A Critical Study on Influence of Double Taxation Avoidance Agreements on FDI

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Abstract- In General, Double Taxation Avoidance Agreements which is otherwise known as Double Tax Avoidance Treaty universal treaty between two or more countries devised to avert the same income from being taxed two times. The DTAA is usually inclusive of different forms of income based on the agreement like capital gains, income from property, salaries, savings and other categories, income from professional services etc. The influence of Double Taxation Avoidance Agreements on FDI as it is minimizing tax burden and strengthening returns, cheering the cross-border investment, growing the investor's confidence and certainty and averting tax evasion and treaty shopping. The Aim of my research is to have a critical study on the influence of double taxation avoidance agreements on FDI. The current statistics of DTAA is that the world FDI flows reduced by 2% to $1.3 trillion in 2023, scoring a continued weakness in international investment, FDI inflows to developed nations fell by 37% to $378 billion in 2023. The main objectives are To analyze the impact of Double Taxation Avoidance Agreements on the Foreign Direct Investment inflows, To evaluate the effectiveness of DTAAs in minimizing tax burdens for foreign investors, To examine the role of DTAAs in enhancing investor confidence and cross-border trade and To identify challenges and loopholes in existing DTAAs affecting FDI. The sample frame was Tamil Nadu. The researcher has collected 202 responses. The methodology used here is an empirical research method. The conclusion is that having effective and strict regulations in its implementation is purely in the hands of the government as the impact of these agreements on FDI is largely limited. The understanding of agreements by the investors is crucial as it is based on various factors.

Keywords- Double Taxation Avoidance Agreements, FDI, Impact, Foreign Investors, Challenges.

INTRODUCTION

Let me start my research paper by stating a wonderful quote on DTAA on FDI "Avoidance of Taxes is the only intellectual pursuit that still carries any reward". Double Taxation Avoidance Agreements is a kind of tax agreement signed between two countries so that the taxpayers can restrain paying double taxes on their income that is acquired from the source country as well as the residence country. As an interesting fact, India has double tax avoidance treaties currently with more than 80 countries in the globe. The benefits of DTAA are rendered apart from no need to pay double taxes on the same income, Lower Withholding Tax that is Tax Deduction at Source, Tax Credits, Absolution from taxes The role of DTAA in increasing the investor confidence and cross-border trade are that it minimizing tax ambiguity and increasing the tax stability as it gives a clear framework for taxation between two countries, lowering the problem of double taxation and unforseen tax liabilities and Investors get legal certainty which permits them to make long-term investment decisions without fear of past tax demands. Another role is that making a way for cheering FDI and economic growth as lesser tax impediements rise foreign direct investment (FDI) by making cross-border investments more cost-effective. The challenges and problems being present in available DTAA stirring FDI is that there is tax-shopping and maltreatment of DTAA as some MNCs

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way their investments via low-tax jurisdictions to prevent higher taxes in source countries, leading to "treaty shopping and moreover, it also on the other hand minimizes real tax revenues for the source country just benefiting shell companies alone with no business in reality. Shortfall of evenness in tax treatment as different DTAA gives fluctuating tax rates and benefits resulting in discrepant tax treatment for the investors. This discrepancy creates a sense of confusion and raises the compliance costs for businesses who are investing in two or more countries. " The recent news on this particular topic is that India has achieved a significant landmark by surpassing $1 Trillion in gross FDI inflows since the month April 2000. Since the first few months of the financial year 2024-2025 as FDI inflows have risen by nearly 26% to $42.1 billion,showcasing the nation's plea as a world's investment target. Most importantly there is a rapid rise of Phantom FDI wherein the investments go via empty corporate shells in the tax havens, has suddenly increased questions. AIM: The Aim of my research is to have a critical study on the influence of double taxation avoidance agreements on FDI.

OBJECTIVES

1) To analyse the impact of Double Taxation Avoidance Agreements (DTAAs) on Foreign Direct Investment (FDI) inflows.
2) To evaluate the effectiveness of DTAAs in reducing tax burdens for foreign investors.
3) To examine the role of DTAAs in enhancing investor confidence and cross-border trade.
4) To identify challenges and loopholes in existing DTAAs affecting FDI.

EVOLUTION OF INFLUENCE OF DOUBLE TAXATION AVOIDANCE AGREEMENTS ON FDI

The Evolution of influence of Double Taxation Avoidance Agreements on FDI is that to start with the early stage that is pre-1990's as before the pre-globalization FDI was chiefly swayed by economic and political stability, market size, and existence of natural resources rather than tax treaties. DTAAs were present but were mainly bilateral agreements aimed at avoiding double taxation and tax evasion instead of actively boosting FDI. Investment decisions were determined by domestic policies, and developing countries had limiting FDI regimes, with most foreign investment coming from multinational companies doing business via subsidiaries. In the years between 1990s-2000s the tax agreements as investment advancement tools as the globalization sudden rise and economic deregulation in the 1990s led to an increase in bilateral DTAAs. Many progressing nations amended tax policies and signed multiple DTAAs to attract FDI. Moreover, OECD and UN as these organisations established Model Tax Conventions, affecting treaty frameworks to advance economic cooperation. In the 2010s there was a rise of Anti-Tax Avoidance measures and DTAA amendments as in the early 2010s, problems grew over treaty shopping, where companies organised investments through less-tax jurisdictions to reduce tax liabilities. Many multinational corporations (MNCs) reorganised their investment paths due to new DTAA provisions. OECD's Base Erosion and Profit Shifting (BEPS) Project (2013) was established to restrict tax avoidance via DTAAs. In the year 2020 till present there is a clear transition towards fair and clear taxation as the OECD's Global Minimum Tax since a minimum 15% corporate tax rate for multinational companies lowered the incentive for tax-driven FDI. Countries now put aims on reliable tax policies instead of just DTAA benefits to allure FDI. Digital economy taxation has become an important challenge, resulting in changes to DTAAs to report for incorporeal investments (e.g., tech giants and e-commerce platforms).

