What does the new U.K.-India trade deal entail? | Explained

What are the contours and implications of the Comprehensive Economic and Trade Agreement? How will opening up the service sector to the U.K. help India? What is the Double Contribution Convention? When will the trade deal come into effect?

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Britain's Prime Minister Keir Starmer and Prime Minister Narendra Modi of India speak during a press conference after signing a free trade agreement at Chequers near Aylesbury, England, Thursday, July 24, 2025. | Photo Credit: Reuters

The story so far: India and the U.K. signed a Comprehensive Economic and Trade Agreement (CETA) on Thursday, after having announced the conclusion of negotiations on the deal in May this year. With negotiations starting in January 2022, the deal marks a more than three-year effort to enhance bilateral trade between the two countries.

What has broadly been agreed to?

Under the deal, the U.K. has removed tariffs on 99% of its product lines. However, not all of these product lines are exported by India to the U.K. According to an analysis by the Global Trade Research Initiative, about $6.5 billion or 45% of what India currently exports to the U.K. — such as textiles, footwear, carpets, automobiles, seafood, and fresh fruits such as grapes and mangoes — will now enter the U.K. duty-free. The remaining $8 billion worth of goods that India exports to the U.K. — petroleum, pharmaceuticals, diamonds, and aircraft components — already enjoy zero duty access. India has agreed to either eliminate or reduce duties on 90% of its tariff lines, which comprises about 92% of what the U.K. exports to us, according to data with the U.K. government. Alcohol from the U.K., especially whiskey, is set to become cheaper in India, as are British cars, and engineering products.

The U.K. is a relatively small trading partner for India. About 3.3% of India's exports in 2024-25 went to the U.K., and the U.K. made up 1.2% of India's imports that year.

Is the deal restricted to the goods trade?

No, the CETA incorporates a significant section on services, which is especially of interest to India since services exports are a vital engine of growth. Under the 'economic' component of the deal, India has agreed to open up some key sectors of its service economy to U.K. firms, such as accounting, auditing, financial services, telecom, and environmental services.

What this means is that U.K. companies operating in these sectors can offer their services to Indian customers without first having to establish a local presence here. Despite this, they will be treated at par with Indian firms. India has also agreed to recognise U.K. professional qualifications in law and accounting, but not in legal services.

The U.K. has agreed to grant commercial presence rights to Indian companies in sectors such as computer services, consultancy, and environmental services. This means Indian companies operating in these sectors can set up branches, subsidiaries, or representative offices in the U.K.

One major positive for India arises out of the Double Contribution Convention (DCC), which is a parallel agreement between the two countries that was negotiated simultaneously, and that will come into force when the CETA does. Under the DCC, the

U.K. will allow 75,000 Indian workers on short U.K. assignments to continue paying into India's social security system without also having to pay the same in the U.K. This is highly beneficial for Indian workers in the U.K. since many of them work there for so short a stint that they do not get to avail of the benefits of social security there while having to contribute to it.

Is the deal a standard one or does it include unusual aspects?

While the broad contours of the deal are pretty standard, dealing with tariff and non-tariff barriers, there are some aspects that are unusual. The first is to do with auto tariffs. India has, for the first time, included cuts in its tariffs on imported cars in a trade deal.

Large-engine luxury petrol cars imported into India from the U.K. will see their import duty cut to 10% over 15 years from the current maximum of 110%. However, this is subject to a quota starting at 10,000 units and rising to 19,000 in the fifth year of the deal. For mid-sized cars, the tariff has been cut to 50% subject to a quota, which will fall to 10% by year five.

Small cars will enjoy a similar tariff reduction and growing quota.

The idea behind the quota, according to government sources, is to allow the domestic industry enough time to prepare to compete with U.K. imports. Further, nascent industries such as electric vehicles have been further protected with no duty concessions being given for electric, hybrid, and hydrogen-powered vehicles for the first five years.

The other unusual aspect of the deal is that U.K. firms will now be allowed to participate in Indian central government procurement bids. India will open about 40,000 high-value contracts from central ministries and departments in sectors such as transport, green energy, and infrastructure.

So what next?

The deal does not come into effect immediately. It needs to be ratified by the Cabinets of both countries, a process that could take as long as six months to a year. For India, the deal also serves as a template for future deals with other economies, such as the U.S. and the EU, both of which are in various stages of negotiation.

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