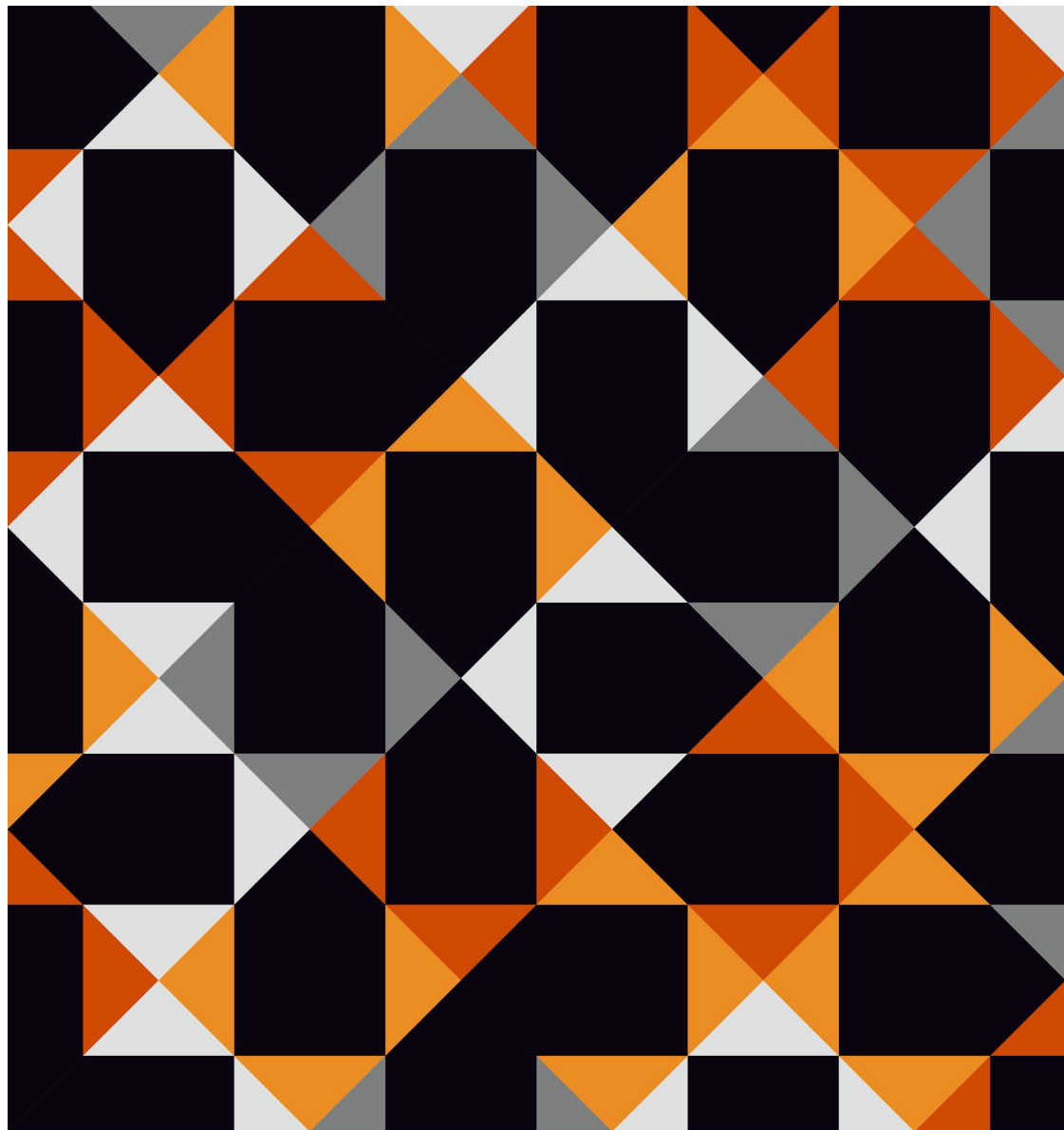


The UAE-India Comprehensive Economic Partnership Agreement (CEPA) enters into force

The CEPA is expected to increase trade between the UAE and India, lower tariffs and enhance market access

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In brief

The UAE Ministry of Economy has recently published the full text of the CEPA signed between the Government of the United Arab Emirates (UAE) and the Government of the Republic of India (India).