GOVERNMENT INITIATIVES ON INFLUENCE OF DOUBLE TAXATION AVOIDANCE AGREEMENTS ON FDI

The Government Initiatives on Influence on Double Taxation Avoidance Agreements on FDI are as follows. The first one is bilateral treaty discussions and reforms as the governments in many instances have discussed avilable DTAAs in order to close loopholes and stop tax treaty abuse. Since there are numerous examples to highlight the matter in hand that is India-Mauritius DTAA Amendment (2016) as it brought a capital gains tax on various investments to take away "Round-Tripping" of funds and another example in the same case that is India-Singapore DTAA Revision (2017) as the arranged taxation rules and regulations with anti-abuse measures alike to the Mauritius treaty.

Second initiatives is the introduction of multinational initiatives to bar treaty abuse as there is project that is OECD's Base Erosion and Profit Shifting (BEPS) Project which was started in the year 2013 and it is still in existence as it focuses on to avoid profit shifting via treaty shopping and artificial designing of FDI and many countries have chosen Principal Purpose Test (PPT) and Limitation of Benefits (LoB) clauses to prevent treaty misuse. There is also an agreement that is a multilateral tool that was founded in the year 2017 and present till today as it is a legal skeleton which is signed by 100 and more nations to concurrently change multiple DTAAs and India, UK, Germany, France, and other countries have adopted automatic DTAA modifications to raise the quality of tax fairness. Third initiative is the foreword of smallest world taxation as the OECD's Global Minimum Tax (2021) set at 15% for multinational corporations, minimizing tax-driven FDI pathing via low-tax jurisdictions. Over 140 countries accepted to implement the global minimum tax. There is also the EU Anti-Tax Avoidance Directive (ATAD) as this is a European Union's action to forestall assertive tax planning by making use of DTAAs. Fourth initiatives are the national programs to put in line DTAA with the investment idea as there is a program called India's GAAR (General Anti-Avoidance Rules) (2017), It is a program by the central government which allows tax authorities to reject treaty perks if an investment is designed only to get tax advantages. China also implemented their own national policy China's Preferential DTAA Network Expansion as they notarised new DTAAs with ASEAN and African countries to encourage real foreign investments in preferred sectors and the United States of America also had their own policy in this regard that is United States' Tax Cuts and Jobs Act (2017) as diminished corporate tax to the new 21% by creating US domestic investment much more charming than using DTAAs for tax speculation.

FACTORS AFFECTING THE INFLUENCE OF DOUBLE TAXATION AVOIDANCE AGREEMENTS ON FDI

The influence of Double Taxation Avoidance Agreements on FDI are affected by different factors. First factor is the nature and extent of the DTAA as the amount of tax relief given DTAA as there are many examples that can be highlighted such as tax exemptions, lesser withholding tax rates has a straightforward influence its impact on FDI and some treaties also permits capital gains tax exemptions, while others put constraints.Second factor is treaty shopping and tax avoidance problems as DTAAs that deficit of anti-abuse provisions often result to treaty shopping, where investors utilise third countries with beneficial tax regimes to path FDI. Establishment of Limitation of Benefits (LoB) clauses and Principal Purpose Tests (PPT) in DTAAs bars treaty abuse and affects FDI flows. For Example is that India's DTAA changes with Singapore, Cyprus, and Mauritius restrained round-tripping but also led to interim FDI declines. Third factor is the host country;s domestic taxation policies as there are many nations with low corporate tax rates and investor-friendly policies that can entice FDI even without showing huge favorable DTAAs. U.S. Tax Cuts and Jobs Act (2017) also lessen corporate tax to 21%, by reducing the requirement for U.S. companies to route investments via DTAA partners. Countries with difficult tax structures may dishearten FDI despite having DTAA benefits. Fourth factor is the existence of political and economic steadiness as the case may be even with good and strong DTAAs, political unsteadiness, legal confusions and economic slump can negatively impact FDI.

Investors always give preference to legal security and easy way of doing business over just tax benefits. There is an example even after having DTAAs, countries facing economic crisis in countries like Argentina, Venezuela have seen reduction in FDI. Fifth factor is Industry-specific tax benefits or advantages as some of the DTAAs offer sector-specific advantages, impacting where multinational corporations (MNCs) have their investments. There are two examples in this regard; The Netherlands DTAA benefits have eventually made it a centre for technology and pharma investments and Singapore's DTAA network has improved its FDI in finance and digital fields. Six factors are various multinational changes and world tax policies as OECD's Base Erosion and Profit Shifting (BEPS) Project has modified how DTAAs function by establishing anti-tax avoidance policies. Multilateral Instrument (MLI) (2017-Present) changed tax treaties worldwide to make sure fair taxation, impacting the FDI patterns.

