



Tax alert: India–United States interim trade agreement framework and United States Executive Order on Iran-related tariff measures

7 February 2026

India–United States (‘U.S.’) trade relations have gradually shifted from a transactional engagement toward a more strategic economic partnership. At the same time, the relationship has remained shaped by persistent challenges around market access and reciprocal tariffs. In this context, India and the US signed the terms of reference for a proposed Bilateral Trade Agreement (‘BTA’) in April 2025. Since then, negotiations have seen several ups and downs, reflecting both commercial sensitivities and broader strategic considerations on both sides.

Against this backdrop, on 6 February 2026, the two countries announced a framework for an interim trade agreement, alongside a companion Executive Order issued by the US addressing Russia-linked penalty tariff on Indian imports. While the joint statement sets out an expansive commercial roadmap, including reciprocal tariff commitments, the Executive Order delivers only a narrow, legally operative outcome.

In a nutshell



India and U.S. have reached a framework for an interim trade agreement. Negotiations on the more comprehensive BTA will be ongoing.



The joint statement states that country-specific reciprocal tariff will reduce to 18% from 25%, from the date of the amendment of the Executive Order 14257 of 02 April 2025.



US has removed the additional 25% Russia-linked tariff on all Indian-origin goods, effective 7 February 2026 eastern time 12:01 a.m.



The Executive Order introduces a monitoring mechanism allowing reimposition of the 25% Russia-linked penalty tariff if India resumes direct or indirect imports of Russian oil.



Other tariffs particularly those imposed under Section 232 (national security) on products such as steel, aluminum, copper, automobiles, and certain other goods remain.



On successful conclusion of interim agreement, which is expected to be in mid-March, US will remove 18% reciprocal tariff for a large set of Indian goods including generic pharmaceutical, gems and diamonds and aircraft parts.



Tariff imposed on import of aircraft and aircraft parts covered under Section 232 (Aluminum, Steel and copper) will be removed by US.



India will receive a preferential tariff rate quota for automotive parts. Contingent on the US Section 232 investigation into pharmaceuticals, India will receive negotiated outcomes regarding generic pharmaceuticals and ingredients.



The US and India will establish robust rules of origin, address key non-tariff barriers affecting US exports, and within six months, India to determine acceptance of US or international standards.



US, through an Executive Order, has established a new tariff mechanism that may impose additional tariff on imports from countries that directly or indirectly engage in trade with Iran.



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India-United States Interim Trade Agreement

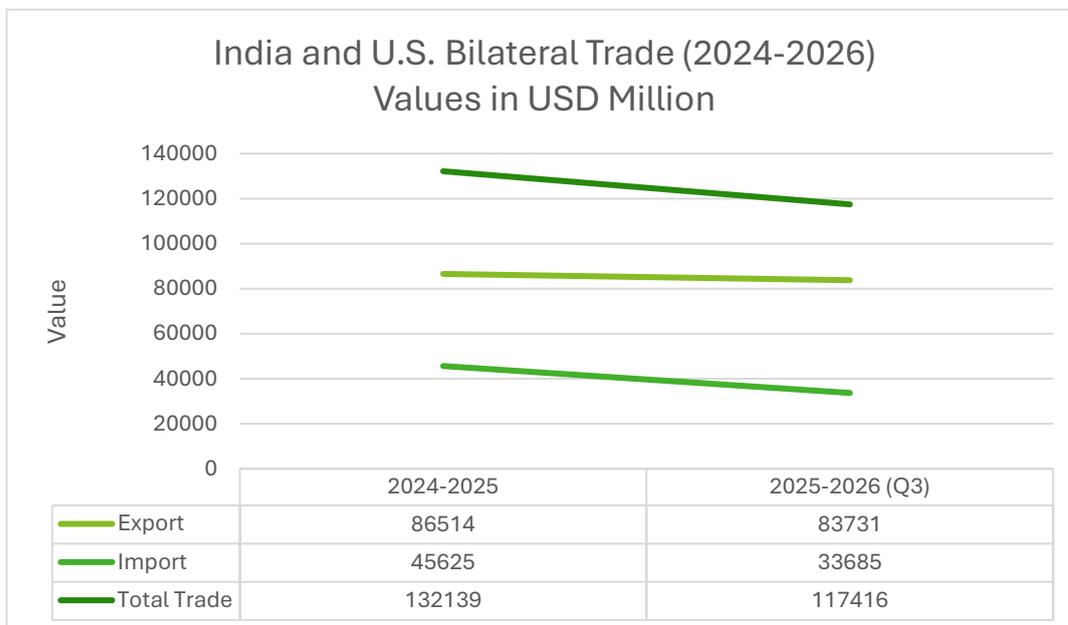
On 6 February 2026, India and the US, through a joint statement, announced a framework for an interim trade agreement intended to serve as a bridge toward a comprehensive BTA. The framework reflects a shared objective of moving beyond episodic trade engagement toward a more structured, reciprocal economic partnership anchored in market access, regulatory cooperation and supply chain alignment.

