

# What Does the US Supreme Court Ruling on Tariffs Mean for Your Business?

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Right now, businesses are scrambling to understand the implications of the US Supreme Court's February 20 ruling striking down use of the International Emergency Economic Powers Act (IEEPA) to levy tariffs.

The ruling affects the so-called reciprocal tariffs ranging from 10% to 50% imposed on virtually all US trading partners, as well as additional measures targeting China, Brazil, India, and others, under IEEPA.

Unaffected are other tariffs on goods such as steel, aluminum, copper, and automotive products and restrictions specific to China.

Immediately after the ruling, President Donald Trump announced a 10% global import duty for 150 days under Section 122 of the Trade Act of 1974 (subsequently raised to 15%), as well as new investigations for longer-lasting tariffs.

## The So What

The court ruled 6-3 that IEEPA does not empower the President to impose tariffs on imports in response to national emergencies without consent from Congress.

With the removal of IEEPA tariffs and addition of Section 122 duties, the average US trade-weighted tariff rate decreases from 15% to around 13%. However, the disaggregated impact varies widely by country and sector. For example:

- The average tariff rate from China and Brazil decreases the most due to the high IEEPA tariffs previously imposed (from ~36% to ~27% for China, and from ~22% to ~16% for Brazil)
- But the EU and UK are marginally disadvantaged due to the shifting exemptions under Section 122 compared to IEEPA (from ~12% to ~13% for the EU, and from ~8% to ~10% for the UK).

At the sector level, the reduction in tariff rates will be particularly significant for consumer electronics (reducing the average from 11% to 5%), electrical machinery, consumer durables, and fashion & luxury. Some sectors will see little movement, such as biopharma, packaged food, and automotives, given similar exemptions under IEEPA and Section 122 or if already exposed to other sectoral tariffs.

“ This is a landmark ruling because it reinforces that broad authority over US tariffs rests with Congress, limiting the President’s ability to deploy emergency powers as a unilateral tariff instrument.

— CRISTIÁN RODRÍGUEZ-CHIFFELLE, PARTNER & DIRECTOR,  
TRADE, INVESTMENT & GEOPOLITICS

Here are some key issues to watch:

- How might the US implement other legal instruments to raise tariffs for the longer term after the 150-day sunset period for Section 122?
- How will the IEEPA ruling affect trade deals the US negotiated bilaterally with some 20 nations?
- Will US importers be able to get refunds on the more than \$130 billion already paid for IEEPA tariffs? If so, how?

The US administration has already issued a new executive order imposing a temporary 15% global ad valorem import duty under Section 122, effective February 24. The duty applies globally but preserves key carve-outs, including exemptions for USMCA-compliant imports and strategic imports such as automotive products, critical minerals, agricultural products, and pharmaceuticals. However, removal of Most Favored Nation caps under Section 122 may increase tariff exposure for certain products that enjoyed preferential treatment under IEEPA.

Section 122 tariffs will serve as a bridge until other trade actions can be implemented. The Trump administration has announced these will include tariffs under Section 301 of the Trade Act of 1974 (which addresses “unfair trade practices”), in addition to investigations previously launched under Section 232 of the Trade Expansion Act of 1962 (which empowers the president to raise tariffs when imports threaten to impair national security). The Section 232 and 301 investigations provide longer-term tariff measures than the quick-to-enact Section 122.

It is also unclear where the Supreme Court ruling leaves bilateral trade deals the US negotiated in 2025. These deals, such as those with the UK, the EU, and Vietnam, were made after the US had unilaterally imposed IEEPA tariffs on April 2, 2025. The US has expressed its intent to honor these agreements and said it expects the same commitment from its trading partners. Some nations may push to rescind or renegotiate those deals now that the court has declared IEEPA tariffs

unconstitutional. Others, however, may conclude it is more practical to keep those terms in place for now in return for retaining concessions negotiated—such as from Section 232 tariffs.

The Supreme Court ruling does not address refunds of IEEPA tariffs paid by US importers. Many companies will apply for refunds immediately, but the process, timing, and eligibility criteria remain unclear. The Trump administration has indicated that the matter will be litigated.

“ With so many issues still unresolved, the bottom line is that uncertainty in the US trade landscape will likely remain heightened for the foreseeable future as negotiations continue, exemptions and carveouts are clarified or enhanced, further tariff investigations are launched, and clarity emerges on country-specific deals already in place.

— **MARC GILBERT**, MANAGING DIRECTOR & SENIOR PARTNER; GLOBAL LEAD, CENTER FOR GEOPOLITICS

## Now What

Here are actions business leaders should take as events unfold to build competitive resilience:

- **Refine scenario planning.** Leverage and strengthen tariff command centers to continue to prepare for a variety of potential US trade rules and frameworks. Given revisions in exemptions under Section 122 and potential future instruments to be used, assess tariff exposure and impact for key products and supply chains compared to competitors.
- **Be ready to pursue opportunities.** Look for opportunities to take advantage of lower tariff rates, even short term by frontloading shipments if rates have lowered, keeping a close eye on the competition.
- **Treat refunds as a potential upside.** Prepare documentation now of IEEPA-related tariffs paid to US Customs to apply for potential refunds.
- **Enhance trade compliance.** Quickly adapt to evolving trade compliance rules, particularly given signals from the Trump administration on future use of non-tariff means (for example, blocking trade, issuing embargoes, and restricting export licenses).

- **Continue to build longer-term cost resilience.** Given the volatility in trade rules, continue to monitor and reduce exposure to tariffs by diversifying suppliers, exploring nearshore- or onshore manufacturing and sourcing footprints, and negotiating contract adjustments.
- **Strengthen geopolitical muscle.** This heightened uncertainty raises the need to build internal capabilities to address geopolitical challenges, including trade, customs, and policy-monitoring capabilities, to ensure the right capital and strategic decisions are made.

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