Federation of European Business in India (FEBI)

Understanding EU- India Automotive Tariff Commitments

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EU-India Automotive Tariffs: A New Roadmap for European Businesses

(Based on Annex 2A - Schedules of tariff commitments)

The automotive provisions in the EU-India tariff schedule provide European manufacturers with a phased route to better access the Indian market. The commitments do not eliminate India's automotive tariffs immediately. Instead, they establish tariff-rate quotas (TRQs), lower in-quota duties over time, and distinguish between vehicle technology, CIF value, and the form in which vehicles are imported.

1. The EU-India TRQ Framework

A **tariff-rate quota (TRQ)** allows a fixed quantity of vehicles to enter India at a preferential customs duty. Once the quota is exhausted, imports may be subject to a higher **out-of-quota duty.** For European automotive businesses, quota access will therefore be an important part of securing preferential tariff treatment. The agreement requires India's quota administration to be transparent, objective and non-discriminatory. Information on quota volumes, eligibility, documentation, application periods, and allocation of procedures must be made publicly available. In an overall scale, the automotive TRQs represent around 5% of the current EU and Indian car markets respectively (250000 for India and 625000 for the EU). Additionally, the EU gets a TRQ of 75000 for CKDs and of 10000 for trucks. For comparison, the TRQ for cars in the UK-India FTA amounts to 37000.
For automotive TRQs:

- the application period must be **at least two weeks**;
  allocation decisions should generally be published **at least four months before the relevant quota year**;
- during the first year after entry into force, allocation decisions should be published **within 45 days**; and
- Where applications exceed the available quota, quantities are allocated **proportionally among eligible applicants**.

Importers must also submit a written pre-purchase agreement issued by an OEM established in the EU, specifying the number of vehicles the OEM is prepared to supply for import into India under the quota.Moreover, no bilateral safeguard measures may be applied, while the TRQs are in place, as the TRQ enable trade to take place in a transparent, objective, and non-discriminatory manner.

2. Managing Quota Access

Quota allocation remains valid during the relevant year until it is used. Where an importer fails to use a significant share of its allocation, India may consider this when allocating quota in the following year.

Unused quantities below **20% of the allocation are not considered significant underutilization**. India may also give preference to **longstanding traditional automobile manufacturers established in the EU**. In addition, imports of a single car model may be limited to **15% of the aggregate annual passenger-car quota**, subject to a ceiling of **25000 vehicles in any year**. The automotive quota arrangements are to be reviewed **one year after entry into force every five years thereafter.**

3. EU ICE and Hybrid Passenger Cars

The agreement provides preferential tariff treatment for **EU-origin ICE and non-plug-in hybrid electric vehicle (HEV) passenger cars imported as completely built units (CBUs)**.

Vehicles with a **CIF value below EUR 15000 receive no concession.** For eligible vehicles, the total quota begins at **100000 vehicles in Year 1** and rises to **160000 vehicles from Year 10 onwards**. The in-quota duty falls to **10% from Year 5**.

Period	CKD quota	In-quota duty
Year 1	75000	13.75%
Year 2	75000	11%
Years 3–5	75000	8.25%
Year 6	70000	8.25%
Year 10 onwards	50000	8.25%

4. The CKD Opportunity

The agreement separately provides tariff treatment for **completely knocked down (CKD) passenger cars**, where vehicles are imported in parts for assembly in India. Moreover, it enables EU manufacturers to test models in the Indian market via CKD assembly, before committing to full local manufacturing.

For EU-origin ICE and HEV passenger cars imported as CKD kits:

The in-quota duty therefore falls to **8.25% from Year 3**, while the quota gradually reduces from **75000** to **50000 units from Year 10 onwards**. For European manufacturers, the CKD route provides a distinct tariff pathway compared with CBU imports. The relevant business case will depend on the company's model range, import volumes, manufacturing structure, and ability to secure quota allocation.

5. EU EV Market Access

For **EU-origin BEVs, PHEVs and other passenger vehicles using technologies other than ICE and HEV**, preferential access begins later than for ICE and HEV vehicles. There is **no quota or preferential concession during Years 1- 4**, and vehicles with a CIF value below **EUR 20000** do not receive a concession. The quota begins at **20000 vehicles in Year 5** and rises progressively to **90000 vehicles from Year 14 onwards**. At the same time, the in-quota duty falls from **30% in Year 5 to 10% from Year 10 onwards**. Unlike the ICE/ HEV out-of-quota duty is not liberalized under the agreement. Nevertheless, this is the first time that India has extended any tariff concession to battery-electric vehicles.

