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European Car Import Duties in India

Understanding the transformative impact of the India-EU Free Trade Agreement on automotive pricing and market access

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MARKET CONTEXT

The Current Landscape

India's Protective Tariff Wall

India maintains some of the world's highest automotive import duties, with effective rates reaching up to 110% on fully built European vehicles. This protectionist stance has long shaped the premium car market.

TheIndia-EU Free Trade Agreement represents a watershed moment for the automotive sector. For the first time, European manufacturers will gain substantially improved access to one of the world's fastest-growing car markets.

The phased duty reductions could reshape buyer preferences, competitive dynamics, and the value proposition of premium European vehicles in India.

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Import Duty Structure: Before vs After FTA

A comprehensive comparison of tariff rates across different vehicle categories and price segments

Vehicle Category	Current Duty Rate	Post-FTA Rate (Phased)	Implementation Timeline
CBU Cars under $40,000	Up to 110% effective	40% initially → 10%	5-year phased reduction
CBU Cars over $40,000	Up to 110% effective	40% initially → 10%	Annual quota: 250,000 units Protection for domestic EV sector
Electric Vehicles (EU)	Up to 110% effective	Duty cuts after 5 years	Excluded from tariff cuts
CKD Kits (Assembly)	Approximately 16.5%	No change under FTA	

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The Big Winners: Luxury and Performance Imports



Porsche Sports Range

Models like the 911 and Cayman will see duties drop from 110% to eventually 10%, making these iconic sports cars substantially more accessible to Indian enthusiasts.



BMW M Performance

High-performance M series variants such as the M3and M8, currently prohibitively expensive, stand to benefit most from dramatic duty reductions.



Mercedes-AMG Models

Ultra-luxury AMG variants like the G63, imported as CBUs, will become relatively more competitive as duties fall over the implementation period.



Enthusiast Hatchbacks

Niche models such as the Golf GTI and Octavia RS will finally reach price points that appeal to performance car enthusiasts beyond the ultra-wealthy.

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CRITICAL DISTINCTION

CBU vs CKD: Understanding the Difference



Why This Matters for Buyers

Completely BuiltUnits (CBUs)are fully assembled vehicles shipped from Europe. They currently face duties up to 110% and will benefit dramatically from FTA cuts.

Completely Knocked Down (CKD) kits arrive as parts and are assembled in India. These already enjoy lower 16.5% duties and see no FTA benefit.

Popular BMW 3 Series, Mercedes C-Class, and Audi A4 models assembled locally will remain unaffected by the trade deal, as they're already competitively priced through CKD operations.

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The Electric Vehicle Exception

Years 1-5

EVs excluded from initial duty cuts. Import duties remain at current levels of up to 110% to protect India's developing electric vehicle manufacturing ecosystem.

Policy Rationale

Protection allows TataMotors, Mahindra, and emerging players to establish market position without immediate pressure from established European EV brands.

1

2

3

Year 5+

Tariff reductions begin gradually.European EV imports become eligible for phased duty cuts as domestic manufacturers achieve scale and competitiveness.

This strategic delay reflects India's ambition to build a self-sufficient electric vehicle sector. Brands like Audi e-tron, BMW iX, and Mercedes EQS will face unchanged duties until the domestic industry matures.

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Market Impact: By the Numbers

110%

Current Maximum Duty

Effective tariff rate on premium European CBU imports before the FTA

10%

Final Target Rate

Eventual duty level after full implementation over five years

250K

Annual Quota

Maximum CBU unitseligible for reduced tariffs per year under FTA terms

What This Means for the Market

The 250,000-unit annual quota represents substantial capacity for niche and luxury imports, though mainstream volume models will continue local assembly operations.

The dramatic duty reduction from 110% to 10% could theoretically halve the prices of affected luxury vehicles, though real-world pricing will depend on currency fluctuations, shipping costs, and manufacturer strategies.

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Price Impact Reality Check

Phased Implementation

Duty cuts occur graduallyover five years. Initial reductions to 40% will provide some relief, but maximum savings require full implementation.

Currency Fluctuations

Euro-rupee exchange ratescan offset tariff benefits. A weakening rupee could neutralise some or all of the duty reduction advantage.

Brand Positioning Strategy

Manufacturersmaynot pass full savings to consumers. Premium brands often maintain pricing to preserve exclusivity and brand perception.

Market Competition

Increased CBU imports could pressure locally assembled models. Competitive dynamics may drive broader pricing adjustments across segments.

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BENEFITS | LIMITATIONS

Impact Summary for Car Buyers

Who Benefits Most

- Buyersofluxury European sports cars and performance vehicles
- Enthusiasts seeking niche models previously priced out of reach
- High-net-worth individuals purchasing ultra-premium CBU imports
- Collectorsinterested in limited-edition European models

Limited Impact For

- Mainstreamsedan and SUV buyers (locally assembled models unaffected)
- Electric vehicle purchasers for the next five years
- Budget-conscious buyers in volume segments



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Looking Ahead: A Transformed Market

The India-EU FTA represents the most significant shift in automotive trade policy indecades . Whilst immediate price changes may be modest, the long-term trajectory is clear: premium European vehicles will become increasingly accessible to Indian buyers.



2025-2030

Phased duty reductions create gradual market opening

Market Expansion

European brands gain share in luxury segments

EV Integration

Post-2030 EV duty cuts reshape electric vehicle landscape

For policy analysts, this agreement balances market liberalisation with protection for strategic domestic industries. For buyers, it signals the beginning of a more diverse, competitive, and accessible premium automotive market in India.

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