

# 'Historic milestone': India, UK seal free-trade deal

Duplication of social security contributions to be nixed too

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New Delhi, 6 May

After nearly three and a half years of intense negotiations, India and the United Kingdom (UK) on Tuesday announced the conclusion of talks for a free trade agreement (FTA) that will boost strategic and economic ties between the fifth- and sixth-largest economies in an era of geopolitical uncertainties and trade wars.

The trade deal, once implemented, may make import of whisky, gin, automobiles, medical devices, electrical machinery, cosmetics, soft drinks, chocolates, and lamb cheaper for India. It will also lead to significant increase in export competitiveness of Indian shipments in the UK for sectors like textiles, toys, leather, marine products, footwear, and gems & jewellery. Sensitive items like dairy products, apples, cheese, etc, have been excluded from any duty concession by India to protect its farmers.

In a massive win for New Delhi, both nations also concluded a double-contribution convention or a social security pact that will give Indian skilled professionals working in Britain a three-year exemption from social security payments. This has been India's longstanding demand, and is expected to benefit over 60,000 employees from the information technology (IT) sector alone. It will lead to savings of around 20 per cent of employee salaries. Turn to Page 6 ▶



“These landmark agreements will further deepen our Comprehensive Strategic Partnership, and catalyse trade, investment, growth, job creation, and innovation...”

**NARENDRA MODI,**  
Prime Minister, India



“Today we have agreed a landmark deal with India... We are now in a new era for trade and the economy. That means going further and faster to strengthen the UK's economy”

**KEIR STARMER,**  
Prime Minister, UK

## WHAT'S IN THE AGREEMENT

**Social security relief:** 3-year exemption from UK social security payments for Indian workers under the Double Contribution Convention

**Zero duty:** 99% of Indian exports to UK to enjoy zero-duty access

**Tariff cuts:** India to cut tariffs on 90% of tariff lines; 85% to become fully duty-free within 10 years

**Alcohol & auto tariffs:** Whisky and gin tariffs to drop from 150% to 75%, then 40% over 10 years; auto tariffs to fall from 100%+ to 10% under quotas.

**Professional mobility:** Easier entry for business visitors, investors, contractual service suppliers; dependents of intra-corporate transferees to get work rights

**What may become cheaper**  
For India: Whisky, gin, automobiles  
For UK: Clothes, footwear, prawns

## Start, stop, continue...

2022 **Jan:** Talks launched  
**Apr:** Modi and then UK PM Boris Johnson set Diwali/Oct deadline  
**Oct:** Rishi Sunak becomes UK PM; Diwali deadline dropped  
**Dec:** Negotiations resume

2023 **Oct:** Fresh Diwali/Nov target set; talks fail

2024 **Apr-Jun:** Talks paused for India elections  
**May:** UK announces elections  
**Nov:** Modi and his new UK counterpart Keir Starmer meet; agree to relaunch talks in 2025

2025 **Feb:** Talks resume with focus on FTA, bilateral investment treaty, and double-taxation avoidance  
**Apr:** Commerce Minister Piyush Goyal visits London to resolve pending issues

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**AUTO TO TEXTILES: INDUSTRY WELCOMES FTA**  
Bilateral trade between India and the UK will increase by 25.5 billion pounds with the sealing of their FTA, and it is expected to benefit sectors such as textiles, marine products, leather, gems and jewellery, footwear, and engineering goods, said companies and industry experts.

▶ **DOUBLE CONTRIBUTION CONVENTION TO HELP INDIAN IT COS**

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# India-UK BIT yet to be finalised

Also, the benefits from the pact to Indian companies and employees may exceed ₹4,000 crore.

The negotiated document will now go through a legal scrubbing and clearance from both governments before it is signed.

However, the contentious bilateral investment treaty (BIT) between both the countries could not be finalised as both sides have struggled to iron out differences over time period for dispute resolution and inclusion of taxation in the pact.

For the UK, the FTA with India is the “biggest and the most economically significant” deal since it has been attempting to build a post-Brexit trade relationship with the world. For India, this is by far the most comprehensive deal it has signed with any major developed nation.

The timing of the FTA is crucial since discussions for an early tranche of a trade deal between India and the US are also gaining momentum.

“Delighted to speak with my friend PM Kier Starmer. In a historic milestone, India and the UK have successfully concluded an ambitious and mutually beneficial free trade agreement, along with a double contribution convention. These landmark agreements will further deepen our comprehensive strategic partnership and catalyse trade, investment, growth, job creation, and innovation in both our economies. I look forward to welcoming PM Starmer to India soon,” Prime Minister Narendra Modi wrote in a post on X.

Both leaders spoke on Tuesday and Modi invited Starmer to visit India, an official statement said.

“Today Britain has agreed (on) a landmark trade deal with India. Fantastic news for British business, British workers, and British shoppers, delivering on our Plan for Change,” Starmer posted on X.

Ajay Srivastava, founder of Global Trade Research Initiative (GTRI), said the deal’s true test would lie in how the UK’s Carbon Border Adjustment Mechanism (CBAM) is handled. “If Indian exports still face CBAM levies while UK goods enter India duty-free, it risks turning a balanced FTA into a one-sided bargain. Let’s hope this elephant in the room wasn’t ignored,” he added.

## The deal

India will gain from tariff elimination by the UK on about 99 per cent of products, covering almost 100 per cent of the trade value.

The trade deal is expected to make Indian goods competitive in the Britain market vis-a-vis other markets through tariff reduction and greater market access, a commerce department statement said.

On the other hand, Indian tariffs will be slashed, locking in reductions on 90 per cent of tariff lines, with 85 per cent of these becoming fully tariff-free within a decade.

India has reduced import tariffs on whisky and gin from 150 per cent to 75 per cent, before slashing them to 40 per cent by year 10 of the deal. Automotive tariffs will go from over 100 per cent to 10 per cent under a quota. India has also provided tariff concessions on cosmetics, aerospace, lamb, medical devices, salmon, electrical machinery, soft drinks, chocolate, and biscuits.

Though there is no clarity on liberalisation of the visa regime for skilled professionals, the Indian statement said New Delhi would benefit from the UK’s commitment in IT/IT-enabled services, financial services, professional services, other business services, and educational services. The deal will also ease mobility for professionals like contractual service suppliers, business visitors, and investors, among others, it added.

“The FTA takes place against the backdrop of growing economic relations between India and the UK as exemplified in the bilateral trade of about \$60 billion, which is projected to double by 2030,” the commerce department said. “This agreement sets a new benchmark for equitable and ambitious trade between two large economies. It will benefit Indian farmers, fishermen, workers, MSMEs, startups, and innovators. It brings us closer to our goal of becoming a global economic powerhouse... It protects our core interests while opening doors to India’s greater participation in global value chains,” Commerce and Industry Minister Piyush Goyal said.

The total trade between both countries stood at \$21.33 billion during 2024-25. Exports from India stood at \$12.9 billion, up 13.3 per cent year-on-year (Y-o-Y). Imports from the UK stood at \$8.4 billion, down 6.1 per cent Y-o-Y.