Concurrently, the US issued an Executive Order eliminating the additional 25% ad valorem penalty tariff imposed on Indian imports in August 2025, under Executive Order 14329, which had been introduced in response to India's imports of Russian oil.

Notably, while this development brings immediate relief from the additional 25% penalty tariff, other US tariffs, particularly those imposed under Section 232 (national security) on products such as steel, aluminium, copper, automobiles, auto components, and certain other goods remain unchanged. Accordingly, specific product categories may continue to face elevated tariff exposure.

Bilateral Trade

India and the US share a deep and diversified trade relationship, with bilateral trade in goods and services exceeding US\$ 132 billion in FY 2024-2025, making US, one of India's largest trading partners.



Source – TradeStat, Ministry of Commerce and Industry, Government of India & Trade map by International Trade Center

Despite the imposition of elevated US tariffs of up to 50% on certain product categories, India's export performance to the US has remained broadly resilient. Recent trade data indicates that Indian exports to the US have not witnessed any significant decline. While tariff pressures remain a concern for specific segments, the overall data suggests that India continues to retain its position as a reliable and competitive supplier to the US market.

Key Developments

- **Commitments made in the joint statement:** Some of the important commitments highlighted in the joint statement released on 6 February 2026 are as follows:
 - a. Under Executive Order No. 14257 of 2 April 2025, the US will apply a reciprocal tariff of 18% on Indian-origin goods such as textiles, leather, chemicals, plastics, handicrafts, and machinery, from the date of the amendment of the Executive Order 14257 of 02 April 2025.
 - b. India has committed to eliminate or reduce tariffs on all US industrial goods and a wide range of US food

and agricultural products, including dried distillers' grains, red sorghum for animal feed, tree nuts, fresh and processed fruit, soybean oil, wine and spirits, and additional products.

- c. India will receive a preferential tariff rate quota for automotive parts that are currently subject to US national security tariffs under Proclamation No. 9888 of 17 May 2019.
 - d. Subject to the successful conclusion of the interim agreement framework, US has committed to remove reciprocal tariffs on a wide range of Indian exports identified in the "Potential Tariff Adjustments for Aligned Partners" Annex to Executive Order 14346 of 5 September 2025, including generic pharmaceuticals, gems and diamonds, and aircraft parts.
 - e. US will also remove tariffs on certain Indian aircraft and aircraft parts imposed under the Section 232 aluminum, steel, and copper proclamations (Proclamations 9704, 9705, and 10962).
 - f. Contingent on the findings of the ongoing US Section 232 investigation into pharmaceuticals and pharmaceutical ingredients, India will receive negotiated outcomes for generic pharmaceuticals and related inputs.
 - g. Both countries have committed to provide each other preferential market access in sectors of mutual interest on a sustained basis and to establish rules of origin designed to ensure that benefits accrue predominantly to India and the US.
 - h. India has agreed to address key non-tariff barriers affecting US exports, including long-standing restrictions on medical devices, restrictive import licensing for Information and Communication Technology (ICT) products, and regulatory barriers affecting US food and agricultural products. India has further undertaken to determine, within six months of entry into force of the interim agreement, whether US-developed or international standards, including testing requirements, will be accepted for US exports in identified sectors.
 - i. The parties will engage on standards and conformity assessment procedures in mutually agreed sectors, with a view to enhancing ease of compliance with applicable technical regulations.
 - j. India has expressed its intention to purchase approximately US\$ 500 billion worth of US energy products, aircraft and aircraft parts, precious metals, technology products, and coking coal over the next five years. The parties also agreed to significantly increase trade in technology products, including GPUs and data centre-related goods, and to expand joint technology cooperation.
- **Tariff modifications under the Executive Order:** The White House has issued an Executive Order dated 6 February 2026 titled "*Modifying Duties to Address Threats to the United States by the Government of the Russian Federation*", which withdraws the additional Russia-linked 25% ad valorem duty that was earlier imposed on imports from India. This withdrawal will come into effect from 12:01 a.m. Eastern Time on 7 February 2026.

