



Tax Insights

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Government of India releases the CEPA framework between India and the UAE

In brief

In February 2022, India and UAE signed a comprehensive economic partnership agreement (CEPA) covering approximately 90% of bilateral trade between the two countries. The UAE is currently India's third largest trade partner and second largest export destination. The CEPA is expected to increase the current bilateral trade volume from the current US\$60bn to US\$100bn over the next five years.

The CEPA's formal operationalisation is under process, and India and UAE are shortly expected to roll out relevant notifications and regulations operationalising the same. However, the Government of India has placed the framework of CEPA in the public domain.¹

In detail

Facts

The CEPA framework, *inter alia*, covers the following:

- Trade in goods, covering the schedule of concessions from customs duty on cross-border trade
- Rules of origin, covering value addition requirements, product-specific rules (PSR), minimum required information, etc.
- Sanitary and phytosanitary measures as well as technical barriers to trade, with specific focus on bilateral cooperation on pharmaceutical products
- Customs procedures and trade facilitation, covering aspects of mutual assistance, risk management, advance ruling, mutual recognition under the Authorised Economic Operator Programme, alignment of commitments under the World Trade Organisation's Trade Facilitation Agreement, etc.
- Trade in services, with a schedule of commitments
- Digital trade

¹ [CEPA between the Government of the Republic of India and the Government of the United Arab Emirates published on 27 March 2022.](#)

- Intellectual property
- Government procurement
- Micro, small and medium-sized enterprises

Amongst the above aspects of the CEPA framework, key features of the trade in goods are outlined below.

- The Federal Authority for Identity, Citizenship, Customs & Port Security of the UAE and the Central Board of Indirect Taxes and Customs of India to be responsible for performance of customs administration function relating to adherence and compliance with customs law and procedure relating to exports and imports between the parties. India is to eliminate or reduce its customs duties on goods originating from the UAE in accordance with Annex 2A (Schedule of Specific Tariff Commitments of India). The proposed elimination or reduction is to cover 11,908 tariff items across the customs tariff over a 10-year period and will be effective in the following manner.

Mode	Impact	Illustrative tariff items covered
Tariff elimination immediate (TEI)	Basic customs duty (BCD) to be made 'zero' in the first year	<ul style="list-style-type: none"> • Apricots (8091000) • Aerated waters not containing added sugar, sweetening matter or flavours (22011020) • Coking coal (27011910) • Petroleum oils and oils obtained from bituminous minerals or crude (27090000) • Light naptha (27101221) • Medicinal grade oxygen (28044010) • Ibuprofen with or without paracetamol or other compounds (30049063) • Men's or boys' jackets and blazers, not knitted or crocheted, and made of cotton (62033200) • Ice-making machinery (84186910) • Other printers, and copying machines capable of being connected to an automatic data-processing machine (84433290) • Personal computers (84713010) • Other portable digital automatic data-processing machines less than 10kg (84713090) • Automatic beverage vending machines incorporating refrigerating devices (84762110) • Mobile phones, other than push button type for cellular networks (85171211) • SIM cards (85235210) • Digital cameras (85258020) • Refrigerated goods vehicles with spark ignition-internal combustion (IC) engines and gross vehicle weight less than 5ton (87043110)

Mode	Impact	Illustrative tariff items covered
		<ul style="list-style-type: none"> Mopeds with reciprocating IC piston engines of cylinder less than 50cc (87111010)
Tariff elimination phased (TEP)	BCD to be eliminated in five, seven or ten years in a phased manner	<ul style="list-style-type: none"> Edible grade of other fixed vegetable oils and its fractions (15159091) Chewing gum, whether or not sugar coated (17041000) Toffees, caramels and similar sweets (17049030) Orange juice not frozen, or with a Brix value not exceeding 20 (20091200) Crank shaft for engine of heading 8407 (auto spark ignition engines) (84831091) Air purifiers or cleaners (84213920) Electrostatic photocopying apparatus operated by reproducing the original image via an intermediate onto the copy (indirect process) (84433930) Metal detector (85437012)
Tariff reduction	Gradual reduction in BCD	<ul style="list-style-type: none"> Beer made from malt (22030000) Scotch whisky in containers greater than 2l (22083092) Bulletproof glass, laminated and of size and shape suitable for incorporation in vehicles, aircraft, spacecraft or vessels (70072110) Reception apparatus for television, whether or not incorporating radio-broadcast receivers, sound, video recording or reproducing apparatus not designed to incorporate a video display or screen (85287100)