6. Tariff Access for EU Trucks

EU-origin ICE trucks imported as **CBUs, or CKD kits** also receive preferential treatment under a combined quota. The quota begins at **5000 units in Year 1**, rises to **7000 units in Year 5** and reaches **10000 units from Year 10 onwards**. Alongside the quota extension, the applicable duty itself is also continuously decreasing. The in-quota for CBU decreases from its base-rate of 44% to 8.8% in year 5 and onwards. The out-quota for CBU ICE trucks

also decreased from 44% to 20% in year 10. The in-quota duty for CKU ICE trucks is being reduced from 16.5% to 8.8% by year 5.

7. CIF Value: Eligibility Threshold

For European automotive businesses, **CIF value is central to determining the applicable tariff treatment**. CIF means **Cost, Insurance and Freight** and comprises:

CIF value = Vehicle price + Insurance + Freight

The tariff schedule uses CIF value to determine the relevant price band, concession, and quota. For India's automotive TRQs, currency conversion is based on **official reference exchange rates determined by the Reserve Bank of India**. This makes accurate determination of the CIF value particularly important when assessing eligibility for preferential treatment.

Changes for European Automotive Businesses

The automotive commitments provide European businesses with **phased and differentiated routes into the Indian market**, rather than a single tariff reduction applicable across all vehicles. The principal opportunities are:

- **ICE and HEV CBUs** with CIF values above EUR 15000;
- **CKD passenger cars**, with in-quota duties falling to 8.25% from Year 3;
- **BEVs and PHEVs**, with preferential access beginning from Year 5; and
- **ICE trucks**, through the CBU/CKD quota framework.

However, access to preferential tariffs will depend on several conditions, particularly:

EU origin → vehicle classification → CIF value → CBU/CKD/SKD format → applicable quota → quota allocation and utilisation.

For European manufacturers and Indian import partners, **quota planning and compliance will therefore be as important as the headline tariff reductions**. The relevant requirements include timely applications, the prescribed pre-purchase agreement, quota allocation, and effective utilisation of the allocation.

8. EU-India FTA: Automotive Sector Tariff Matrix

Category	Import Form	HS Code	Base Rate	Staging Category
>7-seat passenger vehicles	Second-hand	87032110	137.5%	EL[1]
	CBU[2]: >USD 40K / large engine	87032110	110%	TRQ
	CBU: ≤USD 40K / smaller engine	87032110	66%	TRQ
	SKD[3]	87032110	33%	TRQ
	CKD[4]	87032110	16.5%	TRQ
Motor cars	CBU: >USD 40K / large engine	87032191	110%	TRQ
	CBU: ≤USD 40K / smaller engine	87032191	66%	TRQ
	SKD	87032191	33%	TRQ
	CKD	87032191	16.5%	TRQ
>7-seat ICE petrol vehicles, 1,000-1,500 cc	CBU: >USD 40K	87032210	110%	TRQ
	CBU: ≤USD 40K	87032210	66%	TRQ
	SKD	87032210	33%	TRQ
	CKD	87032210	16.5%	TRQ
ICE petrol motor cars, 1,000-1,500 cc	CBU: >USD 40K	87032291	110%	TRQ
	CBU: ≤USD 40K	87032291	66%	TRQ
	SKD	87032291	33%	TRQ
	CKD	87032291	16.5%	TRQ
	Second-hand	87032291	137.5 %	EL
Battery-Electric Vehicles (BEVs).	CBU: >USD 40K	87038020	110%	TRQ
	CBU: ≤USD 40K	87038020	66%	TRQ
	SKD	87038020	33%	TRQ
	CKD	87038020	16.5%	TRQ
Hybrid Passenger Vehicles (>7 Seaters) Plug-in Hybrid/Strong Hybrid Focus: (PHEVs).	CBU: >USD 40K	87036010	110%	TRQ
	CBU: ≤USD 40K	87036010	66%	TRQ
	SKD	87036010	33%	TRQ
	CKD	87036010	16.5%	TRQ
Heavy Diesel/ ICE Trucks *(Payload/Weight specifications & General GVW brackets)*	ICE Trucks (5-20 tonnes GVW, CBU)	87042200	44%	TRQ - ICE Trucks[5]
	ICE Trucks (5-20 tonnes GVW, SKD)	87042200	27.5%	TRQ - ICE Trucks
	ICE Trucks (5-20 tonnes GVW, CKD)	87042200	16.5%	TRQ - ICE Trucks
Diesel/Semi-diesel Truck	CBU	87042100	44%	TRQ - ICE Trucks
	SKD	87042100	27.5%	TRQ - ICE Trucks
	CKD	87042100	16.5%	TRQ - ICE Trucks

