first presidential term (2017-2021), Trump imposed wide-ranging tariffs on imports from certain foreign countries, as well as global steel and aluminum imports
- As a candidate, Trump proposed wide-ranging tariff proposals, including:
 - Across-the-board tariffs of 10-20%
 - Targeted tariffs on a country-by-country basis
 - 10-25% tariffs on goods from countries seen as contributing to illegal immigration and fentanyl smuggling to US
 - 60% or greater tariffs on imports from certain foreign rivals
 - Tariffs on specific goods, including automobiles, semiconductors, pharmaceuticals, metals, lumber, dairy products, and others

Trump Administration trade policy objectives

- Combat perceived unfair trading practices
- Reduce reliance on foreign adversaries
- Incentivize reshoring and domestic manufacturing
- Strengthen the defense industrial base
- Raise revenue
- Eliminate trade deficits
- Gain leverage to advance non-trade policy goals and change trading partners’ behavior on issues including:
 - Immigration
 - Fentanyl
 - Defense and security

The Trump administration is building on trade actions from his first term and taking unilateral action to enact some new tariffs, while also using the possibility of additional tariffs as a negotiating tool on a range of other policy priorities.

Executive authority to modify tariff rates and impose trade remedies

International Emergency Economic Powers Act (IEEPA)

- Provides the president broad authority to regulate economic transactions following the **declaration of a national emergency**
- Timeline for enactment: immediate

Section 201 of the Trade Act of 1974

- Allows new duties and other trade measures if the International Trade Commission finds imports cause or threaten **“serious injury” to a US industry**
- Timeline for enactment: up to 6-9 months

Section 301 of the Trade Act of 1974

- Allows the president to impose tariffs if the USTR finds a trading partner is engaging in practices that **burden or restrict US commerce**
- Timeline for enactment: up to 18 months

Section 232 of the Trade Act of 1962

- Allows the President to adjust import duties if Department of Commerce finds certain products **threaten to impair US national security**
- Timeline for enactment: up to 9-12 months

Section 338 of the Tariff Act of 1930

- Allows the president to increase tariffs up to 50% or block imports if a trading partner is **discriminating against US goods or commerce**
- Timeline for enactment: potentially immediate

The executive branch has wide-ranging authority to adjust tariff levels and impose new tariffs without approval from Congress. Under many of these authorities, the investigative processes that underlie tariff changes can be expedited, and tariffs can be imposed quickly.

Trump administration's current tariff policies

Global

- 10% across-the-board tariff on nearly all imports (excluding North American goods and certain sectors)
- Higher per-country tariff rates (*paused until July 9*)

North America

- 25% tariffs on goods from Canada and Mexico that do not qualify under the US-Mexico-Canada free trade agreement (USMCA) (*10% rate on Canadian energy goods and potash*)

China

- 20% tariffs on all goods in response to concerns regarding fentanyl
- 125% tariffs on nearly all goods following April 2 announcement (*reduced to 10% for 90 days*)
- Elimination of 'de minimis' exemption for low-value imports

Sectoral

- 25% tariffs on global steel and aluminum
- 25% tariffs on automobiles and parts
- Ongoing sectoral trade investigations under Section 232

Tariff stacking

China



Canada/Mexico



Rest of world



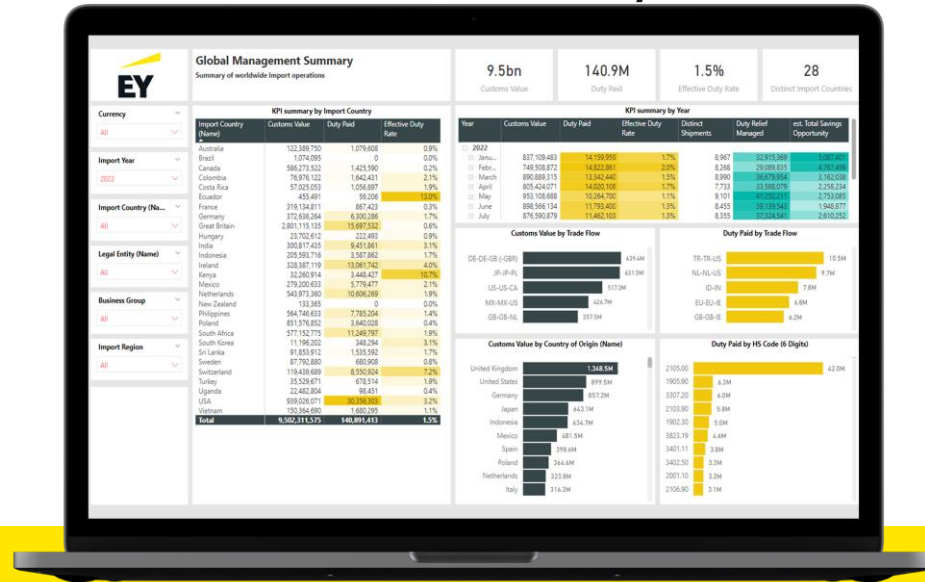
**This is a generalization for Section 232 products. There are products not currently subject to Section 232 tariffs that may be included in this section (e.g., copper, lumber, etc.).*

