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Six Decades, One Reset: Why This ITR Season Still Runs on the Old Tax Act, Not the New One

Backdrop

India's income tax law has operated under a single overarching statute since 1961, and for most people working in or with the Indian tax system, that has simply been the background reality of doing business here. The Income-tax Act, 1961 is the framework practically everyone learned to navigate, however imperfectly, and it shaped the assumptions built into every finance team's compliance calendar. That changes this year, and it changes properly rather than incrementally. Parliament passed the Income-tax Act, 2025 in August 2025, President Droupadi Murmu granted her assent within weeks, and the law formally came into force on 1 April 2026, repealing the 1961 Act outright rather than layering another set of amendments on top of it. It is the first genuine rewrite of India's direct tax code in more than six decades, and the scale of the exercise is not cosmetic: the new Act compresses well over 800 sections down to 536, stripping out the amendments, cross-references, and accumulated judicial Centre in India, or one still weighing whether to set one up, the arrival of a new tax code is exactly the kind of structural change worth tracking closely, even if nothing about your day-to-day filing obligations changes overnight, and the detail that matters most this year, the one that is easiest to get backwards if you are relying on headlines rather than the underlying provisions, is a timing one: which law actually applies to the return sitting in front of you right now, and why that is not necessarily the law you might assume.

So which law applies to the return being filed right now?

The old one, and it is not close. The ITR season running from July through October 2026 covers income earned in Financial Year 2025-26, filed for Assessment Year 2026-27, and every one of those returns, whether it belongs to a salaried individual, a consultant, or the Indian subsidiary of a multinational, is governed by the Income-tax Act, 1961, not the Act that has technically already replaced it. This is worth sitting with for a moment, because it is the final filing season the 1961 Act will ever govern in its own right. Once this cycle closes, the statute effectively retires from active use, even though it will remain relevant for years afterwards wherever historical assessments, appeals, or reopened cases are concerned. The new Act, by contrast, applies from Tax Year 2026-27 onward, meaning income earned from 1 April 2026, with the first returns filed under its provisions not due until 2027. Until then, the two statutes exist side by side in an unusual but entirely deliberate arrangement: last year's income is being reported under rules that no longer exist on the statute books, while this year's income is already accruing under the law that replaced them.

It is a subtle distinction, and exactly the kind that a global finance team without a resident India tax advisor can miss, often without realising it until an assessing officer's query forces the issue. Filing this year's return correctly still means applying 1961 Act provisions, using its terminology,

Why the old Act still governs this season

The short answer is that the new Act was deliberately written to apply prospectively rather than retroactively, and that choice was not incidental. When the Income-tax Act, 2025 came into force on 1 April 2026, it did so alongside a transition, or savings, provision that preserves the 1961 Act for any income year that had already begun, or already ended, before that commencement date. Financial Year 2025-26 ran from 1 April 2025 to 31 March 2026, which means it concluded entirely before the new Act existed in force, and the law that applied while that income was actually being earned, month by month, is the law that continues to govern how it is assessed and filed now. Lawmakers could, in theory, have applied the new Act retroactively to that income year, but doing so would have created exactly the kind of confusion the rewrite was meant to eliminate in the first place. This is a standard legislative approach, not a delay, a loophole, or a carve-out invented specifically for India, even though it can feel that way to a foreign observer encountering it for the first time. Rewriting the machinery of tax administration in the middle of an income year, introducing new forms, new section numbers, and an entirely new Tax Year concept while taxpayers were still mid-way through operating under the old framework, would have forced returns, tax already deducted at source, and advance tax instalments already paid to be reconciled against a law that did not exist at the point the income was earned. That is precisely the kind of retroactive mess most tax administrations try hard to avoid, and India's transition provision sidesteps it cleanly by giving the 1961 Act one final, uninterrupted cycle to close out on its own terms. The result is a defined handover date rather than a messy overlap: FY 2025-26 closes entirely under the 1961 Act, and Tax Year 2026-27 opens entirely under the 2025 Act, with no income year caught straddling both.

What actually changed for this filing season

Independent of the new Act altogether, the government introduced a staggered ITR deadline structure for the first time this year, and it is worth understanding on its own terms because it has nothing to do with the transition to the new law. Salaried individuals and other taxpayers filing ITR-1 or ITR-2 still file by 31 July, unchanged from previous years. Non-audit business and professional filers using ITR-3 or ITR-4, a category that covers a meaningful share of the India-based consultants, partners, and small proprietorships that multinational finance teams routinely work with on the ground, now have until 31 August, and the Finance Act, 2026 made that a permanent shift in the calendar rather than a one-off concession granted for a single year. Audit cases remain due 31 October, and cases requiring transfer pricing documentation extend further still, to 30 November. None of this is connected to the new Act; it is simply this year's calendar, and it is easy to conflate the two changes if you are reading about them for the first time.