[1] Exclusion List
[2] Completely Built Unit
[3] Semi-Knocked Down
[4] Completely Knocked Down
[5] Internal Combustion Engine

- India will gradually reduce import duties on cars priced **€15000 - €35000**, from **110% to 35% initially and 10% by the fifth year**, while cars below €15000 will get no duty relief to protect Indian manufacturers. For cars priced **above €35000**, import duty will drop from **66% to 30% in the first year** and gradually reach **10% by the fifth year**. The import quota will be split across three price categories, with **43000 cars priced above €50000** allowed from the fifth year onward.
- For **EVs and other eligible vehicles**, the import benefits will start from the **5th year** but only for cars priced **€20000 or more**. The CBU import quota will increase gradually from **20000 cars in Year 5**, to **50000 in Year 10**, and **90000 from Year 14 onward**. Cars priced **below €20000 will not get any duty concession**.

Assembled vs. Knocked-Down Units: Fully built units (CBU) face higher entry barriers (ranging from 66% up to 110% or 137.5% for second-hand units) to protect domestic final-stage manufacturing, while Semi-Knocked-Down (SKD) and Completely Knocked-Down (CKD) kits decrease progressively down to 33% and 16.5% to encourage local assembly plants.

Staging Categories: The assignment of **TRQ** (Tariff Rate Quota) for primary vehicle imports and **EL** (Exclusion List) for sensitive or second-hand vehicle categories matches standard protection frameworks.

Limited access for premium/high-engine vehicles through TRQ.
Significant but still high protection for fully built vehicles.
Greater benefit for semi-knocked-down and even higher for completely-knocked-down imports.
Strongest tariff preference for local assembly/value addition.
Favors local assembly of heavy trucks over fully built imports by lowering tariffs from 44% to 16.5%.

9. EU-India FTA: Auto-Component Tariff Matrix[6]

Auto- Component Category	HS Code	Base Rate	Staging Category[7]
Safety seat belts	87082100	16.5%	E10
Front windscreens (windshields), rear windows and other windows	87082200	16.5%	E10
Brakes and servo-brakes and parts thereof:	87083000	16.5%	E10
Gear boxes and parts thereof	87084000	16.5%	E10
Drive-axles with differential, whether or not provided with other transmission components non-driving axels; parts thereof	87085000	16.5%	E10
Road wheels and parts and accessories thereof	87087000	16.5%	E10
Suspension systems and parts thereof (including shock-absorbers)	87088000	16.5%	E10
Radiators and parts thereof	87089100	16.5%	E10
Silencers and exhaust pipes	87089200	16.5%	E10
Clutches and parts thereof	87089300	16.5%	E10

[6] The list is not *exhaustive*

[7] The staging category of E10,E7,E5 means customs duty on the product will be **eliminated in 10,7 and 5 equal annual instalments and EIF is Entry into Force**

Steering wheels, steering columns and steering boxes; parts thereof	87089400	16.5%	E10
Safety airbags with inflater system	87089500	16.5%	E10
Head lamps, tail lamp, stop lamp, side lamp and blinkers	85122010	16.5%	E10
Horn	85123010	16.5%	E5
Windscreen wipers, defrosters and demisters	85124000	16.5%	E10
Fuel injection equipment excluding injection pumps Other parts of diesel engine:	84099930	16.5%	E10
Of turbojets or turbo propellers	84119100	8.3%	E5
Hydrojet (hydraulic jet engines)	84122910	8.3%	E7
Sparking plugs	85111000	16.5%	E10
Ignition coils	85113020	16.5%	E10
Starter motors and dual purpose starter-generators	85114000	16.5%	E7
Oil or petrol-filters for internal combustion engines	84212300	11%	EIF
Multi-cellular polyurethane (MCP) tubeless tyre	40115010	11%	E7
Radials tyres used on motor cars (incl. Station wagons and racing cars)	40111010	16.5%	E10
Radials tyres used on buses/lorries	40112010	16.5%	E7
Solid rubber tyres for motor vehicles	40129010	11%	EIF
Solid rubber tyres for other vehicles	40129020	11%	EIF
Rear tyres	40139041	11%	EIF

