

UK-INDIA CETA

KICKOFF BRIEF

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UK-INDIA CETA

A New Chapter in Bilateral Trade and Investment

INTRODUCTION

The Comprehensive Economic and Trade Agreement (CETA) signed between the United Kingdom and India on July 24, 2025, marks a watershed moment in the economic relationship between two of the world's major economies. This landmark agreement, the culmination of intensive negotiations, is poised to unlock significant opportunities for businesses in both nations, fostering deeper trade integration and stimulating economic growth. This report, prepared by the UK India Business Council (UKIBC), offers a high-level analysis of the CETA, drawing exclusively from the official documentation released by the UK and Indian Governments. It aims to provide our members with a clear, concise, and actionable overview of the agreement's key provisions and potential impacts across various sectors.

STRATEGIC HIGHLIGHTS

The UK-India CETA is a modern and comprehensive agreement that goes beyond simple tariff reduction. It establishes a framework for enhanced cooperation in a multitude of areas, reflecting the strategic importance of the bilateral relationship.

ELEMENT	HIGHLIGHTS
Scope	Covers goods, services, investment, digital trade, intellectual property rights (IPRs), and procurement, creating a predictable and transparent trading environment. Socio-economic impact of trade is reckoned with via focus on areas such as gender, labour, environment and MSMEs.
Tariff Reduction	The UK will eliminate tariffs on 99% of Indian exports. While India will reduce tariffs on 90% of UK exports, with many being phased out over time (up to 10 years) and a decrease from an average of 15% to 3%.
Timeline	Most liberalisation is set to occur within 5-7 years, with some extending up to 10 years, providing a clear pathway for businesses to adapt and capitalise on new opportunities.
Digital Trade	Includes provisions to facilitate digital trade such as recognising electronic contracts, use of electronic authentication services, online consumer protection, curbing unsolicited commercial messages, source code protection, and commitment to access open government data from both the countries.
Service Trade	Guarantees non-discriminatory market access and national treatment for service suppliers. Mutual recognition of standards, certifications and

qualifications based on international or bilateral agreements. Financial service providers can operate in the other country without having to comply all over again if global benchmarks are met, regulations are aligned through harmonisation or covered by a bilateral or multilateral agreement. Establishes a Subcommittee on Trade in Services to oversee implementation with contact points in both the countries.

Rules of Origin	Defines criteria for preferential tariff treatment—wholly obtained goods or sufficient processing (change in tariff classification, value-added thresholds) along with product-specific rules. Compliance mechanisms include record-keeping, verification, and dispute resolution to ensure genuine trade benefits.
SME Chapter	Dedicated contact points; information sharing especially on registration process, technical regulation, Rules of Origin (RoO); SME facilitation measures.
Dispute Resolution	Establishes a clear mechanism for resolving disputes through structured consultations, optional mediation, impartial arbitration panels, and clear compliance and remedial procedures. Protective measures for businesses in place such as limited public access, confidential information protected. Balances effective enforcement with dispute prevention through early resolution and good offices.
Regulatory Frameworks	Promotes transparent and consultative regulatory processes through soliciting public comments and cooperating on regulatory coherence with contact points on both ends. Encourages use of impact assessments and information exchange between countries to reduce unnecessary trade barriers while maintaining national policy objectives.
Sustainability/ESG	The agreement includes a commitment to voluntary alignment on environmental, social, and governance (ESG) standards, without imposing binding targets for climate or green energy.
Gender	Chapter on gender for the first time in a free trade agreement by India with a mandate to identify barriers, share data, and develop programs supporting women's access to trade finance, training, and networks. Aims to mainstream gender considerations across trade policy implementation.

Estimated economic impact

The CETA is projected to deliver substantial economic benefits for both the UK and India.

IMPACT MEASURE	ANNUAL VALUE CHANGE	
	(in £ bn)	
	*applied to 2040 projections	
UK GDP Increase	+ £4.8	+0.13%
UK Real Wages	+ £2.2	+0.19%
UK Exports to India	+ £15.7	+59.4%
UK Imports from India	+ £9.8	+25.0%
Total Bilateral Trade	+ £25.5	+38.8%

Source: Department for Business and Trade (DBT) modelling

COMMERCIAL OPPORTUNITIES: A SECTORAL VIEW

The CETA unlocks a wide array of commercial opportunities for businesses in both countries. The following tables highlight some of the key sectoral benefits:

For the UK firms

SECTOR	KEY OPPORTUNITIES & TARIFF REDUCTIONS
Food & Drink	<p>Scotch, Gins & Other Whiskey: Tariffs reduced from 150% to 75% immediately, and further to 40% after 10 years.</p> <p>Other Spirits: Tariffs reduced to 110% immediately and to 75% in 10 years (subject criteria of \$ 6 per 750 ml).</p> <p>Cocoa and products: Phased reductions between 5 and 7 years.</p> <p>Marine products: Tariffs eliminated immediately.</p> <p>Processed Meat & Fish: Phased reductions between 5 and 7 years.</p>
Automotive	Tariffs on internal combustion engine (ICE) vehicles reduced from 110% to 10% under a quota system.
Toiletries & Cosmetics	<p>Perfumes and Eau de cologne: Tariffs of 22% halved after staging.</p> <p>Toiletries: Zero tariffs immediately or after a staging period of 10 years for some products.</p>

Aerospace

Aircraft Parts: Tariffs of 10-15% eliminated immediately.

Aircrafts: Tariffs phased out in 10 years.

Pharmaceutical

Medicines: Most tariff lines eliminated immediately, others like homeopathic medicines phased out in 5 years.

Pharmaceutical Products (Wadding, Gauze, Bandages etc.): Tariff elimination in 10 years.

Medical Equipment: Tariff elimination in 10 years or reduced to 50% phased out in 5 years.

Textiles & Apparel

Textiles, Apparel (Not Knitted or Crotched): Tariffs eliminated immediately.

Textiles, Apparel (Knitted or Crotched): Tariffs eliminated immediately for most products, others phased out in 10 years.

Leather and products: Tariffs phased out in 10 years.

Financial & Professional Services

UK services exports to India could grow by an additional £1.6 billion (24%) as the CETA accords greater certainty to service providers. Legal services subject to domestic incorporation allowed, access to other service sectors like insurance, finance becomes streamlined.

Business services: Projected increases of £474 million (26.9%).

Wholesale & retail trade: Projected increase of £400 million (38.4%).

Technology & Digital

Cooperation on emerging technologies, digital identities and open government data, creating a predictable, standards-based environment for UK tech firms to innovate and expand in India.

Green Energy

Supports cooperation on clean energy industries and provides opportunities for UK exports in key green sectors including wind turbines (tariffs eliminated immediately), solar panels and related equipment, and technology for circular economy.

Higher Education

Opportunities for UK universities for establishment/ expansion of campuses in India through national treatment accorded with CETA.

Excluded/ Sensitive sectors on the Indian side include the following:

Dairy

Cereals

Fruits

Milk, Cheese, Butter, Dairy spreads, Ghee

Wheat, Maize, Millets

Apples, Pineapples, Oranges, Pomegranates

Vegetables	Tomato fresh/chilled, Onions, Garlic, Cauliflower, Cabbage, Radish, Peas, Beans, Pumpkin, Bitter gourd, Bottle gourd, Lady finger, Potatoes, Mixtures of vegetable
Edible Oils	Soybean oil, Palm oil, Mustard oil, Groundnut oil
Oil seeds	Soybean, Groundnut, Mustard
Agri-food	Milled rice, Sugar, Pork, Chicken, Eggs

For the Indian firms

SECTOR	KEY OPPORTUNITIES & TARIFF REDUCTIONS
Textiles & Apparel	<p>Textiles, Clothing: Tariffs of up to 12% eliminated immediately.</p> <p>Leather & Footwear: Tariffs of up to 16% phased out over 5 years.</p>
Agri-food	<p>Agriculture: More than 95% of 1,437 tariff lines in agriculture made duty free; 20% export rise projected in the next 3 years.</p> <p>Processed Food: Tariffs of up to 70% eliminated on processed food; exports expected to rise by over 50% in the next 3 years.</p> <p>Marine products: UK tariffs on Indian shrimp ranging between 4.2 – 8.5% eliminated, expected to unlock rapid growth, particularly in shrimp, tuna, fishmeal, and feeds.</p>
Gems & Jewellery	<p>Tariffs (up to 4%) on cut-and-polished diamonds, gold jewellery and gemstones removed at entry, covering 99% of India's exports by value. Tariff relaxations under the CETA are projected to double India's gems and Jewellery exports to the UK within the next 2-3 years.</p>
Automobile	<p>Auto components: Tariffs between 18%–25% on critical engine parts, chassis, transmission components eliminated immediately.</p> <p>Vehicles: Up to 18% duty eliminated immediately.</p> <p>Electric Vehicles (Up to and including £80,000¹): Quota based reduction from year 6 of entry into force.</p>
Electronics, IT & Services	<p>Software services: Better access to markets to drive job creation and enhance export potential for Indian software firms; 15-20% annual growth projected.</p> <p>Electronics: Immediate tariff eliminations and recognition of Indian assessment standards will open substantial export opportunities for Indian</p>

¹ CIF i.e. Cost, Insurance, Freight value

electronics, especially TV, monitors, Telecom equipment, inverters with exports estimated to double by 2030.