Two further changes are worth flagging for any entity managing India-linked compliance from outside the country. The window for filing a revised return, the mechanism used to correct a genuine error after the original filing has already gone in, has been extended from 31 December out to 31 March 2027, which gives considerably more breathing room to reconcile mismatches against Form 26AS or the Annual Information Statement before the window closes for good. Separately, and worth keeping in view alongside it even though it predates this season, the updated return facility, which allows a taxpayer to voluntarily disclose income that was omitted from an earlier filing, has run for four years instead of two since a Budget 2025 change took effect in April 2025, effectively doubling the period in which a company can proactively correct its own historical filings rather than waiting to be caught by scrutiny later. The revised-return extension is new to this season; the updated-return window is not, but both sit outside the new Act and are worth building into this year's compliance calendar, even though neither carries forward into the new Act's own procedural framework in quite the same form.

What changes once the new Act takes over

From 1 April 2026 onward, the new Act replaces the familiar Previous Year and Assessment Year framework with a single, unified Tax Year running from 1 April to 31 March, removing a distinction that has genuinely confused first-time taxpayers, junior finance staff, and foreign secondees alike for decades. Anyone who has had to explain to a newly arrived expatriate why the year they earned income and the year they file for it carry two different labels will recognise immediately why this particular simplification matters more in practice than it might look on paper. The new tax regime remains the default structure under the new Act, and several thresholds have moved in taxpayers' favour along the way, including a higher TDS threshold on interest income, changes that were already partly visible in this year's slabs but become fully embedded once the new Act takes over completely from Tax Year 2026-27.

For finance and tax teams specifically, though, the more consequential shift is structural rather than numerical, and it is the one most likely to cause friction if it is left until the last minute. Renumbered sections, consolidated provisions, and forms rebuilt entirely around the new Tax Year concept mean that internal tax memos, ERP tax-code mappings, and advisor engagement letters written against 1961 Act section numbers will all need to be revisited and updated before Tax Year 2026-27 filings actually begin in 2027. Waiting until the 2027 filing season itself to make that update leaves very little runway, particularly for larger organisations where tax logic is embedded in finance systems that are not trivial to reconfigure on short notice, and where a single mismatched section reference can cascade into a genuinely time-consuming reconciliation exercise months down the line.

What this means for foreign companies and GCCs building in India

The practical challenge for the next twelve months is running two tax timelines at once, and it is worth naming plainly rather than treating as a minor footnote. Closing out FY 2025-26 and filing under a statute that has technically already been repealed, while every transaction booked from 1 April 2026 onward is already subject to the law that replaces it, is not a hypothetical edge case; it is simply what this year looks like for any company with India operations. Finance teams should treat this as a live dual-compliance period rather than a future transition still to come, and should confirm directly with their India advisor which provisions apply to which financial year before assuming continuity between the two, because the assumption that the new Act simply applies now is one of the most common misunderstandings advisors are currently fielding from overseas clients.

For companies with expatriate staff, ESOP holders, or India-based employees holding foreign assets, the disclosure obligations under Schedule FA remain unchanged in substance throughout this transition and continue to carry heavy scrutiny under the Black Money Act regardless of which Act technically governs the year in question. That obligation does not pause, soften, or reset simply because the underlying tax code is changing around it, and com-and companies that treat the transition as a reason to deprioritise foreign asset reporting for a year are taking on risk that has nothing to do with the new Act at all. There is also a broader signal worth reading into how this transition has been managed. A rewrite of the entire direct tax code, moved from passage to force in under eight months, with a clearly sequenced handover rather than an abrupt cutover, is precisely the kind of institutional predictability that finance leaders quietly weigh when deciding where to place a subsidiary or a Global Capability Centre, even if tax law stability is rarely the headline reason any single company chooses India in the first place.

