Tariff Rate Quotas: India-United Kingdom Comprehensive Economic and Trade Agreement

INTRODUCTION

India signed a Comprehensive Economic and Trade Agreement with the United Kingdom (**UK**) (**India-UK CETA**) on July 24, 2025, following fourteen rounds of negotiations. The CETA is set to enter into force on July 15, 2026.

Pursuant to Chapter 2, Annex 2A (Schedules of Tariff Commitments for Goods), Section C (Schedule of Tariff Commitments of India) of the CETA, India has undertaken tariff liberalisation commitments for specified UK-origin goods. Among these commitments are tariff rate quotas (**TRQs**) for certain categories of completely built passenger and goods vehicles originating in the UK. A TRQ permits imports up to a specified quantity at a preferential customs duty rate, *i.e.*, in-quota tariff, while imports beyond the quota are generally subject to the non-preferential tariff rate or the applicable out-of-quota duty, if specified.

To operationalise these TRQ commitments, the Directorate General of Foreign Trade (**DGFT**) has issued Public Notice No. 19/2026-27 dated July 09, 2026 (**DGFT Public Notice**) amending Paragraph 2.92 and Appendix-2A of the Handbook of Procedures, 2023 (TRQ under FTA/CECA) to incorporate the framework governing TRQs under the India-UK CETA [*see* ***here***]. The DGFT Public Notice prescribes the procedure for allocation and administration of TRQs for eligible vehicles from the UK, including the applicable vehicle categories, eligibility conditions, application process, and utilisation requirements for availing the preferential customs duty.

The DGFT is expected to notify the application window and timelines for submission of TRQ applications separately.

VEHICLE CATEGORIES COVERED UNDER THE TRQ

The CETA provides separate TRQs for the following categories of completely built vehicles (**CBUs**): (a) ICE passenger CBUs; (b) Electric/ Hybrid/ Hydrogen Passenger CBUs; and (c) ICE goods CBUs.

The applicable TRQ schedules are set out ***here***. It lays down the vehicle categories, quota tariff rate, and annual quota allocations.

A. ICE - Passenger Car

- The CETA establishes annual TRQs for completely built ICE passenger cars (HS 8703) originating in the UK. The vehicles are divided into three categories based on engine capacity: (i) petrol vehicles exceeding 3000 cc and diesel vehicles exceeding 2500 cc; (ii) petrol vehicles between 1500 cc and 3000 cc and diesel vehicles between 1500 cc and 2500 cc; and (iii) petrol and diesel vehicles up to 1500 cc.
- ***Existing customs duties***. Imports of these vehicles ordinarily attract a 110% customs duty for large-engine vehicles and 66% for mid-size and small-engine vehicles.
- ***In-quota tariff***. For eligible vehicles, the in-quota customs duty for large-engine vehicles is reduced from the existing 110% to 30% in year 1 and is thereafter gradually reduced to 10% by year 5. For the remaining vehicle categories, the in-quota customs duty is reduced from the existing 66% to 50% in year 1 and is thereafter gradually reduced to 10% by year 5. The concessional duty remains at 10% thereafter. The CETA also prescribes annual quota allocations from year 1 to year 15, with the year 15 quota continuing thereafter.
- ***Out-of-quota tariff.*** For the vehicles falling outside the quota allocations, the out-of-quota customs duty for large-engine vehicles is reduced from the existing 110% to 95% in year 1 and is thereafter gradually reduced to 50% by year 10. For the remaining vehicle categories, the out-of-quota customs duty is reduced from the existing 66% to 60% in year 1. This is thereafter gradually reduced to 50% for mid-size engine vehicles, and to 45% for the small-

engine vehicles. The CETA also prescribes annual quota allocations from Year 1 to Year 10, with the Year 10 quota continuing thereafter.

- While the DGFT Public Notice reproduces the in-quota tariff schedule and annual quota volumes, it does not mention the out-of-quota preferential duty schedule contained in the CETA. The implementation of such out-of-quota preferential duty rates may therefore be expected through the relevant Ministry of Finance notification.

B. Electric/ Hybrid/ Hydrogen - Passenger Cars

- The CETA also establishes TRQs for electric, hybrid and hydrogen passenger cars (HS 8703), with concessions becoming available only from Year 6.
- The vehicles are classified into three categories based on their CIF value: (i) below £40,000, (ii) between £40,000 and £80,000; and (iii) above £80,000.
- ***Existing customs duties***. These vehicles are ordinarily subject to a 110% customs duty.
- ***In-quota tariff.*** For eligible vehicles, the in-quota duty for vehicles between £40,000 and £80,000 is reduced from the existing 110% to 50% in year 6 and is thereafter gradually reduced to 10% by year 10. For vehicles above £80,000, the in-quota duty is reduced from the existing 110% to 40% in year 1 and is thereafter gradually reduced to 10% by year 10. Vehicles valued below £40,000 are not eligible for any TRQ concession. The CETA also prescribes annual quota allocations from Year 6 to Year 15, with the Year 15 quota continuing thereafter.
- ***Out-of-quota tariff.*** Unlike ICE passenger cars, the CETA does not provide any out-of-quota preferential duty for these vehicles.