***USMCA qualified goods are generally exempt.*

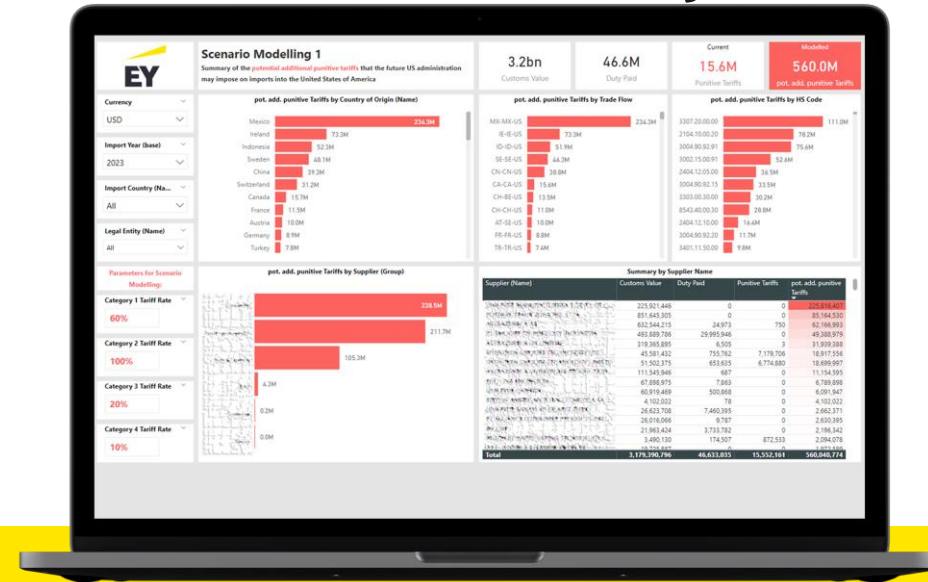
Global Trade Analytics

Extended solution benefits

Global visibility



Scenario modelling



Transfer pricing and customs



The intersection between customs and transfer pricing valuations

Related-party pricing rules are different for income tax and customs:

- Income tax methods are based on Organisation of Economic Co-operation and Development (OECD) guidance.
- Customs methods are based on the World Trade Organization (WTO) Valuation Agreement.
- Fundamental differences in approach, and conflicting results.

	Transfer pricing	Customs
Item to be taxed	Annual net income	Specific product
Relevant timeframe	Return due dates	Date of import
Level of application	Overall result	Transactional

