BRENTHURST GLOBAL WEALTH

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THE US TARIFFS THAT SHOOK SA'S TRADE AND WHY MAURITIUS MAY HOLD THE KEY

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South Africa's exporters are under pressure as the U.S. significantly hiked tariffs in 2025, transforming favourable trade access into steep cost exposure. By contrast, routing trade through Mauritius - with its Freeport platform, 3% export tax rate and robust treaty network - offers a compliant pivot to safeguard margins and global competitiveness.

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The United States has moved from a low-tariff baseline to a much tougher trade stance in 2025. South African exporters – long beneficiaries of the African Growth and Opportunity Act (AGOA) – now face some of the steepest duty increases since the 1990s.

On 2 April 2025, Washington introduced a 10% across-the-board duty on all imports. By August, it layered on country-specific surcharges and industry-level hikes that now define the new normal for global suppliers.

The headline rates:

Category	New US duty (2025)	Notes
Baseline import duty	10%	Applies to nearly all imported goods
South Africa specific duty	30%	Effective 8 August 2025
Automotive goods	25%	Section 232 "national security" tariff
Steel & Aluminium (and derivatives)	50%	Since June 2025
AGOA window	Valid to 30 Sept 2025	Section 232 "national security" tariff

Together, these measures mean many South African shipments now carry tariff exposure before logistics and compliance costs.

THE RIPPLE EFFECTS ACROSS INDUSTRIES

AUTOMOTIVE:

A 25% levy threatens roughly $2 billion in annual US car parts exports, already pressuring the Rosslyn and East London assembly hubs.

AGRICULTURE:

A 31% tariff on citrus adds about $4.50 per carton, squeezing margins and risking 30 000+ rural jobs.

METALS:

Section 232 tariffs of 50% on steel, aluminium and derivatives have erased much of the sector's export competitiveness.

SMES:

Export orders to the U.S. have dropped by nearly half since April 2025, as smaller firms reprice or pause contracts.

MACRO IMPACT:

Treasury modelling suggests a 0.2-point drag on South African GDP for 2025, even after rand adjustments.

THE MAURITIUS ALTERNATIVE – LAWFUL, EFFICIENT AND REGIONALLY STRATEGIC

Re-engineering supply chains through Mauritius offers a compliant way to preserve margins and diversify markets while avoiding tariff evasion risks.

1. FREEPORT PLATFORM

- Duty-free / VAT-free storage and re-export zones.
- Modern logistics, bonded warehousing and light-processing rights.
- 100% foreign ownership and fast customs clearance.

2. TAX ADVANTAGE

- 3% corporate income tax for companies exporting goods (including international buy/sell).
- No capital gains tax and 0% withholding tax on dividends.
- 80% partial exemption regime for qualifying foreign-source income.

3. TREATY NETWORK AND REPUTATION

- Over 45 double-taxation agreements, including one with South Africa.
- Robust OECD-aligned compliance and substance requirements, ensuring legitimacy with investors and regulators.

HOW SOUTH AFRICAN FIRMS CAN PIVOT, WITHOUT CROSSING THE LINE

Objective	Mauritius solution
Diversify markets	Use the Freeport to reach Africa, the Middle East and Asia duty-free
Reduce landed costs	Consolidate shipments, perform packaging or quality checks locally and re-export tax free.
Enhance margins	Channel export-of-goods income through a 3%-taxed Mauritian entity with substance.
Stay compliant	Do not trans-ship US-bound goods to disguise origin; instead, use Mauritius for genuine value-add and non-US trade.

CFO CHECKLIST – TURNING STRATEGY INTO ACTION

- **Quantify exposure:** Recalculate landed costs under the 10%, 25%, 30% and 50% tariffs by HTS code.
- **Segment markets:** Separate US-bound sales from alternative market volumes.
- **Design structure:** Establish a Mauritius-trading or Freeport entity; confirm eligibility for the 3% rate.
- **Build substance:** Appoint local directors, maintain an office and keep operational staff on the island.
- **Review tax & customs:** Align transfer pricing, treaty positions and export documentation with current OECD and SADC standards.
- **Monitor policy:** Track AGOA renewal and US Section 232 updates monthly.

THE TAKEAWAY

South Africa's trade calculus has changed dramatically. The tariff wave of 2025 has turned US market access from a privilege into a premium.

By contrast, Mauritius – with its Freeport efficiencies, 3% export tax rate and stable regulatory climate – offers regional traders a way to rebalance portfolios, defend profitability and stay globally compliant.

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