



TAX STRATEGIST

How Tax Complexity is Impacting the Retail Industry

Key Retail Findings from the 2026 *BDO Tax Strategist Survey*

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Retail companies continue to feel the effects of shifting trade and tariff policies and are recalibrating their tax strategies accordingly.

According to the [2026 BDO Tax Strategist Survey](#), 64% of retail tax professionals are significantly more involved in strategic tax discussions around business resilience compared to 54% in other industries. In practice, finance and tax leaders are working to mitigate tariff-driven pressures, strengthen supply chain resilience, and unlock additional tax benefits through more proactive planning.

Read on to explore retail tax professionals' top priorities, emerging challenges, and how they're addressing the issues shaping the year ahead.

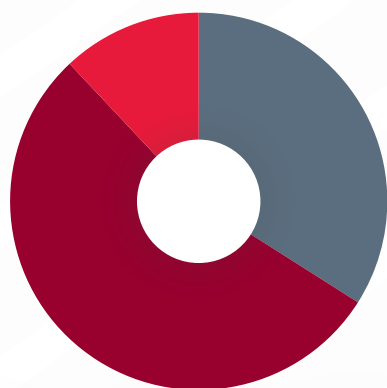
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Key Finding #1: Retailers are Taking Steps to Mitigate Tax Risk in Light of More Tariffs

How would you rate the level of challenge that customs and trade compliance and planning, including changes to U.S. tariffs, pose to your organization?



12%
Not a
challenge

34%
Significant
challenge

54%
Slight
challenge

Fifty percent of retail respondents **plan to review country of origin rules and adjust manufacturing footprints** to secure more favorable outcomes.

[Tariff volatility](#) has become a material operational risk for the retail sector, not only because policies are shifting rapidly, but because court decisions, refund pathways, and compliance obligations are simultaneously in flux. While most retail respondents characterized tariffs as a slight challenge, the findings indicate persistent pressure that is prompting action on sourcing, origin review, and tax planning.

The U.S. Court of International Trade ruled in May 2026 that the Trump administration's temporary Section 122 10% global tariffs were unlawful, although the decision is on hold due to a government appeal. The Section 122 tariffs were intended to replace the IEEPA tariffs invalidated by the U.S. Supreme Court in February 2026¹. In response to that ruling, U.S. Customs and Border Protection (CBP) developed the Consolidated Administration and Processing of Entries (CAPE) system to process billions of dollars in IEEPA tariff refund claims by importers. Yet importers now face renewed uncertainty after CBP announced a change in its position on whether refunds can be issued for “finally liquidated” entries, leaving many refund claims in limbo. At the same time, the administration's ongoing review of Section 232 national security tariffs on steel and aluminum adds another layer of unpredictability for retailers that rely on metal-intensive products or components. In June 2026, the U.S. Trade Representative (USTR) released the results of Section 301 investigations into whether 60 economies imposed and enforced prohibitions on the importation of goods produced with forced labor. USTR is recommending additional tariffs of 10% and 12.5%.

Taken together, these developments underscore how fragmented and fast-moving the tariff landscape has become for retailers. As the temporary Section 122 tariffs expire on July 24, new Section 301-driven tariffs may be in place by then, and with the IEEPA refund timing unresolved, the sequencing of these events creates significant planning challenges for retailers. The summer period is especially sensitive, as seasonal travel and back-to-school sales are critical to Q3 performance.

To navigate this tariff environment, retailers should ensure their controls accurately capture classification, country of origin, and value to avoid costly errors.

Without proactive mitigation, the tariff-related financial pressures are likely to compound through year-end 2026 and into 2027, including the peak holiday season — a period when retailers cannot afford operational or margin disruption.

¹ Please note that survey responses were collected before ruling was issued.

Key Finding #2: Tax Transparency is Affecting Retailers' Reputations and Performance

Breakdown by industry of tax leaders that say the tax department is measured by corporate reputation related to tax transparency:

Retail and Consumer Products	56%
Manufacturing	44%
Technology	40%
Healthcare	40%
Real Estate & Construction	38%
Asset Management	36%
Industry Agnostic Average	42%

Brand reputation is increasingly shaping retailers' performance as more consumers prioritize ethical and sustainable goods, and regulators require heightened tax transparency.

