vinetur

India imposes 162.5% levy on bulk Scotch, deepening the first dispute under its U.K. trade pact

Authorities say Scotch concentrates fall under a 150% tariff category, leaving importers to post guarantees to free delayed shipments

Wednesday, November 18, 2026



India is imposing an effective 162.5% duty and tax burden on bulk Scotch whisky imports, according to eight sources with direct knowledge of the matter and a government document reviewed by Reuters, in a setback for liquor companies that had expected a sharply lower tariff under the India-U.K. trade pact that took effect on July 15.

The new burden is higher than the 150% charge that applied before the trade agreement and has opened what Reuters described as the first major dispute tied to the pact. The agreement had cut tariffs on Scotch to 75%, a change that Britain and major drinks companies had presented as a significant gain for exporters and for groups such as Pernod Ricard and Diageo, which ship Scotch to India in bulk and blend it locally for sale in the country’s mass-market spirits business.

At the center of the dispute is how Indian authorities classify certain imported Scotch concentrates. Indian investigators argue the products have been brought in under the wrong customs category and should instead fall under a customs line created in May for “compound alcoholic preparations.” That category carries a 150% tariff. Once a local consumption tax is added, the total levy reaches 162.5%, according to the government document and the eight sources, who include industry executives and customs agents.

The disagreement is affecting a market of unusual scale. India’s liquor market is valued at about $65 billion, and the country is the world’s largest Scotch market by volume. About 80% of Scotch shipped from Britain to India by volume arrives in bulk rather than in bottles. Much of it is used to make Indian-Made Foreign Liquor whisky by blending a small amount of Scotch with other spirits, creating products that sell at far lower prices than fully imported brands such as Chivas Regal or Johnnie Walker.

That makes the dispute important beyond trade policy. Bulk Scotch is a key input for large parts of India’s whisky business, and the higher levy could raise supply costs in a major growth market, strain the cash positions of importers and local producers, and complicate production planning if shipments remain delayed.

On November 11, Reuters reported that thousands of liters of bulk Scotch in more than 80 shipping containers belonging to Pernod, Diageo and Bacardi had been held at Indian ports as the dispute dragged on. Under a provisional release process while the investigation continues, companies must pay duty equal to 75% of the goods' value up front and cover the remaining amount with bank guarantees, the sources said.

Pernod and Diageo have begun arranging bank guarantees and other financing to secure the release of blocked containers and keep operations running, three of the sources told Reuters. Bacardi was still weighing its next steps. Diageo declined to comment, while Pernod and Bacardi did not respond to requests for comment. India's finance ministry and tax authority also did not respond.

Industry executives say the financial pressure is immediate. Companies had already cut retail prices on some Scotch products after the trade pact took effect, one source in the liquor importing business said, and are now facing a higher tax burden than expected. Another Indian executive said companies have little choice but to seek provisional release because maintaining production is critical, even though the bank guarantees add stress to working capital.

The pressure could be sharper for smaller companies. Reuters reported that Mumbai-listed Radico Khaitan, Allied Blenders and Distillers, and Tilaknagar Industries also import bulk Scotch and are under scrutiny, alongside multinational groups. Smaller importers may face more difficulty arranging guarantees because lenders can require collateral, and those guarantees must also be disclosed as contingent liabilities.

The dispute adds to a broader concern for foreign investors about India's tariff and customs regime. Reuters noted that long-running tariff disputes have previously affected companies including Volkswagen and Samsung. Indian officials have said they are enforcing domestic law, but executives have complained that companies are often caught off guard by how authorities classify imports.

The issue is especially sensitive because whisky tariffs were among the hardest points in the trade negotiations between India and Britain. The two sides spent years bargaining before the agreement was implemented on July 15. Britain had argued that the deal would benefit "iconic U.K. products," including whisky, and the Scotch Whisky

Association has said the agreement could lift Scotch exports to India by $1.34 billion over five years.

Britain has repeatedly said it is working with New Delhi to resolve the matter, while Indian authorities have said the dispute will be settled soon. But a confidential memo from Indian investigators, reported by Reuters on November 11, said any misclassification under the trade pact must stop because it has “substantial revenue implications” for the Indian government.

Industry sources told Reuters they were already aware that customs classification was under debate, but they did not expect the additional local tax to be imposed on top of the tariff. The combination of the two has turned what was supposed to be a tariff-cutting trade agreement into a fresh source of uncertainty for a sector that relies on steady bulk imports to supply one of the world’s most important whisky markets.