ERGO

KHAITAN & CO ADVOCATES SINCE 1911

India-UK CETA Enters into Force: Compliance and Operational Considerations for Indian and UK Businesses

20 July 2026

Background

India and the United Kingdom concluded negotiations on the Comprehensive Economic and Trade Agreement (CETA) on 6 May 2025, following 14 rounds of talks initiated in January 2022. The CETA was formally signed in London on 24 July 2025 by the Union Minister of Commerce and Industry, Piyush Goyal and the UK Secretary of State for Business and Trade, Jonathan Reynolds. Besides the CETA, a Double Contribution Convention (DCC), addressing social security contributions for Indian workers temporarily working in the UK, was signed separately on 10 February 2026.

The CETA and the DCC have both entered into force from 15 July 2026, giving legal effect to the rules on tariff concessions, trade in services, rules of origin, movement of natural persons and social security exemptions negotiated as part of the two agreements.

Ahead of CETA's entry into force, Indian authorities had issued a series of notifications to operationalise the treaty commitments in Indian law. An overview of the notifications is provided below:

Notified Instrument	Notification Date	Notifying Authority
Customs Tariff (Determination of Origin of Goods under CETA between India and the United Kingdom of Great Britain and Northern Ireland) Rules, 2026 (CETA Origin Rules)	3 July 2026	Central Board of Indirect Taxes and Customs, Department of Revenue, Ministry of Finance
Public Notice No. 19/2026-27 (Autos TRQ Notice)	9 July 2026	Directorate General of Foreign Trade, Ministry of Commerce & Industry
Customs Notification No. 29/2026-Customs (CETA Tariffs Notification)	14 July 2026	Central Board of Indirect Taxes and Customs, Department of Revenue, Ministry of Finance

This update provides an overview of the CETA Origin Rules, the Autos TRQ Notice, and the CETA Tariffs Notification, the domestic legal instruments issued to give effect to the CETA and outlines the immediate compliance and operational considerations for Indian and UK businesses seeking to avail of preferential treatment under the CETA.

CETA Origin Rules: Eligibility, Qualification and Business-level Considerations

The CETA Origin Rules, as notified by the Ministry of Finance set out the criteria UK-origin goods must meet for preferential tariff treatment under the CETA. Preferential duty is unavailable unless origin is established first, and the burden of proof rests with the importer. Depending on the tariff line, origin may be established through wholly obtained status, a change in tariff classification, a qualifying value content (QVC) threshold[1], or, for a given product, a product-specific rule (PSR) such as chemical reaction, mixing and blending, or melt and pour, applied either as alternatives or in combination as set out in the PSRs.

Importers of UK-origin goods should accordingly review their suppliers' sourcing and manufacturing arrangements with this in mind, verifying that those arrangements, including any Indian-origin content counted through cumulation[2], meet the applicable origin threshold under the CETA before claiming preferential rates on import into India.

Given that the CETA Origin Rules set procedures for verification and permit the Indian customs authorities to seek verification from the UK exporter,[3] importers may wish to ensure that their contractual arrangements with the UK supplier oblige that supplier to cooperate in potential verification requests, to avoid preferential treatment being denied for want of supporting evidence outside the importer's control.

Tariff Rate Quotas (TRQs) for Auto imports under CETA

The Autos TRQ Notice, as issued by the DGFT, amends Para 2.92 and Appendix-2A of the Handbook of Procedures 2023 to implement India's tariff rate quota commitments on automobiles under the CETA. As in the CETA, three separate TRQs apply to UK-origin completely built-up (CBU) vehicles imported into India, as explained in the table below:

TRQ	Quota segmentation	Quota trajectory	In-quota Duty trajectory
ICE petrol and diesel passenger cars (HS 8703)	The TRQ is divided across three engine-capacity-based bands: cars below and including 1500 cc, from 1500 cc to and including 2500 cc (diesel) or 3000 cc (petrol), and above 2500 cc (diesel) or 3000 cc (petrol)	The TRQ opens at 20,000 units in year 1, rises steadily to a peak of 37,000 units by year 5, then declines gradually to settle at 15,000 units from year 15 onwards	Starts at the respective base customs duty for each segment and steps down each year of the CETA, reaching a flat 10 percent by year 5, where it remains
Zero emission[4] passenger cars (HS 8703)	The TRQ is divided across three price bands, based on the CIF value: below £40,000, between £40,000 and £80,000, and above £80,000	No quota at all for the first five years. From year 6, the quota opens modestly and expands significantly through to year 15, by which point it exceeds the entire ICE quota. Vehicles priced below £40,000 CIF never receive any quota	For the two higher price bands, duty steps down each year and reaches a flat 10 percent by year 10. Vehicles below £40,000 CIF receive no concessional duty at any point
Goods vehicles (HS 8704)	No sub-bands, a single unified quota	Opens at 2,500 units in year 1 and rises gradually to 3,500 units by year 5, after which it remains flat	Both the in-quota and out-of-quota duty rates decline each year on a fixed schedule, levelling off at 8.8 percent (in-quota) and 22 percent (out-of-quota) by year 10 of the CETA

The structure and design of the TRQs reflects how India and the UK governments came together to address

[1] For QVC, the value of the good is taken as the ex-works price or FOB value. Where no ex-works price exists, or it excludes material costs, value is calculated using generally accepted accounting principles and may include a reasonable allocation of overheads and profit. Exporters may then apply either method below.