CURRENT TRENDS ON INFLUENCE OF DOUBLE TAXATION AVOIDANCE AGREEMENTS ON FDI

The current trends on the influence of Double Taxation Avoidance Agreements on FDI. The first current trend is planned Investment Routing via Favorable DTAA Jurisdictions as nations with favorable DTAA provisions often become favoured routes for channeling FDI. For example, Mauritius has historically acted as a conduit for foreign investors into India because of its DTAA with India, which permitted capital gains to be taxed only in Mauritius. Between 2001 and 2011, roughly 39.6% of FDI to India originated from Mauritius. Second current trend is existing Bilateral Negotiations to increase Investment Flows as various nations actively use DTAAs to allure foreign investors by providing tax relief and shedding light on the taxation rights. China, for example, had signed 102 DTAAs by November 2016, focusing on reducing tax barriers for its outbound investors and making its market more inviting to foreign investors. Third current trend is changing International Tax Reforms affecting DTAA Structures as world efforts to reform international taxation, such as the OECD's initiatives to look at base erosion and profit shifting (BEPS), influence how DTAAs are designed. These reforms aim to reduce tax avoidance strategies that spoil tax bases, thereby impacting how countries design their DTAAs to stabilise attracting FDI and hitching tax revenues. Fourth current trend is confrontation and revisions amid world tax policy reforms as switch in major economies tax policies can affect various available DTAA and subsequently FDI patterns for instance the U.S. administration removal from a global corporate minimum tax agreement as on January 2025 increased worries about possible tax problems and ambiguity in the international taxation which might impact future FDI decisions. The fifth current trend is springing up economies and utilising DTAAs to attract FDI as rising economies are progressively leveraging DTAAs to attract FDI by giving favorable tax treatments. For Example, Mauritius has developed a robust financial services sector, halfway due to its DTAA with India, making it an attractive place for investors seeking tax-efficient routes into India. Sixth current trend is reassessment of DTAA benefits world tax changes as the world tax changes had transition nations reviewing the advantages of available DTAAs. The U.S. removal from a global corporate minimum tax agreement in January 2025 shows such shifts, which can impact the future FDI patterns and make the need for adjustments in DTAA provisions.

COMPARISON BETWEEN DIFFERENT COUNTRIES WITH REGARD TO THE INFLUENCE OF DOUBLE TAXATION AVOIDANCE AGREEMENTS ON FDI

The Influence of Double taxation Avoidance Agreements on FDI can be compared between different countries. The first country to be compared is India as it signed a huge amount of DTAAs, especially with countries like Mauritius, Singapore, and the Netherlands. These agreements focus on restricting double taxation and stirring up the foreign investment. India’s FDI inflows were majorly impacted by its DTAA with Mauritius, which permitted capital gains tax to be paid at a lesser rate in Mauritius rather than in India. This resulted in an increase of investment from Mauritius, with a sizable portion of foreign investments passed via it, particularly in the 2000s. Moreover, The India-Mauritius DTAA was reviewed to limit tax exemptions, showing India's transition toward more strict tax collection. The revised tax treaty minimises the advantages of treaty shopping and has led to a reduction in FDI passed via country Mauritius. The impact on its entirety is huge as the DTAAs till now play a vital role in attracting FDI into India, particularly in fields like technology, real estate, and manufacturing. The second country to be compared is China where the entire concept of DTAA is quite opposite. As the country had signed a variety of DTAAs, particularly with countries in Asia, Europe, and Africa. The government utilizes these agreements to fetch FDI, minimize withholding taxes, and improve the outward Chinese investments. China is an alluring location for FDI, chiefly due to its extensive DTAA network. The DTAAs help reduce tax burdens for foreign investors, offering a more balanced and foreseeable tax environment. The treaties have been a major tool in attracting FDI into manufacturing, technology, and the services fields in one way or the other. China stands as one of the biggest users of FDI in the world and DTAAs play an important role in expediting smooth investment flows, especially in the areas of tax clarity and efficacy. Third country to be compared is the USA. As this nation has signed DTAAs with about 60 countries, aiming on removing double taxation on income, capital gains, and dividends. The U.S. is also a main location for FDI, with many investments rooting from Europe and Asia. DTAAs help minimize the tax burden on foreign investors and offer some assurance in cross-border taxation. The broad impact is also quite extensive in the case of DTAA. As the DTAA minimizes the tax burden current tax changes might make the U.S. a least attractive location for specific kinds of FDI, specially from jurisdictions with lesser tax rates. Fourth country to be compared is Mauritius as traditionally been a important tax heaven due to its vast network of DTAA especially with India.

