India-United Kingdom Comprehensive Economic and Trade Agreement (CETA)

Introduction

Effective 15 July 2026, the India–UK Comprehensive Economic and Trade Agreement (CETA) marks a significant step in strengthening economic ties between the two countries. By combining India's large and growing market with the UK's capital, technology, and services capabilities, the agreement creates opportunities for deeper trade, investment, and supply-chain integration.

CETA progressively reduces tariffs across key sectors while extending well beyond goods to cover services, digital trade, government procurement, and professional mobility. The accompanying Double Contribution Convention (DCC) further facilitates mobility by exempting eligible seconded Indian employees from UK National Insurance contributions for up to five years. With bilateral trade already exceeding USD 56 billion, CETA is expected to unlock significant additional trade and investment opportunities.

However, tariff reductions and mobility benefits alone do not guarantee market access. Businesses must navigate Rules of Origin, product regulations, customs procedures, and other non-tariff requirements to fully realise CETA's benefits. The real opportunity, therefore, lies not merely in lower tariffs, but in how effectively businesses translate the agreement into their market-access and supply-chain strategies.

1. Market access and compliance considerations

- ***Multiple non-tariff barriers in India***

While CETA lowers tariffs, UK market access still depends on navigating India's sector-specific regulatory frameworks, product approvals, testing, and local compliance.

- *Food and agri-food products*: Governed by the Food Safety and Standards Authority of India (FSSAI), covering product classification, import clearance, testing, labelling, and foreign facility registration.

- *Alcoholic beverages*: Tariff cuts boost competitiveness, but federal and state-level licensing, label registration, pricing controls, and distribution rules still apply.

- *Medical devices and cosmetics*: Regulated by the Central Drugs Standard Control Organization (CDSCO), requiring pre-import registration, licensing, technical documentation, and product-level compliance.

- *Industrial goods, electrical machinery and clean-energy equipment*: Governed by the Bureau of Indian Standards (BIS) and Quality Control Orders (QCOs), demanding standards mapping, testing, certification, and product marking.

- *Automotive*: Tariff reductions are phased in via quotas, and vehicles must pass Central Motor Vehicles Rules (CMVR), Automotive Industry Standards (AIS), homologation, and registration before they can be sold.

CETA improves transparency, customs facilitation, and regulatory cooperation, reducing procedural friction without eliminating regulatory obligations. Exporters will gain the most by planning for compliance as thoroughly as tariff savings

- ***Origin documentation***

To secure CETA's preferential tariffs, businesses must strictly comply with the Rules of Origin. While self-certification via Origin Declarations simplifies claims, benefits are often lost to documentation gaps. Exporters using third-country inputs or contract manufacturing must maintain robust proof like supplier declarations, manufacturing records, and value-addition evidence to substantiate eligibility. It is important to note that CETA benefits are linked to the origin of the goods, rather than the nationality or ownership of the brand. Accordingly, products of UK brands that are manufactured in India would not qualify for preferential customs duty benefits under CETA, since there is no import of UK-origin goods into India.

- ***Structuring expansion***

Businesses expanding into the UK should evaluate corporate structure early. While CETA enables selling goods and services without a local UK entity, activities creating a Permanent Establishment (PE) will require registering a branch or subsidiary. Seeking advice early helps avoid the high cost of unwinding an improper setup.
Other regulatory considerations should also be reviewed, depending on the business's planned UK activities. These may include: FCA (Financial Conduct Authority) authorisation, product standards and labelling rules, data protection obligations under UK GDPR, and industry-specific licensing.

- ***Indirect tax compliance***

UK VAT registration thresholds, import VAT, and customs duty treatment all depend on how goods and services enter and are supplied within the UK. This also applies to Indian GST and Customs. The rules differ significantly between goods and services, with additional complexities arising in areas such as digital services and constructionrelated supplies.

