ALINEA

The UK–India Free Trade Agreement: Strategic Opportunities for Business

An introduction to bilateral tariffs arrangements, rules of origin, sectoral opportunities and other areas related to business-to-business cross-border transactions.

Alinea Customs Briefing

2025

About Us.

Introduction

Alinea Customs is a UK-based customs brokerage specialising in import and export clearance across all major ports. We combine practical brokerage expertise with in-house legal knowledge to provide businesses with seamless, compliant, and commercially effective solutions for cross-border trade.

Our clearance services are supported by a comprehensive advisory practice, ensuring that every aspect of a client's customs position is fully understood and optimised. From tariff classification and customs valuation through to rules of origin and international sales structures, we help businesses reduce risk, capture opportunities, and achieve certainty in their supply chains. By aligning technical knowledge with commercial priorities, Alinea Customs supports businesses in navigating the UK's evolving regulatory landscape and managing global trade with confidence.

Whether entering the UK market for the first time, restructuring established supply chains, or addressing complex compliance challenges, clients turn to Alinea Customs for practical expertise, strategic insight, and legal precision.

Executive Summary

This report provides an assessment of the United Kingdom–India Free Trade Agreement (FTA), concluded in 2025 as part of the wider "2030 Roadmap for India–UK Future Relations." It examines the Agreement's structure and scope, including tariff liberalisation, rules of origin, and enhanced market access across goods, services, and investment.

The report situates the FTA within the broader international trade landscape, underscoring its strategic importance as the most significant bilateral agreement entered into by the UK since leaving the European Union.

UK–India Free Trade Agreement

Establishes tariff reductions and liberalisation covering 90% of UK goods exports to India, easing landed costs and enhancing competitiveness across key sectors.

Rules of Origin and Market Access

Provides clear rules of origin with cumulation provisions, enabling UK firms to integrate global supply chains while retaining preferential access to India's market.

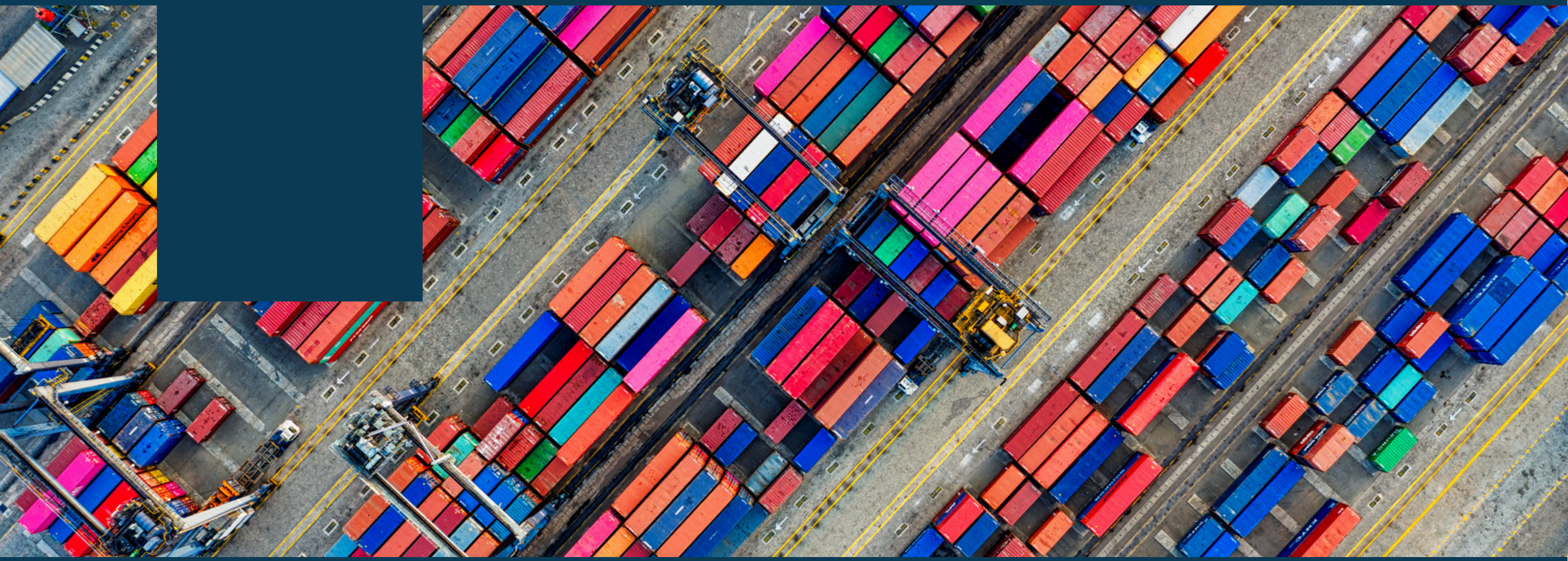
Sectoral Implications and Global Context