- **Build-Down Method**: [(Value of good – Value of non-originating materials) ÷ Value of good] × 100
- **Build-Up Method**: (Value of originating materials ÷ Value of good) × 100.

[2] Cumulation is another relevant consideration in this assessment, whereby originating materials or processing carried out in the UK count towards satisfying the Indian originating threshold, so UK-origin goods sourced with Indian-origin content should not be assumed to fail the applicable test without checking this

[3] India-UK CETA, Article 3.25

[4] 'Zero emission passenger cars include 'Electric, hybrid and hydrogen' cars.

concerns about opening the Indian autos market too quickly. Rather than removing the tariffs outright, both sides agreed on phased TRQs which start small and grows over the decade, giving Indian manufacturers time to compete before market access reaches its ultimate negotiated level. Exclusion of sub-£40,000 category autos, for example, is an example of this as it keeps out the mass-market EV segment, where Indian manufacturers are investing heavily and are most exposed to competition.

In practice and under the terms of the Autos TRQ Notice, the TRQ is availed by Original Equipment Manufacturers and their authorised dealers, not by consumers directly. To avail the TRQs' benefits, dealer-importers are required to apply to the DGFT annually with pre-purchase agreements specifying import quantity. Based on these applications, the applicants will receive their requested allocation in full, if demand is within quota, or a pro-rated share, if the demand is below the quota level.

Preferential CETA Tariffs

The CETA Tariffs Notification, as issued by the Ministry of Finance, gives effect to the tariff concessions negotiated under the CETA and operates through three distinct tabled schedules. Table I sets out the general concessions available to UK-origin goods across a wide range of HS tariff lines, prescribing the reductions or eliminations of the basic customs duty, and, where applicable, the Agriculture Infrastructure and Development Cess and the Health Cess. These concessions are applicable on a line-by-line basis, with each tariff item assigned its own duty concession according to the phase-out period that was agreed under the CETA. These preferential rates are available only on production of a valid certificate of origin issued in accordance with the CETA Origin Rules.

Similarly, Table III applies the staged-reduction of tariffs to automobile imports falling under the TRQs established under the Autos TRQ Notice, setting out also the in-quota and out-of-quota tariffs.

Table II, in turn, gives effect to the CETA's tariff concessions applicable specifically to imports of UK alcoholic beverages falling under Chapter 22, distinguishing between Scotch whisky and other qualifying spirits. For Scotch whisky, the basic customs duty has been reduced from the base rate of 150% to 75 percent with effect from 15 July 2026. This concession is available without any minimum import price requirement, and the applicable tariff rate will reduce further over the next 10 year, going down to 40% by the Year 10 of the CETA.

For other qualifying spirits, such as gin, vodka, rum, brandy, tequila, bourbon whiskey, liqueurs and cider, imported from the UK, the basic customs duty has been reduced to 110%, with the concessional tariff rate available only where the declared CIF value of the imported product meets a prescribed minimum import price of USD 5 per litre for bulk or litre-based products, or USD 6 per 750 ml bottle, for bottled products.

As with Table I, the preferential rates under Table II are contingent on production of a valid certificate of origin issued in accordance with the CETA Origin Rules.

Key Considerations and Next Steps for Businesses

As notified, the CETA Origin Rules, Autos TRQ Notice and CETA Tariffs Notification together require businesses to actively establish eligibility before claiming preferential treatment under the CETA. Businesses should therefore prioritise the following steps:

- Verify that sourcing and manufacturing arrangements meet the applicable origin criteria, factoring in cumulation of Indian-origin content where relevant.

- Obtain a valid certificate of origin and build supplier cooperation obligations into contracts to support potential verification requests.

- For alcoholic beverages, confirm CIF valuation meets the prescribed minimum import price and monitor periodic indexation adjustments.

- OEMs and dealers seeking auto TRQ benefits should prepare annual DGFT applications with pre-purchase agreements specifying import quantities.

We are closely monitoring the implementation of the CETA and its related notifications. Indian and UK businesses interested in this development are encouraged to connect with us for assistance on:

- on assessing eligibility for preferential tariff treatment under the CETA Origin Rules, including cumulation-based qualification;

- structuring supplier and distribution contracts to address origin verification and compliance obligations; and

- preparing TRQ applications and advising on minimum import price compliance for affected product lines.

- *Ayush A Mehrotra (Partner), Mayank Jain (Partner), Vikram Naik (Principal Associate) and Shantanu Singh (Associate)*

About Khaitan & Co

Khaitan & Co is a top tier and full-service law firm with over 1300+ legal professionals, including 340+ leaders and presence in India and Singapore. With more than a century of experience in practicing law, we offer end-to-end legal solutions in diverse practice areas to our clients across the world. We have a team of highly motivated and dynamic professionals delivering outstanding client service and expert legal advice across a wide gamut of sectors and industries.

To know more, visit **www.khaitanco.com**