



Tax alert: Conclusion of India-EU FTA negotiations – High-level overview on ‘mother of all deals’

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India and the European Union (EU) on 27 January 2026, jointly announced the conclusion of the India–European Union Free Trade Agreement (India-EU FTA) at the 16th India–EU Summit held in New Delhi. This landmark deal integrates the world’s 2nd and 4th largest economies, covering a quarter (25%) of global GDP with a combined market estimated at over US\$ 24 trillion and triggering unparalleled opportunities for over 2 billion people of India and the EU. While the fine print of the agreement is not yet published, key features of the agreement, based on the documents released by Indian government and EU, have been discussed in this alert.

Key features

Goods Market Access

For Indian exporters

- India has gained preferential access to EU markets across **97% of tariff lines**, covering **99.5% of trade value**.
- Key sectors include the following:

Sectors	Tariff benefit
Leather and Footwear	Elimination of tariffs from up to 17% to zero across all tariff lines.
Marine	Reducing tariffs of up to 26% across 100% trade value.
Medical Instruments, Appliances, and vital Supplies	Tariffs elimination of up to 6.7% across 99.1% of trade lines
Gems and jewellery	Tariffs elimination of up to 4% across 100% trade value
Textiles and Apparel	Zero duty in textiles and clothing, covering all tariff lines and reducing tariffs by up to 12%
Chemicals	Zero duty on 97.5% of trade value
Mines and Minerals	Zero duty across 100% tariff lines

- India has prudently safeguarded sensitive sectors such as dairy, cereals, certain fruits and vegetables etc.

For EU exporters

- India is offering **92.1% of its tariff lines** which covers 97.5% of the EU exports.
- Key sectors include the following:

Product	Current tariffs	Future tariffs
Motor vehicles	110%	10% (with a quota of 2,50,000 vehicles a year)
Machinery and electrical equipment	Up to 44%	0% for almost all products

Aircraft and spacecraft	Up to 11%	0% for almost all products
Optical, medical and surgical equipment	Up to 27.5%	0% for 90% of the products
Plastics	Up to 16.5%	0% for almost all products
Chemicals	Up to 22%	0% for almost all products
Iron and steel	Up to 22%	0% for almost all products
Pharmaceuticals	11%	0% for almost all products
Wine	150%	20% (premium range); 30% (medium range)
Spirits	Up to 150%	40%
Beer	110%	50%

- Sensitive European agricultural sectors such as beef, sugar, or rice will not be liberalized at all.

Rules of Origin

- Product specific rules are designed to ensure that substantial processing is undertaken by the parties and provide adequate flexibility to source inputs from global value chain.
- To facilitate ease of doing business, Indian exporters will be allowed self-certification through Statement of Origin
- Flexibility in the rules for MSMEs by locking quotas for shrimps and prawns, downstream aluminium products
- Transition period for certain product specific rules to be provided in machinery and aerospace sectors

Trade in service

- Boost service exports in EU across 144 services sub-sectors, including IT/ITeS, professional services, education, and other business services
- India has offered access to 102 sub-sectors such as professional, telecommunication, maritime, financial etc.

Mobility

- FTA establishes assured regime for temporary entry and stay for professionals, including business visitors, intra-corporate transferees, contractual service suppliers and independent professionals
- Comprehensive framework has been agreed to enable Social Security Agreements in 5 years with all EU Member States

Non-tariff barriers

- FTA provides measures to tackle non-tariff barriers by strengthening regulatory cooperation, through greater transparency and streamlined Customs, Sanitary and Phytosanitary procedures
- Through CBAM provisions, commitments have been secured including a forward looking most-favored nation assurance extending flexibilities, if any, granted to third countries under the regulation, enhanced technical cooperation on recognition of carbon prices and recognition of verifiers etc.

Intellectual Protection and Artificial Intelligence

- FTA reinforces intellectual property protections provided under Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- FTA is expected to facilitate cooperation in critical areas like Artificial Intelligence

Way forward

Conclusion of this negotiation has been termed as the 'mother of all deals' by both the parties and is expected to unfold significant benefits to both India and EU. As a next step, the agreement will now move into technical closure and for legal scrubbing. Once the same is adopted by the Council, both the parties

will sign the agreement. This will be followed by a ratification by Indian Cabinet and the EU Parliament.

Businesses should treat this as a transition window and should focus on the following:

- **Business impact analysis** on existing as well as proposed business operations involving exports and imports of covered products between both parties
- **Analysis of sourcing patterns** considering the current deal and the need for change/redesigning the sourcing strategy
- **Review investment decisions** made and repurpose the same by aligning with the newly announced trade deal
- **Evaluate the impact on mobility** of professionals and on social security coordination, as these could materially reduce operational friction and cost



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