

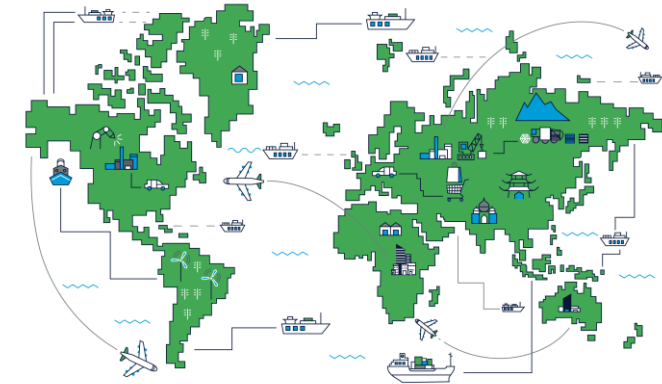


Newsflash – India–UK Free Trade Agreement: A New Era of Bilateral Partnership

India–UK Free Trade Agreement: A New Era of Bilateral Partnership

1.0 Background:

- Pursuant to multiple rounds of negotiations conducted over a span of three years, the Republic of India and United Kingdom ('UK') have formally concluded a comprehensive, historic and a multi-billion-pound Free Trade Agreement ('FTA') on 6 May 2025. In conjunction with the FTA, both nations have also agreed to negotiate a Double Contributions Convention ('DCC'), which is intended to facilitate smoother and more cost-effective employee mobility.
- The India–UK FTA constitutes a landmark development in the economic relations between the two sovereign nations, with the objective of fostering trade, investment, growth, job creation and bilateral cooperation. The FTA seeks to eliminate or reduce tariffs, improve market access, and harmonization of regulatory frameworks across a broad range of sectors, including services, automotive components, gems & jewellery, pharmaceuticals, textiles, agriculture, and technology.
- UK is India's 16th largest trading partner and India is UK's 11th largest trading partner. The bilateral trade between both countries is about £43 billion (\$60 billion), with India enjoying a positive trade balance, which is expected to double by 2030. The FTA is projected to augment bilateral trade by an estimate of £25.5 billion annually (in 2024 prices) from the year 2040.

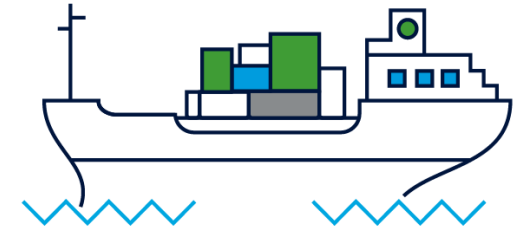


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2.0 Key Takeaways of the FTA:

2.1 Removal of Tariffs Barriers:

- **India Imports:** India will remove or reduce tariffs, or pre-existing zero tariffs, on 90% of tariff lines, nearly covering 92% of existing goods imports from UK. Upon entry into force, 64% of tariff lines (rising to 85% tariff lines over 10 years) will qualify for tariff-free imports into India, which will include UK exports of advanced manufacturing such as aircrafts parts, etc. The FTA will bring market access wins and new opportunities for sectors such as medical technology, clean energy, agri-food, etc. Notably, high tariffs on products like whisky (150%) will be reduced to 40%, and UK car manufacturers will benefit from staged tariff reductions under a quota system transitioning towards electric and hybrid vehicles.
- **India Exports:** On the other side, 99% of Indian goods will be eligible for tariff-free entry into the UK, enhancing consumer choice and affordability, especially in categories like seafood, textiles, and apparel. However, sensitive sectors such as sugar, milled rice, pork, chicken, and eggs remain excluded from liberalisation to protect domestic interests.



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2.2 Goods Market Access: The agreement aims to boost bilateral trade, enhance market access, and support economic growth in both countries, particularly in labour and technology intensive industries, by expanding export opportunities in key areas such as textiles, marine products, leather, footwear, sports goods, toys, gems and jewellery, engineering goods, auto parts, and organic chemicals.



2.3 Trade in Services: India stands to gain from one of the UK's most ambitious FTA commitments in services sector, covering IT/ITeS, financial, professional, business, and educational services, unlocking new opportunities and jobs.

2.4 Professional Mobility Guidelines: The FTA facilitates smoother mobility for a wide range of professionals, including business visitors, investors, contractual service suppliers, inter-corporate transferees, partners and dependent children of Inter-Corporate transferees as well as independent professionals such as yoga instructors, musicians, and chefs.

2.5 Promoting Ethical Trade: The agreement outlines the UK and India's joint commitment to addressing the trade-distorting effects such as bribery and corruption.

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2.6 Ease of Movement for Business: Both countries have committed to maintaining transparent visa processes and avoiding unnecessary barriers to mobility, aligning with their broader immigration policies. These measures provide certainty and support for businesses engaging in cross-border operations.

2.7 Digital Service Hub: FTA unlocks significant opportunities which will become available for talented and skilled Indian youth in the UK, a leading global hub for digitally delivered services, supported by its robust financial and professional services sectors and advanced digital infrastructure.

2.8 Saving Costs, Creating Jobs: The exemption from UK social security contributions for Indian workers and their employers (under the DCC for up to three years) will result in major cost savings for Indian service providers, boosting their competitiveness in the UK and creating new job opportunities for Indian professionals.

2.9 Tackling Non-Tariff Barriers: India has taken measures to ensure that non-tariff barriers are appropriately addressed, promoting the free flow of goods and services while preventing any unjustified restrictions on its exports.



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3.0 Our Comments:

The FTA is intended to act as the “largest and most economically significant” bilateral trade agreement for UK since its withdrawal from the European Union in 2020. With negotiations now concluded, the UK and India will move to finalise the legal text of the FTA, culminating in the signing of a binding treaty. As prominent democracies and global centres of innovation, India and the UK have reaffirmed their commitment to deepening economic ties and collaborating on global challenges. The FTA represents a significant bilateral Strategic Partnership between India and UK, and establishes a new standard for fair, ambitious, and modern trade partnerships on the international stage. As the agreement moves toward implementation, it is poised to deliver long-term benefits for businesses, professionals, and consumers in both countries, setting the stage for a more resilient and forward-looking partnership.

While the FTA simplifies tariff barriers, non-tariff factors such as corporate tax implications, foreign exchange regulations, etc. will require careful evaluation as well in terms of transaction structuring and ensuring operations sustainability. Prior to India-UK FTA, India has already signed and operationalised FTA's with 13 countries.



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4.0 References:

- ❖ Press Release issued by Ministry of Commerce & Industry:
<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2127321>
- ❖ India-UK trade deal; conclusion summary:
<https://www.gov.uk/government/publications/uk-india-trade-deal-conclusion-summary/uk-india-trade-deal-conclusion-summary>
- ❖ Technical note of the preliminary economic impacts of the India-UK Free Trade Agreement:
<https://www.gov.uk/government/publications/uk-india-free-trade-agreement-technical-note/technical-note-of-the-preliminary-economic-impacts-of-the-uk-india-free-trade-agreement>
- ❖ Number and list of FTAs already signed and operationalised:
 - <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1814151>
 - [Appendix 2A_new.pdf](#)

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