# Nearly 60% of India's outward FDI goes to 'tax havens', reflecting strategic potential of these countries

**An analysis of RBI data by *The Hindu* shows that nearly 56% of such investments in 2024-25 were in low tax jurisdictions such as Singapore, Mauritius, UAE, the Netherlands, U.K. and Switzerland**

Updated – September 14, 2025 07:40 am IST – New Delhi

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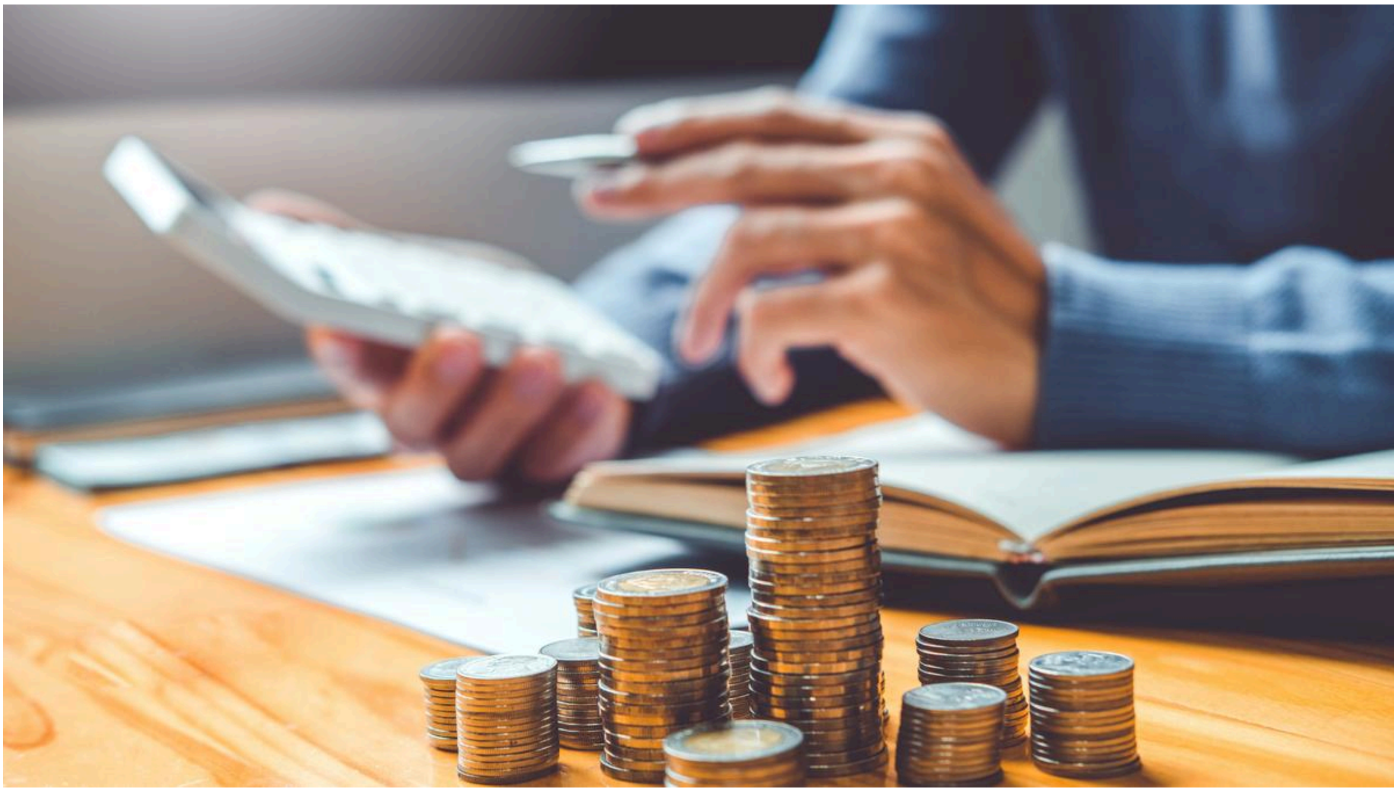
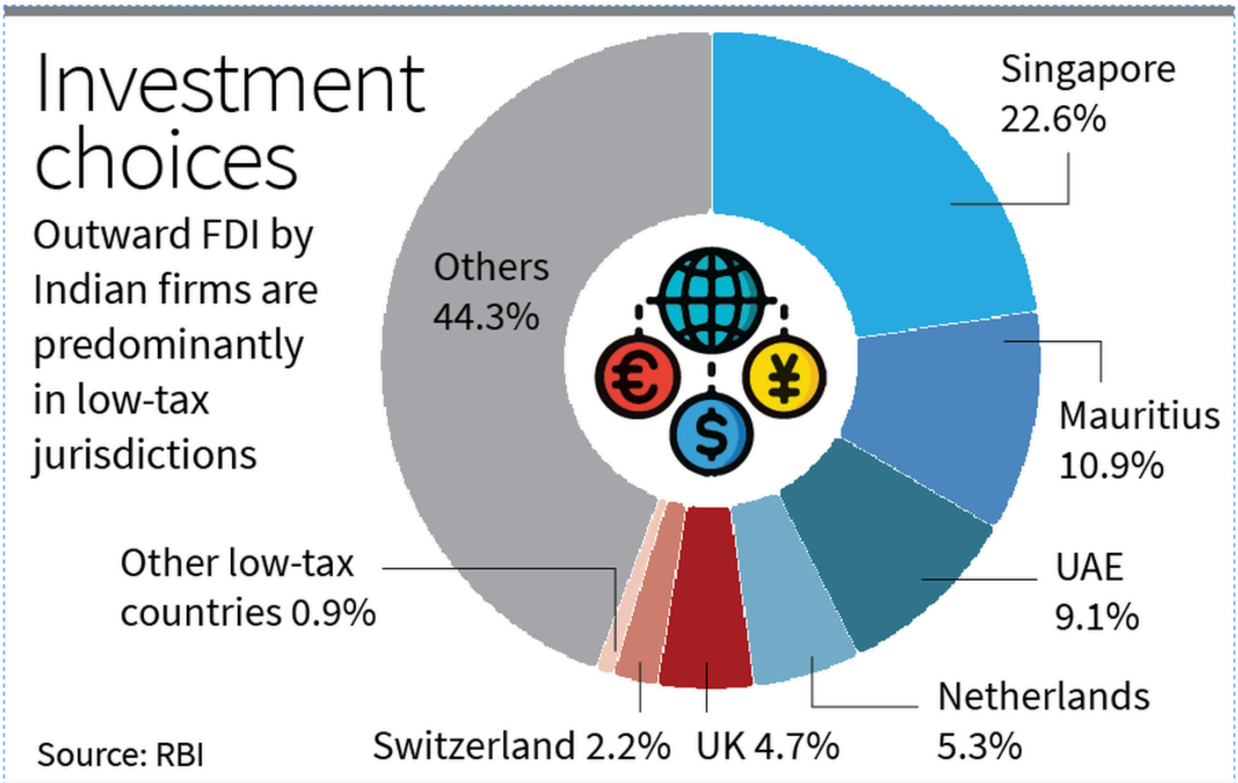