The Way Forward

The story of this ITR season is not that the new Income-tax Act has changed how returns are filed, because it has not, at least not yet, and treating this season as though it has is the mistake worth avoiding. The real story is that India is closing out its final cycle under a sixty-plus-year-old statute while the law that replaces it is already live, already in force, and already shaping the year now underway. For any company with a finance function that touches India in any capacity, the useful move right now is to keep the two timelines clearly separated rather than letting them blur into one: file FY 2025-26 correctly and completely under the old Act, and in parallel, start mapping FY 2026-27 processes, contracts, and advisor briefs to the new one, well ahead of the first Tax Year 2026-27 return falling due in 2027. Companies that manage both threads well will barely notice the handover when it comes. Companies that conflate the two are the ones most likely to find themselves, a year from now, reconciling a filing against the wrong law entirely.

Gold Hit an All-Time High, Then Crashed 12% in a Day. Should You Still Buy the "Safe" Asset?

Backdrop

Gold spent thirteen months proving it was the one asset nobody needed to think twice about, then it fell 12% before most investors had finished their coffee. The rally itself was extraordinary by any historical measure; gold gained roughly 65% through all of 2025, and silver did even better, trading above $121 an ounce and posting a gain of around 135% for the year. That run peaked on 28th January 2026, when gold touched an all-time high of $5,589 to $5,595 an ounce. Three trading days later, on Friday, 30th January, gold futures closed at $4,745 an ounce, down more than 11% on the day, while silver crashed 31.4% to $78.53, its worst single session since March 1980.

The fallout reached well beyond spot prices. The ProShares Ultra Silver fund lost over 62% that day, the iShares Silver Trust ETF fell 31%, and shares in Newmont, Barrick, and Agnico Eagle, three of the world's largest gold miners, all dropped more than 10% in a single session. By the end of the first quarter, gold was sitting close to 28% below its January peak, on pace for its steepest quarterly decline on record, even as central bank gold purchases stayed unusually strong, with the World Gold Council reporting net Q1 2026 purchases of 244 tonnes, a 17% increase from the prior quarter and one of the strongest first-quarter totals on record.

Why Did Gold Fall Off a Cliff in a Single Session?

No single event moves a market this fast, and this one had four forces landing in the same 48 hours, each one making the next worse. The spark was a Federal Reserve appointment, not a gold story: President Trump's nomination of Kevin Warsh, widely read as a hawkish inflation fighter, upended what markets had spent weeks pricing in, which was deep and early rate cuts.

Bond yields rose, the dollar strengthened, and gold, which pays no yield and gets less attractive as real rates climb, lost its main support within hours. Leverage did the rest. In

Bond yields rose, the dollar strengthened, and gold, which pays no yield and gets less attractive as real rates climb, lost its main support within hours. Leverage did the rest. In the weeks before the crash, both CME Group's COMEX division and the Shanghai Futures Exchange had raised margin requirements on precious metals futures, with CME moving twice in late December. Silver's initial margin climbed from roughly $22,000 to $25,000, then to $32,500 per contract, close to a 50% increase in capital requirements in under two weeks, forcing leveraged traders to post more cash or unwind positions just as the rally peaked. When margins rise this sharply, leveraged traders either post more cash immediately or get liquidated, and on this occasion, a large number were liquidated.

The calendar made things worse before options positioning and a separate supply shock finished the job. 30th January was both the last trading day of the month and a Friday, with markets shut over the following weekend, so traders facing margin calls had no way to adjust positions until Monday, and every adjustment had to happen inside one compressed session.

At the same time, large options contracts on gold futures and the GLD ETF were concentrated at specific strike prices, and as gold broke through them, dealers hedging those positions were forced to sell into the falling market, a mechanical feedback loop known as a gamma squeeze. Silver carried an added complication: China introduced new export licensing requirements for silver effective 1st January 2026, tightening shipment volumes, and the resulting policy uncertainty fed directly into the profit-taking that Friday, even though the restriction is structurally bullish for silver over the longer term.

Paper Gold Crashed. Did Physical Gold?

This is the distinction most headlines skipped, and it is the one that actually matters for a treasury decision. What crashed on 30th January was largely paper gold, meaning futures contracts and leveraged derivative positions traded on exchanges like COMEX, not the metal itself sitting in a vault. Physical gold, the kind central banks and long-term holders actually own, told a different story altogether. Physical premiums, the price charged above spot for real metal, tend to widen after events like this rather than collapse, because the paper price and the physical supply-demand balance briefly disconnect from one another when forced futures selling overwhelms the screen. Traders holding leveraged positions had no choice but to sell into a falling market. Investors and institutions holding actual bullion had no such constraint, and many simply did nothing, because nobody can issue a margin call against a gold bar sitting in a vault.

