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Our Leadership Speaks

US Hikes Tariffs on India

The U.S. has sharply raised tariffs on Indian goods from 25% to 50%, citing India’s continued purchase of Russian oil. The new rate takes effect later this month and will impact more than half of India’s exports to the U.S., worth about \$30–35 billion annually. Key sectors like textiles, electronics, pharmaceuticals, and jewelry are expected to take a hit. Industry voices say it feels “more like an embargo than a tax,” and analysts warn it could knock up to 0.8 percentage points off India’s GDP growth.

From a leadership standpoint, this is a time for rapid risk assessment and decisive action. Companies heavily dependent on U.S. orders should explore alternative markets in Asia, the Middle East, and Europe. Those with the capability could consider partial manufacturing in tariff-neutral countries to maintain U.S. access. Domestic banks are already tightening scrutiny on exporters, so maintaining strong documentation and compliance will be critical for smooth financing. While some multinational giants might negotiate exemptions, most exporters will need to rely on agility, cost efficiency, and government support schemes to stay competitive.

The future will depend on how quickly diplomatic channels can reopen. If trade talks resume and both sides make selective concessions, we could see tariffs reduced within months. If not, India may pivot toward self-reliance and diversify trade relationships further, reducing dependence on any single market. Our advice is to treat this disruption not just as a setback but as a catalyst, invest in automation, strengthen supply chain resilience, and build multi-market strategies so the next shock doesn’t leave your business exposed.

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Never miss a date

August 7th Due date for deposit of Tax deducted/collected for the month of July 2025	August 7th Uploading of declarations received in Form 27C from the buyer in the month of July 2025	August 15th Due date for issue of TDS Certificate for tax deducted under Sections 194-IA, 194-IB, 194M, and 194S in the month of June 2025	August 15th Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending June 30, 2025
August 15th Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of July 2025 has been paid without the production of a challan	August 15th Due date for furnishing statement by a recognised association in respect of transactions in which client codes been modified after registering in the system for the month of July 2025	August 30th Due date for furnishing of challan-cum-statement in respect of tax deducted under sections 194-IA, 194-IB, 194M, and 194S in the month of July 2025	August 31st Application in Form 9A for exercising the option available under Explanation to Section 11(1) to apply income of previous year in the next year or in future (if the assessee is required to submit return of income on October 31, 2025)
August 31st Statement in Form no. 10 to be furnished to accumulate income for future application under Section 10(21) or Section 11(1) (if the assessee is required to submit return of income on October 31, 2025)			

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ALL YOU NEED TO KNOW ABOUT INDIA-US TARIFF IMPACT: A DEEPENING TRADE RIFT

Introduction: A New Chapter in Trade Tensions

On August 7, 2025, the global trade landscape witnessed a seismic shift as U.S. President Donald Trump imposed an additional 25% tariff on Indian goods, effective August 28, 2025, bringing the total tariff to a staggering 50% on critical export sectors such as textiles, footwear, gems, and jewelry. This bold move, driven by India's continued imports of Russian oil, valued at over \$47 billion in 2024, marks a significant escalation in the already strained economic relationship between the two nations. The U.S. has cited India's oil trade with Russia as a violation of its sanctions regime, while simultaneously pressing India to grant zero-duty access to American agricultural products, including apples, tree nuts, dairy, and genetically modified crops. India, prioritizing its agricultural sector and the livelihoods of millions of farmers, fishermen, and dairy producers, has firmly rejected these demands, setting the stage for a high-stakes economic standoff.

The implications of this tariff hike are profound, threatening India's \$87 billion export market to the U.S., its largest trading partner for goods. With sectors employing millions at risk, the Indian government faces a delicate balancing act: mitigating economic fallout while defending national interests. Prime Minister Narendra Modi's resolute stance, articulated during the M.S. Swaminathan Centenary International Conference in New Delhi, underscores India's unwavering commitment to its farmers. "For us, the interest of our farmers is our top priority. India will never compromise on the interests of farmers, fishermen, and dairy farmers. I know personally, I will have to pay a heavy price for it, but I am ready for it," Modi declared, signaling a readiness to face both economic and diplomatic challenges. As India navigates this crisis, the potential for geopolitical realignment looms large, with Modi's upcoming visit to China suggesting a strategic pivot to counter U.S. pressure.

Economic Ramifications: A Threat to India's Export Engine

The new U.S. tariffs target a broad swath of Indian exports, with approximately 55% of India's shipments to the U.S., valued at nearly \$47 billion annually, facing increased costs. According to S.C. Ralhan, president of the Federation of Indian Export Organisations, this places Indian exporters at a 30-35% competitive disadvantage compared to rivals in countries like Vietnam, Bangladesh, and Japan, which face lower or no additional tariffs. The affected sectors, including textiles (worth \$17 billion in exports), gems and jewelry (\$12 billion), and footwear (\$3 billion), are labor-intensive industries that employ millions, particularly in small and medium enterprises across states like Gujarat, Tamil Nadu, and Maharashtra. The ripple effects could disrupt supply chains, reduce export volumes, and lead to job losses, particularly in regions already grappling with economic challenges.