Indian businesses can trade in the UK through a variety of operating models, including direct cross-border trading as a non-resident business, appointing local distributors, or establishing a UK subsidiary or branch. The chosen structure can have a significant impact on VAT and customs obligations. For example, non-resident Indian importers making taxable UK supplies must register for VAT immediately, as the £90,000 threshold applies strictly to UK-established entities. Customs compliance further requires obtaining a UK EORI number, appointing a customs representative if needed, and managing declarations, import VAT, and duty liabilities.

The obligations do not stop at the UK border. On the Indian side, exporters need to keep their GST and customs positions equally tight — export documentation, correct classification and valuation for shipping bills, and timely filing of LUT or IGST refund claims all still apply regardless of the preferential tariff treatment on the UK end. A shipment that qualifies cleanly for CETA benefits abroad can still run into delays or refund complications at home if the underlying GST and customs paperwork isn't in order.

- ***Transfer pricing: a bigger issue as trade volumes rise***

As tariff barriers fall, and intra-group trade between UK and Indian entities increases, transfer pricing is likely to come under greater scrutiny on both sides. The Indian tax authorities have a well-established reputation for challenging intercompany pricing, particularly around management charges, royalties, and intercompany financing, and this is unlikely to soften as trade volumes grow. UK companies expanding into India, or scaling up existing operations, should treat robust, contemporaneous transfer pricing documentation as a priority rather than a compliance afterthought. This includes benchmarking related-party transactions on an arm's length basis and maintaining transfer pricing documentation that satisfies Indian statutory requirements, including Master File and Local File documentation where applicable.

There is also a less obvious interaction worth considering: the qualifying value content tests used in certain product-specific rules of origin may be influenced by the value attributed to inputs and processing. Consequently, transfer pricing policies and customs valuation positions can affect origin calculations and should be considered alongside rules of origin when restructuring their supply chains to take advantage of the agreement. Groups that assess transfer pricing, customs, and origin requirements together are likely to be better placed to manage both compliance risk and tariff outcomes.

- ***Lowering the tax cost for the movement of people***

One of the more tangible benefits for Indian companies expanding into the UK is the DCC, the social security side agreement that came into force alongside the CETA on 15 July 2026. The DCC exempts Indian employees seconded temporarily to the UK and their employers from paying UK National Insurance contributions, provided the employee continues to contribute to an Indian social security scheme such as the Employees' Provident Fund. The exemption period was originally negotiated at three years but was extended to five years in the version that ultimately took effect, and is expected to benefit tens of thousands of detached workers and hundreds of UK employers by removing a cost that could otherwise amount to around a fifth of an employee's salary over the course of an assignment.

The relief is targeted rather than universal: it applies to employees detached from an India-based employer to a linked UK entity on a temporary assignment, not to Indian nationals who are locally engaged by a UK-only employer. Businesses planning to bring staff to the UK under the agreement should therefore review secondment structures, employment contracts, and Provident Fund certificates of coverage carefully before assuming National Insurance relief will apply, and should take advice on the interaction with PAYE, the Statutory Residence Test (SRT) and any existing double taxation arrangements.

How CETA should be viewed

CETA presents a strategic growth opportunity for exporters to expand market presence, backed by strong UK-India diaspora ties. To maximise benefits, exporters must take a proactive, managed approach to market access. Key actionable items are as follows:

- **Tariff Mapping**: Map products directly against CETA tariff schedules.
- **Regulatory Audits**: Evaluate rules of origin, sectoral regulations, and compliance requirements prior to planning shipments.
- **Origin File Creation**: Build defensible origin files that include supplier declarations, manufacturing records, cost data, and value-addition proof for preferential tariff claims.
- **Supply Chain Redesign**: Reassess sourcing and manufacturing structures to determine whether supply chains can be optimised to meet origin thresholds and maximise preferential duty benefits.
- **Commercial Recalibration**: Evaluate how tariff savings can translate into better pricing, stronger margins and improved competitiveness in the destination market.

Ultimately, the businesses that get the most out of CETA will be the ones that pair tariff savings with regulatory readiness, commercial agility and disciplined execution — not the ones that treat the tariff cuts as the whole story.

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About Ascentium India (Part of Ascentium Group)

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