The demand that pushed gold to its highs in the first place had not gone anywhere either. China alone extended its gold-buying streak to fourteen consecutive months through December 2025, part of a broader emerging-market push to diversify reserves away from the dollar. J.P. Morgan's research desk had been forecasting gold near $6,000 an ounce by the end of 2026 and $6,300 by 2027 through the first half of the year. On July 3rd, 2026, however, the bank cut its Q4 2026 target by 25% to $4,500, citing rising real yields, while explicitly keeping its longer-term structural thesis (central bank demand, portfolio diversification) intact for 2027 and beyond. What broke on 30th January was an overleveraged futures market colliding with a month-end liquidity gap. What did not break was the underlying case for holding gold as a long-term reserve asset.

What Is India's Central Bank Actually Doing With Its Gold?

For a foreign company building a subsidiary or a Global Capability Centre in India, this episode is worth watching less for the price swing and more for what India's own central bank did around it. The Reserve Bank of India has been building its gold position with clear intent, and by early April 2026, gold made up 17% of India's foreign exchange reserves, up from 12% a year earlier, with total holdings near 880.5 tonnes, which is a central bank treating gold as a genuine strategic reserve rather than a trading position.

Yet by May 2026, the same institution appears to have quietly drawn down part of that gold position, even while denying any outright sale, as the rupee came under pressure from rising oil prices, a widening trade deficit, and portfolio outflows. The likely reasoning was tactical, converting gold into intervention capacity to defend the rupee while conserving more liquid dollar reserves, and that single decision says more about gold's real-world role than any price chart could. If the institution best placed to treat gold as an untouchable vault asset is willing to draw on it the moment its own currency needs defending, gold is better understood as a flexible reserve tool than a static, permanent holding.

The consumer side adds useful texture to this same picture. India's gold imports fell 30% month-on-month and 59% year-on-year in March 2026, hitting a nine-month low, largely on price sensitivity and supply disruption, while listed Indian jewellers posted strong first-quarter growth over the same period, driven by wedding-season demand and rising ticket sizes, with digital gold purchases holding firm throughout. On the Multi Commodity Exchange, domestic gold prices told their own version of this story, trading in the ₹1,43,000 - ₹1,46,000 range by June 2026, down about 13.6% over three months, a decline that Indian buyers felt filtered through the rupee-dollar rate as much as through the international price itself. Retail demand did not disappear during the volatility. It became more price-conscious instead, which is a very different reaction from panic, and one that foreign finance teams reading India's gold data as a proxy for consumer sentiment should keep in mind.

So, Is Gold Still Worth Investing In?

The question itself is slightly off, because gold was never risk-free. It was low-correlation, not zero-volatility, and 30th January was a blunt reminder of that difference. The structural case for holding some gold, as a currency-independent reserve, an inflation hedge, and a diversifier against equity and bond risk, remains intact, and central banks in China, Poland, and the Czech Republic kept adding to reserves even after the crash. Analysts across J.P. Morgan, Business Standard, and regional wealth managers broadly agree that the 2026 volatility marks a more turbulent phase of the same multi-year gold cycle rather than its end. Gold's appeal as a hedge against currency debasement and geopolitical risk was never contingent on it moving in a straight line, and a single violent session, however historic, does not undo years of accumulated central bank demand.

What changed is the case for treating gold as a one-way, low-effort trade. The conditions behind 30th January, such as thin post-holiday liquidity, aggressive margin hikes, concentrated options positioning, and a policy surprise landing on a month-end Friday, are exactly the conditions that produce outsized moves in any asset, not only gold. A finance function weighing India exposure would do well to treat gold the way the RBI itself appears to, as one tool within a reserve strategy, sized deliberately, rebalanced on a schedule, and never mistaken for a position that cannot move. That means separating the instrument from the exposure: holding gold for what it structurally offers, while staying alert to the leverage and positioning risk that sits on top of it whenever prices move this fast in either direction.

The Way Forward

Gold's 2026 story is not a cautionary tale about the metal itself. It is a cautionary tale about leverage sitting on top of a genuinely sound long-term asset, and that distinction matters for any finance team weighing currency risk, reserve strategy, or diversification as part of an India entry or expansion plan. The metal did what it has always done over long periods, holding value through a chaotic macro backdrop even as its price swung violently in the short term. The futures market wrapped around it did what leveraged markets always do under stress, amplifying a genuine repricing into a historic one-day event. Knowing which one you are actually exposed to, the metal or the leverage sitting on top of it, is the entire decision, and it is the question worth asking before the next headline calls gold either dead or unstoppable.