It is relevant to note that while this development brings immediate relief from the additional 25% penalty tariff, other US tariffs particularly those imposed under Section 232 (national security) on products such as steel, aluminium, automobiles, auto components, and certain other goods remain unchanged. Accordingly, specific product categories may continue to face elevated tariff exposure.

Furthermore, the Executive Order also puts in place a monitoring mechanism whereby if India resumes directly or indirectly importing Russian Federation oil, the ad-valorem 25% penalty tariff will be reimposed on imports of articles of India.

- **Press conference by India's Minister of Commerce and Industry, Shri Piyush Goyal:** Key takeaways from the press conference are as follows:
 - a. India has ringfenced all sensitive agricultural sectors, and no genetically modified products will be permitted under the arrangement.
 - b. US has not been granted any tariff relief on meat, poultry, dairy, soybean, maize, rice, wheat, sugar,

milletts, key fruits, pulses, oilseeds, ethanol, or tobacco.

- c. Several Indian agricultural exports will also receive zero-duty access to the US market, notably spices, tea, coffee, copra, coconuts and coconut oil, vegetable oils, areca nut, Brazil nuts, cashew and chestnuts, as well as fruits and vegetables such as avocados, bananas, guavas, mangoes, kiwis, papaya, and mushrooms, cereals like barley, and certain processed foods.
- d. India has secured substantial duty reductions on its exports to the US, with tariffs falling from levels as high as 50% to zero across a wide range of sectors, including gems and diamonds, pharmaceuticals and generic drugs, aircraft and machinery parts, select auto components, platinum, clocks and watches, essential oils, home décor items, certain inorganic chemicals, and paper, plastic, and wood products.

Overall, the Government has emphasized that the interim arrangement seeks to expand export opportunities for Indian industry and agriculture while protecting domestic farming interests, with no dilution of India's core sensitivities.

Additional Update

- **US action on Iran-related threats:** US, through an Executive Order, establishes a new tariff mechanism that may impose additional duties (e.g., 25%) on goods imported into the US from any country that directly or indirectly purchases, imports, or otherwise acquires goods, services, technology, or support from Iran.

Under this framework, an additional ad valorem duty may be applied to such imports to address the national emergency. The Secretary of Commerce and other senior officials will determine if and when, tariffs should be applied to specific foreign countries based on their economic links with Iran.

Way Forward

The interim trade agreement framework is a positive step that offers initial relief, but its real commercial impact will only be realized once the 18% tariff framework is implemented, which would strengthen India's competitive position in the US market relative to other South Asian economies.

The only effective change at this stage is the withdrawal of the Russia-linked 25% penalty tariff; all other commitments remain subject to further US executive action and India's domestic follow-through.

It is also important to note that, despite the removal of the 25% penalty tariff, other US tariff regimes, particularly Section 232 national security duties on steel, aluminium, copper, automobiles, auto components, and related products, remain fully in force.

In light of the above, business can consider undertaking the following steps:

- **Business impact analysis** on the existing as well as proposed business operations involving exports that may benefit from removal of the additional 25% penalty tariff and/or potential reduction to an 18% reciprocal tariff.
- **Re-evaluate tariff exposure** on products that remain subject to Section 232 national security tariffs (e.g., steel, aluminium, copper, autos, auto parts, etc.) to understand continuing duty impact.
- **Conduct supply-chain due diligence** to confirm that sourcing does not involve direct or indirect trade with Iran or prohibited Russian inputs, which could trigger future punitive tariffs or compliance risks.
- **Consider revising pricing, quotations, and long-term contracts with US customers** to reflect reduced tariff incidence and improved competitiveness.



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