The landmark agreement was signed on 18 February 2022, and has officially entered into force on 1 May 2022. Under the CEPA, both countries expect to boost bilateral trade from USD 60 Billion to USD 100 Billion within the next 5 years; key products that will immediately benefit from the Agreement include oil & gas, petrochemicals, minerals, textiles, agriculture, jewellery and gems, metals and more.

The CEPA aims to eliminate tariffs to more than 10,000 tariff lines within a period of 10 years, and it is expected to have a major impact on trading between India, the UAE and the wider Gulf Cooperation Council (GCC) region.

Multinational companies should look at the rules of origin defined in the CEPA to maximize the benefits. The full text of the agreement can be accessed [here](#).

In detail

While the CEPA finds its origins in the India-GCC Framework Agreement on Economic Cooperation signed in 2004, it has finally taken the shape of a bilateral free trade agreement (FTA) between the UAE and India. It is important to note that none of the other GCC countries are parties to the CEPA.

The CEPA makes commitments in multiple areas such as trade in goods, rules of origin, trade in services, customs procedures and trade facilitation, trade remedies, digital trade, economic cooperation, government procurement, intellectual property rights (IPR), investment and trade.

Notable benefits of the CEPA for the UAE and India include:

1. Lower tariffs for trade in goods

In terms of trade in goods, both countries can now benefit from greater market access through preferential tariff rates due to the reduction or elimination of customs duties on originating goods.

Under the CEPA a significant amount of originating goods will eventually be subject to 0% customs duties. Some tariff lines will access complete customs duty elimination immediately upon entry into force, others will be eliminated over a period of up to 5, 7 or 10 years, and the rest will be reduced, as compared to the existing customs duty rates. The tariff elimination/reduction schedules and timelines vary depending on the nature of the goods.



Under the CEPA, the UAE and India expect to boost bilateral trade in goods from USD 60 Billion to USD 100 Billion within the next 5 years, targeting sectors such as oil & gas, petrochemical, minerals, textiles, agriculture, jewellery and gems, metals and more.





UAE goods shipped to India that comply with the Rules of Origin (RoO) will be granted one of the following three statuses: Tariff Elimination Immediate (TEI), Tariff Reduction (TR), or a Tariff Elimination Phased (TEP).

Non-comprehensive examples of the tariff schedule for UAE goods imported into India include:

- **TEI - customs duty to be made 0% in the first year:** Petroleum oils and oils obtained from bituminous minerals crude (2709.00.00); liquified propane (2711.12.00); and unsorted diamonds (7102.10.00).
- **TR - customs duty to be reduced:** Other unwrought forms of non-monetary gold (7108.12.00) duty rate to be reduced by 1% over five years; bananas, fresh (0803.90) to be reduced to 15% over 10 years; and low density polyethylene (3901.10.20) duty rate to be reduced by 50% over 10 years.
- **TEP - customs duty to reach 0% in 5, 7 or 10 years:** Copper weld wire (7408.11.10); base metals or silver, clad with gold (7109.00.00); and plates and sheets of iron or non alloy steel (7209.16.10)

Indian goods shipped to the UAE that comply with the RoOs will be granted a day-one access to a 0% tariff rate (A), access at year 5 (C), access at year 7 (D), access at year 10 (E), or a Tariff Reduction (TR).