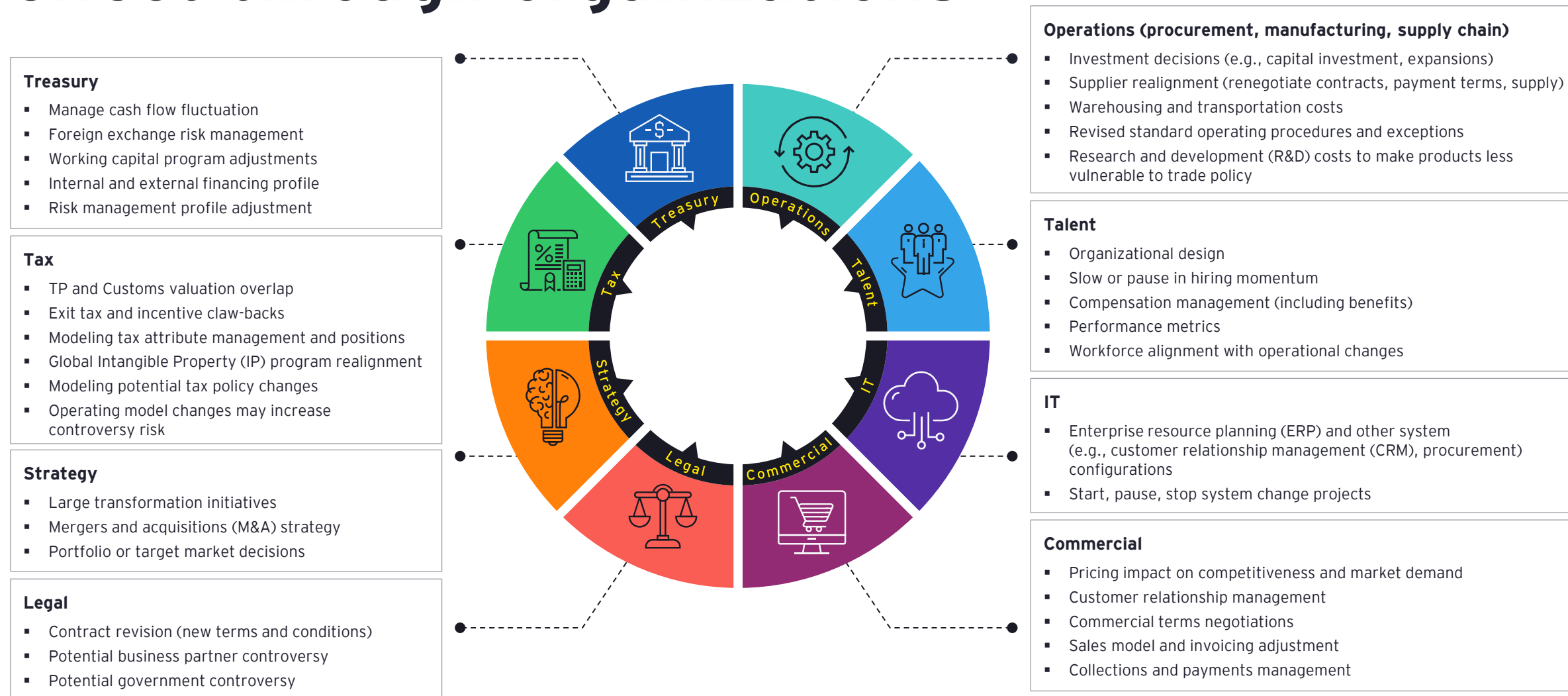
Impact of customs planning on transfer pricing

Category	Lever	Transfer pricing considerations
Tax process and operating model change	FSFE planning	Value of “assists” and interaction with existing TP positions
	Goods price bifurcation from product and non-product costs	Impact to TP policies, APAs, 1059A, BEAT and withholding tax considerations
	Change TP and customs value	Impact to TP policies, APAs, intercompany contracts, 1059A
Supply chain process and physical changes	Non-resident importer structure	
	Negotiate lower pricing with current suppliers	Profitability monitoring (operational TP)
	Establish import or processing location in FTZ or bonded warehouse	Impact to TP policies and intercompany contracts, new intercompany transactions
	Alternative source for suppliers or product substitution to change country of origin	Interaction with existing Subpart F positions on substantial transformation and TP value attribution, new intercompany transactions, incentives
	Supply chain management for current network	Operational TP, exit tax considerations, renegotiation of intercompany arrangements
	Revise market strategy to exit select markets or businesses that are not tenable	Exit tax considerations, clawback on existing incentives
	Strategic footprint changes (e.g., postponement, onshore/nearshore manufacturing)	Exit tax considerations, clawbacks on existing incentives, new incentives

Increasing level of change

Note: First sale for export (FSFE); foreign trade zone (FTZ); base erosion and anti-abuse tax (BEAT); advanced pricing agreement (APA); Section 1059A of the Internal Revenue Code (1059A)

