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India Holds More Than 80 Scotch Containers in First Test of U.K. Trade Pact

Customs investigators classify the bulk imports as concentrates subject to a 150% tariff rather than the deal’s 75% rate

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Indian customs authorities are holding dozens of containers of bulk Scotch imported by Pernod Ricard and Diageo as investigators press for a 150% tariff instead of the 75% duty the companies expected under the India-UK trade pact, according to a Reuters

report published on Wednesday, November 11, citing four people familiar with the matter and a confidential government memo.

The dispute has become the first major test of the trade agreement, which took effect in July. At issue is how India should classify bulk Scotch concentrates that are imported from Britain and later used to make whisky brands in India. Importers say those shipments should receive the lower 75% tariff available under the pact. Investigators with India’s Directorate of Revenue Intelligence, part of the finance ministry, argue the products do not qualify because they are not finished bottled Scotch and should instead face a 150% duty.

Reuters said the standoff has left more than 40 containers from Pernod Ricard and more than 40 from Diageo stuck at Indian ports. Bacardi also has five containers on hold, according to one of the sources cited by the news agency. The companies are said to be unwilling to pay the higher duty while the dispute remains unresolved, raising the risk of supply disruptions for spirits used in local manufacturing.

The position of customs investigators was laid out in a confidential memo dated Wednesday, November 4, that Reuters said it reviewed. The memo instructed customs commissioners across India to continue applying the 150% tariff to bulk Scotch being imported under what investigators believe is the wrong customs classification. It said importers were “incorrectly” claiming benefits under the trade pact for products that should be treated as “compound alcoholic preparations,” a category that has been subject to the higher duty since May 1.

According to the memo, the goods under examination are not finished whisky, brandy or rum, but concentrates or compound preparations that go through further manufacturing after import. Investigators said any misclassification could have broad and recurring revenue consequences for the government.

The tougher stance from the finance ministry’s investigative arm came just days after liquor companies believed they had received reassurance from another part of the Indian government. Reuters reported that, after lobbying by the industry, the commerce ministry told senior executives on Monday, November 2, that India would honor the trade pact and work to resolve the dispute quickly. That message led

companies including Pernod Ricard and Diageo to expect the lower 75% tariff would be applied.

The conflicting signals from the two ministries appear to have deepened uncertainty over how the agreement will work in practice. A senior finance ministry source told Reuters that the finance ministry and commerce ministry were in discussions on an appropriate resolution. India’s finance ministry, commerce ministry and the Directorate of Revenue Intelligence did not respond to Reuters’ requests for comment. Pernod Ricard and Diageo also did not respond to requests for comment.

The shipments are significant because India is one of the world’s biggest markets for Scotch-linked products sold through local blending and bottling. Reuters reported that about 80% of Scotch whisky imports from Britain arrive in India in bulk by volume. Those imports are then used to produce Indian-Made Foreign Liquor, a category that mixes small amounts of Scotch with other spirits and ingredients for sale in the domestic market.

The broader trade stakes are also substantial. Scotch exports to India totaled $335 million in 2024, according to the Reuters report. The Scotch Whisky Association has said the trade pact could lift that figure by $1.34 billion over five years, making tariff treatment a critical issue for British exporters and multinational liquor groups operating in India.

The dispute has also drawn concern from the wider alcohol industry. Reuters said the International Spirits and Wines Association of India privately warned New Delhi that the disagreement risks undermining a key market-access benefit negotiated between India and the United Kingdom. The association’s concern reflects the possibility that even if a tariff concession exists on paper, companies may still face delays and higher costs if customs authorities and trade officials apply the rules differently.

The clash comes against a wider backdrop of friction between India and multinational companies over tariffs and taxes. Reuters noted that foreign investors have faced other high-profile disputes in India over customs and tax claims, including cases involving Samsung and Volkswagen. In the current case, tax officials have searched the offices of several companies in recent weeks, including Pernod Ricard and Diageo, and have

questioned executives as part of the investigation.

Investors reacted negatively after the dispute became public. Shares in United Spirits, Diageo’s India unit, closed down 1.5% on Wednesday, November 11. Pernod Ricard shares fell 1.1% in France, while Diageo shares were down 1.3% in early trading in London. The market move reflected concern that prolonged delays at ports and a possible doubling of the tariff from 75% to 150% could hurt supply chains and margins, even though the final customs treatment has not yet been settled.