Creates opportunities in food and drink, advanced manufacturing, clean energy, and professional services, while situating the FTA as the UK's most significant post-Brexit trade agreement.

Introduction

The United Kingdom and India, as Commonwealth members, share deep historic ties. In the past decade, their bilateral agenda has shifted to skills, technology, climate, and mobility, as set out in the 2021 “2030 Roadmap for India–UK Future Relations,” which outlined an ambitious trade pact and wider partnership.[1]

Formal FTA negotiations began in January 2022, concluded on 6 May 2025, and the Agreement was signed on 24 July 2025. As of 20 August 2025, it remains signed but not in force, pending UK parliamentary scrutiny, India’s ratification, and implementing legislation. The UK government has asked the Trade and Agriculture Commission to report by 24 October 2025 under the Agriculture Act 2020, prior to the CRAG Act scrutiny period.[2] In 2024, the UK exported £17.1 billion to India and imported £25.5 billion, leaving a trade deficit of £8.4 billion. Services dominate both directions, while high Indian tariffs and restrictions on services access have been the main frictions the FTA seeks to address.[3]



Tariffs, Rules of Origin, and Sectoral Opportunities

India’s tariff regime prior to the Agreement was among the most restrictive of any major economy. The trade-weighted average tariff stood at approximately 12 percent in 2024, with particularly elevated duties applied to consumer goods. Beverages and tobacco were subject to tariffs of up to 150 percent, while certain textile lines faced rates as high as 255 percent. These measures reflected a longstanding policy mix combining revenue generation, infant industry protection, and import substitution. For UK exporters, the consequence was persistently high landed prices and compressed margins relative to domestic competitors.[4] The FTA introduces significant liberalisation of goods trade, with India committing to eliminate or reduce tariffs on 90 percent of tariff lines, covering approximately 92 percent of current UK goods exports to India. Of these, 64 percent will become tariff-free upon entry into force, with further liberalisation staged thereafter.

Notable provisions include the reduction of tariffs on whisky, whiskey, and gin from 150 percent to 75 percent at entry into force, with progressive reductions to 40 percent by year ten.

Tariffs, Rules of Origin, and Sectoral Opportunities

Tariffs on fully built cars, previously as high as 110 percent, will fall to 10 percent within quotas, accompanied by transitional arrangements for electric and hybrid vehicles. In cosmetics and toiletries, where tariffs reached up to 22 percent, a substantial proportion of lines will be liberalised immediately, with the remainder phased to zero. In the agri-food sector, improved or new access has been secured for salmon, cod, lamb, chocolate, and selected processed foods, while highly sensitive products—including sugar, milled rice, pork, chicken, and eggs—remain excluded from liberalisation.[5]

These tariff adjustments are expected to generate commercially significant opportunities. In food and drink, substantial reductions in landed costs will enable premium spirits and confectionery to compete at scale in the Indian market. In advanced manufacturing, aerospace components, scientific instruments, and medical devices will either become tariff-free immediately or benefit from staged reductions, thereby enhancing their competitiveness in India's capital expenditure cycle.[6] In clean energy and machinery, reduced tariffs combined with strengthened disciplines on technical barriers to trade will reinforce the position of UK firms seeking to contribute to India's energy transition and infrastructure development.[7]

