



## Tax alert: India-UK conclude talks on landmark Free Trade Agreement and Double Contributions Convention

**8 May 2025**

On 6 May 2025, India and the UK concluded talks on the Free Trade Agreement ('FTA') and negotiated a Double Contributions Convention ('DCC'). The FTA covers both trade in goods and services and will foster trade, investment, innovation, and job creation in both the economies.

### In a nutshell



India and the UK concluded mutually beneficial Free Trade Agreement on 6 May 2025.



Both countries agree to eliminate/reduce tariffs on goods, open new opportunities in government procurement and financial services with fewer restrictions.



Simplified Customs procedures and trade facilitation to reduce trade time and barriers, benefiting import and export - enhancing efficiency.



DCC ensures that employees temporarily posted between the two countries will only pay social security in their home country.



Next steps include finalizing the legal text of the agreement, obtaining required approvals, signing, and implementation.



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On 6 May 2025, India and the UK announced conclusion of negotiations on a landmark Free Trade Agreement (FTA) and a Double Contributions Convention (DCC). The FTA is expected to significantly enhance bilateral trade of goods and services and give tremendous boost to the economies of both countries.

While India and the UK are working on finalizing the legal texts of the agreement, the UK government has issued Chapter summary that outlines the aspects that have been agreed between the two countries.

**The modalities of the Chapters of the agreement have been detailed below:**

- **Goods Market Access**
  - Reports suggest that tariffs will be eliminated on 99% of Indian exports to the UK.
  - Major sectors to benefit include textiles, footwear, carpets, cars, and marine products that currently attract tariffs ranging between 4% to 16%.
  - India will eliminate or reduce tariffs on **90% of tariff lines**, covering **92% of UK goods exports**.
  - Some of the key products which shall be enjoy tariff benefits include aircraft parts, scientific instruments, and agri-food (e.g., salmon, lamb), chocolate, soft drinks, auto parts, and medical technology, whisky etc.
  - The deal excludes products like **sugar, milled rice, chicken, and egg**.
- **Customs and Trade Facilitation** -
  - Promotion of streamlined, transparent Customs procedures with the aim of releasing goods within 48 hours, where feasible.
  - Simplification for eligible traders by allowing payment of Customs duties to be deferred until after release of imported goods.
- **Technical Barriers to Trade (TBT)** - Remove or reduce technical barrier to trade of goods, while upholding the safety and quality of the products.
- **Rules of Origin:** To specify the criteria a good or a product must meet, as well as the compliance documents needed, to benefit from the preferential tariffs under the agreement.
- **Trade in Services** - Secures and expand service providers' access to the Indian/UK market across multiple sectors including telecommunications, IT, environmental, and construction services.
- **Financial Services** - To cooperate on issues such as FinTech and diversity in finance, alongside promoting financial stability and improving market integration. On foreign direct investment, UK ownership or investment into Indian insurance or banking firms will be locked in at up to 74% UK owned or invested.
- **Government Procurement:** To promote fair, transparent, and open process to participate in Government procurements.
- **Other Chapters:**
  - Promote transparent regulatory environment, bilateral regulatory cooperation, and exchange of information.
  - Commitment towards application of competition and consumer protection laws in a non-discriminating manner.
  - Reduce unjustifiable barriers to digital trade and promote compatibility of digital trading systems.
  - Establishing a robust state-to-state dispute settlement mechanism for resolving certain disputes, should they arise under the agreement.
  - Collaboration on research and development for innovation.
  - Effective and balanced protection and enforcement of Intellectual Protection rights.

- Ensure fair competition for UK and Indian business through a commitment that neither country will selectively disapply their labour protections.
- Identify and encourage mutually interested UK and Indian relevant bodies to enter into negotiations on mutual agreements or arrangements for recognition of professional qualifications.
- Robust sanitary and phytosanitary norms to ensure protection of human, animal and plant lives.
- Transparent and obstacle free visa processes for professionals that travel between India and UK.
- Support for climate and environment goals, including establishment of a sub-committee on sustainability in bilateral trade and investment. However, there is no mention regarding the Carbon Border Adjustment Mechanism (CBAM) that is set to kick in 2027.

### **UK-India Agreement: Social Security & Next Steps**

Alongside UK-India FTA, both countries have agreed to a **DCC** to prevent double social security payments. Under the DCC, employees temporarily posted (up to 3 years) will only pay social security in their home country.

### **Concluding Remarks**

India and the UK have been in negotiations for the FTA for many years and a mutually benefit deal is a welcome move for both the economies. The overarching framework is highly promising. However, the full economic impact will hinge on the release and execution of clean implementation modalities, including tariff schedules, quota allocations, and rules of origin.

An elimination/reduction of tariffs on goods exported to the UK will provide significant boost to Indian exporters and an opportunity to explore a new market. At the same time, the Indian consumer would be able to enjoy several goods originating in the UK, at a comparatively cheaper price. However, enhanced market access in India to exports from UK is expected to put competitive pressure on domestic industries. Thus, it would be worthwhile for companies to start evaluating the impact of the agreement and evaluate strategic shifts that may be appropriate in the supply chain to reap the full benefits of the FTA and mitigate the risks, if any.



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