

May 2025

Alert: Tax & Regulatory

Bhatia & Bhatia
CHARTERED ACCOUNTANTS



India-UK Free Trade Agreement

Overview

India and the United Kingdom have finalized a landmark Free Trade Agreement (FTA) that redefines the trajectory of their bilateral economic partnership. Announced by Prime Minister Shri Narendra Modi and UK Prime Minister Sir Keir Starmer, the agreement eliminates tariffs on 99% of Indian exports and significantly boosts trade opportunities in key labour-intensive and high-value sectors. With bold commitments in services, expanded professional mobility, and a three-year exemption from UK social security contributions for Indian workers, this FTA is poised to generate high-quality jobs, spur innovation, and elevate India's global trade stature.

Finalized on 6 May 2025, the Government of India has described the FTA as “a historic and ambitious deal to boost jobs, exports, and national growth,” with tariff elimination on 99% of Indian tariff lines, coverage of nearly 100% of trade value, and reduced tariffs on 90% of UK tariff lines—projected to deliver an annual economic boost of £4.8 billion (US\$6.4 billion) for the UK by 2040. The agreement is being hailed as a reinforcement of their roles as open-market democracies and global innovation hubs and seeks to advance shared goals of prosperity, people-centric growth, and resilient global supply chains.

Economic Benefits for both the nations

The India-UK FTA is poised to unlock many economic advantages for both the nations, some of them are:

Key Benefits (as summarised by the two sides)

I. Enhanced Market Access

UK Exports:

90% of UK tariff lines will benefit from reduced tariffs, covering:

- Whisky, gin (tariffs to reduce from 150% to 75% initially, then 40% in 10 years)
- Medical devices, cosmetics, electrical machinery
- Aerospace components, soft drinks, chocolate, lamb, and salmon
- UK automotive exports to benefit from tariff cuts from over 100% to 10% under a tariff rate quota system

Indian Exports:

99% of Indian tariff lines will face zero-duty access, unlocking export potential for:

- Textiles, marine products, leather, footwear
- Sports goods, toys, gems and jewellery
- Engineering goods, auto parts, engines
- Organic chemicals

II. Economic Growth and Jobs

The FTA is expected to:

- Increase UK GDP by £3.3 billion by 2035
- Support significant job creation in India's labor-intensive sectors such as textiles, leather, and footwear
- Help double bilateral trade from USD 60 billion in 2024 to USD 100 billion by 2030

III. Services and Professional Mobility

- Ambitious commitments for Indian service providers in:
 - IT/ITeS, financial and professional services (including architecture, engineering)
 - Educational services
- Eases professional mobility for:
 - Contractual service suppliers, business visitors, intra-corporate transferees
 - Independent professionals (e.g. yoga instructors, chefs, musicians)
- Seen as a major win for aspirational young Indian professionals

IV. Double Contributions Convention (DCC)

- Indian employees temporarily in the UK (for up to 3 years) and their employers will not be required to pay social security contributions in the UK
- Expected to lower employment costs, increase competitiveness, and align with existing UK agreements with the EU, Switzerland, Japan, Canada, Chile, South Korea, etc.
- Does not affect access to social benefits or immigration health surcharge obligations
- Will come into force in line with the FTA

V. Consumer Benefits

- UK consumers will benefit from lower prices on Indian goods such as textiles, footwear, and food products
- Indian consumers may enjoy lower prices on whisky, cosmetics, and medical equipment
- Enhanced access to technology, investment, and efficient customs procedures will increase market responsiveness

VI. Trade Facilitation & Rules of Origin

- Customs clearance target of 48 hours for compliant shipments.
- Deferred customs duty payments and CAROTAR-compliant rules of origin.
- Simplified documentation and increased use of digital customs systems.

VII. Strategic, Regulatory and ESG Cooperation

- Chapters on digital trade, environmental sustainability, anti-corruption, labour, intellectual property, gender, and competition standards.
- Access to India's public procurement market—approximately 40,000 tenders worth £38 billion annually.
- Commitments to green trade, circular economy principles, and clean energy collaboration.



Key Sectors Impacted:

Sectors Impacted in India



Sectors in the UK



Cross Sector Impact



Sector-wise Impact of the FTA

A brief summary of the expected impact of the FTA on specified sectors is as follows:

Sector	India: Advantages	UK: Advantages	India: Challenges	UK: Challenges
Agriculture	Boost exports of tea, spices, seafood, rice (lower UK duties)	Duty-free access to India for lamb, salmon, whisky/gin, etc.	Must protect dairy, sugar, rice (many kept sensitive); meet UK SPS/quality standards	Cheaper Indian imports (prawns, spices) increase consumer choice; but higher pesticide residues and subsidised competition worry farmers; sugar/chicken protected
Manufacturing	Reduced UK tariffs on textiles, footwear, auto parts, machinery; easier RoO for complex products	Reduced India tariffs on advanced goods (vehicles, aerospace parts, medical devices)	Meeting UK technical/regulatory standards; limited UK auto quota	Competition from imported components modest; must navigate new RoO regime
Services	Expanded access to UK finance/consulting/IT market; easier mobility (social security deal)	Guaranteed access to India's fast-growing market (construction, telecom, finance, etc.)	UK legal/professional sectors largely excluded (e.g. legal); need to adapt to UK regulations	Increased presence of Indian firms; controversy over social-security waiver (perceived "two-tier" taxation); UK immigration policy unaffected
Pharmaceuticals	Cheaper UK import tariffs could expand Indian generic exports to the UK; stronger supply chains	Lower cost of Indian medicines for NHS; duty-free access for UK drug exports (though current UK-India pharma trade is relatively small)	Pressure on IP regime (though FTA left India's patent laws largely intact); compliance with UK drug regulations	Lacked stronger IP commitments: UK pharma feels the agreement missed a chance to secure data exclusivity for drugs
Technology (Digital)	Easier data flows and e-commerce increase IT/software exports to UK; UK openness to digital trade aids Indian tech firms	Better access for UK tech and digital services in India; support for digital systems and paperless trade	Need to comply with UK data/privacy/cyber rules; competition in high-tech sectors	Ensuring UK data privacy standards are maintained; competition from Indian IT services
Textiles & Apparel	Duty-free UK market for Indian clothing and footwear; boost to employment in mills/factories	Wider range of Indian garments and fabrics for UK consumers at lower prices.	Must meet UK labour and environmental standards in production	Little domestic UK production to protect; main concerns are about ethical and environmental standards of imports
Automobiles & Parts	UK car tariff cut to 10% (quota); more UK parts and luxury cars can enter India.	India cuts car/import duties dramatically (from >100% to 10%); UK carmakers (e.g. JLR) and parts suppliers gain	Auto deals are limited by quota and initial restriction to ICE cars, Indian auto sector faces foreign competition	Domestic UK auto market is small; main focus is on export growth. Potential competition from Indian-made parts/vehicles is modest.

Notably, the FTA also recognises the significance intellectual property rights and their protection, especially in this ever-evolving digital world. India has committed that works from the UK will continue to enjoy at least 60 years of protection. The UK government also secured protections (e.g. for performance and resale rights) and has pushed India to review its IP laws on patents and procurement as well. Geographical Indications (GI) protections have also been proposed to be enhanced as - the UK can apply for India's highest level of GI protection for UK products (extending this beyond just spirits). However, the UK pharmaceutical industry has criticized the agreement for not strengthening patent or data-exclusivity protections for UK drug innovators.

Conclusion

The India-UK FTA is a next-generation economic partnership that integrates trade in goods, services, investment, labour mobility, and regulatory cooperation under one framework. It not only reinforces India's position as a strategic global manufacturing and services hub but also provides UK businesses with unprecedented access to one of the world's fastest-growing markets.

For Indian exporters, the FTA unlocks cost competitiveness through duty elimination, streamlined customs processes, and better integration into UK value chains. For service providers, the social security exemption and professional mobility provisions are game-changing.

As the UK and India work toward formal ratification and implementation, businesses should proactively prepare by:

- Mapping product lines against the published tariff schedules.
- Reviewing supply chains and rules of origin documentation.
- Updating customs and trade compliance protocols.
- Engaging legal/tax advisors to navigate FTA-related procedures and DCC eligibility.

Entry into force will follow legal verification and ratification in both countries. With legal texts expected soon, now is the time for Indian and UK businesses to align their strategies and position themselves to maximize the benefits of this transformative agreement.

Bhatia & Bhatia

CHARTERED ACCOUNTANTS

About Us

Founded in 1981, our firm is dedicated to providing unparalleled financial services to our clients and assisting in navigating the business landscape. With a commitment to deliver exceptional services while upholding the highest ethical standards, our team of over 125+ professionals, led by 11 experienced partners, brings a diverse range of expertise to the table. This allows us to act as your trusted advisor for all aspects of your financial needs, including Audit & Assurance, Taxation (both domestic and cross-border), Valuations, Mergers & Acquisitions and Corporate Finance. We operate as a progressive and well-structured full-service firm with a Pan India presence and a network of various international forums, groups & chambers. We deliver end-to-end business solutions through a dedicated panel of experts, maintaining long-term trust and reliance from our clients.



Our Offices

New Delhi | Mumbai | Bengaluru | Pune | Chandigarh | Srinagar

Head Office: 81, Hemkunt Colony, Levels 1 & 2, Opp. Nehru Place, New Delhi - 110048

✉ info@bnbndia.co ☎ +91-011-41635599, 41835599 [in](https://www.linkedin.com/company/bhatia-bhatia)

www.bnbndia.co