

Tax Insights

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India and the European Free Trade Association sign a Trade and Economic Partnership Agreement

In brief

India and the European Free Trade Association (EFTA), consisting of four countries – Switzerland, Norway, Iceland and Liechtenstein – have signed a historical Trade and Economic Partnership Agreement (TEPA) that aims to boost bilateral trade and investments, create jobs and enhance cooperation between the countries.

The agreement, signed¹ on 10 March 2024, is a strategic move to strengthen India's global ties and position in global value chains.

In detail

The TEPA covers a total of 14 chapters that focus on –

- facilitating tariff concessions on a wide category of goods of India's export interest, such as agricultural and processed food products;
- providing better access for Indian professionals and service providers in information technology and information technology-enabled services collaboration; and
- commitment on investment promotion and job creation.

The agreement is expected to bring an additional investment of USD100bn over the next 15 years, creating 1mn direct jobs and 2mn indirect jobs in India.

Indian consumers will benefit from the agreement, as it provides them with more choices and lower prices for quality goods and services from EFTA, such as watches, medical instruments and chocolates. It is, however, important to note that as far as India's traditionally sensitive goods basket is concerned, the 'Trade in Goods' offer is similar to the one offered to Australia, where, although wine has been included in the offer, other sensitive lines such as vehicles and other liquors have been kept out of the offer list. While India has reduced bound duty on 'gold' by 1%, it is not expected to immediately translate into increased gold imports, as the trade takes place at the applicable customs duty rate and not the bound rate.

The highlights of the agreement are as follows:

- EFTA has committed to promote investments with the aim of increasing the stock of foreign direct

¹ [PIB Press Release dated 10 March 2024](#); To refer to the text of the agreement click [here](#).; Refer to the [Annexure](#) for the schedule of concession for some frequently traded products.

investments by USD100bn in India. The investments do not cover foreign portfolio investment.

- EFTA has offered 92.2% of its tariff lines, which covers 99.6% of India's exports. The EFTA's market access offer covers 100% of non-agri products and tariff concession on processed agricultural product.
- India has committed to the rationalisation of 82.7% of its tariff lines, which covers 95.3% of EFTA exports (of which more than 80% of import in India is gold).
- India has offered tariff concessions to the EFTA countries on various products such as coal, medicines, dyes, textiles, apparels, iron and steel, fish oil, cocoa, malt, instant tea, machinery, bicycles, clocks, watches, olives, avocado, apricot, coffee, caramel, chocolate, medical equipment, smartphones, sugar and cut and polished diamonds.
- The tariff concessions are phased over different periods ranging from immediate elimination to 10 years, depending on the product and the sensitivity of the domestic industry.
- Switzerland, the largest trading partner of India among the EFTA countries, has granted duty free access to 98% of India's exports of industrial products, which includes gems and jewellery, chemicals, pharmaceuticals and engineering goods.
- However, Switzerland has excluded most agricultural products such as dairy, honey, vegetables and cereals from the tariff concessions, limiting the market access for India's exports of these items.
- In the services sector, the commitments secured by India would encourage the export of services in key sectors – information technology, business, personal, cultural, sporting and recreational, audio-visual and other education services, etc.
- Services offers from EFTA also include better access through digital delivery of services (Mode 1), commercial presence (Mode 3) and improved commitments and certainty for entry and temporary stay of key personnel (Mode 4), in addition to provisions for Mutual Recognition Agreements in Professional Services such as nursing, chartered accountants and architects.

While the TEPA brings in the first instance of India's free trade agreements towards promoting target-oriented investment and creation of jobs, it is also expected to create new opportunities for Indian exporters, professionals and service providers in sectors such as textiles, leather, gems and jewellery, chemicals, pharmaceuticals, engineering, information technology, health, education, tourism and transport.

The agreement signals India's engagement with the developed nations, leading to the diversification of trade partners. It demonstrates the country's commitment to a rules-based multilateral trading system.

