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India’s liquor makers seek tariff clarity for bulk Scotch under U.K. trade pact

A customs classification dispute raised the prospect that imports used for blending and bottling could still face a 150% duty

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Indian liquor makers are pressing for formal clarity on whether bulk Scotch whisky imported for local blending and bottling will receive the lower duties promised under the India-UK trade deal, after a customs classification dispute raised the possibility that

some shipments could still face the old 150% tariff.

The issue has become important for a part of India’s whisky industry that relies on Scotch as an input rather than only as a finished imported drink. Bulk Scotch is used by some companies in local bottling and in blends with Indian spirits across premium and mass-premium segments, which means the tariff decision could affect costs and margins for importers, bottlers and domestic manufacturers.

The uncertainty emerged after the India-UK Comprehensive Economic and Trade Agreement took effect on July 15. Under the agreement, customs duty on qualifying Scotch whisky imports fell from 150% to 75%, with a phased reduction to 40% over 10 years. According to Outlook Business, the tariff commitments cover both bottled and bulk exports, subject to product and origin rules.

The dispute centers on how certain bulk Scotch consignments should be classified for customs purposes. Indian tax authorities have questioned whether some shipments should be treated as whisky under Heading 2208 or as preparations used in the manufacture of beverages under Heading 2106. That distinction matters because classification under Heading 2106 could leave the imports subject to the earlier 150% duty instead of the reduced rate under the trade pact.

The liquor industry has argued that bulk Scotch remains whisky whether it is imported in retail bottles or in larger containers for later bottling and blending in India. Industry executives say the disagreement affects an established supply chain rather than a niche category of imports.

Outlook Business reported that many Indian whisky producers import Scotch for its malt and grain whisky base, which is then combined with domestic spirits to achieve specific flavor profiles. Not every Indian whisky uses imported Scotch, but for some producers it is a significant part of production. Industry estimates cited by Reuters say about 80% of Scotch whisky imports from Britain arrive by volume in bulk shipments.

The classification dispute has also drawn regulatory scrutiny. Reuters reported that an investigation has involved major liquor companies including Diageo, Pernod Ricard, Radico Khaitan and Allied Blenders, with company-linked premises searched and

executives questioned. The investigation, however, does not establish wrongdoing by those companies.

The government has tried to reassure the industry, but companies are still waiting for a formal resolution. On Nov. 2, Commerce Secretary Rajesh Agrawal told industry representatives that duty concessions for bulk Scotch would remain intact and that steps were being taken to address the ambiguity in HSN classification, according to Outlook Business. The Commerce Ministry also indicated that it would take up the matter with the Finance Ministry.

That assurance has reduced some immediate concern, but it has not settled how customs authorities will ultimately treat bulk consignments at the border. For manufacturers, the difference is not technical. Import duties feed directly into landed cost calculations, purchasing plans and pricing decisions.

The impact can already be measured in company expectations. Outlook Business, citing Mint, said Allied Blenders and Distillers estimated a 70-basis-point benefit for fiscal 2027 from the lower duty regime. United Spirits said it had also seen some benefit, though it did not put a number on the gain. Tilaknagar Industries said it had not yet benefited in the September quarter because it was still holding older inventory.

If customs authorities deny the reduced duty on bulk Scotch while continuing to apply it to qualifying bottled Scotch, producers that import spirit for blending and local bottling could see their input costs rise. The effect would vary by company, depending on how much imported Scotch they use and in which product categories. It could also change the balance between importing finished premium bottles and importing spirit for value-added manufacturing in India.

The tariff changes are also beginning to reach consumers, though not uniformly and not as proof that the bulk import issue is settled. A PTI report cited by Outlook Business said the Delhi Excise Department had started implementing revised costs for British liquor, with some premium Scotch prices expected to decline. The same report said prices of several UK-origin liquor brands in Uttar Pradesh had already fallen by about 5% to 15%.

Industry figures quoted by Outlook Business said clear definitions are needed because raw grain and malt, bulk Scotch used for blending and bottling, and finished bottled Scotch serve different commercial purposes. They argue that predictable tariff treatment would help manufacturers plan production, support investment and give Indian whisky brands more confidence to develop new products.

For the broader drinks business, the case goes beyond one customs code. It will help determine whether a major tariff concession under the India-UK agreement can be applied smoothly across a supply chain that links Scotch distillers, Indian importers, local bottlers and domestic whisky makers. Until there is a formal classification decision, companies that depend on bulk Scotch remain exposed to uncertainty over costs that can shape pricing, profitability and product strategy.