FPI assets: Ireland pips Mauritius for 4th spot

KHUSHBOO TIWARI
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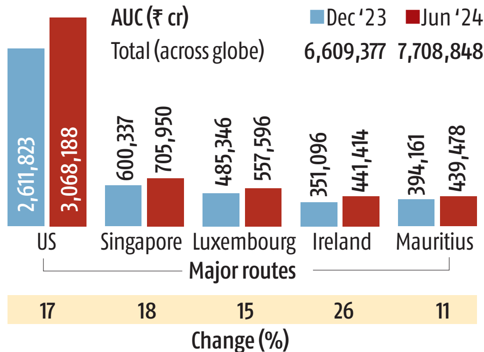
Mauritius, once among the leading destinations for foreign portfolio investors (FPIs) routing funds into India, has now slipped to the fifth position, behind Ireland, in terms of assets under custody (AUC) as on June 30.

At the fourth position, Ireland boasted an AUC of ₹4.41 trillion, slightly more than Mauritius, which recorded an AUC of ₹4.39 trillion by the end of June 2024, according to data from the National Securities Depository (NSDL).

The gap between the two jurisdictions becomes more pronounced when examining pure equity holdings. Ireland registered a 26 per cent surge in AUC for FPIs in the first half of the calendar year, whereas Mauritius saw an 11 per cent uptick.

In Mauritius, legal experts and custodians said, time taken for approval for new funds has risen significantly of late, leading to delays in fund registrations. Turn to Page 6 ▸



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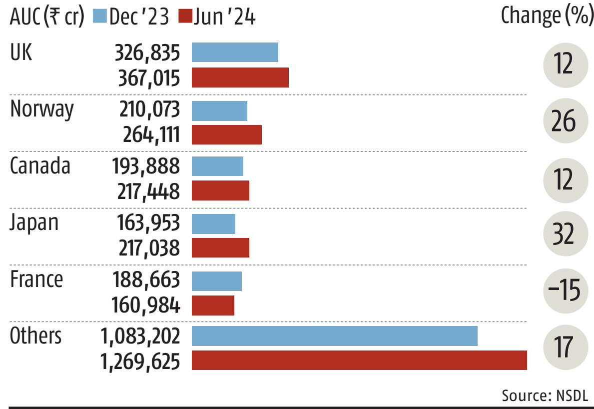
Greater scrutiny behind delays in setting up of new funds in Mauritius

"There has been heightened scrutiny of Mauritius-based funds investing in India leading to delays in setting up new fund structures and delays in approvals from the Mauritius regulator. This is leading to a shift towards other countries," said Anand Singh, founder, Elios Financial Services and member of Capital Market Task Force, FSC Mauritius.

Singh further highlighted the appeal of tax treaty benefits available in European jurisdictions like Luxembourg, Ireland, and France. "For instance, funds based in Ireland or Luxembourg still enjoy zero tax on cash equities," he added.

Overall, more than 780 FPIs are registered in Ireland compared to 595 in Mauritius, revealed NSDL data.



In March, the governments of Mauritius and India signed a deal to amend the Double Taxation Avoidance Agreement (DTAA). Mauritius aligned its norms with the Organisation for Economic Co-operation and Development's (OECD)'s proposal on base erosion and profit shifting (BEPS). BEPS is a term used to describe tax avoidance strategies used by entities to reduce their tax bases.

The island nation introduced a Principal Purpose Test (PPT) to prevent treaty abuse by taxpayers. The PPT stipulates that if one of the principal reasons for choosing Mauritius is tax benefit, then treaty benefits could be denied.

Industry pushback on the tax treaty amendments has delayed its notification, with final approvals still pending in Mauritius, said an asset-service provider for FPIs, adding, "We expect clarity only after the general elections in the country, scheduled in November."

Also, there is uncertainty among private equity and public market funds regarding eligibility for grandfathering benefits after the implementation of the amendments. "Grandfathering applies only to old funds and does not impact new set-ups, though scrutiny of new funds has indeed increased," noted a legal expert.