

# New Section 232 Tariffs on Automobiles and Automotive Parts

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On March 26, President Trump issued [Proclamation 10908](#), “Adjusting Imports of Automobiles and Automobile Parts Into the United States” (Proclamation), imposing a 25% additional tariff on imports of passenger vehicles, light trucks, and specific automotive parts under Section 232 of the Trade Expansion Act of 1962 (Section 232). The action revives a prior Section 232 investigation from 2019, which concluded that foreign automotive imports posed a threat to U.S. national security. Relying on that earlier determination, the current Proclamation avoids the need for a new investigation and allows for rapid imposition of trade measures. The administration has indicated that these tariffs are intended to be permanent, with no sunset date or review mechanism included. Citing national security concerns related to the U.S. automotive sector’s reliance on foreign manufacturing and technology, the administration’s action marks another demonstration of its significant shift in trade policy. The new tariffs are expected to have wide-ranging implications for automotive manufacturers, suppliers, and distributors.

The U.S. imports a significant portion of its vehicles from a few key countries, each contributing substantially to the overall market. In 2024, Mexico was the largest source, supplying approximately 22.8% of total car imports. Japan followed closely, representing 18.6%, while South Korea accounted for a market share of 17.3%. Other notable contributors include Canada with 12.9% of the import market and Germany at 11.7%. These five countries collectively dominate the U.S. automotive import sector, with Mexico, Japan, and South Korea being the top three suppliers by volume. In terms of value, Mexico led with \$49.98 billion in 2024, followed by Japan at \$40.76 billion, and South Korea at \$38.02 billion.

## ***Effective Dates***

- **Automobiles:** The 25% tariff on automobiles became effective on April 3, 2025.
- **Automotive Parts:** The tariff on specified automotive parts will take effect on a date to be announced in the Federal Register, but no later than May 3, 2025.

## ***Products Subject to Tariffs***

All imports of articles specified in [Annex I](#) to the Proclamation or in any subsequent annex to the Proclamation are subject to the 25% tariff. This includes passenger vehicles (e.g., sedans, SUVs, crossovers, minivans, and cargo vans) and light trucks (i.e., vehicle weight up to 8,500 lbs; payload capacity up to 4,000 lbs). It also includes automotive parts, such as engines, transmissions, powertrain parts, and electrical components, with processes to expand tariffs on additional parts if necessary.

## ***Exemptions and Exclusions***

Automotive parts imported under the U.S.-Mexico-Canada Agreement (USMCA) are temporarily excluded from these tariffs. This exclusion will transition to a partial exemption based on U.S. content in the future, once the U.S. Secretary of Commerce establishes a process to calculate and apply the tariff solely to the non-U.S. content of each part and issues a corresponding notice in the Federal Register. In addition, the U.S. Department of Commerce will establish a process before June 24 for domestic producers and industry associations to request the inclusion of specific additional automotive parts in the tariff list, and has committed to making determinations on these requests within 60 days of receipt.

For automobiles that qualify for preferential tariff treatment under the USMCA, the 25% tariff will apply only to the non-U.S. content of qualifying vehicles, calculated as the vehicle's total value minus the verified U.S. content. Importers should be aware of strict enforcement provisions built into the Proclamation when USMCA claims are made. Importers of USMCA-qualifying vehicles must submit documentation substantiating the value of U.S. content in each model. For these purposes, U.S. content is defined as the value of parts that are wholly obtained, produced entirely, or substantially transformed in the U.S. If U.S. Customs and Border Protection (CBP) determines that the non-U.S. content of a USMCA-qualifying vehicle has been understated, the 25% tariff will be applied retroactively and prospectively to the full value of the affected model. Specifically, duties will be assessed retroactively from April 3, 2025, and will continue to apply to all subsequent imports on the same model by the same importer until corrected values are verified by CBP.

These tariffs are in addition to any other duties, fees, charges, or trade remedies (e.g., Sections 201 and 301 tariffs) applicable to such imported automobiles and automotive parts, except the [reciprocal tariff framework](#) introduced under the [April 2 Executive Order](#), "Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits," which exempts goods covered by Section 232 tariffs from these additional "reciprocal" tariffs.

## ***Countries Affected***

The tariffs apply globally to all trading partners exporting the specified automobiles and automotive parts to the U.S., subject to the USMCA-related exemptions detailed above.

## ***Duty Drawback and FTZs***

- Any automobile or automotive part subject to the 25% tariff and admitted into a U.S. Foreign Trade Zone (FTZ) on or after the effective dates (*i.e.*, April 3 for automobiles and no later than May 3 for automotive parts) must enter under "privileged foreign status," unless it qualifies for domestic status (*i.e.*, all applicable duties and taxes have already been paid upon importation). When such goods are subsequently entered for consumption from the FTZ, the applicable duty rate will be based on the Harmonized Tariff Schedule of the U.S. (HTSUS) classification and rates in effect on the date of admission to the FTZ. As a result, this requirement may diminish one of the traditional advantages of FTZ operations, which is the ability to apply the lower duty rate available at the time of withdrawal.
- Duty drawback will not be available for the 25% tariff imposed pursuant to the Proclamation.

### ***Additional Guidance***

The U.S. Department of Commerce and CBP are expected to release implementing regulations, the full HTSUS product list, and certification procedures in the coming days and weeks.

### ***Conclusion***

This alert is intended as a guide only and is not a substitute for specific legal or tax advice. Things are rapidly changing by the day and hour, and our Tariff Task Force will do its best to provide timely and relevant updates as things progress. Please don't hesitate to reach out to us with questions.

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