LITERATURE REVIEW

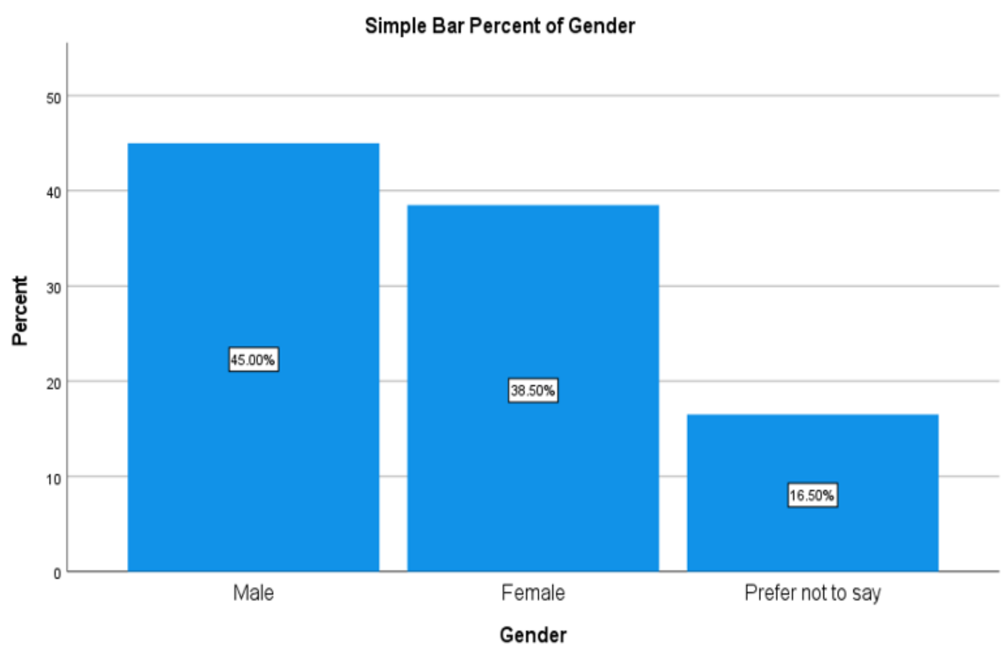
(Rao P and Sharma V. 2016) The aim is to analyze the impact of DTAAs on FDI inflows in developing countries using an econometric model with panel data from 30 countries over 15 years. The research method used in this econometric modeling with panel data analysis. Demonstrated that countries with comprehensive DTAAs attracted significantly higher levels of FDI. Concluded that DTAAs positively influenced investor confidence and cross-border investment. (Johnson, T 2017) TThe aim is to examine the effectiveness of DTAAs in reducing tax burdens and encouraging FDI through a case study of India and Mauritius. The research method used here is case study analysis. Identified substantial tax relief benefits particularly in capital gains, which led to increased FDI inflows from treaty-partner countries. Concluded that tax incentives in DTAAs contributed to investment but also led to treaty shopping. (Kumar R and Gupta A 2018) The aim is to investigate the correlation between Double Taxation Avoidance Agreements revisions and changes in FDI patterns through time-series analysis of post-treaty amendment data. The research method used here is time-series analysis. Found noticeable shifts in investment routes and strategies following treaty revisions. Concluded that treaty amendments influence both the volume and nature of FDI inflows. (Mehta S 2019) The aim is to analyse the role of DTAAs in enhancing investor trust and legal certainty using qualitative interviews with multinational firms and consultants. The research method used here is qualitative interviews. Demonstrated that DTAAs served as legal safeguards and helped reduce tax-related disputes. Concluded that DTAAs were crucial in shaping long-term investment decisions. (Singh D and Thomas J 2020) The aim is to evaluate the impact of anti-abuse provisions in DTAAs on FDI flows through comparative legal analysis of treaties with and without Limitation of Benefits (LOB) clauses. Observed a reduction in treaty misuse and round-tripping after the implementation of LOB clauses. Concluded that strong anti-abuse mechanisms promote genuine investment. The research method used here is comparative legal analysis. (White A and James H 2015) The aim is to investigate the effectiveness of DTAAs in attracting FDI in OECD countries using cross-country regression analysis. Found that comprehensive DTAAs significantly reduced investment risk perception and increased bilateral FDI flows. The research method used here is cross-country regression analysis. Concluded that DTAAs were more effective when supported by favourable domestic tax laws. (Mukherjee R 2021) The aim is to assess challenges and loopholes within India's DTAA framework using a doctrinal review of treaty clauses and court rulings. Revealed misuse of DTAAs through conduit entities and weak enforcement. The research method used here is doctrinal review. Concluded that periodic treaty audits and regulatory reforms are essential for ensuring treaty effectiveness. (Patel N and Roy S 2017) The aim is to explore the influence of DTAAs on sectoral distribution of FDI using sectoral data across 10 countries. Identified concentration of FDI in capital gains-intensive sectors like real estate and finance. The research method used here is quantitative and empirical analysis. Concluded that sector-specific treaty advantages required re-evaluation to encourage diversified investment. (Anderson L 2016) The Aim is to examine treaty shopping behaviours under existing DTAAs using an empirical model of FDI routes through low-rate jurisdictions. Highlighted misuse of treaties via shell companies and tax havens. The research method used here is the empirical analysis by utilising the FDI routing model. Concluded that while DTAAs boost investment they can also lead to tax avoidance without proper safeguards. (Verma K and Iyer M 2020) The aim is to analyse comparative advantages of India's DTAAs with ASEAN countries through bilateral investment data and treaty comparison. Found that treaties with countries like Singapore and Malaysia offered more competitive tax benefits. The research method used here is the comparative analysis. Concluded that harmonising treaty provisions could enhance FDI inflows from diverse regions. (Chakraborty S and Banerjee A 2017) The aim is to evaluate the role of DTAAs in shaping bilateral investment relations between India and its major economic partners. Adopted a qualitative analysis of treaty texts and bilateral investment trends. Identified that favourable DTAA clauses particularly in capital gains and dividend taxation led to increased FDI inflows.The research method used here is the qualitative analysis. Concluded that clear and investor-friendly treaty terms strongly influence investment decisions. (Wilson J and George T 2016) The aim is to Assess the long-term economic impact of DTAAs on capital formation and industrial development. Used a macroeconomic model with FDI and GDP data over two decades. Demonstrated a positive correlation between DTAA coverage and industrial capital inflow. The research method used here is microeconomic and quantitative analysis. Concluded that DTAAs indirectly promote economic development by facilitating sustained investment. (Reddy P and Desai K 2018) The aim is to explore the influence of DTAAs on the choice of investment destinations by multinational corporations. Conducted a survey of foreign investors across multiple sectors. Found that DTAAs were among the top three criteria considered before investing in a foreign market. The research method used here is the survey method that is quantiative analysis. Concluded that favourable treaty networks serve as a strategic advantage in attracting FDI. (Andrews M 2019) The aim is to analyse the interplay between DTAAs and tax treaty shopping practices. Utilised an empirical study on investment flows routed through low-rate jurisdictions. Identified that weak anti-abuse clauses in some DTAAs allowed investors to exploit treaty benefits without genuine business operations. The research method used here is empirical analysis. Concluded that robust treaty clauses are necessary to prevent revenue loss. (Nair R and Prasad A 2020) The aim is to examine the impact of renegotiated DTAAs on FDI volatility in emerging markets. Applied time-series economic techniques on pre- post renegotiation data. Found the policy uncertainty during renegotiation periods led to temporary dips in FDI inflows. The research method used here is the time-series economic analysis. Concluded that transparent and well-communicated renegotiations are vital to sustaining investor trust. (Hoffman L and Singh V 2021) The aim is to study the influence of multilateral agreements and OECD’s BEPS measures on the effectiveness of DTAAs. Conducted a comparative policy review of DTAA adaptations post-BEPS implementation. Revealed that countries aligning their treaties with BEPS saw improved treaty compliance and reduced treaty abuse. The research method used here is comparative policy analysis. Concluded that multilateral instruments strengthen the integrity of bilateral DTAAs. (Jain M and Pillai S 2017) The aim is to investigate the effect of DTAAs on tax revenue in host countries. Used a fiscal impact model to evaluate tax collections before and after DTAA Implementation. Found that while DTAAs boosted FDI they also led to reduced immediate tax revenue from foreign investors. The research method used here is quantitative and fiscal impact analysis. Concluded that balancing investment promotion with revenue protection is essential. (Choudhary A 2016) The aim is to explore investor behaviour in response to DTAAs with investment hubs like UAE and Luxembourg. Analysed FDI flow patterns and treaty clauses specific to those jurisdictions. Identified a surge in passive investments and financial instruments. The research method used here is quantitative and comparative analysis. Concluded that treaty clauses must be aligned with economic substance requirements. (Bose N and Kulkarni D 2020) The aim is to analyse regional investment trends post-DTAA implementation using GIS-based economic mapping. Mapped FDI inflows across various states and sectors. Observed that regions with better infrastructure and favourable treaty awareness benefited more from DTAA-induced investments. The research method used here is spatial and quantitative analysis. Concluded that local facilitation is key to optimising DTAA benefits. (Ray S and Mathew J 2021) The aim is to evaluate the investor confidence levels in countries with multiple DTAAs versus those with fewer treaties. Conducted a comparative investment sentiment survey. Found that countries with broader DTAA coverage scored higher in investor reliability indices. The research method used here is the survey-based comparative analysis. Concluded that DTAA expansion directly enhances a nation’s global investment image.

