

Protecting a UK Business and Its Directors From the Shocks and Changing Landscape of a Tariff War

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The introduction of tariffs by the US creates one thing that most UK businesses are likely to agree on – uncertainty.

For many UK businesses, having to deal with the uncertainties created by Brexit, then Covid and then the Russia/Ukraine conflict has required a planning for the worst but hoping for the best approach. But with uncertainty about whether/which countries will retaliate to the imposition of any tariffs, how is it possible to contingency plan to protect a business and the position of its directors in an everchanging landscape?

We have set out below some of the key considerations that all businesses should be thinking about now.

Professional Advice

In addition to the below, one of the most important things for all boards to do is to take professional advice. Why? Because this mitigates the risk of a personal liability.

It may not be possible to prepare contingency plans against all variables but taking professional advice and acting in accordance with that will provide the best protection to directors if there is a shock to the business that cannot be traded through.

If a decision is justifiable at the time it is made, but circumstances change and the outcome is not as hoped, directors should not be penalised for having made that decision if they took advice, considered it, applied it and it was made based on the information that was available to them and their advisors at that time.

Key Considerations

Tariffs	<ul style="list-style-type: none"> Where are the financial pinch points where tariff costs stress your business – both import and export? Identify the “country of origin” of goods/materials you use in your business – will tariffs apply? What is the potential impact on export costs? Are there any exemptions available? Can you diversify your supply chain to mitigate the potential impact? If you have diversified already, do you need to revisit that?
Business Strategy and Planning	<ul style="list-style-type: none"> Impact on pricing Impact on margins Impact on current business model, plans and strategy Impact on current contingency plans Impact on financials/funding
Sector/Country Concerns	<ul style="list-style-type: none"> Some sectors will likely be impacted more than most e.g. automotive Consider the impact of China’s retaliatory tariffs
Supply Chain Considerations	<ul style="list-style-type: none"> Map your supply chain. What do your supplier contracts say about who bears tariff costs? If it is your business, when will increased costs impact? Can you absorb those costs, or do you need to/can you pass them on? Revisit your pricing models. What is the impact on your customers of increasing your pricing – will they pay? Consider the impact of potential delays in shipment.

Key Considerations

Stakeholders

- Engage with your key financial stakeholders – what support will they give and when?
- How much headroom do you have in your working capital and other facilities and for how long?
- Keep communication lines open.

Other (non-tariff) considerations

- Impact of hikes in energy costs
- Impact of increases to national minimum wage
- Increases to national insurance contributions
- Higher business rates
- Consumer spending



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