What Businesses Need to Know About Trump's New Penalty Tariffs on India

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Once viewed as a leading contender for an early trade "deal" as part of President Trump's effort to conclude bilateral trade deals with trade partners, U.S.-India trade relations have strained. This tension culminated in Trump imposing an additional 25 percent "penalty" tariff on imports from India for its alleged purchase of Russian oil and military equipment. This additional tariff became effective on August 27, 2025.

The Tariff Is Imposed Under IEEPA

Like the reciprocal tariffs, the "penalty" tariff is imposed under the International Emergency Economic Powers Act (IEEPA). This authority is derived from and expands an earlier executive order under IEEPA that was used by the Biden Administration to ban the import and investment in the Russian Federation Energy Sector.

What the New Penalty Tariff Covers

All Indian origin goods that are entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 a.m. EDT on August 26, 2025 are covered. The additional 25 percent penalty duties will apply in addition to the additional 25 percent reciprocal tariffs that was issued on July 31, 2025.

Exemptions to the Penalty Tariff

- All duties imposed under Section 232 authority—i.e. steel/aluminum/copper/auto, etc.
- The exemptions outlined in Annex II of "Liberation Day" Reciprocal Tariffs.
- Indian goods that (1) were loaded onto a vessel at the port of loading and in transit on the final mode of transit prior to entry into the United States before 12:01 a.m. EDT on August 26, 2025; and (2) are entered for consumption, or withdrawn from warehouse for consumption, before 12:01 a.m. EDT on September 17, 2025.

- Goods for which entry is properly claimed under HTSUS Chapter 98, with the exception of HTSUS 9802.00.80 (duty will apply to the value added abroad and not to U.S. value) and HTSUS 9802.00.40, 9802.00.50 and 9802.00.60 (duty will apply to the value of repairs, alterations, or processing performed in India).

Key Takeaway

The current trade environment is marked by significant uncertainty. Like in the China scenario, there is no clear end date to these tariffs as proposed trade negotiations have been reportedly called off. As Indian origin goods are now subject to additional 50 percent tariffs in addition to their WTO Most Favored Nation baseline tariff, companies importing good from India should continue to familiarize themselves with effective strategies to avoid, mitigate, and even recover tariffs. In the meantime, we will continue to monitor ongoing developments on these trade actions and will report back should new information become available

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