

## A landmark Free Trade Agreement between the European Union and India has been signed.

### Taxation in Poland – India operations.

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The European Union has signed a Free Trade Agreement with India. This breakthrough, following nearly two decades of negotiations, offers significant growth opportunities for Polish businesses thanks to the removal of trade barriers and the simplification of export procedures. The “mother of all agreements” will provide access to a market comprising nearly a quarter of the world’s population.

#### THE IMPORTANCE OF FTA

The value of trade between the European Union and India in 2024 amounted to EUR 180 billion, of which goods accounted for EUR 120 billion and trade in services amounted to EUR 66 billion. The main items of trade remain machinery and equipment, transportation equipment, chemicals, as well as communication, computer, transportation, and other business services.

The conclusion of the agreement with India is of particular importance for Polish entrepreneurs, as it will facilitate trade with the most populous, rapidly developing country, which remains the world’s fourth-largest economy. As expected, the agreement is projected to double exports of goods from the EU to India by 2032. The agreement will result in the creation of the largest free trade zone.

#### OPPORTUNITY FOR BUSINESS

The agreement provides, among other things, for:

- **the elimination or reduction of tariffs** on 96.6% of exported goods, including those in the agri-food, chemical, pharmaceutical, machinery, and automotive industries;
- **the simplification of customs procedures;**
- **preferential access to the Indian services market**, including key sectors such as financial services and maritime transport;
- **a high level of protection for intellectual property rights**, including copyrights, trademarks, designs, and trade secrets;
- **support for small and medium-sized enterprises;**
- **combating climate change**, protecting workers’ rights, empowering women, providing a platform for dialogue and cooperation on trade, environmental, and climate issues, and ensuring the effective implementation of these commitments.

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At the same time, the agreement protects sensitive sectors of European agriculture by maintaining existing tariffs on goods such as beef, rice, sugar, and honey.

The agreement strengthens economic relations between the European Union member states and India, creating the largest free trade area for nearly 2 million consumers. As a result, trade will be simpler, cheaper, and faster for Polish businesses exporting to South Asia.

## KEY PROVISIONS OF THE FTA

Under the agreement signed on January 27, 2026, high tariffs on industrial products are set to be eliminated, including on: **chemicals, cosmetics, plastics, auto parts, textiles and clothing, and machinery**. In the agri-food sector, the changes will include the elimination of export duties on goods such as **olive oil, non-alcoholic beverages, and processed foods**. Tariff reductions will apply to **alcoholic beverages and fruits**.

The country of origin of a product is considered to be the country where it underwent substantial processing. The origin of the product will be confirmed based on a declaration by the business, which is intended to facilitate exports for small and medium-sized enterprises.

The parties to the Free Trade Agreement have committed to ensuring effective customs control and to striving to further facilitate free trade. By laying **the foundations for customs cooperation**, the EU and India are taking steps to simplify export procedures while ensuring that imported goods meet safety requirements and respect intellectual property rights.

The parties have also committed to **ensuring the effective application and enforcement of competition law and the protection of intellectual property rights**, as well as to supporting and facilitating trade in innovative goods and services.

The Agreement also provides for the establishment of specialized **contact points and a dedicated information platform for small and medium-sized enterprises**, ensuring ongoing access to information regarding the establishment, operation, and expansion of business activities in the territory of the other Party.

The Agreement also includes a separate chapter establishing a framework for **cooperation to protect the environment and labor rights, as well as to strengthen the role of women**.

## LEGISLATIVE PROCEDURE

In the near future, the draft agreement will be submitted to the Council of Europe for signature and conclusion, and then opened for signature by the European Union and India. In addition, the European Parliament's consent to the conclusion of the agreement and a decision by the Council of Europe on the matter will be required. Once India has ratified the agreement, it will enter into force.

## NO DOUBLE TAXATION

Currently, issues of international taxation between Poland and India are governed by the Agreement of June 21, 1989, between the Government of the People's Republic of Poland and the Government of the Republic of India for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, supplemented by the Protocol of January 29, 2013. (hereinafter also referred to as the "DTA").

The DTA applies to individuals, companies, and entities subject to taxation under the tax laws of Poland or India based on their place of residence, place of permanent residence, place of management, or other criteria of a similar nature.

Where an individual is a resident of both Contracting States, his or her status is determined depending on:

- 1) permanent residence,
- 2) center of vital interests,
- 3) the place where the person usually resides,
- 4) citizenship.

## TAX PRINCIPLES IN INDIA – POLAND RELATIONS

With regard to the avoidance of double taxation, **the proportional credit method** is applied; therefore, it is possible to credit against an individual's personal income tax due in the country of residence the amount of tax paid in the source country, up to the amount of tax attributable to the income or profits earned in that country.

In accordance with the provisions of the DTA regarding withholding tax (WHT), as a general rule:

- dividend like income – the tax rate in the country of residence of the company paying the dividends may be reduced to **10%** if the person entitled to the dividends is a resident of the other contracting state;
- interest – the tax rate in the source country may be reduced to **10%** if the recipient is the person entitled to the interest;
- royalties and fees for technical services – the tax rate in the source country may be reduced to **15%** if the person entitled to the royalties or fees for technical services is a resident of the other contracting state;
- The profits of an enterprise of are taxable only in the state of residence, unless the enterprise carries on business in the other state through a permanent establishment situated therein.

The DTA provides that **remuneration derived from employment** by a person who is a resident of one of the contracting states is taxable only in the place of residence when:

- the employee stays in the other country for **no more than 183 days** during a 12-month period beginning or ending in the given tax year;
- the remuneration is paid **by the employer or on behalf of the employer**, who does not have a residence or registered office in the other country, and

- the remuneration is **not borne by a permanent establishment or fixed base** that the employer maintains in the other country.

For individuals residing in Poland or India who are **self-employed** or engaged in other independent activities of a similar nature, income may be taxed exclusively in their country of residence, unless the individual:

- usually maintains a permanent establishment in the other country for the purpose of carrying out its business activities;
- has been present in the other country for a period of at least 183 days during the relevant preceding year or tax year.

If you need advice on the implications of doing business with entities in India – whether as an individual or a business – please feel free to contact our advisors.

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If you have any questions or concerns, please contact:

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