Tariffs, Rules of Origin, and Sectoral Opportunities

Eligibility for preferential treatment will be determined by the rules of origin provisions of the Agreement. Goods will qualify as originating if wholly obtained or sufficiently processed in either the United Kingdom or India, with product-specific rules applying at the HS code level, typically on the basis of a change in tariff classification or a minimum regional value content threshold. The Agreement also provides for cumulation, enabling certain third-country inputs to qualify where substantial processing occurs in the United Kingdom.

For example, Scotch whisky distilled in Northern Ireland may incorporate barley or neutral grain spirit from the Republic of Ireland and still be recognised as UK origin, provided the processing criteria are satisfied.[8] Compliance will therefore require the systematic auditing of supply chains against the rules of origin annexes, the securing of supplier declarations, and the maintenance of appropriate documentation for customs purposes.

Services, Investment, and Mobility

Beyond goods, the FTA establishes frameworks to enhance market access and predictability in services trade, investment, and business mobility. India has committed to nondiscrimination and the removal of certain limitations, including quotas and residency requirements, in sectors such as telecommunications, environmental services, and construction, while the agreement incorporates enhanced transparency requirements to improve clarity in licensing and authorisation processes. For professional services, a dedicated annex establishes a Professional Services Working Group tasked with advancing mutual recognition arrangements, particularly relevant for law, accounting, architecture, and engineering.[9] In financial services, the FTA acknowledges India's existing foreign ownership and investment caps of up to 74 percent in insurance and banking while affirming fair treatment for UK firms, and it promotes ongoing cooperation on fintech and financial stability.

Regarding mobility, the FTA provides predictable frameworks for short-term business travel and intracompany transfers, supporting project delivery and client servicing, while both governments have agreed to negotiate a Double Contributions Convention so that employees on short-term assignments of up to three years will only pay social security in one jurisdiction, which, once implemented, will significantly reduce payroll costs for cross-border deployments.[10]

Signature and Entry into Force

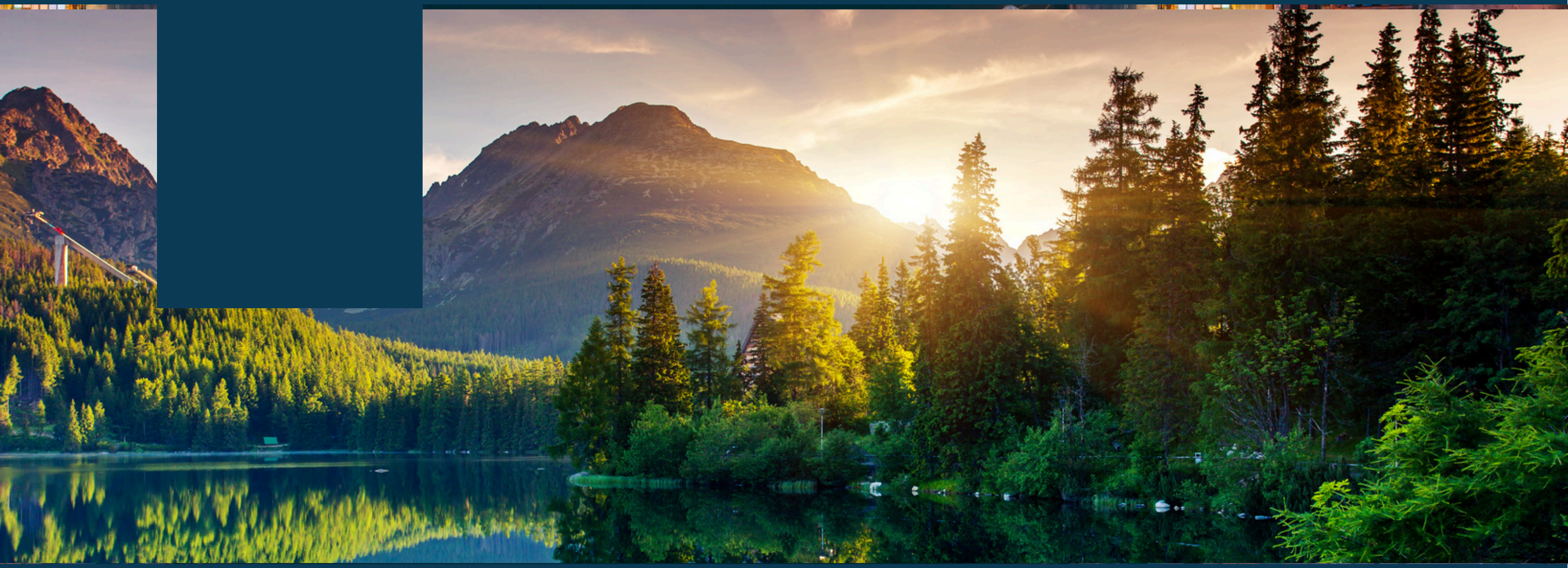
The Agreement was signed on 24 July 2025 but has not yet entered into force. On the United Kingdom's side, the treaty must undergo review by the Trade and Agriculture Commission, the preparation of an Agriculture Act report, and parliamentary scrutiny under the CRAG Act, in addition to the passage of any implementing legislation that may be required.