Economists are sounding alarm bells about the broader macroeconomic impact. Sakshi Gupta, an economist at HDFC Bank, warns that the tariffs could drag India's GDP growth below 6% for the fiscal year, falling short of the Reserve Bank of India's (RBI) projected 6.5%. This slowdown would mark a significant setback for an economy that has been a global bright spot, with growth rates consistently above 6% in recent years. Madhavi Arora, lead economist at Emkay Global, paints an even grimmer picture, stating, "With such obnoxious tariff rates, trade between the two nations would be practically dead." The loss of competitiveness in the U.S. market could force Indian exporters to seek alternative markets, a process that requires time, investment, and new trade agreements, all of which are fraught with uncertainty.

Despite these concerns, RBI Governor Sanjay Malhotra has sought to allay fears, asserting that the tariffs are unlikely to significantly impact inflation. Speaking on August 7, 2025, Malhotra emphasized that India's robust domestic demand and diversified export markets provide a buffer against external shocks. The RBI is prepared to implement measures such as duty cuts on petroleum products to stabilize prices if global oil markets react adversely to the trade spat. Additionally, the Indian government is exploring relief measures, including interest subsidies, loan guarantees, and export promotion schemes, to support affected industries. These measures aim to cushion the blow for exporters, particularly small and medium enterprises that lack the resources to absorb sudden cost increases.

India's Response: Balancing Economic Resilience and Diplomatic Strategy

India's response to the U.S. tariffs has been multifaceted, combining economic countermeasures with a bold diplomatic stance. The government has labeled the tariffs "unfair, unjustified, and unreasonable," vowing to protect national interests while exploring retaliatory measures within World Trade Organization (WTO) guidelines. Commerce Minister Piyush Goyal has hinted at potential reciprocal tariffs on U.S. goods, such as apples, almonds, and soybeans, which could target politically sensitive agricultural states in the U.S. However, India is treading cautiously to avoid further escalation, given the U.S.'s status as a key strategic partner in areas like defense and technology.

Prime Minister Modi's planned visit to China, his first in over seven years, signals a potential geopolitical realignment as India seeks to diversify its trade and diplomatic partnerships. This move comes at a time when India is deepening ties with other nations, including those in the Global South, to reduce reliance on Western markets. The upcoming India-ASEAN Summit and potential trade negotiations with the European Union could further bolster India's position. However, experts caution that shifting export markets is a complex process, requiring significant investment in infrastructure, trade agreements, and market development. For instance, penetrating the Chinese market, while lucrative, involves navigating high non-tariff barriers and intense competition.

Domestically, the tariff issue has sparked political tensions. On August 7, 2025, both houses of the Indian Parliament were adjourned amid opposition protests demanding a discussion on the U.S. tariffs and their impact on farmers and exporters. The opposition, led by the Congress party, has accused the government of failing to anticipate the U.S. move and protect vulnerable sectors. In response, the government has emphasized its commitment to farmers, with Modi reiterating that agricultural protectionism is non-negotiable. This stance resonates deeply in a country where agriculture employs nearly 45% of the workforce and remains a political lightning rod.

Geopolitical Implications: A Shifting Global Order

The U.S.-India tariff dispute is not merely an economic issue but a reflection of broader geopolitical currents. The U.S.'s insistence on zero-duty access for its farm goods is part of a broader strategy to reassert economic dominance and counter China's influence in global trade. By targeting India's Russian oil imports, the U.S. is also signaling its intent to enforce compliance with its sanctions regime, even among strategic partners. For India, this presents a delicate balancing act: maintaining its strategic autonomy while preserving ties with both the U.S. and Russia, a key supplier of defense equipment and energy.

India's refusal to bow to U.S. pressure reflects its growing confidence on the global stage. As the world's fifth-largest economy and a leader in the Global South, India is leveraging its economic and diplomatic clout to chart an independent course. The planned visit to China, coupled with strengthened ties with ASEAN and African nations, suggests a multipolar approach to trade and diplomacy. However, this strategy carries risks, including potential isolation from Western markets and increased scrutiny from the U.S. on issues like intellectual property and market access.

The tariff dispute also underscores the fragility of the U.S.-India strategic partnership, which has been bolstered by shared concerns about China's rise. While defense cooperation, such as the Quad alliance, remains robust, economic tensions could strain broader bilateral ties. Analysts warn that prolonged trade disputes could erode trust, impacting collaboration in areas like technology transfer, climate initiatives, and counterterrorism. For now, India is focused on minimizing economic damage while asserting its sovereignty, but the path forward will require deft diplomacy and strategic foresight.

Conclusion: Navigating a Complex Future

The U.S.'s imposition of tariffs on Indian goods marks a critical juncture in India-U.S. relations, with far-reaching implications for trade, geopolitics, and domestic politics. As India grapples with the economic fallout, its response, combining relief measures, diplomatic outreach, and a firm stance on agricultural protectionism, reflects a commitment to resilience and sovereignty. The coming months will be crucial, as India seeks new markets, strengthens alternative partnerships, and navigates domestic pressures. For now, the tariff war is a stark reminder of the challenges facing a multipolar world, where economic interdependence and geopolitical rivalries collide.



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