❖ **Phased Financial Relief**

- **Gradual Duty Reduction:** Importers won't get a 0% tax rate immediately on day one. For an **E10** part starting at a **16.5%** base rate, the duty will drop by roughly **1.65% each year** for 10 years.
- **Cost Forecasting:** Importers can accurately model their landed costs year-over-year. Knowing that parts like gearboxes or brakes will become progressively cheaper to import allows businesses to negotiate long-term pricing contracts with foreign suppliers.

❖ **Compliance and Origin Rules**

Certificate of Origin Required: To benefit from these yearly E5, E7, or E10 duty cuts, importers cannot just buy parts from anywhere. They must prove that the auto-components originate from the country covered by the Free Trade Agreement (FTA) and meet specific **Rules of Origin (RoO)**.

As per the RoO, to qualify for tax breaks, vehicles traded under the agreement generally cannot use more than 50% foreign parts. However, electric vehicles get a more flexible rule for batteries, allowing up to 70% foreign content for 10 years while local production ramps up. On the administrative side, exporters can submit certificates of origin electronically, and authorities cannot demand extra proof or cancel benefits without first consulting their trading partners.

- **Battery Cells & Parts (HS 87.01, 87.02, 87.03 & 87.04):** To qualify for preferential tariff treatment, the battery cells and parts used in these vehicles must meet Change in Tariff Heading **(CTH)** and either have **≤50% non-originating materials (EXW)** or **≥55% qualifying value content (FOB). Without** proper documentation, customs will default to the standard Most-Favoured-Nation (MFN) rate instead of the preferential staging rate.

❖ **Supply Chain & Sourcing Strategy**

- **Sourcing Decisions:** The different staging categories signal which components domestic governments are trying to protect. Because standard parts like windscreens, steering systems, and brakes are tied to **E10** (the longest timeline), it means local governments want to protect domestic auto-part makers for a full decade. To strengthen domestic manufacturing and curb substandard imports, the government is implementing **Quality Control Orders (QCOs)** on key automotive components specifically **safety glass, wheel rims, radial tyres, and fasteners**-to ensure high-quality standards and boost local production.

❖ **Technical Barriers to Trade**

- **WTO TBT Alignment:** The agreement incorporates core World Trade Organization Technical Barriers to Trade (WTO TBT) disciplines, ensuring that technical regulations align with international standards and do not create disproportionate trade restrictions.
- **Regulatory Transparency:** EU operators will be granted opportunities to provide feedback on envisaged regulations prior to implementation, subject to bilateral dispute settlement mechanisms.
- **Conformity Assessment Working Group:** A dedicated working group will be established to facilitate structured dialogue with Indian authorities regarding Quality Control Orders (QCOs) and ongoing QCO reform processes.

10.Key Takeaways

The automotive provisions represent a **phased opening of India's automotive market to European businesses**, with the strongest immediate relevance for eligible ICE and HEV vehicles and CKD imports, followed by a gradual opening for EU electric vehicles from Year 5. The tariff schedule sets out a gradual opening of the EU and Indian automotive markets. It creates lower tariffs for qualifying vehicles, but the benefits are limited by annual quotas, price bands, vehicle type, and administrative conditions. It is therefore not an immediate move to tariff-free automotive trade

- **Quota-based access:** Passenger cars and trucks benefit from tariff-rate quotas. This means only a specified number of vehicles can enter each year at the lower tariff rate. Imports beyond the quota may face a higher duty or the normal MFN tariff.
- **Preference for higher-value vehicles:** India’s tariff concessions for EU passenger cars are linked to CIF price bands. Lower-value ICE/HEV cars below EUR 15000 CIF and BEV/PHEV cars below EUR 20000 CIF do not receive the stated concession. This makes the tariff framework more relevant to mid-range, premium, and technologically advanced vehicle segments.

- **Reciprocal EU market access:** The EU also provides tariff reductions and expanding quota access for Indian-origin passenger vehicles, including ICE/HEV and BEV/PHEV models. This may increase competitive access for Indian manufacturers in the EU market over time.
- For businesses planning their India strategy, the practical impact of the agreement will ultimately depend on **the vehicle's CIF value, technology, import format and access to the relevant annual quotas.**

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