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Brazil in the Crosshairs: What Brazil's New Section 301 Tariff Means, Coming July 22

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KEY POINTS

- Effective 12:01 a.m. ET on July 22, 2026, a 25% ad valorem Section 301 tariff will apply to substantially all goods originating in Brazil under Sections 301(b) and 304(a) of the Trade Act of 1974.
- Exemptions cover specified raw materials, civil aircraft and parts, pharmaceutical-application articles, Section 232 goods, humanitarian donations, informational materials, beef, orange juice, and energy products — with no product-specific exclusion process announced.
- A narrow in-transit grace period exempts goods loaded before July 22 and entered before 12:01 a.m. ET on July 29, 2026.
- The Additional Duty stacks on top of existing antidumping and countervailing duties; monitor further USTR action under docket USTR-2026-0331.
- Importers should conduct line-item tariff classification audits, review contracts for tariff-passthrough provisions, and assess whether tariff exposure requires disclosure in SEC filings or investor communications.

Beginning at 12:01 a.m. ET on July 22, 2026, a 25% *ad valorem* tariff will apply to many goods originating in Brazil. On July 15, 2026, the Office of the United States Trade Representative (USTR), at the specific direction of the president, published a *Federal Register* notice of action (the Final Action) imposing this additional duty (the Section 301 Tariff or Additional Duty) on goods that are products of Brazil (Brazil-Origin Goods) under Sections 301(b) and 304(a) of the Trade Act of 1974, as amended (the Trade Act). The action concludes a yearlong investigation into six categories of Brazilian conduct and follows more than a year of unsuccessful negotiations between the two governments. The Additional Duty applies to substantially all imports of Brazil-Origin Goods, subject only to the enumerated exemptions. As a result, every importer of Brazilian-Origin Goods must determine, product by product, whether its imports fall within an exemption or bear the Additional Duty.

Exemptions carve out specified raw materials, civil aircraft and parts, pharmaceutical-application articles, goods already subject to tariffs under Section 232 of the Trade Expansion Act of 1962 (Section 232), humanitarian donations, informational materials, and accompanied personal baggage. Named carve-outs also include beef, orange juice, and energy products. A narrow in-transit grace period runs through July 29, 2026. No additional product-specific exclusion process has been announced, and no phase-in, sunset, or *de minimis* threshold applies.

Key Dates	Action
July 22, 2026 (12:01 a.m. ET)	Additional Duty takes effect on all Brazil-Origin Goods entered for consumption or withdrawn from warehouse, unless exempted.

July 29, 2026 (12:01 a.m. ET)	In-transit exception expires; goods must have been loaded before July 22 and entered before this date and time to qualify.
July 31, 2026	Heading 9903.05.07 is amended to add patented pharmaceutical articles to the Section 232-related exemption.
Ongoing	Monitor USTR for any additional exclusion process, tariff modification, or exemption changes under Section 307 of the Trade Act, and track the Brazilian government's response.

BACKGROUND AND LEGAL AUTHORITY

At the president's direction, USTR initiated this investigation on July 15, 2025, targeting six categories of Brazilian conduct: (1) digital trade and electronic payment services; (2) unfair, preferential tariffs; (3) anti-corruption enforcement; (4) intellectual property protection; (5) ethanol market access; and (6) illegal deforestation. That same day, USTR requested consultations with the government of Brazil under Section 303(a) of the Trade Act; those consultations were held on April 15 and April 16, 2026. USTR and the Section 301 Committee also convened a public hearing on September 3, 2025.

On June 1, 2026, USTR determined that certain of Brazil's practices are actionable under Sections 301(b) and 304(a) and proposed a 25% tariff on all Brazil-Origin Goods with certain exemptions (the Proposed Action). USTR published that determination and proposal at 91 Fed. Reg. 33854 (June 4, 2026) (the June 4, 2026 FRN), which identified a preliminary exemption list (the June 4, 2026 Annex) and opened a public comment period through July 1, 2026 under Docket USTR-2025-0043. USTR received more than 360 written comments and held a public hearing on July 6 and 7, 2026, at which 77 witnesses testified.

On July 15, 2026, the president issued a memorandum (the Presidential Memorandum) directing the tariff action, and USTR published the Final Action the same day.