Representative image. | Photo Credit: Getty Images/iStockphoto

Indian companies are increasingly leveraging low-tax jurisdictions abroad to channel their foreign investments in a bid to increase their global presence, according to data as well as tax and investment experts.

An analysis by *The Hindu* of data from the Reserve Bank of India, which closely tracks outward investments by Indian companies, shows that nearly 56% of such investments in 2023-24 were in low tax jurisdictions (commonly called tax havens) such as Singapore, Mauritius, the United Arab Emirates, the Netherlands, the United Kingdom, and Switzerland.

In other words, out of the total ₹3,488.5 crore of outward foreign direct investment (FDI) by India in 2023-24, about ₹1,946 crore went to these low tax jurisdictions.




In fact, just three of these countries — Singapore (22.6%), Mauritius (10.9%), and the UAE (9.1%) — accounted for more than 40% of India's outward FDI in 2023-24.

Further, this trend seems to have increased in intensity in the current financial year. In the first quarter, these low tax jurisdictions accounted for 63% of India's total outward FDI.

However, while countries around the world, including India, have sought to crack down on the trend of companies shifting profits to these tax havens, experts have said that choosing these low tax jurisdictions is also a strategic imperative for Indian companies, not just a tax issue.

"If Indian companies are making investments outside India, then having them through a company set up in one of these jurisdictions makes a lot of sense," according to Riaz Thingna, Partner, Grant Thornton Bharat.

He said that, if an Indian company is looking to set up a subsidiary in Europe, the U.S., or any other country, then doing it through a special purpose vehicle in Singapore or a similar jurisdiction will help them in getting strategic investors, and in providing better tax positioning at the time of stake dilution.

"These jurisdictions are also more flexible in transferring funds and investments on a day-to-day basis," Mr. Thingna explained. So, very often, these investments are not being made only to evade, avoid or reduce tax. They are often made because these jurisdictions form platforms for investment in third countries."

## First level

Vaibhav Luthra, Tax Partner at EY India, too, explained that the RBI data does not provide the ultimate investment destination, but only shows the first level of outward investments.

According to Mr. Luthra, these low-tax or "tax efficient" jurisdictions not only provide a tax advantage, but also offer tax stability. Apart from this, they also come with other advantages for Indian companies looking to invest abroad.

"A lot of the time, for things like fund raising, or for an investor coming in, they usually like coming in at these intermediate jurisdictions," he explained. Also, having an entity in the middle also protects the Indian parent company."

Mr. Thingna also pointed to the propensity of foreign companies to choose a low-tax jurisdiction to form a joint venture rather than in India.

"If the Indian company is looking for a strategic partner, a strategic partner from any other country will be happier investing into the Singapore entity, or one in a similar jurisdiction, than into the Indian entity because of our FDI regulations, our taxation and various other elements," Mr. Thingna explained.

The RBI data also points to this trend. The data for July 2025, the latest available data on outward investment, shows that joint ventures accounted for almost 60% of the investments made by Indian companies in the low-tax jurisdictions.

## Tariff outcome

Mr. Thingna was also of the belief that the high tariffs imposed by the U.S. on imports from India could induce Indian companies to invest abroad, if they continue.

"There could be a lot of companies who will set up subsidiaries and other entities outside India, where the value addition is done, and accordingly escape the harsher tariffs on India," he said. "This has not happened yet, as the tariffs are recent, but it could happen."

Published - September 14, 2025 06:58 am IST