METHODOLOGY

The Research Method used here is the Empirical Research Method. A total of 200 Responses are collected. A Questionnaire was made in the Google Forms and it was sent to my known people, close friends and relatives. They are requested by the researcher to forward the link to the closest ones. The sample frame was Tamil Nadu such as Poonamallee, Anna Nagar as well as other parts of India. The Questions are The existence of a Double Taxation Avoidance Agreements (DTAA) between two countries increase the inflow of Foreign Direct Investment (FDI), DTAAs primarily benefit multinational corporations rather than the host country's economy, DTAA should be revised periodically to address loopholes and ensure fair taxation policies, Investors prioritise the existence of DTAA over other factors like the ease of doing business and regulatory environment, Tax Treaty Shopping in the context of DTAAs and Rate the Scale 1-10 " Countries with multiple DTAAs attract more FDI compared to those with fewer agreements". Their responses were collected by the researcher by using the SPSS software. The Independent Variables are Gender, Age, Place of Residence, Educational Qualifications, Occupation and Marital Status. The Dependent Variables are The existence of a Double Taxation Avoidance Agreements (DTAA) between two countries increase the inflow of Foreign Direct Investment (FDI), DTAAs primarily benefit multinational corporations rather than the host country's economy, DTAA should be revised periodically to address loopholes and ensure fair taxation policies, Investors prioritise the existence of DTAA over other factors like the ease of doing business and regulatory environment, Tax Treaty Shopping in the context of DTAAs and Rate the Scale 1-10 " Countries with multiple DTAAs attract more FDI compared to those with fewer agreements". The tools used in this research are Simple Bar Graph, Clustered Bar Graph, Chi-Square, Independent Sample T-Test and Correlation respectively.