C. ICE - Goods Vehicles CBUs

- The CETA also establishes annual TRQs for completely built ICE goods vehicles (HS 8704) originating in the UK.
- ***Existing customs duties***. These vehicles are ordinarily subject to a 44% customs duty.
- ***In-quota tariff.*** For eligible vehicles, the in-quota duty is reduced from the existing 44% to 37% in year 1 and is thereafter gradually reduced to 8.8% by year 5 and remains at that level thereafter. The CETA also prescribes annual quota allocations from year 1 to year 10, with the year 10 quota continuing thereafter.
- ***Out-of-quota tariff.*** For eligible vehicles, the out-of-quota duty is reduced from the existing 44% to 41.8% in year 1 and is thereafter gradually reduced to 22% from year 10 onwards.

PROCEDURAL FRAMEWORK

While the tariff concessions under the CETA are reflected in the DGFT Public Notice, imports claiming such concessions remain subject to the relevant Ministry of Finance notification. The Public Notice further prescribes the procedural framework governing the allocation, administration and utilisation of tariff rate quotas under the CETA.

The key procedural requirements are summarised below:

- ***Eligible applicants***. Applications may be submitted only by the original equipment manufacturer (**OEM**) or its authorised dealer/channel partner in India. Applicants must have a pre-purchase agreement with the OEM of the vehicle originating in the UK specifying the quantity of vehicles proposed to be imported.
- ***Application process***. Applications are required to be filed electronically through the DGFT Import Management System during the application window notified by DGFT. The DGFT will separately notify the application window for submission of TRQ applications for each calendar year.
- ***Allocation of quota***. Where the aggregate quantity applied for by an applicant is within the available quota, the quantity applied for will be allocated. Where applications exceed the available quota, allocation will be made on a pro-rata basis.
- ***TRQ certificate.*** Successful applicants will be issued an electronic TRQ certificate specifying, among others, the tariff item, quantity and validity period.

- ***Origin requirement.*** Imports claiming the concessional tariff must be accompanied by a valid certificate of origin establishing UK origin in accordance with the CETA.
- ***Validity of the certificate.*** TRQ certificates remain valid until the end of the relevant calendar year or for twelve months from the date of issue, whichever is earlier.
- ***Under-utilization.*** The applicants that do not utilise the prescribed proportion of their allocated quota may receive a reduced allocation in subsequent years.

KEY CONSIDERATIONS FOR BUSINESSES

Businesses intending to avail the TRQ concessions under the India-UK CETA should consider the following:

- ***Review product eligibility.*** Businesses should verify that the vehicles proposed to be imported fall within the eligible HS codes and vehicle categories specified under the CETA and the DGFT Public Notice.
- ***Initiate discussions with OEMs***. Since applications must be supported by a pre-purchase agreement issued by the UK OEM specifying the quantity of vehicles proposed to be imported, businesses should engage with their OEMs well in advance of the application window.
- ***Monitor DGFT notifications***. The application window for TRQ allocation will be notified separately by DGFT. Businesses should closely monitor these notifications to avoid missing the prescribed timelines.
- ***Prepare documentation for TRQ certificate***. Businesses should review the documentary requirements under the CETA and the DGFT Public Notice, including the pre-purchase agreement and certificate of origin requirements, to minimise delays once the application window is notified.
- ***Prepare other documents for import of vehicles***. An importer would also need to comply with other regulatory requirements, including possessing a valid Type Approval Certificate issued by a notified testing agency (such as ARAI, ICAT, GARC, etc.) in compliance with the Central Motor Vehicle Rules, 1989. These documentation and regulatory requirements apply in addition to the requirements prescribed under the TRQ framework and must be complied with at the time of importation of the vehicles into India.
- ***Review origin compliance***. Imports claiming concessional duty must satisfy the CETA rules of origin and be supported by a valid certificate of origin. Businesses should also review the Customs Tariff (Determination of Origin of Goods under Comprehensive Economic and Trade Agreement between India and the United Kingdom of Great Britain and Northern Ireland) Rules, 2026,[1] which prescribe the applicable rules of origin, certificate of origin, proof of origin requirements, record-keeping obligations and customs verification procedures. Businesses should ensure that their documentation complies with the applicable origin requirements before importation.
- ***Plan quota utilisation***. Since under-utilisation of quota may be considered while determining future allocations, businesses should align their TRQ applications with realistic import plans and avoid seeking quantities that are unlikely to be utilized.

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at *insights@elp-in.com* or write to our authors:

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