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India to allow import of 3.78 lakh UK cars at concessional duty in first 15 years of trade pact

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This Article covers the new India – Uk FTA agreement and implementations.

Synopsis

India will allow imports of up to 3.78 lakh conventional-engine passenger cars from the UK at concessional duties under a new trade pact starting July 15. Import duties will fall from 110% to 10% with quotas, while Indian electric and hybrid cars will gain duty-free access to the UK market from the sixth year.

India will allow import of up to 3.78 lakh units of conventional-engine passenger cars, including mass-market models, from the UK at concessional import duty during the first 15 years of the implementation of the bilateral trade pact, which will come into force from July 15.

Under the comprehensive economic and trade agreement (CETA), import duties on automotive products will fall from about 110 per cent to 10 per cent, with quotas on both sides.

According to the India-UK CETA document, released on Wednesday, India will get access to the UK's electric, hybrid/hydrogen passenger cars segment with duty-free exports to that country from the sixth year in the price segment ranging from GBP 20,000 to GBP 80,000, with the total quota reaching a peak of 88,000 units from the 15th year and continuing in the subsequent years.

this will benefit Indian manufacturers such as Tata Motors Passenger Vehicles, Mahindra & Mahindra, and Maruti Suzuki, among others.

The two countries announced the implementation of CETA from July 15.

For imports from the UK to India, the quota for conventional-engine passenger cars will peak in the fifth year across specified categories of vehicles at 37,000 units, with customs duties reduction reaching a final 10 per cent. The duties will not be reduced beyond this.



In the first year, the quota for passenger cars of engine size more than 3,000 cc (petrol) and over 2,500 cc (diesel) is 10,000 units, with customs duty being reduced to 30 per cent from 110 per cent.

For cars with engine size of 1,500 cc (petrol), 2500 cc (diesel) and 3,000 cc (petrol), the quota is 5,000 units, with duty being reduced to 50 per cent from 66 per cent.

In the mass market segment of engine size of up to 1,500 cc, the allowed quota of import in the first year of the pact is 5,000 units, with customs duty being reduced to 50 per cent from 66 per cent, as per the document.

A total of 20,000 units of passenger cars across the three categories will be allowed to be imported in the first year under the agreement.

In the fifth year, the import quota for passenger cars of engine size more than 3,000 cc (petrol) and over 2,500 cc (diesel) is 19,000 units, while for cars with engine size of 1,500 cc (petrol), 2,500 cc (diesel) and 3,000 cc (petrol), the import quota is capped at 9,000 units, and a similar quota is fixed for cars with engine size of up to 1,500 cc at 10 per cent concessional duty.

From the 15th year, the total quota will remain constant at 15,000 units annually with duties fixed at 10 per cent across the three categories.

India has not opened its market for vehicles priced below GBP 40,000 (CIF), ensuring complete protection for the mass-market EV segment in which India seeks global leadership through its homegrown firms like Tata Motors and Mahindra & Mahindra, besides Maruti Suzuki.

In the first five years, India has not given any concessions for electric/ hybrid/hydrogen-passenger cars, but from the 6th year, such vehicles priced between GBP 40,000 CIF to GBP 80,000 CIF (inclusive), the duties will be reduced to 50 per cent with a quota size of 400 units, while for those vehicles priced above GBP 80,000 CIF, the duties will be lowered to 40 per cent with an import limit of 4,000 units.

In the tenth year, the custom duty will stabilise at 10 per cent for the two price segments of electric/ hybrid/hydrogen-passenger cars.

It added that, notwithstanding anything provided in this pact, zero emission vehicles (electric or hydrogen fuel vehicles), which are two-wheeled vehicles, buses or trucks, are excluded from any commitment or obligation to reduce or eliminate. Customs duty on a good and no preferential customs duty concessions shall be implemented by India on that good under this agreement.

Words if Pallab Bnerjee, Md, Pearl Global :- The India-UK Free Trade Agreement (FTA) is expected to significantly strengthen India's apparel exports by eliminating a long-standing tariff disadvantage against competing manufacturing hubs such as Bangladesh and Cambodia. Industry leaders believe the agreement will not only improve India's price competitiveness but also encourage fresh investments, boost exports and create new employment opportunities.