Eased visa routes for Indian professionals and a potential boost to the approximately \$16 billion in exports.

Pharmaceuticals

Medicines: Zero tariff provisions are expected to significantly enhance the competitiveness of Indian generics in the UK market, which remains India's largest pharmaceutical export destination in Europe.

Medical devices: A bulk of devices like surgical instruments, diagnostic equipment, ECG machines, X-Ray systems will not attract any duty from a duty of 2% - 6% making Indian med-tech companies more competitive. Mutual Recognition will allow Indian certified products to access UK markets freely.

Engineering & Manufacturing

Engineering goods: 1659 tariff lines to enter UK markets duty-free from tariffs as high as up to 18%; exports to the UK could nearly double in the next five years in line with India's 2030 export goal.

Base metals: Immediate tariff elimination from up to 10% tariffs.

Aerospace and defence: Immediate tariff elimination; full liberalisation supports exports and "Make in India" initiative.

Professional Mobility

Mutual recognition of professional qualifications (nursing, accounting, architecture) to be negotiated within a year and ease of mobility for Indian professionals across sectors like IT, finance, and healthcare, with no quotas or economic needs tests.

A dedicated quota of 1,800 is reserved annually for Indian chefs, yoga instructors, and classical musicians.

Double Contribution Convention eliminates dual UK/India social-security payments for assignments up to 36 months.

Excluded products on the UK side include:

Swine and its meat (fresh, frozen, processed) and eggs, Fowls of a particular species, pork, chicken, eggs, semi-milled or wholly milled rice, cane or beet sugar and chemical sucrose, Electric/ Hybrid/ Hydrogen-Passenger Cars above £80,000 CIF.

KEY FACETS OF CETA FOR THE INDUSTRY

- **Trade Facilitation:** The agreement aims to simplify and modernise customs procedures, including faster clearance times and reduced paperwork, which will particularly benefit SMEs.
- **Services Liberalisation:** CETA facilitates greater market access for service providers in crucial sectors like telecommunications, financial services, and professional services.
- **Investment Promotion:** The deal establishes a more favourable and secure environment for investment flows between the two nations.
- **Technology Transfer:** The agreement encourages cooperation and investment in technology and innovation, with a focus on advanced manufacturing, digital trade, and clean energy.
- **Access:** UK businesses will gain significant access to India's vast government procurement market. On the other hand, a Double Contributions Convention will exempt Indian employees on temporary UK visas from making social security contributions for up to three years, supporting over 60,000 IT and professional service workers annually.
- **Foster Competitiveness:** Greater trade and collaboration will facilitate the entry of SMEs into the global supply chains, foster value chain upgradation for existing players and enhance competitiveness across sectors in both the countries.

MSMEs vs. Large corporates

FACTOR	MSMEs	LARGE CORPORATES
Market Access	Indian MSMEs are poised to gain in textiles and agriculture, while UK MSMEs will benefit in digital and education sectors.	Both UK and Indian large corporates will see significant gains in legal, infrastructure, and investment-heavy sectors.
Compliance Burden	The compliance burden related to traceability, IP, and ESG standards may be higher for Indian MSMEs.	Larger corporations are generally better equipped to absorb the costs associated with regulatory compliance.
Institutional Support	While the agreement includes a dedicated chapter on MSME facilitation, effective implementation will be crucial.	Larger firms are better positioned to leverage regulatory mechanisms and navigate regulatory harmonisation.
First-Mover Advantage	Critical in niche segments (e.g. speciality foods, boutique, legal services).	Scale projects (smart infra, diagnostics, SaaS).

WHAT TO LOOK OUT FOR: A WATCHLIST FOR BUSINESSES

WATCHLIST	WHY IT MATTERS
Periodic Implementation Reviews	These reviews will be key for monitoring the progress of tariff phase-outs and the implementation of Mutual Recognition Agreements (MRAs) in sectors like education and professional services.
Precedent Setting	Early case law under the new agreement will set the tone for foreign investment and regulatory risk.
Public Procurement Portals (UK/India)	These portals will provide a direct pipeline of opportunities in areas such as government contracts, smart cities, and infrastructure consulting.
ESG and Green Chapters (Future Protocols)	While not currently binding, any future additions or protocols related to carbon goals and green energy will be pivotal for businesses.

For sector-specific consultancy and bespoke advisory, contact UKIBC: enquiries@ukibc.com

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