Under ASU 2023-09, all entities subject to ASC 740 ([with public companies required to comply beginning in fiscal year 2025](#), and private companies required to comply for fiscal year 2026) must disclose income taxes paid, net of refunds received, disaggregated by individual jurisdiction — for any jurisdiction where the absolute value of net taxes paid equals or exceeds 5% of the absolute value of total income taxes paid (net of refunds received) across all jurisdictions.

The new disclosure requirements represent a significant shift from prior reporting. Before ASU 2023-09, US GAAP allowed companies to aggregate all income taxes paid into a single amount without jurisdictional-level breakdown. The new standard requires disaggregation by individual jurisdiction, which may indirectly reveal the geographic footprint of a company's operations and where its tax obligations are concentrated — though ASU 2023-09 is a tax disclosure standard, not a supply chain transparency regulation. Given this additional disclosure, investors, consumers, governments, and activist groups may scrutinize tax payments, particularly if a large percentage of taxes are paid in jurisdictions with varying labor and environmental standards or other ethical concerns.

56% of retail tax leaders say the **tax department is measured by corporate reputation** related to tax transparency.

Key Finding #3: OBBBA Impacts are Incentivizing Retailers to Expand their Physical Presence

% of Retail respondents who said U.S. federal tax policy changes made in the last 12 months have caused them to increase their investment in the following areas...

Research and development (R&D) activities	64%
Capital investment	60%
U.S. expansion	50%

The One Big Beautiful Bill Act (OBBBA) is affecting business decisions and tax planning strategies. Retail tax leaders are taking note of several favorable provisions, particularly the restoration of 100% bonus depreciation and research and experimentation (R&E) expensing.

In practice, the restoration of 100% [bonus depreciation](#) encourages businesses to refresh, rebuild, and remodel retail spaces. Businesses can now immediately expense the costs of most assets in the year they are placed into service. In addition, retailers are integrating tax into their strategic planning earlier and more consistently. Previously, domestic R&E costs had to be amortized over five years, and foreign R&E costs over 15 years, but under OBBBA, domestic R&E costs can now be immediately expensed. This is a major incentive to expand research and experimentation activities in the U.S.

OBBBA also changed the calculation of the business interest expense limitation under Section 163(j). By excluding depreciation, amortization, or depletion from the adjusted taxable income (ATI) calculation, the ATI will generally be higher and, therefore, increase the amount of interest a company can deduct before reaching the limit. This potentially allows retailers to finance larger business investments, whether that means expanding store footprints, hiring, purchasing inventory, upgrading technology, or other priority areas.

These incentives present significant upside for retailers because there is still brick-and-mortar demand from consumers, particularly for high-ticket items and luxury brands. The combination of immediate R&E expensing, bonus depreciation, and expanded interest deductibility makes this environment particularly favorable for physical expansion.

Ninety percent of retail respondents say the **business interest deduction limitation (Section 163(j))** under OBBBA will have a significant or moderate impact on their business.

Looking Ahead

The OBBBA, tariff changes, and new accounting standards are just some of the policy changes impacting retailers' tax planning strategies.

As new legislation emerges and new tariffs are introduced, retailers should take the following steps to prepare for the year ahead:

- ▶ **Coordinate with suppliers, file IEEPA refund claims, strengthen documentation and internal controls, and evaluate additional tariff mitigation strategies:** Because only the Importer of Record can directly file IEEPA claims, retailers should coordinate with their suppliers and review contract terms to secure any downstream share of eligible refunds. Claims must be submitted through the CAPE system. Import records, classifications, and supporting documentation should be complete, consistent, and audit-ready. Retailers should also assess first sale for export, unbundling, and other strategies to further mitigate duty exposure.
- ▶ **Prepare to contextualize financial statements:** Retailers should bring their finance and communications teams together to align on how to address questions that could arise from investors or consumers regarding new tax disclosures.
- ▶ **Seize the moment to invest in expansion:** Retailers that conduct proper tax planning can benefit from changes to bonus depreciation and the interest deduction, allowing for more investment — including expanding their physical presence. Retailers will not only be eligible for larger deductions but could also boost their market visibility and capture more market share — both key growth areas.

Read the full 2026 BDO Tax Strategist Survey report for insights across all industries. ▶



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