India must likewise complete its domestic ratification procedures. Consequently, implementation is not expected to occur before the end of 2025, with early to mid-2026 representing the more realistic horizon.[11]

Headline Economic Impacts

According to the UK Department for Business and Trade's final Impact Assessment, published in July 2025, the agreement is expected to deliver a longrun increase in UK GDP of 0.13 percent, equivalent to around £4.8 billion per year in 2024 prices. The distribution of benefits is projected to be broad across both sectors and regions, although a modest increase in UK emissions is expected, primarily due to higher transport activity.

On the Indian side, the expected longrun GDP gain is 0.06 percent, or approximately £5.1 billion per year. Indian government communications have highlighted the potential for significant export growth in labour intensive sectors such as textiles, marine products, leather and footwear, gems and jewellery, and engineering goods. Both governments have emphasised that the agreement represents a substantial step towards expanding bilateral trade by 2030, with the UK government describing it as the most economically significant bilateral FTA concluded since leaving the EU. [12]



Investment and Dispute Settlement

There is currently no bilateral investment treaty in force between the UK and India. India has in recent years reframed its model BIT to favour standalone agreements, and both governments have signalled their intention to negotiate such a treaty in the future.[13]

Until then, the FTA does not provide investor–state arbitration. Instead, it contains only state-to-state dispute settlement procedures consistent with WTO practice, meaning that only governments, not individual investors, may bring cases. To manage trade frictions, the agreement establishes joint committees and consultation mechanisms, as well as a safeguard clause that permits either party to suspend or reimpose concessions in the event of injurious import surges. Separate from investment protection, the negotiation of the Double Contributions Convention will provide commercial benefits by reducing payroll costs and compliance burdens for crossborder staff assignments[14]

Business Priorities: Immediate Actions for UK Firms

For UK companies, early preparation is essential. Particular attention is required for tariff lines currently subject to duties of 150 percent, 22 percent, or higher—such as spirits, cosmetics, medical technology, machinery, and selected food products—where the FTA will generate significant opportunities. Supplier declarations must be secured, and bills of materials audited to ensure compliance with the Agreement's rules of origin requirements.[15]

Simultaneously, pricing and packaging strategies will require review in order to position effectively within India's mid-premium consumer market. Tariff reductions are expected to affect prevailing price bands and influence optimal pack sizes in categories including spirits, beauty products, and confectionery. Businesses that are seeking to enter either market for the first time should prioritise a review of market conformity, compliance with customs and border controls, and local trading standards. Companies engaged in professional and technical services will be able to utilise the new licensing, transparency, and recognition provisions, while monitoring the progress of the Professional Services Working Group.

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