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India’s liquor industry seeks clarity on bulk Scotch tariffs under the U.K. trade pact

Producers say a customs dispute over classification could upend lower duties for shipments that make up about 80% of Scotch imports

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India’s alcoholic beverage industry asked the Commerce Ministry on Monday, November 2, to clarify whether bulk Scotch whisky imports are entitled to lower customs duties under the India-UK trade agreement, saying uncertainty over tariff classification is affecting a large share of Scotch shipments into the country.

Industry representatives said qualifying bulk Scotch brought into India for blending and bottling should fall under the tariff commitments negotiated in the India-UK Comprehensive Economic and Trade Agreement, or CETA, as long as the imports meet the required product definitions and rules of origin. The request comes as officials from a revenue intelligence agency have sought information from some liquor companies and visited certain offices to review import documents and related records.

The dispute centers on how bulk Scotch should be classified for customs purposes. Industry groups argue that it belongs under Chapter 22, Heading 2208, which covers spirits and whisky. They say it should not be placed under Heading 2106, a broader residual category for food preparations not elsewhere specified. Their position is that Scotch remains whisky whether it is imported in retail bottles or in larger containers that will later be blended and bottled in India.

That distinction matters because the trade agreement provides specific tariff treatment for whisky. Under CETA, which took effect on July 15, India cut the basic customs duty on eligible Scotch whisky to 75% from 150% in the first year. The duty is scheduled to fall further to 40% over 10 years. The agreement includes separate tariff lines for whisky imported in containers larger than two liters and for retail packs of up to two liters. According to the industry’s interpretation, bulk Scotch is covered under HS 2208 30 92, while retail bottles fall under HS 2208 30 12.

Industry representatives say the issue has broad commercial importance because bulk shipments account for about 80% of Scotch whisky imports from Scotland by volume. Many Indian liquor companies use those imports in blending and bottling operations, including in Indian-made whiskies produced under company recipes. Any change in customs treatment could therefore affect import costs, pricing and the economics of local production lines that depend on bulk spirit.

The industry’s concern is that if customs authorities classify qualifying bulk Scotch under HS 2106 instead of the whisky heading, those imports could fall outside the specific tariff concessions negotiated for Scotch under the trade pact. That could leave companies facing a higher duty burden than expected when the agreement was implemented.

Tax and trade specialists said the classification question has direct financial consequences. Sivakumar Ramjee, executive director for indirect tax at Nangia Global, said preferential duty treatment depends on the precise classification of the imported product. He noted that alcoholic beverage concentrates classified under HSN 22071011 face an initial preferential duty of 110%, compared with 75% for finished Scotch whisky under HSN 22083012 and 22083092. Under the schedule cited by industry experts, the duty on concentrates will decline to 75%, while the rate for finished whisky is set to drop to 40% over nine further reductions.

Ajay Srivastava of the Global Trade Research Initiative said the agreement explicitly covers bulk Scotch imports and does not limit tariff benefits to retail bottles. He said both retail and bulk categories can qualify for the lower rates if they satisfy the rules of origin set out in the pact. That point is important because the current disagreement is not only about container size, but also about whether the imported product matches the tariff line and origin conditions written into the agreement.

Srivastava said the agreement’s change-in-tariff-heading rule requires a qualifying product to undergo the prescribed tariff shift. He also said simple dilution and bottling of imported high-strength alcohol or neutral grain spirit would not, on their own, establish UK origin. To qualify as Scotch whisky under the agreement, the product must also meet the underlying Scotch requirements, including distillation and maturation in Scotland.

For Indian spirits producers, the ministry’s response could shape how future consignments are assessed at the border and how companies structure sourcing and blending decisions. With bulk shipments representing most of the imported volume, the classification decision could have a direct effect on trade flows between Scotland and India and on the cost base for local bottling and whisky blending operations.