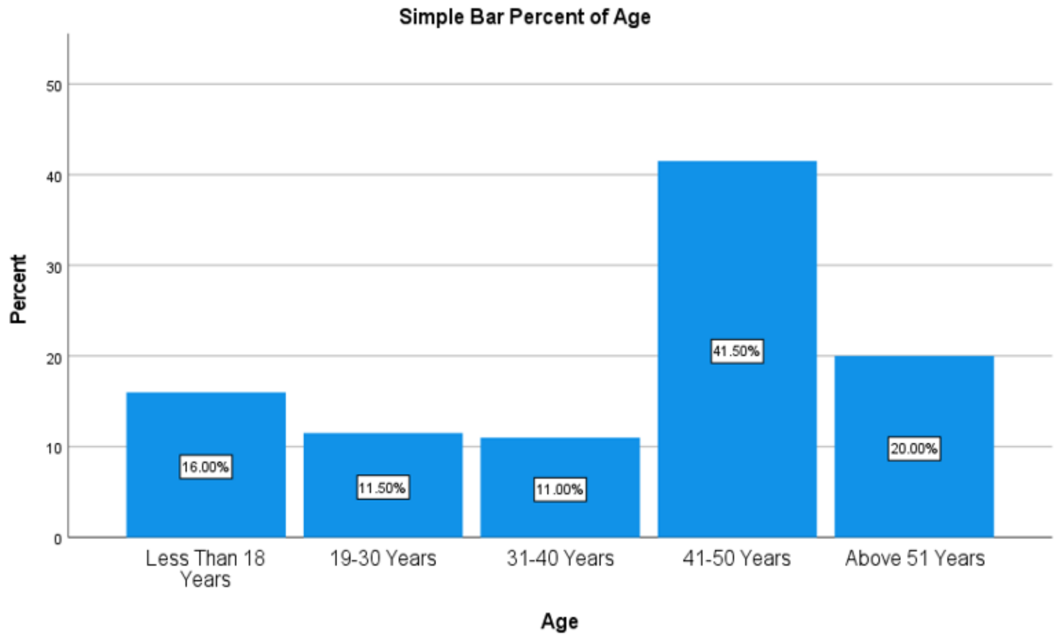
RESULTS AND INTERPRETATIONS

SIMPLE BAR GRAPH
FIG-1



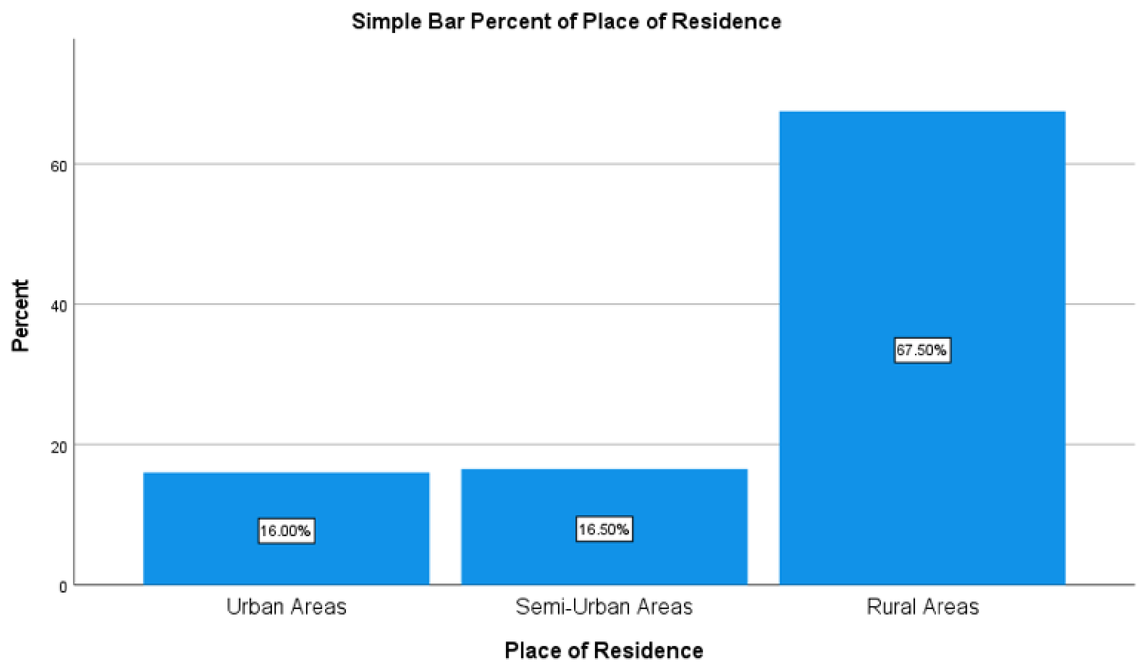
LEGEND: Fig 1 clearly shows about the % of people who have responded to the Questionnaire in relation to their respective Gender.

