

Tariff axe over ecom exports

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India's booming ecommerce export industry is bracing for a potential disruption after US President Donald Trump signed an executive order Wednesday eliminating the long-standing duty-free exemption for low-value imports.

The move may impact Indian online sellers and ecommerce companies, many of which have built businesses around shipping small parcels — ranging from handcrafted jewelry to mobile accessories — directly to American consumers without facing tariffs. This threatens to raise costs and erode competitiveness for thousands of small exporters.

The order, effective August 29, ends the so-called “de minimis” exemption that allowed packages valued under \$800 to enter the US without duties. This may force e-commerce platforms to face significant challenges due to elimination of simplified customs procedures.

“This erases a key cost advantage for Indian sellers, particularly those using direct-to-consumer (D2C) e-commerce channels,” said Salman Waris, managing partner at TechLegis Advocates & Solicitors. “Businesses must adjust pricing or absorb additional tariff costs, likely making Indian goods less competitive in the US.”

The de minimis system allowed products and merchandise under \$800 to enter the US without any duty and with minimal inspection. Chinese ecommerce companies used it to send merchandise directly to customers in the US.

The number of shipments using this system has swelled in recent years to reach 1.4 billion in 2024. Of such systems, almost 60 per cent came from China. India is among 100 countries that used the system and it is too early to understand the impact its elimination will have on the country's ecommerce industry and small businesses.

“The quantum of de-minimis

US shuts duty-free door: What it means for India



- \$800 exemption scrapped from August 29
- Small Indian exporters lose tariff-free access
- Costs to rise, margins to shrink, prices may spike
- Direct-to-US sellers face new Customs red tape
- Over 1.4 billion parcels used this route in 2024
- India among 100 nations affected
- Festival season sales likely to take a hit

imports has been estimated at around \$128 billion in 2021, by Coalition for a Prosperous America and it may be even higher by now. Therefore, this also can have substantial consumer price effects in the U.S.,” said Dr Badri Narayanan Gopalakrishnan, Fellow and Ex-Trade head NITI.

Gopalakrishnan is of the view that small exporters have had a reprieve in the form of ‘duty-free de minimis’ treatment. He said suspension of this may have a notable impact on their bottomline, since they do not have the kind of market power or markup to absorb the costs of these duties, nor do they have the luxury of being able to pass these on to the consumer given their small scale and stature.

Agнешwar Sen, Trade Policy Leader,

EY India, said Chinese exporters, particularly Temu, Shein, etc., used this provision to exponentially expand their small value (less than \$800) exports directly to US consumers. He said medium and small businesses and artisanal exporters from India, using online marketplaces like Amazon and Etsy also benefited by accessing consumers in the US directly.

“Ending of this provision will impact small low value, including artisanal, exports to the US from the world over,” said Sen.

Brijesh Damodaran, Managing Partner, Auxano Capital, said the ‘de minimis rule’, enabled Indian small businesses and digital-first exporters to ship affordable products directly to US customers with minimal customs friction and competitive pricing. He said the suspension will now raise the landed cost and administrative complexity for every small package sent to US consumers. “While positioned as a crackdown on abuse (counterfeits, opioids, and evasion), this will impact genuine exporters having less than 30 days to adapt,” said Damodaran.

Viswanath Pingali, Professor in the economics area at IIMA, said that small businesses, which used to escape scrutiny through ‘de minimis’ principle, might face greater challenges. However, with active support from the government these challenges can be overcome, including in the short run. “The Indian diaspora in the US, which are big consumers of products and services, must be exploring options to guide the Indian businesses.”

Sunil Kharbanda, co-founder and chief revenue officer, Trezix- Global Trade Platform, said the suspension of the de minimis exemption is a defining moment for global exporters. “What was once a fast lane for low-value shipments is now a chokepoint demanding full compliance, documentation, and duty payments,” said Kharbanda.

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