Moreover, some tariff items are to be excluded or will have tariff rate quotas. These, *inter alia*, include the following:

Category	Illustrative tariff items covered
Excluded	<ul style="list-style-type: none"> Tobacco for the manufacture of chewing tobacco, not stemmed or stripped (24011060) Cigar and cheroots (24021010) Motor cars with compression ignition-IC engine, with cylinder greater than 2,500cc (87033391) Helicopters of an unladen weight not exceeding 2,000kg (88021100) Electrocardiographs (90181100)

Category	Illustrative tariff items covered
	<ul style="list-style-type: none"> Other apparatus based on the use of X-rays for medical, surgical or veterinary uses (90221490)
Tariff rate quota – BCD reduction up to 50% in five years with an annual tariff quota	<ul style="list-style-type: none"> Polyethylene having a specific gravity of 0.94 or more (39012000) Articles of jewellery of gold, unstudded (71131910)

- UAE is to eliminate its customs duties on goods exported from India in accordance with Annex 28 (Schedule of Specific Tariff Commitments of the UAE). The proposed elimination or reduction is to cover 7,581 tariff items across the customs tariff over a 10-year period and will be effective in the following manner.

Mode	Impact	Illustrative tariff Items covered
TEI	Customs duty to be made 'zero' in the first year: A access from day 1	<ul style="list-style-type: none"> Vegetable fats and oils and their fractions (15162000) Macaroni, vermicelli and the like, such as spaghetti or cannelloni in the shape of shells, stars and letters (19021910) Mango juice, not concentrated, containing added sugar or other sweetening matter (20098923) Ice cream and other edible ice, whether or not containing cocoa (21050000) Perfumes, liquid or solid (33030010) Toothpastes (33061010) Shawls, scarves, mufflers, mantillas, veils and the like (61171000) Bed linen, knitted or crocheted (63021000) Domestic and kitchen articles (75089050) Marine propulsion engines (84081000) Combined refrigerator-freezers, fitted with separate external doors (84181000) Machines that perform two or more of the functions of printing, copying or facsimile transmission, capable of connecting to an automatic data-processing machine or a network (84433100) Portable automatic data-processing machines, weighing not more than 10kg, consisting of at least a central processing unit, a keyboard and a display (84713000) Telephones for cellular networks or other wireless networks (85171200)

Mode	Impact	Illustrative tariff items covered
		<ul style="list-style-type: none"> Apparatus for reception of television transmission via satellites (receivers) (85287120) Dumpers designed for off-highway use (87041000) Aeroplanes and other aircraft, of an unladen weight exceeding 2,000kg but not exceeding 15,000kg (88023000) Diagnostic appliances (ophthalmoscope, ophthalmic hemopiezometer, etc.) (90185010)
TEP	Customs duty to be eliminated in five, seven or ten years in a phased manner: C, D or E access	<ul style="list-style-type: none"> Orange juice, not frozen, of Brix value not exceeding 20, and not containing added sugar or other sweetening matter (20091210) Natural mineral waters (22011010) Mineral or chemical fertilisers containing the two fertilising elements of phosphorus and potassium (31056000) Tubes (40069010) Bathtubs (68029121) Glasses for sunglasses and other protective spectacles (70159020) Carburettors and nozzles (fuel nozzles) (84099150) Air conditioning machines of a capacity 70,000BTU or less (84151010) Pneumatic elevators and conveyors (84282000) Machines for making optical fibres and preforms thereof (84752100) Food grinders and mixers; fruit or vegetable juice extractors (85094000)
Tariff reduction	Gradual reduction in customs duty	<ul style="list-style-type: none"> Specified goods of Chapter 72

In addition, some tariff items are to be excluded, prohibited or included in the special goods category. These, *inter alia*, include the following:

Category	Illustrative tariff items covered
Excluded	<ul style="list-style-type: none"> Milk, for industrial purposes, containing less than 75% of milk or containing added sugar or other sweetening matter, whether or not concentrated (4021012) Yogurt (4031000) Toilet or facial tissue stock, towel or napkin stock and similar paper of a kind used for household or sanitary purposes (48030010)

Category	Illustrative tariff items covered
	<ul style="list-style-type: none"> Specified goods of Chapter 72
Prohibited	<ul style="list-style-type: none"> Poppy seeds (12079100) Cigarettes containing tobacco (24022000) Used pneumatic tyres (40122000)
Special goods	<ul style="list-style-type: none"> Lard (15011000) White chocolate containing alcohol (17049080) Beer made from malt (22030000) Electronic cigarettes (85437031)

- Subject to conditions as specified, temporary admission to be granted free of customs duties for the following goods imported from the other party regardless of their origin:
 - Professional and scientific equipment and materials, including their spare parts, and goods for sports purposes that are necessary to carry out the business activity, trade, or profession of a person who qualifies for temporary entry pursuant to the laws of the importing party.
 - Goods intended for display or use at playgrounds, theatres, exhibitions, fairs or other similar events, including commercial samples, advertising materials including printed materials, films and recordings.
 - Containers and pallets in use or to be used for refilling.
 - Machinery and equipment to complete projects or conduct experiments and tests relating to such projects, or for repair.
 - Goods entered for completion of processing.
- Duty-free entry is to be granted to commercial samples of negligible value, and to printed advertising materials imported from the territory of the other party, regardless of their origin subject to the conditions prescribed.
- No customs duty is to apply on a good by the contracting party, regardless of its origin, that re-enters its territory within one year after that good has been exported from its territory to the territory of the other party for repair or alteration, regardless of whether such repair or alteration could be performed in its territory. However, a customs duty may be applied to the addition resulting from the repair or alteration that was performed in the territory of the other party.
- Similarly, neither party may apply a customs duty to a good, regardless of its origin, imported temporarily from the territory of the other party for repair or alteration, provided such good is exported from the territory of the importing party within one year of its entry.
- For the product to be eligible for customs duty benefit, it needs to meet one of the following origin criteria:
 - Being wholly obtained in the territory of the contracting party.
 - Having undergone sufficient working or production as per the PSR specified in the CEPA in terms of specified value addition (3%, 3.5%, 6%, 7% or 40%) and a tariff shift at a four or six-digit level, as specified.
- Value addition in terms of PSR is to be computed using either of the two methods listed below, with the final manufacture before export to be undertaken in the party of export:
 - (Free-on-board [FOB] value or the ex-works price) – (value of non-originating material)

(FOB value or the ex-works price)

Or

- Cost of originating material + direct labour cost + direct overhead cost

FOB value or the ex-works price

- Guidance provided on the de-minimis criteria, minimal or insufficient operations or processes, non-qualifying operations and bilateral cumulation, accounting treatment, etc. for the purpose of origin determination.
- A certificate of origin (CoO) establishing the origin criteria is to be operationalised as a paper copy in electronic or hard copy format, an e-certificate exchanged by a mutually developed electronic system, or an origin declaration made by an approved exporter, as may be specified.
- The exporter or producer to file an application to furnish the minimum information required in the prescribed format, along with documents as prescribed for the issuance of a CoO. The same is to be retained for a period of five years from the date of issue.
- The CoO to be valid for 12 months from the date of issue and can be issued retrospectively as well, but not beyond 12 months from the date of shipment.
- Third-party invoicing to be eligible for the benefit under CEPA subject to fulfilment of the rules of origin.
- The importer must retain records relating to importation under CEPA in terms of local laws of the importing party.
- Guidelines provided for the issuance, presentation and verification of the CoO including maintenance and preservation of records, consultation and data interchange by the notified authorities under CEPA, and restoration or suspension of benefits and penal implications on non-compliance.

The takeaways

India's CEPA with UAE will enable further consolidation of bilateral trade and access to the African and Middle Eastern market. Indian businesses need to evaluate the benefit extended by CEPA on inbound and outbound trade from the perspective of supply chain optimisation and to explore new markets for greater access.

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