SIMPLE BAR GRAPH
FIG-2



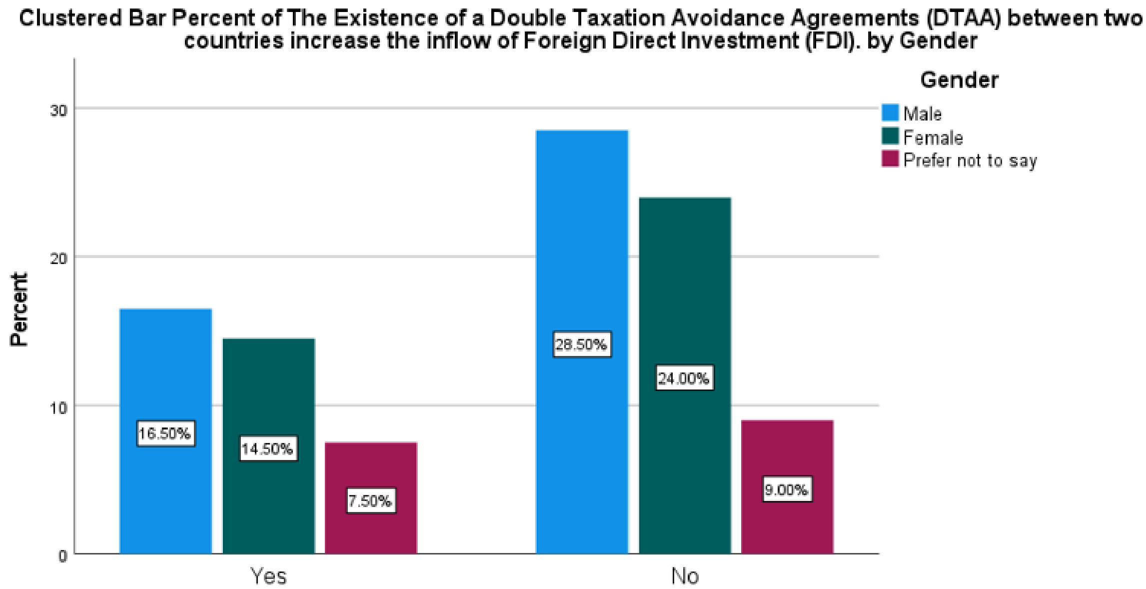
LEGEND: Fig 2 clearly shows about the % of people who have responded to the Questionnaire in relation to their respective Age.

SIMPLE BAR GRAPH
FIG-3



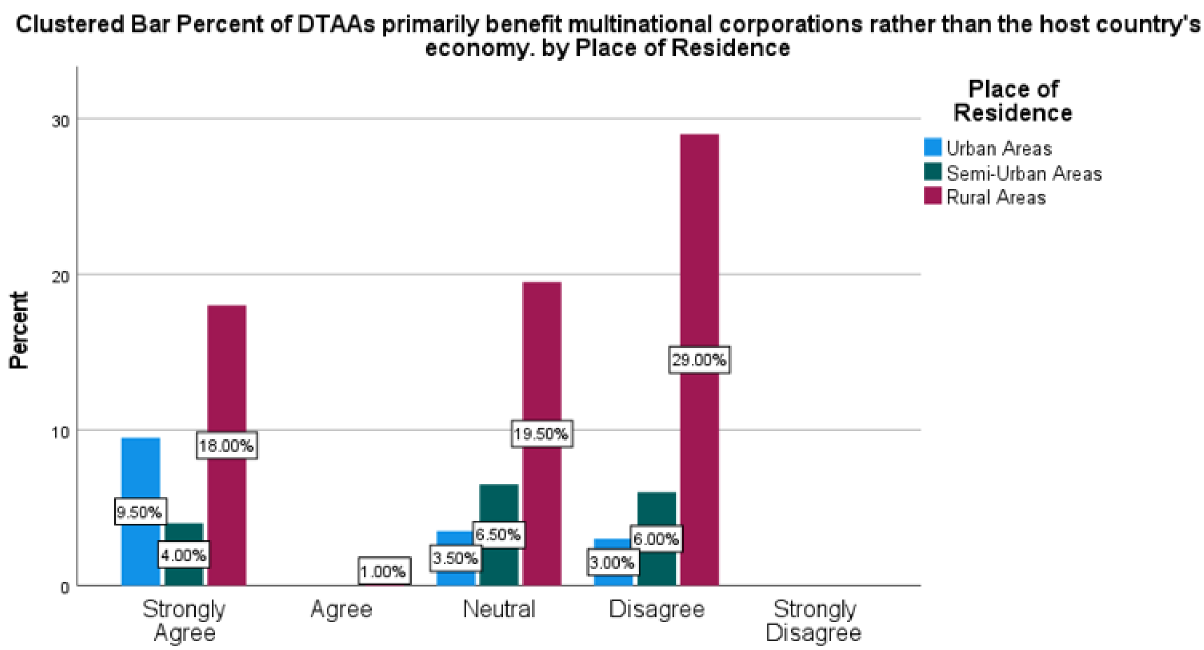
LEGEND: Fig 3 clearly shows about the % of people who have responded to the Questionnaire in relation to their respective Place of Residence.

CLUSTERED BAR GRAPH
FIG-4



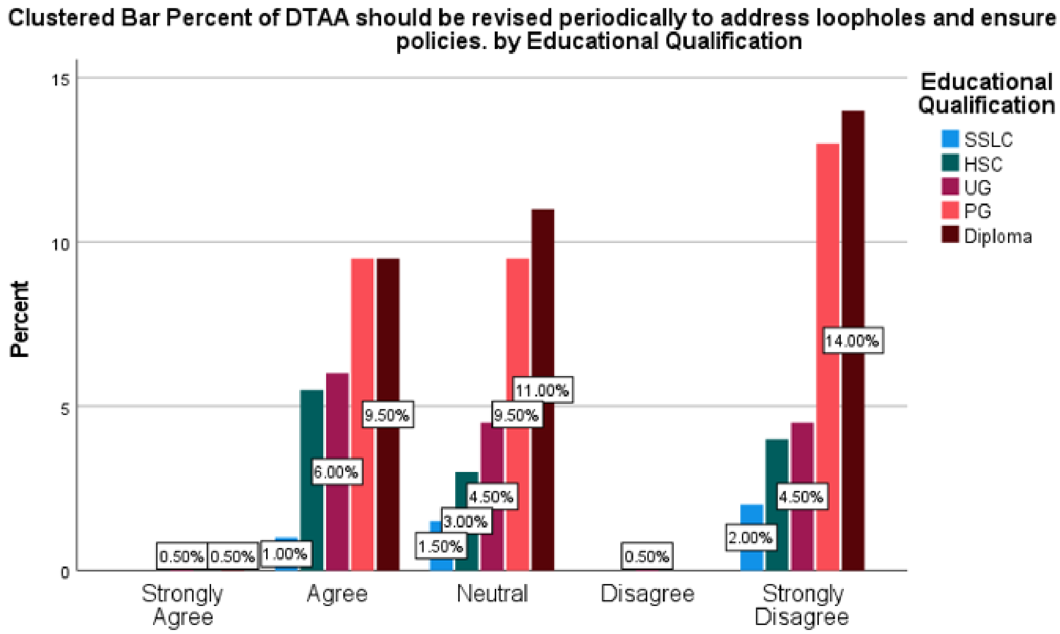
LEGEND: Fig 4 clearly shows that the people who have responded to the Question of The Existence of a Double Taxation Avoidance Agreements (DTAA) between two countries increase in inflow of Foreign Direct Investment (FDI) in relation to their respective Gender.

