

# EY Alert

## United States-India announce framework for Interim Trade Agreement

### Executive summary

EY Alerts cover significant tax news, developments and changes in legislation that affect Indian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor.

The United States of America and India have jointly announced a framework for an interim Agreement on reciprocal and mutually beneficial trade (the *Interim Agreement*). The framework reaffirms the commitment of both countries to continue negotiations toward a broader U.S.-India Bilateral Trade Agreement (BTA) launched on 13 February 2025.



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## Key highlights

- India will eliminate or reduce tariffs on all U.S. industrial goods and a wide range of U.S. food and agricultural products, including DDGs, red sorghum for animal feed, tree nuts, fresh and processed fruits, soybean oil, wine and spirits, and additional products.
- The United States will apply a reciprocal tariff rate of 18% under Executive Order 14257 (as amended) on originating goods of India, including textiles and apparel, leather and footwear, plastics and rubber, organic chemicals, home décor, artisanal products and certain machinery.
- Subject to successful conclusion of the Interim Agreement, the United States will remove the reciprocal tariff on a wide range of goods identified in the Potential Tariff Adjustments for Aligned Partners Annex to Executive Order 14346 (as amended), including generic pharmaceuticals, gems and diamonds, and aircraft parts.
- Tariffs on certain aircraft and aircraft parts of India imposed under specified U.S. national security proclamations relating to aluminum, steel and copper will be removed.
- India will receive a preferential tariff-rate quota for automotive parts, consistent with U.S. national security requirements.
- Contingent on the outcome of the U.S. Section 232 investigation, India will receive negotiated outcomes for generic pharmaceuticals and pharmaceutical ingredients.

## Detailed summary

### 1. India - tariff commitments

The framework provides that India will eliminate or reduce tariffs on all U.S. industrial goods and a wide range of U.S. food and agricultural products, including DDGs, red sorghum for animal feed, tree nuts, fresh and processed fruits, soybean oil, wine and spirits, and additional products.

No characterization of exclusions, sensitivities or staging is stated.

### 2. United States - reciprocal tariff

The framework provides for application of a reciprocal tariff rate of 18% under Executive Order 14257 of 2 April 2025 (as amended) on originating goods of India, including textiles and apparel, leather and footwear, plastics and rubber, organic chemicals, home décor, artisanal products and certain machinery.

### 3. Conditional removal of reciprocal tariff

Subject to the successful conclusion of the Interim Agreement, the framework provides for removal of the reciprocal tariff on a wide range of goods identified in the Potential Tariff Adjustments for Aligned Partners Annex to Executive Order 14346 of 5 September 2025 (as amended), including generic pharmaceuticals, gems and diamonds, and aircraft parts.

### 4. Aircraft and aircraft parts

The framework provides for removal of tariffs on certain aircraft and aircraft parts of India imposed under:

- Proclamation 9704 of 8 March 2018 (aluminum imports), as amended;
- Proclamation 9705 of 8 March 2018 (steel imports), as amended; and
- Proclamation 10962 of 30 July 2025 (copper imports), as amended.

### 5. Automotive parts

Consistent with U.S. national security requirements, India will receive a preferential tariff-rate quota for automotive parts subject to tariffs imposed under Proclamation 9888 of 17 May 2019 (as amended).

### 6. Pharmaceuticals

Contingent on the findings of the U.S. Section 232 investigation of pharmaceuticals and pharmaceutical ingredients, negotiated outcomes will apply to generic pharmaceuticals and ingredients.

### 7. Preferential market access and rules of origin

The framework provides for preferential market access in sectors of interest on a sustained basis and establishes rules of origin intended to ensure that benefits accrue predominantly to the United States and India.

### 8. Non-tariff barriers, standards and conformity assessment

The framework provides for addressing non-tariff barriers affecting bilateral trade. India agrees to:

- address long-standing barriers affecting U.S. medical devices;
- eliminate restrictive import licensing procedures impacting U.S. ICT goods; and
- determine, within six months of entry into force, whether U.S.-developed or international standards (including testing requirements) are acceptable for imports into India in identified sectors.

Discussions on standards and conformity assessment procedures are envisaged for mutually agreed sectors.

### 9. Adjustment mechanism

Where either country changes agreed tariffs, the other country may modify its commitments.

### 10. Relationship with BTA negotiations

The framework contemplates further expansion of market access through ongoing BTA negotiations, with the United States indicating its intent to take into

consideration India's request to continue working toward tariff reductions.

#### 11. Economic security, supply chains and digital trade

The framework includes commitments relating to economic security alignment, supply-chain resilience, cooperation on investment reviews and export controls, and addressing barriers to digital trade, with a view to developing robust digital trade rules under the BTA.

#### 12. Stated purchase intention

India has stated its intent to purchase USD 500 billion of U.S. energy products, aircraft and aircraft parts, precious metals, technology products and coking coal over the next five years, alongside expanded trade and cooperation in technology products, including GPUs and data-center goods.

## Next steps

The framework provides for prompt implementation and continued engagement toward finalizing the Interim Agreement and progressing negotiations on the Bilateral Trade Agreement

This publication contains information in summary form and is intended for general guidance only. It does not constitute legal or tax advice, nor does it include analysis or interpretation beyond the stated framework.

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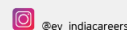
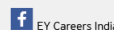
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