The Tariff Truce: What the US-India Deal Means for Exporters Caught in the Crossfire

Backdrop

Between the first executive order in April 2025 and the Section 122 deadline of 24 July 2026, some fifteen months, Indian exporters lived inside a tariff regime that changed faster than most supply contracts could be redrawn. What is being called a "truce" today is not a finished trade agreement. It is a temporary arrangement, built on a legal foundation the US Supreme Court has already struck down once, due to expire on 24 July 2026, with a permanent replacement still stuck at what negotiators keep calling "the last one percent." For any company sourcing from India, or weighing India as a base for goods bound for the United States, the practical question is not what the tariff rate is today. It is which of three or four possible rates it will be by autumn.

From 50% to 18%: The Deal That Wasn't Quite a Deal

The starting point was 50%, among the highest tariff rates the US applied to any major trading partner. It arrived in two pieces. An April 2025 executive order set a 10% baseline plus a 15% country-specific reciprocal rate, taking Indian goods to 25%.

In August, a second executive order added a 25% penalty tied to India's continued purchase of Russian crude, pushing the combined rate to 50% by 27 August 2025. Layered onto existing anti-dumping and countervailing duties, the effective rate on some categories ran considerably higher.

On 2 February 2026, President Trump announced a bilateral framework with Prime Minister Modi that cut the rate to 18%, in exchange for India moving toward zero tariffs on US goods, halting Russian oil purchases, and committing to more than $500 billion in US imports over five years. The 25% Russia-linked penalty was formally rescinded on 7 February. On paper, Indian exporters had gone from among the most punitive tariff regimes the US applied to any major trading partner to a manageable one within a week.

The Ruling Nobody in New Delhi Asked For

The 18% figure did not survive the month. On 20 February 2026, the US Supreme Court ruled 6-3 in Learning Resources v. Trump that the International Emergency Economic Powers Act, the law underpinning the entire reciprocal tariff structure since April 2025, does not authorise a president to impose tariffs unilaterally. The reciprocal tariffs on India, and on every other country subject to the same regime, were found to have exceeded executive authority. Customs and Border Protection stopped collecting them at midnight on 24 February.

This was not a narrow technical correction. It unwound the legal basis for the very framework India had just negotiated into. Neither the Court's opinion nor the executive order that followed addressed refunds for duties already collected between April 2025 and February 2026, a question the Court left to the Court of International Trade, where it remains unresolved. Businesses that paid the 25% and 50% rates during that window are watching a separate, slower-moving legal track for potential recovery.

The Improvised Replacement: Section 122

Within days, the administration reached for a different statute. Section 122 of the Trade Act of 1974 allows a president to impose a temporary tariff of up to 15% to address a balance-of-payments emergency, but caps the duration at 150 days unless Congress extends it. A 10% global tariff went into effect on 24 February 2026 under this authority, applying to India along with most other trading partners; pharmaceuticals and pharmaceutical ingredients were explicitly exempted, as they had been under the earlier IEEPA regime. That 10% rate is itself contested. The Court of International Trade ruled it unlawful on 7 May 2026, in a divided decision, but the Federal Circuit stayed that ruling within days and extended the stay in June, so collection has continued through the appeal, with relief so far limited to the named plaintiffs in the case. The dispute is unlikely to be resolved before the 24 July expiry. The 150-day clock places the expiry at 24 July 2026, the date this piece is being written against.

Section 232 tariffs, the sector-specific national-security duties on steel (50%), aluminium (50%) and certain auto components, sit on a separate legal footing entirely and were unaffected by the Supreme Court ruling. They continue to stack on top of whatever the general rate turns out to be. A company modelling landed cost on Indian steel or aluminium inputs is working with at least two independent tariff layers, not one.

Who Got Hurt, and How Badly

The sectors that took the worst of the 2025 escalation were the labour-intensive ones with thin margins and limited pricing power: textiles and apparel, gems and jewellery, shrimp, carpets and leather goods.

Industry estimates at the time put effective rates, once existing anti-dumping and countervailing duties were folded in, as high as 60% for shrimp and above 60% for ready-made garments.

The Gem and Jewellery Export Promotion Council recorded a decline of more than 45% in shipments to the US during the April 2025 to January 2026 window, even as total gem and jewellery exports held broadly flat, at $23.19 billion, because exporters redirected volume toward the UAE, Hong Kong, Australia and France. Roughly one million people in India's shrimp sector alone were estimated to be directly exposed, according to industry association figures reported at the time.

