

What's New

Tax Insights



27 January 2026

India–EU FTA concluded – Fueling jobs, MSMEs and India's next export boom



In brief

India and the European Union (EU) have concluded a landmark Free Trade Agreement (FTA or agreement) on 27 January 2026¹, announced at the 16th India–EU Summit by Prime Minister Shri Narendra Modi and European Commission President H.E. Ms Ursula von der Leyen. This is the largest and most commercially significant trade deal ever concluded by either party.

The largest trade deal ever for both sides it creates a free trade zone covering nearly two billion people and 25% of global gross domestic product. The FTA enhances market access, services, mobility and regulatory cooperation, and is expected to boost trade, investment, jobs, micro small and medium enterprises (MSMEs) and sustainable development while protecting sensitive sectors.



In detail

Background

The FTA is a comprehensive, future-oriented agreement covering goods, services, investment, mobility, digital trade, SMEs and sustainable development. It is expected to significantly boost bilateral trade, deepen strategic ties and create long-term opportunities for Indian exporters, professionals, students, farmers, artisans, women, youth and MSMEs.

In financial year (FY) 2024–25, India–EU trade in goods reached INR11.5lakh crore (USD136.5bn), with India recording a trade surplus. Trade in services stood at INR7.2lakh crore (USD83.1bn), reaffirming the EU as one of India's largest trading partners.

The FTA provides preferential access for over 99% of Indian exports to the EU, benefiting exports worth about USD75bn, including USD33bn from labour-intensive sectors such as textiles, apparel, leather, marine products, gems and jewellery, handicrafts, engineering goods and automobiles.

Key highlights

The highlights of the agreement are as follows –

- Over 99% of Indian exports will enjoy preferential access to the EU market, significantly enhancing opportunities for India's manufacturing and labour-intensive sectors.
- India will extend phased and calibrated tariff reductions on 96.6% of EU goods, ensuring market

¹ [PIB Press Release dated 27 January 2026](#)

opening while protecting domestic sensitivities.

- Zero-duty ([Annexure 1](#)) EU market access for MSME-driven sectors such as textiles, garments, footwear and handicrafts will significantly enhance India's labour-intensive exports.
- Automobile tariffs will be liberalised under a quota-based mechanism, with duties reduced from 110% to 10% over time, supporting Make in India, enabling future exports from India and introducing advanced vehicle technologies for Indian consumers.
- Tariffs on auto components, machinery (up to 44%), chemicals (up to 22%) and pharmaceuticals (up to 11%) will be progressively eliminated.
- Key sensitive sectors — including dairy, beef, cereals, poultry, soymeal, rice, sugar, and select fruits and vegetables — are fully excluded from tariff commitments.
- The agreement enhances EU market access for Indian tea, coffee, spices, fresh fruits and vegetables, marine products and processed foods, improving competitiveness for Indian farmers and agri-enterprises.
- For EU agri-food exports to India, high tariffs (averaging over 36%) are reduced in a calibrated manner –
 - **Wines:** from 150% to 75% at entry into force, and further to 20% over time
 - **Olive oil:** from 45% to 0% within five years
 - **Processed foods (bread, confectionery):** tariffs up to 50% eliminated
- India has prudently excluded market access on dairy and other highly sensitive agricultural sectors, safeguarding farmers and rural livelihoods.
- A parallel framework on geographical indications will protect iconic products, curb unfair competition and enhance consumer confidence in both markets.
- In services, India secures predictable access across 144 EU services subsectors, while the EU gains access in 102 Indian subsectors, covering information technology or information technology enabled services, professional services, education, research & development, financial services, tourism, construction and business services.
- Provisions on regulatory cooperation, transparency and streamlined procedures, along with dedicated SME chapters and contact points, improve certainty and utilisation of FTA benefits.
- Investment protection disciplines establish a stable, rules-based framework to encourage long-term EU investment in India.
- The FTA reinforces TRIPS-consistent, high-level intellectual property right protection, covering copyrights, trademarks, designs, trade secrets, plant varieties and enforcement.
- It reaffirms the Doha Declaration, recognises digital libraries and explicitly acknowledges India's Traditional Knowledge Digital Library.
- A dedicated Trade and Sustainable Development framework promotes environmental protection, climate action, labour rights, gender equality and inclusive growth.
- Forward-looking provisions on Carbon Border Adjustment Mechanism (CBAM) include most-favoured-nation assurances, technical cooperation on carbon pricing, recognition of verifiers, and targeted financial and technical support.
- An EU–India climate cooperation platform, backed by €500m in EU funding (2026–2028), will support India's low-carbon industrial transition.

- The agreement establishes a predictable mobility framework covering Intra-Corporate Transferees, Business Visitors, Contractual Service Suppliers and Independent Professionals across 37 CSS and 17 IP sectors.
- Mobility provisions include entry and work rights for dependents, student mobility frameworks, post-study work opportunities and a five-year roadmap for engagement on Social Security Agreements.
- India also secures access for practitioners of Indian traditional medicine to work under home-title recognition in EU Member States where such practices are unregulated.

The takeaways

The India–EU FTA establishes a predictable, transparent and resilient trade framework that goes far beyond tariff liberalisation. By integrating goods, services, investment, mobility, intellectual property, sustainability and digital trade, the agreement lays the foundation for inclusive, resilient and future-ready growth.

With the EU becoming India’s 22nd FTA partner, and together with FTAs with the UK and EFTA, Indian businesses effectively gain access to the entire European market.

Businesses and stakeholders should closely examine tariff schedules, rules of origin, services commitments, mobility pathways, CBAM provisions and regulatory cooperation mechanisms to strategically position themselves and fully leverage India’s strengthened engagement with Europe aligned with the vision of ‘Viksit Bharat 2047’.

Annexure 1 – Zero-duty gateway: How the India–EU FTA unlocks export growth across key sectors

Sector	India’s exports to EU (FY2024-25) (in USD million)	Tariff concession available (Yes/No)*
Automobiles (Chapter 87)	USD 2,218.30	Yes
Engineering Goods (Chapter 84, 85)	USD 16,285.88	Yes
Chemicals and pharma (Chapter 28-38)	USD 10,293.07	Yes
Textiles and apparel (Chapter 50-63)	USD 7,306.78	Yes
Marine products (Chapter 3 and 16)	USD 992.30	Yes
Gems and jewellery (Chapter 71)	USD 2,522.95	Yes
Medical, optical and surgical devices (Chapter 90)	USD 1,153.43	Yes

**This is based on publicly available information. Final concessions can be confirmed only after the official release of the FTA text.*

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