



The India–United Kingdom
free trade agreement:
Building a new strategic
economic landscape

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The recently concluded free trade agreement (FTA) between India and the United Kingdom (UK) marks a pivotal moment in the economic and strategic relationship between two of the world's major economies. This agreement is not merely a transactional document aimed at tariff reduction; it also represents a fundamental reshaping of trade relations and offers a new calculus for businesses already operating in or considering entry into the India–UK corridor. Understanding the depth and breadth of this FTA is the first step towards identifying and capitalising on the emergent opportunities.



Overview of the agreement: Key objectives, scope and projected economic impact

The India-UK FTA, concluded after three years of negotiations, is being celebrated as a “historic milestone” and the “most comprehensive bilateral trade deal” the UK has signed since leaving the European Union. For India, it is likewise regarded as its most extensive trade pact to date. The agreement aims to strengthen the Comprehensive Strategic Partnership (CSP) between the two countries, driving increased trade, investment, economic growth, job creation and innovation in both nations.

The scope of the agreement is extensive, covering not only trade in goods and services but also investment facilitation, robust intellectual property protection, government procurement

and regulatory cooperation. This broad spectrum indicates a move towards deeper economic integration, going beyond traditional tariff-focused FTAs, as has been explained in detail by the UK government’s release ¹ on the matter. While the official announcement by the Indian government does not provide similar details, a press release by Government of India ² supplements the statement the UK government released. The projected economic impact of the agreement is substantial. The FTA is anticipated to increase bilateral trade between the fifth and sixth largest global economies by **GBP25.5 billion annually by 2040**, ³ of which the export from the UK is expected to increase by **GBP15.7 billion**. This builds upon a total trade

relationship valued at **GBP42.6 billion in 2024**, with India currently ranked as the **UK’s 11th largest trading partner**. Specific targets include doubling bilateral goods trade from the current **US\$20 billion within the next decade** and potentially reaching an overall bilateral trade figure of US\$100 billion by 2030, with some projections as high as US\$120 billion by 2030. For the UK, the deal is expected to add **GBP4.8 billion annually to its Gross Domestic Product (GDP) by 2040 and boost wages by GBP2.2 billion each year in the long run**. ⁴ Projections of a similar impact on the Indian economy are not yet available.

The strategic context of this FTA is as significant as its economic figures. For the UK, it represents the “largest and most economically significant” bilateral trade agreement signed since Brexit. For India, the FTA aligns with its broader economic objectives, including diversifying global supply chains and its overarching goal of becoming “one of the largest economies in the world”.

This FTA, therefore, serves as a vehicle for both nations to achieve distinct yet complementary economic objectives. India will strengthen its economic partnerships, enhance its manufacturing and service capabilities and position itself as a key player in reconfigured global value chains. This confluence of strategic interests suggests a more profound commitment to the FTA’s success than expected from a purely economic pact, implying that advisory services must grasp this broader strategic value to guide their clients effectively.

Furthermore, **a diaspora population of at least 1.9 million** ⁵ people of **Indian origin** acts as a “living bridge” between the two nations. This community acts as a cultural link and a potent economic catalyst, potentially facilitating smoother market entry, offering nuanced local insights and driving investment flows in both directions. This “living bridge” is an often-underestimated force multiplier in the success of such agreements, presenting unique networking, talent and market opportunities for businesses.

The agreement underscores a mutual desire to secure reliable economic partnerships. This urgency from both governments signals a strong political will to see the FTA implemented effectively, which in turn suggests that businesses will be keen to understand and use its provisions quickly, creating immediate demand for insightful and actionable advisory support.



¹ Source: <https://www.gov.uk/government/news/uk-signs-trade-deal-with-india>
² Source: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2127321>
³ Source: <https://www.gov.uk/government/news/uk-signs-trade-deal-with-india>

⁴ Source: <https://www.gov.uk/government/news/uk-signs-trade-deal-with-india>
⁵ Source: <https://www.newindiaabroad.com/english/news/indian-diaspora-in-the-uk-grows-shows-strong-socio-economic-indicators-report>



Unpacking key provisions: Tariffs, customs & trade facilitation, services, investment, digital trade and mobility

A thorough understanding of the FTA's core components is essential for identifying strategic opportunities and potential challenges. The agreement encompasses a wide array of provisions designed to liberalise and facilitate trade and investment.



Tariff reductions and elimination: As with any FTA, the central feature is the substantial elimination or reduction of tariffs. Reports suggest that tariffs will be eliminated on 99 percent of Indian exports to the UK. Major sectors to benefit from this reduction include textiles, footwear, carpets, cars and marine products that currently attract tariffs ranging between 4 percent and 16 percent.