ANNEXURE – Changes in duty rates for some frequently traded products between India and EFTA

1. Goods imported by India

Country	Chapter	Product description	Existing BCD/ Standard rate	BCD after FTA signing
Switzerland	HS 2204	Wines	150%	Based on CIF, reduction upto 50% and 25%
Switzerland	HS 1806 90 10	Chocolate And Chocolate Products	30%	Elimination over a course of 7 years
Switzerland	HS 9101 19 00	Wrist Watches	20%	Elimination over a course of 7 years
Switzerland	HS 3212 90 20	Dyes And Other Colouring Matter	20%	0%
Switzerland	HS 3703 10 20	Textiles	10%	0%
Switzerland	HS 4818 50 00	Articles Of Apparel And Clothing Accessories	10%	0%
Switzerland	HS 7203 10 00	Ferrous Products Obtained By Direct Reduction Of Iron Ore	15%	0%
Switzerland	HS 1801 00 00	Cocoa Beans, Whole Or Broken, Raw, Or Roasted	30%	Elimination over a course of 10 years
Switzerland	HS 1901 90 10	Malt extract	30%	Elimination over a course of 7 years
Switzerland	HS 2101 20 10	Instant Tea	30%	Elimination over a course of 7 years
Switzerland	HS 4421 91 11	Cotton machinery	10%	0%
Switzerland	HS 8481 80 41	Bicycles	7.5%	Elimination over a course of 7 years
Switzerland	HS 0709 92 00	Olives	30%	Elimination over a course of 10 years
Switzerland	HS 0804 40 00	Avocados	30%	Elimination over a course of 10 years
Switzerland	HS 0809 10 00	Apricot	30%	Elimination over a course of 10 years
Switzerland	HS 8517 13 00	Smart phones	20%	Elimination over a course of 5 years

Country	Chapter	Product description	Existing BCD/ Standard rate	BCD after FTA signing
Switzerland	HS 1701 13 10	Cane jaggery	100%	Reduction to 50% over 10 years
Switzerland	HS 7102 39 10	Diamond, Cut Or Otherwise Worked But Not Mounted Or Set	10%	Reduction to 2.5% over 5 years
Norway	HS 2710 12 42	E 20 Fuel	10%	0%
Norway	HS 2510 10 20	Aluminum Calcium Phosphate	5%	0%
Norway	HS 2845 90 10	Nuclear Fuels	10%	0%
Norway	HS 2516 90 20	Stone boulders	10%	Reduction to 5% over 5 years
Norway	HS 3503 00 30	Glues Derived From Bones	30%	0%
Norway	HS 8901 10 10	Ships	10%	0%
Iceland	HS 3202 10 00	Synthetic organic tanning substances	10%	0%
Iceland	HS 4701 00 00	Mechanical wood pulp	5%	0%
Iceland	HS 6210 10 10	Personal protective garments for surgical/medical use	25%	0%
Iceland	HS 2701 12 10	Coking coal	5%	0%
Iceland	HS 3003 90 34	Anaesthetic Agents Used In Human Or Veterinary Medicine Or Surgery	10%	Elimination over a course of 10 years
Iceland	HS 3402 90 20	Fish Oil	10%	0%
Iceland	HS 2101 11 10	Instant Coffee, Flavoured	30%	Elimination over a course of 7 years
Iceland	HS 1702 90 40	Caramel	30%	Elimination over a course of 10 years

2. Goods in India's export profile

Country	Chapter	Product description	Preferential duty rate applied
Switzerland	Chapter 85	Electrical machinery and equipment and parts thereof	0%
Switzerland	Chapter 28	Inorganic chemicals; organic or inorganic compounds of precious metals	0%
Switzerland	Chapter 71	Natural or cultured pearls, precious or semiprecious stones, precious metals	0%
Norway	HS 3826 00 00	Biodiesel and mixtures thereof	0%
Norway	HS 3819 00 00	Hydraulic brake fluids and other prepared liquids for hydraulic transmission	0%
Norway	Chapter 75	Nickel and articles thereof	0%
Norway	Chapter 94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; luminaires and lighting fittings	0%
Norway	Chapter 95	Toys, games and sports requisites	0%
Iceland	Chapter 28	Inorganic chemicals; organic or inorganic compounds of precious metals	0%
Iceland	Chapter 61	Articles of apparel and clothing accessories, knitted or crocheted	0%
Iceland	Chapter 53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	0%
Iceland	Chapter 54	Man-made filaments; strip and the like of man-made textile materials	0%
Iceland	Chapter 50	Silk	0%
Iceland	Chapter 39	Plastics and articles thereof	0%
Iceland	Chapter 52	Cotton	0%
Iceland	Chapter 30	Pharmaceutical Products	0%
Iceland	Chapter 90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories	0%

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