The relief has been real but uneven. Textile industry data from the Confederation of Indian Textile Industry showed exports still contracting year-on-year in January 2026, before stabilising as the tariff cuts and the Supreme Court ruling took effect through February. A Dolat Capital sector report published in June 2026 described the industry as entering a recovery phase, citing capacity consolidation, restored cotton cost competitiveness and improving yarn spreads.

GJEPC has projected the 18%-equivalent access could lift US-bound gem and jewellery exports by up to $3 billion in the near term. Whether that recovery holds depends entirely on which rate is in place from late July onward, a point industry bodies have been careful not to treat as settled.

The Next Front: Pharmaceuticals

Just as the Section 122 window was closing, a new threat opened in the one major category that had been shielded throughout. On 2 April 2026, the administration imposed Section 232 tariffs of up to 100% on branded and patented medicines and their key ingredients, explicitly excluding generics. On 21 July 2026, two days before this piece was finalised, that exclusion ended: generic medicines will remain duty-free until 1 August 2028, then face a 100% tariff for one year, rising to 200% from August 2029, unless manufacturers shift production onto US soil.

India has the most at stake among generic drug exporters. It is the largest exporter of generic medicines to the US, and pharmaceuticals are among its top three export categories to that market, worth roughly $10.5 billion in 2024-25 by the Commerce Ministry's own figures. The Global Trade Research Initiative has argued the impact will be uneven rather than uniform, noting that many Indian generics sell for a fraction of the branded equivalent, leaving room to absorb a tariff and still undercut US prices, with the added cost more likely passed on to American insurers and providers than to eliminate Indian supply outright. That is a reasonable base case, not a guarantee, and it does not apply evenly across higher-value formulations and branded generics, where the margin cushion is thinner.

Where Things Actually Stand, July 2026

The interim Bilateral Trade Agreement that was supposed to lock in durable terms before the Section 122 window closed has not been signed. Indian and US negotiators aligned on claims that the text was roughly 99% complete after talks in late June, and US Ambassador Sergio Gor has repeated, week after week, that negotiators are in the "last one percent." India's position, restated consistently through July, is that it will not sign to beat a calendar and wants terms that hold a genuine edge over competing exporters such as Vietnam and Bangladesh, not simply a rate matched to them.

Business Recorder reported on 22 July 2026, citing a US official, that the broader agreement is now expected to be signed within three to four months, with the remaining delay attributed less to bilateral disagreement than to unresolved US Section 301 investigations, the mechanism the administration has said it will lean on more heavily now that IEEPA is off the table. In March 2026, the USTR opened Section 301 investigations into "structural excess capacity" covering sixteen economies, India among them, a process that by statute involves formal findings and rulemaking and cannot be rushed to match a 150-day political deadline.

The Next Front: Pharmaceuticals

For a business sourcing finished goods from India, the immediate task is scenario planning, not rate-checking. If Congress or the administration extends Section 122, the 10% baseline holds. If it lapses without replacement, imports fall back to standard Most Favoured Nation rates, and those cut in different directions by product: pharmaceuticals and machinery fall toward zero, while cotton apparel's underlying MFN rate, around 16.5%, is actually higher than the current 10% baseline.

A lapse would not be uniformly good news. If a Section 301 finding lands on a specific sector before an extension is agreed, that sector could face a targeted rate layered on top of whatever the general baseline is. Any supply contract with a delivery date past the third quarter of 2026 should carry a duty-adjustment clause; treating 10% as a fixed number is no longer a safe assumption for planning purposes.

For companies further removed from direct trade exposure, running Global Capability Centres, finance or shared-services operations out of India rather than shipping goods through it, the direct tariff exposure is limited. But the pattern itself is the more relevant data point. Two statutory regimes in five months, each replacing the last after a Supreme Court reversal of the executive's own trade authority, plus a bilateral agreement still unsigned after being repeatedly called nearly finished, is a case study in the kind of policy volatility that a finance function needs to model for, even when its own operations sit outside the tariff line entirely. It also strengthens the argument, heard increasingly from CFOs weighing India against other offshoring destinations, for keeping entity structures and cost bases flexible rather than committed to a single trade assumption that could shift again before the next budget cycle closes.

