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India imposes a 162.5% charge on some bulk Scotch imports despite a tariff cut in its U.K. trade pact

Customs officials are disputing how bulk whisky for Indian blends should be classified, leaving some shipments under provisional clearance

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India is imposing an effective combined charge of 162.5% on some imports of bulk Scotch whisky from Scotland in a dispute over how those shipments should be treated under its trade agreement with the United Kingdom, according to a Reuters investigation published by Business Today on Wednesday, November 18.

The figure refers to the total burden from tariffs and taxes on the affected imports. It is 12.5 percentage points above the 150% level that applied before the agreement, according to the reports. That has alarmed companies that buy Scotch in bulk for use in blended products made in India, because they had expected the trade deal to reduce import costs.

The dispute is not described as a blanket rate for all Scotch whisky or for all bottled whisky sold in India. Reuters and Business Today said it centers on bulk supplies and concentrates used to make blends. Indian customs authorities are questioning how those products should be classified, and that classification determines whether importers can benefit from the lower tariff promised under the agreement.

Under the trade pact, the tariff on eligible Scotch was reduced to 75%. But that headline tariff is not the same as the total charge now being faced by some importers in the current dispute. Companies involved in the trade say the way customs is classifying the goods, together with the taxes being applied, is pushing the effective burden to 162.5% on affected shipments.

Reuters said its reporting was based on eight sources and a government document. Business Today reproduced those findings. The original administrative document cited in the reports could not be independently verified from the information available, and no total monetary value for the affected imports was published. The issue has been presented as a percentage charge on import value rather than as an overall rupee amount.

The disagreement matters because many manufacturers that use bulk Scotch in India work with narrow cost assumptions. A higher tax burden can raise the landed cost of raw material, squeeze margins and increase financing needs. If companies must pay more at the border, or provide larger guarantees while goods are held under review, they may need more working capital to keep supplies moving.

That appears to be part of what is happening now. According to Reuters and Business Today, some shipments have been cleared only on a provisional basis while the classification issue is contested. Importers have had to make payments and provide guarantees to secure release of cargo. That allows product to enter the market, but it leaves uncertainty over the final tax treatment.

The British government is representing exporters' interests in the discussions, the reports said. That gives the case wider trade significance beyond a technical customs dispute. For British exporters and Scotch producers, the issue goes to whether the market access promised under the agreement is being delivered in practice. For Indian authorities, the question is how far the lower tariff should extend to products imported in bulk and then used in locally blended whisky.

The difference between the 75% tariff set out for eligible Scotch and the 162.5% effective burden described in the reports shows how customs treatment can alter the value of a trade concession. A tariff cut on paper does not always determine the final cost of entry if there is a dispute over product classification or if other taxes are applied in a way that changes the outcome for importers.

The reports also make clear that the case should not be read as a simple reversal of India's tariff reduction on all Scotch whisky. The dispute is narrower and focused on specific bulk products and concentrates. Even so, for the companies involved, the financial effect can be immediate because each shipment cleared under provisional terms can carry higher upfront costs and more uncertainty over margins and pricing.