The UK will see reductions on 90 percent of its tariff lines for exports to India, with 85 percent of these becoming fully tariff-free within a decade. This translates to annual savings of over GBP400 million for UK exporters, a figure expected to more than double within 10 years. ⁶

⁶ Source: <https://www.freepressjournal.in/business/indiauk-ink-landmark-free-trade-deal-tariffs-on-90-goods-slashed-trade-to-double-by-2030#:~:text=Based%20on%202022%20trade%20alone,900%20million%20after%2010%20years.>

Specific product categories will see significant changes. **Tariffs on Scotch whisky and gin imported into India, currently at 150 percent, will be gradually reduced to 40 percent over a decade, with an initial cut to 75 percent. Automotive tariffs on UK-manufactured cars entering India will be cut from over 100 percent to 10 percent under a quota system.** Other British goods such as **medical devices, cosmetics, aerospace equipment and certain agricultural products such as lamb, salmon, chocolate and biscuits will also benefit from significantly reduced levies.** While these headline tariff cuts are attractive, **the inclusion of specific critical sectors such as automobiles “under a quota” signifies the introduction of tariff rate quotas (TRQs). The effective management of these TRQs, alongside navigating the complex rules of origin (RoO) which determine eligibility for FTA benefits, will be crucial.** ⁷ This complexity demands specialised advisory services, particularly for small and medium enterprises (SMEs), which may lack dedicated in-house expertise in customs law and trade compliance.



Customs and trade facilitation: The agreement will ensure that customs procedures in both countries are non-discriminatory, transparent and consistent. It will aim to provide traders in both countries with procedures, including specific customs simplifications to eligible traders, timeframes for releasing goods, and increased certainty. Another predicted simplification for eligible traders is to allow payment of customs duties to be deferred until after release of imported goods, perhaps on the lines of a deferred duty benefit available to select authorised economic operators.



Services trade liberalisation: The FTA aims to enhance market access for UK services in India, particularly in financial services, professional services (though legal services were noted as a “missed opportunity”), educational services and Information Technology/ Information Technology Enabled Services (IT/ITeS). India, in turn, has secured commitments from the UK in these service areas, which are vital for its export-driven growth.



Investment facilitation: While the FTA promotes investment, a comprehensive **bilateral investment treaty (BIT) was negotiated in parallel.** Although not concluded simultaneously with the FTA, **its eventual finalisation is anticipated.** The FTA does secure India's foreign investment cap for the UK in the insurance sector. **However, the unresolved status of the BIT may introduce a degree of caution for immediate large-scale investments, as the whole framework for investment protection—and crucially—dispute resolution mechanisms (a point of contention, with India preferring exhaustion of local remedies first) is not yet cemented. This uncertainty creates a need for advisory services focused on risk assessment for investments made prior to the BIT's finalisation and strategic guidance on structuring investments to control its future provisions.**



Digital trade: India has made its “best commitments” on digital trade within this FTA. The agreement promotes using digital systems, paperless trade and the validity of electronic contracts and transactions. There is a specific focus on digitally delivered services, including architecture, engineering, computing and telecommunications. These provisions are more than mere e-commerce facilitation; they establish a foundational framework for deeper collaboration in technology, including **artificial intelligence (AI) and cybersecurity. This paves the way for joint research and development (R&D), co-development of products for global markets and more seamless cross-border data flows—fundamental to modern technological advancement.**

⁷ Source: <https://currentaffairs.khanglobalstudies.com/india-uk-fta-negotiations/>



Mobility of professionals: ⁸ A critical component for India, this aspect is significantly bolstered by the **double contribution convention (DCC)**. The DCC provides a **three-year waiver on social security contributions for Indian professionals on temporary assignment in the UK, and vice versa. This offers considerable cost savings for businesses, particularly in the services sector. The FTA also facilitates more effortless movement for various categories of skilled workers, including contractual service suppliers, business visitors, investors, intra-corporate transferees and even independent professionals such as yoga instructors, musicians and chefs.** ⁹

While the UK government has emphasised that this does not constitute a change to its overall immigration policy, it does entail a more streamlined process for business mobility. One UK official suggested this could mean “around 100 new visas” processed annually for Indian workers, indicating the specific quotas may be modest but strategically important. The mobility provisions, especially the DCC, are not merely about labour movement or cost reduction; they are crucial for Indian service companies (particularly in IT/ITeS) to effectively deliver their services in the UK market, thereby enhancing their global competitiveness.



Intellectual property rights (IPR): The FTA includes provisions enshrining copyright protections for the UK’s creative sector for at least 60 years. India has also committed to engaging on aspects of copyright and related rights, including public performance rights and artist resale rights. It will conduct an internal review of its copyright protection terms. However, civil society organisations have voiced concerns regarding potential Trade-Related Aspects of Intellectual Property Rights (TRIPS)-plus provisions in drafts, which could restrict India’s capacity to produce affordable generic medicines.