The Way Forward

Calling this a truce is generous. A truce implies both sides have agreed to a fixed set of terms, however temporary. What exists as of late July 2026 is closer to a rolling improvisation: an executive branch reaching for a second statute after the Supreme Court removed the first, an interim trade text repeatedly described as almost finished, and a set of sector-specific investigations that will determine the next round of tariffs regardless of what the general rate settles at. Exporters who assume the current arrangement is the final word are planning against a fiction. The more defensible position, for exporters and for the finance teams supporting them, is to treat every number in this story as provisional until a signed, published text says otherwise.

Mother of All Deals: Inside the India-EU FTA and Who Actually Wins

Backdrop

The India-EU Free Trade Agreement took nineteen years to negotiate and one summit to announce. On 27 January 2026, at Hyderabad House in New Delhi, India and the European Union announced the conclusion of negotiations over a Free Trade Agreement.

The negotiations had opened in 2007, stalled by 2013 over cars, dairy, and wine, and lay dormant for nearly a decade until 2022, when a war in Europe and the reshaping of global supply chains gave both sides reason to return to the table.

Ursula von der Leyen, the President of the European Commission, called it the mother of all deals. The phrase is theatrical, but the scale is not: two billion people, a quarter of global GDP, the largest trade agreement either side has concluded. It is easy to read an announcement like this as a settled policy. It is not. What was signed in January was a political conclusion, not a working trade relationship, and the distance between the two is where the real story sits.

What does the trade deal cover?

The headline is all about tariffs. Under the agreed terms, the EU drops tariffs on 99.5% of the items India exports to the region, most of them falling to zero immediately once the agreement takes effect. India, in turn, has offered tariff concessions on 97.5% of the traded value between the two economies.

Shri Piyush Goyal, Union Minister for Commerce and Industry, and Maroš Šefčovič, European Commissioner for Trade and Economic Security, signed the joint announcement on the conclusion of negotiations on the Free Trade Agreement, in the presence of Shri Narendra Modi, Prime Minister of India, Ursula von der Leyen, President of the European Commission, and António Costa, President of the European Council.

Trade deal concluded. Now what?

The conclusion of negotiation does not mean implementation. The agreement still requires legal scrubbing, translation into every official EU language, and two separate ratification processes before a single tariff line changes.

India's route is straightforward. Trade agreements fall under executive competence, so ratification requires only approval from the Union Council of Ministers. No parliamentary vote is needed.

The EU's route is not straightforward. It requires qualified-majority approval from the Council of the European Union, followed by consent from the European Parliament, a body with a documented history of stalling exactly this kind of agreement.
As of mid-July 2026, Commerce Minister Piyush Goyal has said the legal scrub is nearly complete, and the deal is being positioned as one of the fastest the EU has moved from conclusion to force. Entry into force is expected in the first quarter of 2027.

That timeline assumes no delays, and delays are the norm rather than the exception in EU trade policy. The EU-Canada agreement has taken a decade and remains only partially ratified. The EU-Mercosur deal, concluded in 2024, is currently stalled at the European Parliament pending a legality review. India's deal has one structural advantage over both: it does not carry Mercosur's most contentious element, a completed investment protection mechanism, because that mechanism does not yet exist.

The Investment Protection Agreement, the piece that would give EU investors formal legal recourse if India changed the rules mid-investment, is still being negotiated separately. It is complicated by India's 2015 decision to terminate more than 70 existing bilateral investment treaties. Until that track closes, what has been signed is a trade agreement, not a complete economic partnership.

Who wins on paper?

Strip away the ceremony, and this is, structurally, a tariff swap. The EU eliminates duties on more than 90% of its tariff lines with India, covering over 91% of export value. India eliminates tariffs on 86% of its tariff lines, covering 93% of value. Both sides will liberalise a significant additional number of lines, thereby bringing the overall coverage of trade liberalisation to 96.6% for India and 99.3% for the EU.

On the European side, the clearest beneficiaries are automakers, machinery and industrial equipment manufacturers, chemical producers, and agri-food exporters. India's tariffs on European cars, previously as high as 110%, fall to roughly 10%, though only within an annual import quota of around 250,000 vehicles and a complete tariff elimination for car parts after 5-10 years. Machinery tariffs of up to 44% and pharmaceutical tariffs of up to 11% are being nearly eliminated. Wine, spirits, olive oil, and confectionery gain preferential access to a market India has historically protected, though the relief is graded by price band: premium European wine becomes cheaper, while the lowest-priced bottles remain shielded to protect India's own vineyards.