EXEMPTIONS

The exemption annexes (Annex I, headings 9903.05.02–9903.05.09, and Annex II) remove the following categories from the Additional Duty:

- **In-transit goods (9903.05.02).**
- **Enumerated Harmonized Tariff Schedule of the United States (HTSUS) subheadings (9903.05.03):** Hundreds of tariff lines covering products such as beef, iron ore pellets, aluminum oxide, wood products, spices, stone, dietary supplements, and oranges.
- **Newly added exemptions (9903.05.04).** Products added after public comment, including aluminum hydroxide, antiques and art, ash containing precious metals, certain animal hides and leather, certain seafood, additional pharmaceuticals, certain wood products, iron and steel scrap, organic honey, pig iron, unflavored instant coffee, and used clothing.
- **Civil aircraft and parts (9903.05.05)**.
- **Pharmaceutical-application articles (9903.05.06)**.
- **Section 232 products (9903.05.07).** Articles of aluminum, steel, or copper (and derivatives); passenger vehicles, light trucks, and parts; medium and heavy-duty vehicles and parts; wood products; and semiconductors already subject to Section 232 tariffs.

- **Humanitarian donations (9903.05.08) and informational materials (9903.05.09)**.
- **Accompanied personal baggage**.

THE FOUR-PART EXEMPTION TEST

Each exempted product satisfies at least one of the following criteria, as stated in the Final Action and the Presidential Memorandum: (a) a raw material whose tariffing could lead to the unavailability of domestic supply; (b) a product that could cause economy-wide disruptions if tariffed; (c) a product that cannot be produced in sufficient quantities or at reasonable prices in the U.S. or obtained from other sources; or (d) an article for which the tariff may not contribute substantially to eliminating Brazil's actionable practices.

FOREIGN TRADE ZONE TREATMENT

Brazil-Origin Goods subject to the Additional Duty that are admitted into a U.S. foreign trade zone (FTZ) must be admitted under "privileged foreign status" (19 C.F.R. § 146.41), unless eligible for "domestic status" (19 C.F.R. § 146.43). This restriction takes effect on the same date as the tariff.

CHAPTER 98 ENTRIES AND REPAIRS

The Additional Duty generally does not apply to goods properly entered under chapter 98 of the HTSUS pursuant to U.S. Customs and Border Protection regulations, except for heading 9802.00.80 and subheadings 9802.00.40, 9802.00.50, and 9802.00.60, where the duty applies to the value of foreign processing or assembly.

KEY CHANGES FROM THE PROPOSED ACTION

Two categories were **removed** from the exemption list after comment: high-purity dissolving pulp, following testimony linking its production to illegal deforestation, and nonpharmaceutical applications of certain chemicals. The chemical exemption under heading 9903.05.04 now applies only to pharmaceutical uses; companies using the same chemical inputs for industrial purposes — such as solvents — cannot rely on that exemption and remain subject to the Additional Duty. Exemption requests were **denied** for agricultural machinery, apparel, electrical machinery, footwear, gardening tools, mining equipment, paper, steel, organic sugar, and other manufactured goods, which USTR concluded do not satisfy the exemption criteria.

DUTY STACKING

The Additional Duty layers on top of existing obligations, so a Brazil-Origin Good subject to an antidumping or countervailing duty order will bear that duty plus 25%, unless exempted.

NEXT STEPS

- **Classify and quantify.** Conduct a line-item tariff-classification audit against the exemption annexes and model the cost impact on each affected product line.
- **Review contracts.** Identify force-majeure, price-adjustment, termination, and tariff-passthrough provisions in supply and distribution agreements.
- **Diversify sourcing.** For products denied exemption, evaluate alternative origins, particularly where the record reflects that third-country sources exist at reasonable prices.
- **Restructure FTZ operations.** Adjust admission procedures and evaluate domestic-status eligibility for

manufacturing or processing activity involving Brazil-Origin Goods.

- **Strengthen compliance programs.** The anti-corruption and IP findings support reinforced FCPA and trade-secret compliance for Brazil-connected operations.
- **Monitor the public record.** Track USTR for modification notices, any exclusion process, or review proceedings under Section 307, and participate in future comment periods.
- **Assess disclosure obligations.** Determine whether tariff exposure constitutes a material risk requiring disclosure in SEC filings, board presentations, or investor communications.

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