

UK–India Free Trade Agreement: Strategic Opportunities for Indian Individuals and Businesses

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By **Ravi Lal**, 14th May 2025

On 6 May 2025, the United Kingdom and India finalised a landmark Free Trade Agreement, marking a significant milestone in bilateral relations. This agreement, the UK's most substantial post-Brexit trade deal, is projected to boost the UK economy by £4.8 billion annually by 2040.

Key Highlights of the Agreement

1. National Insurance Exemption for Indian Workers – Employers and Employees

A pivotal feature of the UK-India Free Trade Agreement is the three-year exemption from UK National Insurance Contributions (NICs) for both:

- Indian employees temporarily seconded to the UK; and
- Their Indian employers, provided the secondment is part of an intra-company transfer.

This means that neither the employer nor the employee will be required to pay UK NICs during the qualifying secondment period, provided they continue contributing to India's social security system. The arrangement is reciprocal, applying equally to UK employees seconded to India.

The exemption only applies to secondments involving employers with operations in both countries. It does not extend to Indian nationals employed solely by UK-based entities.

Implications:

- **Cost Efficiency:** The combined saving of employer and employee NICs can reduce total employment costs by up to 20%, improving competitiveness and cash flow.
- **Global Mobility Planning:** Multinational companies can strategically deploy staff between the UK and India without dual social security contributions.
- **HR Compliance:** Businesses must ensure the secondment arrangement meets the definition of an intra-group transfer and is time-limited to three years.

2. Tariff Reductions and Market Access

The agreement eliminates tariffs on 90% of UK exports to India, including sectors like whisky, gin, cosmetics, and food products-. Conversely, 99% of Indian exports, such as textiles, food, and jewellery, will face no import duty in the UK.

Opportunities:

- **Export Expansion:** Indian businesses can capitalise on duty-free access to the UK market, particularly in textiles and jewellery.
- **Investment Prospects:** The reduction in tariffs opens avenues for joint ventures and partnerships in key sectors.

3. Enhanced Professional Mobility

The FTA streamlines visa procedures and employment laws, facilitating the movement of Indian professionals to the UK. This includes contractual service suppliers, business visitors, investors, and independent professionals such as yoga instructors, musicians, and chefs.

Considerations:

- **Talent Deployment:** Businesses can leverage this provision to deploy skilled professionals in the UK market efficiently.
- **Compliance:** Ensure adherence to the UK's qualification and experience requirements for professionals.

4. Exclusion of Legal Services

Notably, the legal services sector is excluded from the agreement, with the Law Society of England and Wales expressing disappointment over this omission. This exclusion is seen as a missed opportunity for both economies.

Strategic Implications for Indian HNWIs and Businesses

Tax Planning and Corporate Structuring

The NI exemption offers a strategic advantage for Indian businesses with UK operations. By reducing employment costs, companies can reallocate resources to other growth areas. There is also a benefit of reduced employee NI costs for the individual giving them a higher net income than otherwise. However, it is crucial to evaluate the long-term tax implications and ensure compliance with both UK and Indian tax regulations.

Investment and Expansion Opportunities

The tariff reductions and improved market access present lucrative opportunities for Indian investors and businesses to expand their footprint in the UK. Sectors such as fashion, textiles, and jewellery are poised for growth, given the elimination of import duties.

Professional Mobility and Talent Acquisition

The streamlined visa processes facilitate the movement of Indian professionals, enabling businesses to tap into the UK market's talent pool and meet operational needs effectively.

Conclusion

The UK-India Free Trade Agreement signifies a new era of economic collaboration between the two nations. For Indian individuals and businesses, this agreement opens doors to strategic tax planning, market expansion, and talent mobility. Engaging with experienced tax advisors and legal experts will be essential to navigate the complexities and maximise the benefits of this landmark deal.

For more information, please contact us: advice.uk@dixcart.com.