KPMG

Tax Flash News

13 March 2024

India-EFTA TEPA: New era for Indian consumers of Swiss chocolates and legendary Swiss watches!

India has signed a Trade and Economic Partnership Agreement (TEPA) with the European Free Trade Association (EFTA) on 10 March 2024. EFTA is an inter-governmental organization consisting of countries like Switzerland, Iceland, Norway and Liechtenstein. India-EFTA TEPA should also be seen in the context of Switzerland deciding to unilaterally abolish Customs duties on its industrial goods w.e.f. 1 January 2024. Linkage of duty reduction by India with investment from trade partners is a first for India in a multilateral arrangement. While TEPA has been signed by the parties, it will come into effect post-ratification by the governments of the respective countries, which can be expected in early 2025.

Salient points of India-EFTA TEPA

A. Commitment of investment by EFTA countries for employment generation in India

- EFTA has committed to ensure investment of USD 100 billion in India over a span of fifteen years from the implementation of TEPA
- Employment generation of 1 million jobs is also another objective of TEPA

B. Duty exemptions for trade in goods – More relevant for EFTA products imported into India

- Switzerland is already a zero-import duty country for a majority of products covered under Chapter 25 – 97 of the Customs Tariff
- Statistically, 92.2 per cent of EFTA's tariff lines covering 99.6 per cent of India's exports are subjected to duty concessions;
- India has offered 82.7 per cent of its tariff lines covering 95.3 per cent of EFTA exports including chocolates, watches, machinery, wine, textiles, etc.
- Wines, chocolates, cut and polished diamonds from Switzerland and sugar (barring lactose/lactose syrup and most sugar confectionery not containing cocoa) from EFTA are some of the goods offered market access in India
- Gold forms a major share of the goods imported from EFTA, however no effective duty concession has been offered by India on gold

C. Technical Barriers to Trade – Focus on smoothening the rough edges

- Commitment towards quality is a key parameter for India's trading partners
- Dedicated chapter on 'Technical Barriers to Trade' included filling in the absence of a Mutual Recognition Agreement
- Commitment towards ensuring compliance and simplification of quality control requirements avoids business disruption and additional costs linked to non-compliance

Our comments – Key takeaways

i. Offers market access to products from EFTA countries while receiving investment commitment and employment generation opportunities for India

ii. Majority Indian products (falling under Chapter 25 – 97) have already gotten market access in Switzerland from January 2024 on account of the reduction of Customs duty to 0

iii. India empowered to take temporary and proportionate measures to rebalance duty concessions in case of failure to meet the investment and job opportunity creation objectives by EFTA

iv. Indian consumers would now enjoy better pricing of:

  a. Quality chocolates (illustratively, Toblerone, Lindtt, Nestlé) where the duty rates would be reduced from 30 per cent to nil over a span of seven years

  b. Swiss watches (illustratively, Rado, Swatch, Rolex, Omega) where the duty rates would be reduced from 20 per cent to nil over a span of seven years

  c. Swiss wines (illustratively, varieties like Pinot Noir, Merlot, Chardonnay) priced USD 5 and above where duty rates would be reduced in the following manner:

    1. For wines priced between USD 5 – USD 14: Duty would be reduced from 150 per cent to 100 per cent in the first year and further reduced to 50 per cent over ten years

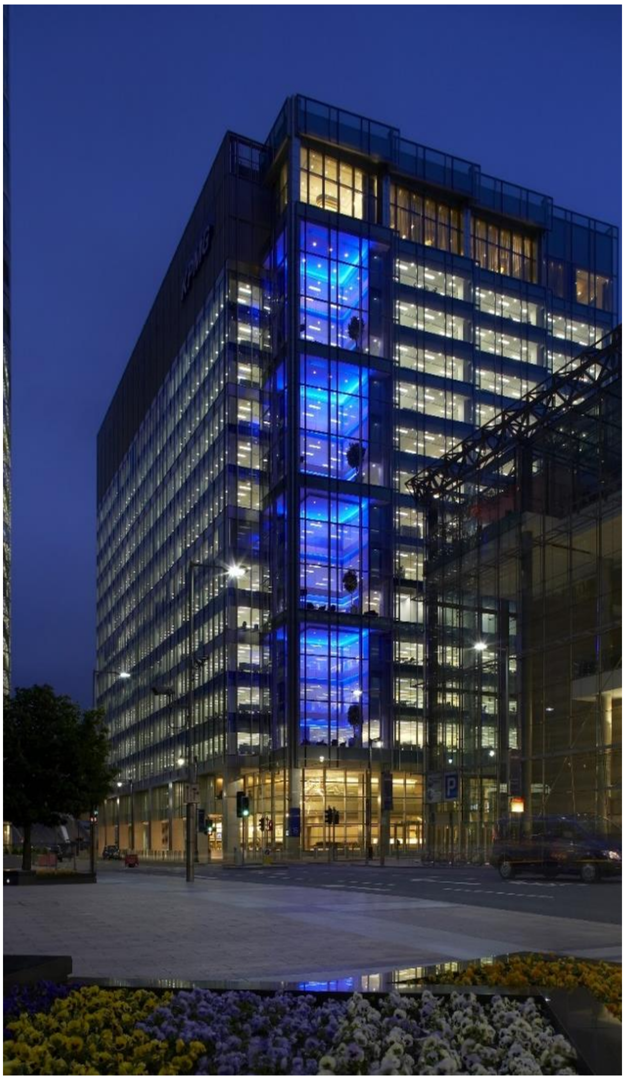
    2. For wines priced USD 15 and above: Duty would be reduced from 150 per cent to 75 per cent in the first year and further reduced to 25 per cent over ten years

v. Protection of dairy industry (illustratively products like cheese and milk), soya and agricultural products against the import of similar products from EFTA countries

vi. Duty concessions harmonized with PLI initiatives in sectors such as pharma, medical devices and processed food, etc.,

vii. Only product-specific rules of origin listed. Maximum threshold of non-originating materials (VNM) is the only value criteria for determining rule of origin

viii. Financial services from EFTA not accorded Most Favoured Nation (MFN) treatment by India



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