FTA UPDATE 1 – SOURCE TIMESNOWNEWS

India-UK FTA To Bring Massive Drop In Car Import Duties From 110% To 10%

Written by Dev Saini

Under the new India-UK trade agreement, the import duty on UK-made cars entering India will decrease significantly, from approximately 110% to as low as 10%. However, this reduction is limited to a specific quota each year, with only about 3.78 lakh units eligible over 15 years.



Import duty on UK-made cars coming into India is dropping from around 110% to as low as 10% under the newly implemented India-UK trade pact, but here's the catch: it only applies to a fixed number of cars each year. That cap is really what Indian buyers need to wrap their heads around before assuming British cars are about to get a lot cheaper overnight, because the lower duty kicks in only within a quota, not on every single UK import. The cut is also phased over 15 years and changes depending on engine size, so don't expect this to show up in showroom prices anytime soon.

How Many Cars Will Actually Get The Lower Duty?

According to PTI, India will allow roughly 3.78 lakh units of conventional petrol and diesel cars from the UK to come in at reduced duty over the first 15 years of the agreement, with the annual quota for these cars peaking at 37,000 units in year five before tapering down to 15,000 units a year from year 15 onward.

The cuts are tiered by engine size. In the very first year, cars above 3,000cc petrol or 2,500cc diesel get a quota of 10,000 units at a reduced 30 percent duty, down from 110%, while smaller cars up to 1,500cc see duty drop from 66% to 50% on a 5,000-unit quota. By year five, duty on the largest engines falls all the way to 10%, and that's where it stays, the agreement doesn't push it any lower beyond that point.

FAQS

Breaking It Down

What other products will see tariff reductions under the India-UK FTA?

The India-UK FTA will reduce tariffs on processed food by up to 70%, marine products by 21.5%, engineering goods and auto components by up to 18%, leather and footwear by up to 16%, and textiles and clothing by up to 12%. This is part of the broader aim to facilitate trade and enhance bilateral economic ties.

How will the FTA affect UK whisky prices in India?

Under the FTA, India will reduce whisky tariffs from 150% to 40%. This significant cut is expected to make British whisky more affordable for Indian consumers, enhancing its market presence in India.

Which luxury car brands might lower prices due to the FTA?

Luxury brands such as McLaren, Aston Martin, and Bentley are expected to reduce their prices in India due to the FTA. The reduction in import duties will make these high-end vehicles more accessible to Indian consumers.

Will This Actually Make Cars Cheaper For Indian Buyers?

Only for a narrow slice of buyers and only once quotas actually get allocated to specific brands. Electric, hybrid, and hydrogen cars get zero duty relief for the first five years, and India hasn't opened up anything for UK cars priced under GBP 40,000 (about Rs 50.23 lakh), which keeps the country's mass-market and budget EV space fully shielded from this deal.

From year six, Electric cars priced between GBP 40,000 and GBP 80,000 (roughly Rs 1 crore) see duty drop to 50%, eventually settling at 10% by year ten. So in practical terms, this helps anyone eyeing higher-priced petrol, diesel or premium UK-built cars, not someone shopping for a regular hatchback or sedan.