vinetur

UK and India sign free trade deal reducing alcohol tariffs and opening new market opportunities

Scotch whisky and gin producers anticipate expanded access to India as tariffs fall, but regulatory hurdles and pricing uncertainties remain

Thursday, May 15, 2025



The recent signing of a free trade agreement between the United Kingdom and India marks a significant development for the global beverage alcohol industry. After years of negotiations, the deal was finalized in early 2024, signaling a renewed commitment to free trade between two major economies. The agreement is expected to serve as a model for future trade deals between India and other partners, including the European Union and the United States, which are reportedly nearing completion.

One of the most notable aspects of the agreement is the immediate reduction of tariffs on imported whisky and gin from 150% to 75%. The deal also outlines a plan to further decrease these tariffs to 40% over the next decade. This change is particularly relevant for Scotch whisky and gin producers in the UK, who have long faced steep barriers to entry in the Indian market due to high import duties.

Industry analysts, including Jason Holway of IWSR, are closely monitoring how these changes will affect both markets. While some industry commentators suggest that shelf prices for Bottled In Origin (BIO) Scotch could drop by as much as 30%, more conservative estimates place potential savings at around 10%. However, these reductions may not be uniform across all Indian states due to local regulations and tax structures. Additionally, there is uncertainty about whether these savings will be passed on to consumers or absorbed by producers and state governments.

Smaller Scotch distillers may see new opportunities in India as premium-and-above blended Scotch and malt whiskies become more affordable. However, significant regulatory hurdles remain. Brands must still register annually in each state and pay licensing fees, making market entry complex and costly. For Bottled in India (BII) Scotch and premium-priced local whiskies that use imported Scotch as an ingredient, the benefits of tariff reductions are expected to be marginal since only the cost of the liquid itself will decrease.

Concerns about cheap Scotch flooding the Indian market have been raised by local distillers, who advocated for minimum import pricing (MIP) rules during negotiations. It remains unclear if such measures were included in the final agreement. The structure of the Indian whisky market suggests that dramatic price shifts are unlikely. Imported premium blended Scotches like Johnnie Walker Black Label and Chivas Regal retail at

INR 3,200–3,600, while standard blended Scotches sell for about half that price. Most domestic whiskies are priced even lower, between INR 500 and INR 800 per bottle. This wide gap makes it unlikely that international producers would engage in aggressive price competition at the expense of their margins.

The risk of dumping—selling products below cost to gain market share—also appears limited. India is already a major customer for bulk Scotch and bottled imports, and producers are more likely to focus on maintaining consistent supply and premium positioning rather than pursuing short-term volume gains.

For gin producers, both local and international, the tariff reduction could reshape market dynamics. The Indian craft gin movement has established itself with products priced around INR 1,000–2,000, while most imports have been priced above INR 2,000 due to tariffs. With lower duties, UK craft gins may become more competitive in India. This could encourage innovation among domestic brands and foster greater diversity in the category.

The agreement also opens up possibilities for Indian whisky and gin exports to the UK. While details on improved access are still emerging, industry observers expect increased competition as protective tariffs fall away. Some brands will benefit from better margins and new opportunities for premiumization; others may struggle to adapt.

As with many changes in India’s beverage alcohol sector, outcomes will vary widely depending on state regulations, product categories, and price segments. The full impact of the UK-India free trade agreement will become clearer over time as both markets adjust to new conditions and businesses explore fresh opportunities on both sides of the partnership.