Non-comprehensive examples of the tariff schedule for Indian goods imported into the UAE include:

- **A:** Jewellery and parts of precious metals such as platinum (7113.19.10); petroleum oils and oils obtained from bituminous minerals, crude (2709.00.00); and transmission apparatus incorporating reception apparatus (8525.50.00).
- **C:** Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (2006.00.00). non-wired glass (7005.10.00); and collapsible, tubular containers (7612.10.00).
- **E:** Flat rolled products of iron or non alloy steel in coils (7208.10.00); gears and gearing, other than toothed wheels, chain sprockets and other transmission elements presented separately (8483.40.00).
- **TR - customs duty to be reduced:** Bars and rolls of iron or non-iron steel, of circular cross-section measuring less than 14 mm in diameter (7213.19); bars and rods of high speed steel, hot rolled, in irregularly wound coils (7227.10.00); and bars and rods of silico-manganese steel (7227.20.00).

In addition, some tariff lines are to be excluded from the preferential treatment, prohibited or included in the special goods category.

For a product to benefit from the preferential tariff treatment, it must comply with the following RoO stipulated by the CEPA:

1. Be wholly obtained or produced in the territory of the contracting party, or
2. Have undergone sufficient working or production as per the Product Specific Rules (PSR). The PSR may be expressed as a change in tariff classification and/or specific value added.

Compliance with the RoOs needs to be supported by a proof of origin, which can be provided by any of these means: paper certificate of origin, fully digitalized certificate of origin, or an origin declaration made by an approved exporter.



3. Simpler customs procedures and trade facilitation

In alignment with the WTO's Agreement on Trade Facilitation (TFA), the CEPA introduces measures to facilitate cross-border trade of goods and ensure an efficient customs clearance, such as issuing customs rulings prior to import, facilitating cross-border clearance for economic operators, reducing unnecessary regulatory or administrative customs procedures and adopting international best practices of customs management techniques.

In addition to the standard certificate of origin, the CEPA adopts the invoice declaration of origin for approved exporters. The UAE and India have agreed to negotiate and implement future provisions to enable the respective customs authorities to recognise the invoice declaration of origin made by the authorised exporters, removing the need to issue a traditional certificate of origin.

4. Trade in services.

Both parties agreed to grant services provided by entities in the other party's territory open and non-discriminatory environment for cross-border trade. Amongst other things, parties agreed not to maintain or implement measures that limit the services provided by the other party and agreed to work towards mutual recognition of some professional license or certifications, such as architecture, engineering, accounting, medical and nursing.

Both India and the UAE have offered each other market access to the broad service sectors, such as business services, telecommunication services, construction and related services and educational services.

5. Bilateral cooperation on pharmaceutical products

The parties have agreed to cooperate in the facilitation of access to finished pharmaceutical products by accepting pharmaceutical products manufactured on the other party's territory without the need of previous inspection and with a fast-track approval of product registration, provided that those products have been already approved by the Regulatory Authorities of Australia, Canada, the United Kingdom, Japan, the United States or the European Union.

Additional provisions adopted by the CEPA

In addition to tariffs elimination and reduction, the CEPA includes other key provisions that will benefit exporters and importers both from India and the UAE, as well as service providers. Some of these benefits include: further cooperation in relation to the Agreement on Technical Barriers to Trade, cooperation on information exchange between the two tax authorities, commitments on working towards implementation of AEO mutual recognition agreement, granting temporary admission for some goods in certain circumstances (such as goods intended for fairs, exhibitions or sport purposes), promotion of trade opportunities for small and medium sized enterprises, and agreement on transparency and impartiality on government procurement.

The takeaway

The UAE-India CEPA has come into force in May 2022, and businesses trading in goods between the UAE and India are encouraged to assess the impact of this landmark agreement to unlock the benefits that the new FTA will bring to their operations.

Origin compliance management and proactive application of preferential tariff treatment should be prioritised to optimise the benefits. The implementation of the additional tariff reductions, customs procedures, rules of origin and other technical standards should be actively monitored to further reduce the costs and enhance efficiencies in the supply chain.

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Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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Thank you

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