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Trump Closes Duty-Free Loophole, Shein and Temu Face Rising Costs

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President Donald Trump has officially shut down a major trade exemption that allowed small packages to enter the United States without paying import duties. The move is expected to significantly impact ultra-low-cost platforms like Shein and Temu, whose competitive prices heavily rely on this loophole.

The policy ends the de minimis exemption, which previously allowed goods valued at $800 or less to be imported into the U.S. duty-free. While the exemption was already suspended for China and Hong Kong in May, Trump's latest executive order expands the rule globally.

As of August 29, nearly all international shipments will be subject to tariffs based on their country of origin.

In the executive order, Trump stated, “Many shippers go to great lengths to evade law enforcement and hide illicit substances in imports that go through international commerce,” adding that “evasion, deception, and illicit-drug importation are particularly high for low-value articles that have been eligible for duty free de minimis treatment.”

The decision strikes a major blow to fast fashion e-commerce giants like Shein and Temu, both of which built their U.S. business models on shipping vast quantities of inexpensive items directly to American consumers. With this exemption closed, the option to reroute shipments, previously used as a workaround, is also gone. Those routes now face up to 20% tariffs, and all packages must declare their origin to U.S. Customs and Border Protection (CBP).

Temu responded to the earlier China-specific suspension in May by shifting its fulfillment strategy. The company said it would distribute American orders through U.S.-based centers, claiming at the time that “pricing for US consumers remains unchanged.” However, some customers later complained of rising prices and depleted inventory.

CBP reports that it currently handles close to 4 million de minimis packages daily, the majority coming from China and Hong Kong. Over the last fiscal year, 1.36 billion shipments entered the U.S. under this exemption. That volume is now poised to face tariffs ranging from $80 per item for countries with tariffs under 16%, to as much as $200 for countries exceeding a 25% tariff rate.

The shift will have a ripple effect on both logistics and pricing. Companies can no longer rely on piecemeal shipments to avoid duties and will have to factor tariffs into bulk imports as well. This could raise retail prices across popular platforms.

Lower-income American consumers may be hit hardest. Based on a recent study, economists found that 48% of de minimis packages were delivered to the poorest U.S. ZIP codes, while only 22% went to the most affluent. For many families, the affordability of goods from Shein, Temu, and similar retailers filled an essential gap in the retail landscape.

The rule change also affects competitors such as Amazon Haul, a budget alternative to Temu and TikTok Shop. Like Shein and Temu, these sellers relied on direct low-cost international shipping to attract budget-conscious U.S. buyers. Neither Amazon nor Temu responded to requests for comment.

Earlier this year, the Trump administration reduced tariffs on Chinese packages from 120% to 54% and introduced a flat $100 duty option. However, with the global repeal of de minimis, even those partial relief measures no longer apply.

As part of President Trump's broader "Big Beautiful Bill," the full repeal of de minimis was originally scheduled for July 2027. The latest executive order moves that timeline forward and establishes civil penalties of up to $10,000 for multiple violations.

The decision reflects a firm approach to reining in unchecked imports and protecting domestic trade enforcement. It also signals that the administration is committed to challenging global retail giants that have skirted U.S. customs duties through high-volume, low-value shipments.