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SECTION 232 TARIFFS ON IMPORTED PHARMACEUTICALS AND PHARMACEUTICAL INGREDIENTS (April 3, 2026)

On April 2, President Trump issued a Presidential Proclamation imposing additional tariffs under Section 232 of the Trade Expansion Act of 1962 on imports of pharmaceuticals and pharmaceutical ingredients into the United States, effective for goods entered for consumption or withdrawn from warehouse for consumption on or after 12:01 am Eastern Daylight Time (EDT) on July 31, 2026, by companies identified in Annex III, and on September 29, 2026, for all other companies.

Fundamentally, the Presidential Proclamation imposes a 100% additional tariff on 131 10-digit HTSUS classifications covering patented pharmaceuticals and pharmaceutical ingredients. However, the full text of the Proclamation contains many additional provisions, exceptions, and nuances:

- Patented pharmaceuticals and pharmaceutical ingredients listed by 10-digit HTSUS classification in Annex I to the Presidential Proclamation are subject to a 100% ad valorem tariff, unless a lower rate applies through one of the other provisions.

- The ad valorem tariff rate is 20%, not 100%, for companies that have, or will soon have, onshoring plans approved by the Commerce Secretary. The 20% rate increases to 100% on April 2, 2030. The Commerce Secretary will establish onshoring plan criteria, and will approve, monitor, and enforce the plans.

- The 20% ad valorem rate shall be reduced to 0% until January 20, 2029, for companies that have entered into MFN pharmaceutical pricing agreements with the Secretary of Health and Human Services. The Secretary may apply this 0% tariff rate to companies likely to be eligible for it in the near future (for example, because they have reached an agreement in principle).

- The ad valorem rate is 15% for patented pharmaceuticals and associated pharmaceutical ingredients listed in Annex I that originate in Japan, the European Union, South Korea, and Switzerland/Liechtenstein, unless a lower rate applies. Products of the United Kingdom are subject to a 10% ad valorem tariff rate, which reduces to 0% if required by any future pharmaceutical pricing agreement between the United States and the United Kingdom. The U.S. Trade Representative separately issued a press release on April 2 announcing that the U.S. and UK had reached an agreement on pharmaceutical pricing. It provides that the U.S. will not apply Section 232 tariffs to UK-origin patented and non-patented pharmaceutical products from January 1, 2026, through January 19, 2029, provided all major UK pharma companies enter into most favored nation (MFN) pricing and tariff agreements with the U.S. The United States also committed to not apply Section 301 tariffs to such UK-origin pharmaceutical products through January 19, 2029.

- Generic pharmaceuticals and their ingredients are not subject to these Section 232 tariffs at this time, but the Commerce Secretary must reassess

and report on them to the President within one year.

- The ad valorem tariff rate is 0% for drugs and associated ingredients where all approved indications are designated as “orphan drugs,” as well as for nuclear medicines, plasma derived therapies, fertility treatments, cell and gene therapies, antibody drug conjugates, medical countermeasures related to chemical, biological, radiological, and nuclear threats, other specialty pharmaceutical products identified by the Commerce Secretary, and animal health pharmaceutical products, provided that the Secretary, in consultation with the U.S. Trade Representative and the Secretary of Health and Human Services, determines that the products originate in a jurisdiction with a current or forthcoming trade and security framework agreement with the United States or that they meet an urgent U.S. health need.

- **Understanding the Annexes**

    - Annex I – Lists the pharmaceutical products subject to the Section 232 pharmaceutical tariffs by HTSUS classification and provides the new Chapter 99 HTSUS classifications to be used on Customs entries.

    - Annex II – Lists companies with ratified company-specific tariff agreements, including approved or approved-in-principle onshoring plans and/or MFN pricing agreements.

    - Annex III – Lists companies subject to preferential tariff treatment effective July 31, 2026.

    - Annex IV – Lists HTSUS classifications not covered under Annex I that are subject to this Section 232 action related to pharmaceuticals and pharmaceutical ingredients with a tariff rate of zero (0%). These HTSUS classifications are also not subject to the Section 122 tariffs implemented on February 20, 2026.

- **Duty Calculations**

    - If a product is subject to more than one rate of duty under this Presidential Proclamation, then the lowest applicable rate shall apply.

    - If a product is subject to these additional Section 232 tariffs and an HTSUS Column 1 duty rate, then the sum of the additional Section 232 tariff rate imposed and the applicable Column 1 duty rate shall be equal to the applicable rate imposed under this Presidential Proclamation. However, if the Column 1 duty rate is greater than the applicable Section 232 tariff rate, then only the Column 1 duty rate shall apply.

- **Special Trade Programs**

    - U.S. origin pharmaceuticals are not subject to these tariffs.

    - Any applicable antidumping and countervailing duties (AD/CVD) continue to be imposed.

    - Products admitted into U.S. foreign-trade zones (FTZs) in other than “domestic status” must be admitted in Privileged Foreign (PF) status so that tariffs apply upon entry for consumption.

    - Duty drawback is available.

- The Departments of Commerce and Health and Human Services may continue negotiating country and company-specific agreements.

- The Commerce Secretary may increase reduced tariff rates to address a country or company's failure to fulfill commitments under the relevant agreements.

Please contact Marshall Miller, Brian Murphy, Sean Murray, or David Ostheimer with questions or to discuss specific circumstances in detail.

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