On the Indian side, the sectors gaining most are the ones already competing hard globally and losing purely on tariffs. Textiles, leather, footwear, marine products, gems and jewellery, sports goods, and toys move to zero duty in the EU, a market that currently charges between 4% and 26% on these categories. Roughly $33 billion of Indian exports currently sit within this tariff band and will now enter the EU duty-free from the moment the FTA takes effect. Chemicals and pharmaceuticals also gain, though less from the tariff cuts themselves than from regulatory cooperation expected to shorten the approval timelines Indian exporters have long faced in Europe.

Both governments protected precisely what domestic politics required them to. The EU keeps sugar, ethanol, rice, soft wheat, beef, poultry, milk powder, bananas, and honey largely shielded, with quotas capping table grapes and cucumbers. India keeps dairy, cereals, poultry, and soymeal off the table entirely. Nobody opened everything. Each side liberalised where the export opportunity outweighed the domestic lobby, and protected where it did not.

The catch nobody's marketing deck mentions

The tariff story is the part every press release leads with, and it is the easiest part to summarise. The detail that should matter more to anyone modelling an India entry is the Carbon Border Adjustment Mechanism, which sits entirely outside the FTA.

CBAM is an EU measure that taxes imports based on embedded carbon emissions, and India did not secure an exemption from it. For carbon-intensive sectors such as steel, aluminium, and certain chemicals and fertilisers, this produces a direct contradiction inside the same trade relationship: tariffs falling on one side of the ledger while a carbon cost is added on the other, potentially offsetting much of the tariff gain. Any company building an India-EU supply chain in these categories needs to model both sides of that equation, not only the headline duty cut.

The sustainability chapter compounds the concern. EU trade deals typically carry a substantial Trade and Sustainable Development section. This one is thinner than usual, and it has already drawn criticism from environmental groups and the Green bloc in the European Parliament. It remains one of the few genuine points of friction that could still slow ratification, even if it is unlikely to derail it outright.

What this means for foreign companies building in India

For companies in the goods-trading sectors above, the response is largely mechanical: model the new tariff schedule, confirm whether the product qualifies under the agreed rules of origin, which require genuine value addition within India or the EU rather than pass-through assembly, and plan pricing and sourcing around a 2027 window rather than today's figures.

For the far larger group of foreign companies establishing subsidiaries, Global Capability Centres, or regional operations in India, the more relevant chapter is the one on services and mobility. It is reciprocal, and it does not depend on entry into force to matter. The FTA establishes a formal mobility framework for business visitors, intra-corporate transferees, contractual service suppliers, and independent professionals, applying in both directions. The EU has committed to access across 144 services subsectors, India across 102, with entry and stay rights extended to the dependants of transferees, along with a five-year window to negotiate social security agreements that would remove the double social contributions currently inflating the cost of cross-border staffing between India and Europe.

For a GCC or a subsidiary, this has a direct operational effect. It becomes materially easier, at least on paper, to move a European specialist into an Indian entity for a project, or rotate Indian talent through a European office, without renegotiating visa terms from scratch each time.

There is a second effect that is easy to overlook. Companies deciding where to place a Global Capability Centre or a manufacturing subsidiary are not pricing tariffs alone; they are pricing policy risk. A twenty-year negotiation that finally closed, backed by all 27 EU member states and India's own political establishment, is evidence of India as a stable, long-horizon commitment, arriving at the same moment US tariff policy has made planning around American demand considerably harder for India-based exporters. A familiar market becoming less reliable, just as a new one opens, is the precise framing India's own Commerce Ministry has been using to describe the deal.

The Way Forward

Who actually wins, in the headline sense of tariff relief and market access? Both sides do, unevenly, and not yet. The EU secures deep access to a market of 1.45 billion people for its cars, machinery, wine, and pharmaceuticals, sectors where European industry holds spare capacity. India secures price parity for its labour-intensive exporters against Bangladesh and Vietnam, at the precise moment it needed insurance against overreliance on a single, increasingly uncertain market.

But the deal ratified in 2027 will not automatically be the deal that runs smoothly on the ground. Rules of origin compliance, CBAM's parallel carbon costs, an unfinished investment protection track, and India's continued absence from the EU's list of data-adequate countries are friction points that tariff elimination alone does not resolve. For a company weighing India as a destination now, the more useful reading of this deal is not "wait for the tariffs." It is "note what the deal signals about direction." Two of the world's largest economic blocs spent two decades circling each other and ultimately chose integration over caution, at the exact moment global trade politics has pushed most other relationships toward fragmentation. That is the signal worth acting on, independent of when the ink formally dries.

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