Government procurement: The agreement grants UK businesses guaranteed and unprecedented access to India’s substantial government procurement market, estimated to be worth at least **GBP38 billion annually.** ¹⁰



Regulatory cooperation and non-tariff barriers (NTBs): Both nations have committed to addressing NTBs to ensure a more unrestricted flow of goods and services. The FTA emphasizes good regulatory practices and enhanced transparency, aligning with India’s domestic reform agenda focused on improving the ease of doing business.

⁸ Source: <https://www.moneycontrol.com/news/business/economy/double-contribution-convention-indian-workers-in-uk-exempted-from-paying-social-security-for-three-years-13015123.html>
⁹ Source: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2127321>



Sectoral deep dive: High-growth opportunities and transformations in India and the UK

The FTA is poised to unlock significant growth and foster transformations across a multitude of sectors in both India and the UK

Opportunities for India: Indian businesses can anticipate substantial gains in several key areas, including the following:



Labour-intensive exports: Sectors such as textiles, apparel, leather goods, footwear, sports goods, toys and gems & jewellery are set for a significant export boost due to reduced or zero-duty access to the UK market.



Services sector: IT and ITeS, financial services, professional services and educational services are expected to grow significantly, benefiting from the UK’s commitments and enhanced mobility provisions for Indian professionals.¹¹



Manufacturing and engineering: Engineering goods, automotive parts and engines, organic chemicals and marine products will likely experience enhanced export competitiveness. The FTA is likely to spur trade not only for finished goods but also in intermediate goods and components, particularly in the automotive and advanced machinery sectors. This creates avenues for deeper supply chain integration and necessitates specialised advice on optimising component sourcing under the FTA’s rules.

¹⁰ Source: https://www.business-standard.com/economy/news/india-uk-fta-gives-british-firms-access-to-govt-procurement-market-125050701558_1.html
¹¹ Source: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2127321>



Pharmaceuticals: Opportunities exist for an increased market share for Indian pharmaceutical products in the UK, although this must be navigated alongside the IPR provisions and related concerns.



Agriculture:
Certain agricultural products, such as Indian grapes and mangoes are expected to benefit from duty reductions.

The increasing complexity and technological sophistication of modern manufacturing mean that the demand for associated services– **R&D, design, digital integration for smart factories, and after-sales support will escalate.** The FTA's robust services and digital trade provisions are well-positioned to support this “servicification” of manufacturing, **enabling businesses to enhance competitiveness by leveraging cross-border service inputs.**

Opportunities for the UK: UK businesses also stand to gain significantly across a diverse range of sectors:

1. **Beverages:** The phased reduction of tariffs on Scotch whisky and gin in India, the world's largest whisky market, presents a transformative opportunity for UK-based distillers.

2. **Automotive:** Significant tariff cuts (to 10 percent under quota) for automobiles, primarily benefiting the high-end and luxury cars sector and potentially electric vehicle components, will open up the rapidly growing Indian automotive market

3. **Advanced manufacturing and technology:** Medical devices, cosmetics, aerospace equipment and advanced machinery will see substantially reduced levies, fostering exports.

4. **Financial and professional business services:** The FTA guarantees enhanced access for UK firms to India's expanding market, including securing India's foreign investment cap in the insurance sector.

5. **Clean energy and technology:** The agreement provides new access to India's vast public procurement market as the country transitions to renewable energy. It also fosters collaboration in AI, biotechnology and other digital technologies.

6. **Creative industries:** Enhanced copyright protections and a commitment from India to review terms related to performance and resale rights offer growth potential for the UK's creative sector.

7. **Agriculture and food products:** Lowered duties on UK exports such as lamb, salmon, chocolate, biscuits and soft drinks will improve market access. While bulk agricultural trade may encounter sensitivities, the FTA specifically opens doors for high-value, niche agricultural products and processed foods. This suggests a shift from broad commodity trade towards specialised agri-food supply chains, requiring adherence to quality standards (including sanitary and phytosanitary measures) and premium branding.

8. **Education:** The FTA is expected to provide better access for UK businesses and institutions to India's large and growing education sector.
- The sectoral impacts highlight a move towards more intricate economic interdependence, fostering trade in finished goods as well as the development of integrated value chains and a burgeoning trade in services and technology, all underpinned by the new regulatory framework of the FTA.
- Following the conclusion of FTA negotiations, the UK and India will collaborate to finalise the free trade agreement's legal text and create a workable and legally binding contract. ¹² Both countries will then sign the final treaty text to conclude this process.
- ¹² Source: <https://www.gov.uk/government/publications/uk-india-trade-deal-conclusion-summary/uk-india-trade-deal-conclusion-summary#what-happens-next>
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