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Tax alert: India–United Kingdom landmark CETA – Unlocking new trade opportunities

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On 24 July 2025, India and the United Kingdom signed the Comprehensive Economic and Trade Agreement (CETA), a landmark pact that significantly liberalizes tariffs and enhances market access between the two economies. The agreement provides for substantial tariff reductions and eliminations across a wide range of goods, enabling Indian exporters, particularly in sectors such as textiles, engineering goods, and pharmaceuticals, to benefit from preferential duty access in the UK market. Scheduled to come into force on 15 July 2026 following ratification, the CETA is expected to reduce trade costs from day one, improve export competitiveness and accelerate bilateral trade growth, with a targeted expansion to US$ 100 billion by 2030.

In a nutshell

The agreement grants **duty-free access on 99% of tariff lines** for Indian goods in the UK, eliminating previously high tariffs across key sectors such as textiles, leather, marine products, engineering goods, and processed food.

The UK market will become **almost entirely tariff-free for Indian exporters without phases or quotas,** significantly enhancing price competitiveness and reducing landed costs from the effective date.

Government procurement markets will open mutually, creating a major new avenue for services and project exports.

Strong provisions on **services and professional mobility, alongside the Double Contribution Convention (DCC)**, will reduce cost barriers and improve ease of doing business.

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Signing of India–UK CETA:

India and the United Kingdom signed the CETA, signaling India's stated objective on deepening economic integration with advanced markets. The agreement text, now finalized, presents a broad and structured framework spanning 30 chapters, covering Trade-in-Goods, Rules of Origin, Customs and Trade Facilitation, Trade-in-Services, Investment, Digital Trade, Government Procurement, Intellectual Property, Sustainability, and SME cooperation, among other areas, thus establishing one of India's most comprehensive bilateral trade frameworks.

A central feature of the agreement is the extensive tariff liberalization by UK, granting duty-free access across nearly all tariff lines for Indian exports. India has undertaken a calibrated and sector-sensitive approach to its own tariff commitments, balancing market access with domestic priorities.

The key modalities of the agreement are detailed below:

Market Access of Goods

For India exporters

- The UK has eliminated tariffs on 99% of Indian tariff lines, covering nearly 100% of India's export trade value.
- Key sectors of benefit include the following:

Category of Tariff Treatment	Share of tariff lines	Key sectors
Immediate Elimination - Full duty elimination from entry into force	100% duty-free access across all tariff lines	Engineering goods & Auto Components
		Electronics & Telecom Equipment
		Iron, Steel & Products
		Textiles and Apparel
		Chemicals
		Pharmaceuticals and Medical Devices
		Agriculture and Processed Food
		Leather and Footwear
		Gems & Jewelry
		Plastics & Plastic Products
		Marine Products & Seafood

- The CETA ensures **immediate zero-duty access across all sectors**, significantly enhancing price competitiveness and market access for Indian exporters.

For India importers

- India has opened 89.5% of its tariff lines covering 91% of UK exports, with calibrated staging across 5, 7, and 10 year periods.

- Tariff structure:

Sector	Pre-CETA Tariff	Tariff rate from date of enforcement	Year wise tariff reduction
Clothing & Apparel	10% - 20%	Nil	Immediately
Other textile article	10% - 20%	Nil	Immediately
Footwear	20% - 35%	Nil	Immediately
Auto (Internal Combustion engine (CBU))	110%-70%	Phased reduction to 10% (quota restrictions)	In Quota (10K -19K units) (Yr 1-5): 50%-10% In Quota (16.3k – 4.1K units) (Yr 6- 14): 10% In Quota (7.5K – 3.75K units) (Yr 15 onwards): 10%
Auto Sector (Electric/Hybrid/ Hydrogen vehicle)	110%-70%	Phased reduction to 10% (quota restrictions)	Yr 1-5: No concession In Quota (400 – 10K units) (Yr 6-9): 50% - 15% In Quota (1.2K- 18.5K units) (Yr 10- 14): 10% In Quota (20K units) (ye 15 onwards): 10%
Auto Parts and Components	22% - 11%	Nil - 17.6%	Immediately/ Nil in fifth year
Pharmaceutical	10%	Nil	Immediately
Medical Devices	7.5% - 15%	Nil – 7.5%	Nil in Fifth/ tenth year, 50% base rate in fifth/tenth year
Machinery	7.5% - 20%	Nil – 13.5%	Immediately, Nil tariff in fifth/tenth year, 50% base rate in fifth year.
Electrical equipment	7.5% - 40%	Nil - 13.5%	Immediately, Nil tariff in fifth/tenth year, 50% base rate in fifth year.

Rules of Origin

- For a product to qualify for duty benefits, it must be recognized as originating in the territory of the Party (i.e., India or UK). A product shall be considered as originating in a Party if it meets one of the following criteria:
  - It is wholly obtained or wholly produced in that Party (for example, products derived from live animals born and raised in the respective country, products based on plants grown and harvested in the respective country, waste or scrap derived from production etc.); or
  - The product is manufactured in that Party using non-originating materials, provided it meets the applicable product specific rules (PSR), such as:
    - Minimum qualifying value content; and/or
    - Change in Tariff Classification (CTC); and/or
    - Any other requirement as specified for specific products
- The product shall comply with product specific rules when it meets the Qualifying Value Content criteria as below:
  - Build-Down Formula: based on the value of **non-originating materials**:

    QVC = FOB Value - Value of Non-Originating materials/ FOB Value X 100
  - Build-up Formula: based on the value of **originating materials**:
    QVC = Value of Originating materials/ FOB Value X 100
- For the purpose of determining the origin, the India – UK CETA also contains provisions regarding:
  - De Minimis
  - Minimal Operations and Processes
  - Accessories, spare parts, tools and its informational or instructional material
  - Neutral/Indirect elements.
  - Fungible Goods
  - Applicability of third country invoicing
- A claim for preferential tariff treatment must be supported by proof of origin in the form of a Certificate of Origin or declaration by exporter or producer of the product.

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.

Trade in Services:

- The CETA aims to enhance market access for UK services in India, particularly in financial services, professional services, 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.

Digital Trade:

- 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. 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.

Mobility of professionals:

- This aspect is significantly bolstered by the double contribution convention (DCC), which provides a five-year waiver on social security contributions for Indian professionals on temporary assignment in the UK, and vice versa. The CETA also facilitates more effortless movement for various categories of skilled workers, including contractual service suppliers, business visitors, investors, intra-corporate transferees and other independent professionals such as yoga instructors, musicians, and chefs.

Intellectual property rights (IPR):

- The CETA 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.

Government Procurement:

- The agreement grants UK businesses guaranteed and unprecedented access to India's substantial government procurement market, estimated to be worth at least GBP 38 billion annually.

Trade Barriers:

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

Concluding remarks

- India and the United Kingdom concluded the CETA after an intensive negotiating process, resulting in a comprehensive and forward-looking framework that goes beyond tariff liberalization to cover services, investment, procurement, and regulatory cooperation. With near-complete duty-free access for Indian exports to the UK from 15 July 2026, the agreement is expected to significantly enhance export competitiveness and expand market opportunities, while India's calibrated commitments seek to balance domestic sensitivities.
- As implementation approaches, businesses will need to proactively assess the agreement's impact, particularly in terms of tariff benefits, Rules of Origin compliance, and documentation requirements. Aligning supply chains, pricing strategies, and internal processes will be critical to effectively utilize the agreement, while also ensuring compliance and managing any emerging risks, in a more integrated bilateral trade environment.