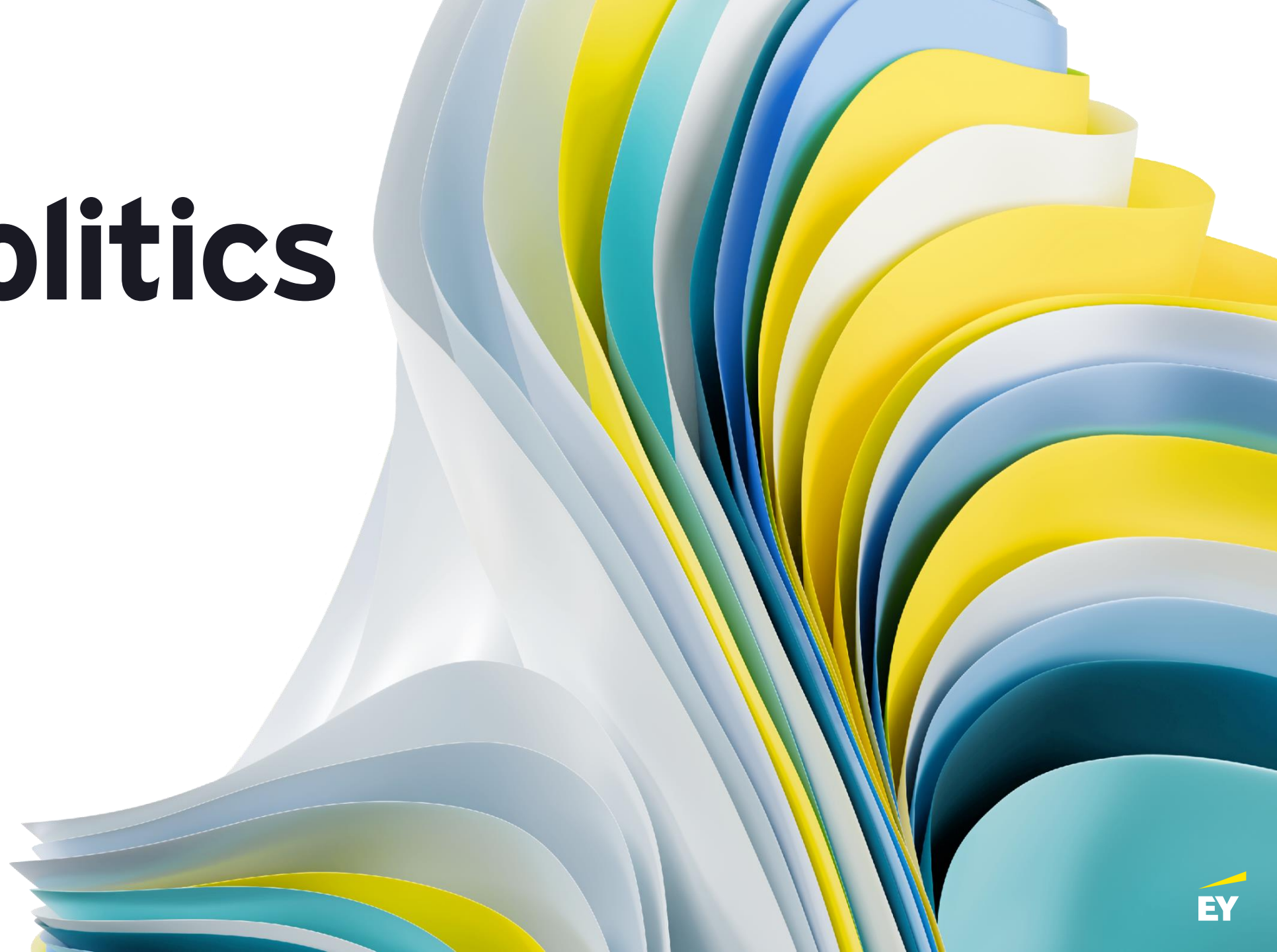
Tariff and policy uncertainty has a ripple effect through organizations



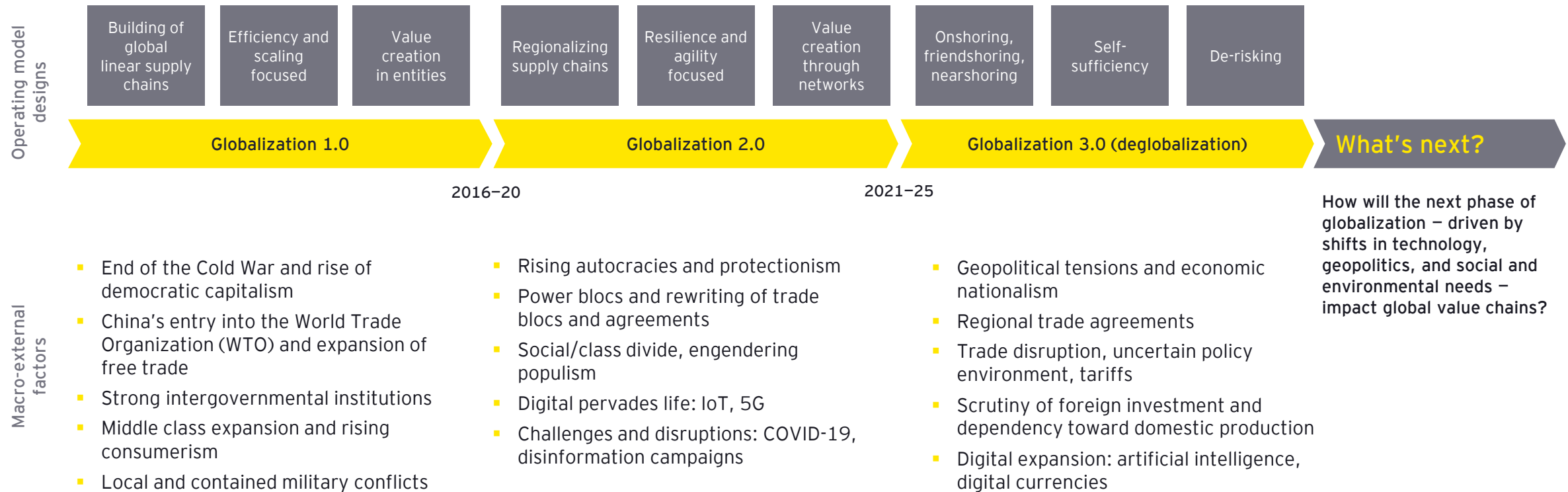
Potential stakeholders

Regulatory environment	Technology	Trade and supply chain	Tax	Energy and climate	Workforce
Chief executive officer General counsel Head of regulatory affairs Chief risk officer	Chief technology officer Chief information officer Chief data officer Head of IT compliance Head of digital transformation	Chief supply chain officer Chief operating officer Chief technology officer Head of procurement Head of logistics	Chief financial officer VP/head of tax Tax director Corporate controller	Chief sustainability officer Head of environmental affairs Energy manager Head of corporate social responsibility	Chief human resources officer Head of talent management Head of diversity, equity and inclusion Head of employee relations

Geopolitics



The primary drivers of the future global operating environment are influenced by geopolitical developments



Questions?

Get in touch to learn more.

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Global trade and customs advisor. Technology integrator. Builds comprehensive customs and trade solutions that drive efficiency, support compliance and mitigate risk.

Navigating global complexity requires streamlined, actionable strategies. As EY Canada's National Global Trade Leader, and a Partner in the firm's Indirect Tax practice, Sylvain unites a cross-country team focused on understanding clients' nuanced needs and delivering comprehensive support to future-proof trade programs in a changing world.

With 23 years' experience providing practical solutions to import and export challenges, Sylvain's practice integrates three core pillars. He bridges EY's decades'-long history of providing leading advisory services with vast technology enablement capabilities and strategic software alliances. This unique approach offers Canadian businesses a single point of entry into a world of cross-functional trade operations support and managed service offerings. As integrators, Sylvain's group links leading human insight with leading tech tools to help importers and exporters manage customs planning, complexity, compliance and more. EY Law professionals are embedded within the practice so clients can count on seamless, end-to-end support, including when trade remedy cases arise.

Sylvain advocates on behalf of clients with the Canada Border Services Agency and teams with in-country specialists to advocate on behalf of clients with customs agencies around the world. He works with the country's leading multinational organizations, as well as resident and non-resident companies doing business in Canada – or planning to start.



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Tara Di Rosa is a partner with EY's International Transfer Pricing Services practice in Canada located in Toronto and is the Canadian Transfer Pricing Market leader.

Tara has over 21 years of transfer pricing experience, including: tax planning, documentation, permanent establishments, withholding taxes, tax audits, Competent Authority resolutions and APAs. Tara has extensive experience in a number of industries including, but not limited to, manufacturing, technology, automotive, food, chemicals, pharmaceuticals, mining, and retail.

She is also experienced with planning and cross-border studies involving intercompany provision of services, purchase/sale and/or licensing of intangible property, purchase and/or sale of tangible goods, leasing of equipment, and intercompany financing including intercompany loans, guarantees, and credit rating sensitivities. She assists clients with the practical development of intercompany transfer pricing policies and the preparation of relevant analyses and documentation. Tara also regularly presents at various conferences including the Tax Executives Institute ("TEI").



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Prior to joining WCEY, Evan spent nearly 11 years on Capitol Hill, including serving as the top economic policy advisor to members of the Senate Finance Committee and the House Ways and Means Committee. In these roles, Evan contributed to the passage of landmark legislation including the Inflation Reduction Act, the Infrastructure Investment and Jobs Act, the American Rescue Plan Act, COVID relief legislation and other key initiatives.

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