CLUSTERED BAR GRAPH
FIG-5



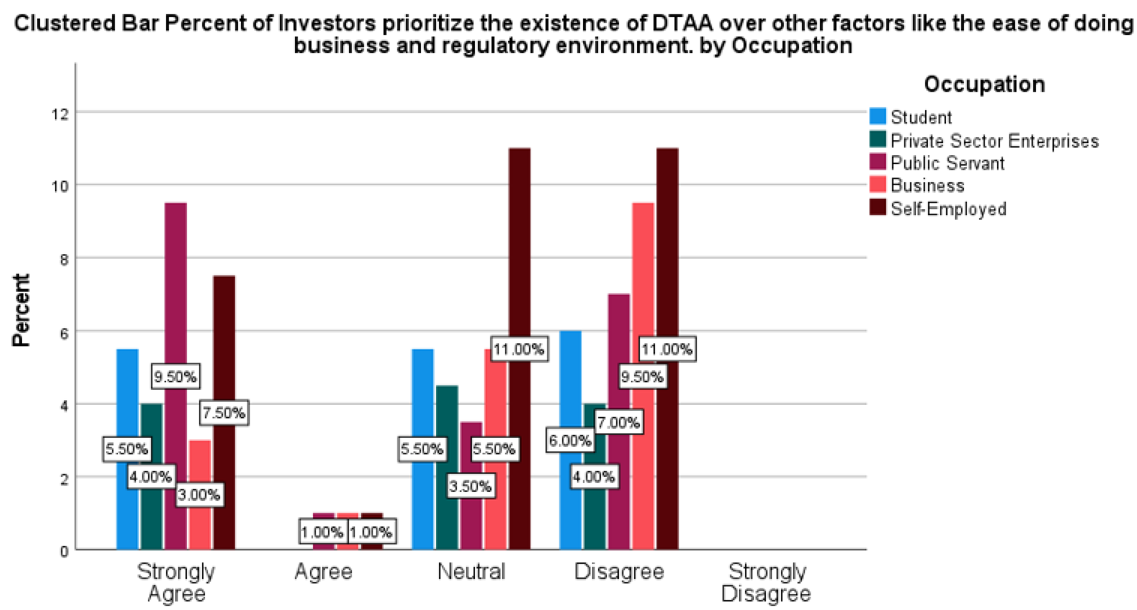
LEGEND: Fig 5 clearly shows that the people who have responded to the Question of DTAAs primarily benefit multinational corporations rather than the host country’s economy in relation to their respective Place of Residence.

CLUSTERED BAR GRAPH
FIG-6



LEGEND: Fig 6 clearly shows that the people who have responded to the Question of DTAA should be revised periodically to address loopholes and ensure fair taxation policies in relation to their respective Educational Qualifications.

CLUSTERED BAR GRAPH
FIG-7



LEGEND: Fig 7 clearly shows that the people who have responded to the Question of investors prioritize the exsistence of DTAA over other factors like the ease of doing business and regulatory environment in relation to their respective Occupation.

CHI-SQUARE TEST
FIG-8

		Gender			
		Male	Female	Prefer not to say	Total
DTAAs primarily benefit multinational corporations rather than the host country's economy.	Strongly Agree	30	22	11	63
	Agree	1	1	0	2
	Neutral	26	26	7	59
	Disagree	33	28	15	76
Total		90	77	33	200

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	2.585[a]	6	.859
Likelihood Ratio	2.948	6	.815
Linear-by-Linear Association	.225	1	.635
N of Valid Cases	200		

a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is .33.

NULL HYPOTHESIS (H0): There is no significant association between Gender and DTAAs primarily benefit multinational corporations rather than the host country's economy.

ALTERNATE HYPOTHESIS (H1): There is a significant association between Gender and DTAAs primarily benefit multinational corporations rather than the host country's economy.

RESULTS

In Fig 1, From the Above Simple Bar Graph, We can understand that people whose gender is Male have responded to the Questionnaire in more numbers than people belonging to other genders. Since, the % of people who are male is 45.00%, % of people who are female is 38.50% and % of people who prefer not to say 16.50% respectively. In Fig 2, From the Above Simple Bar Graph, We can understand that people age is 41-50% have responded to the Questionnaire in more numbers than people of other age groups. Since, the % of people who are Less Than 18 Years is 16.00%, % of people who are 19-30 years is 11.50%, % of people who are 31-40 years is 11.00%, % of people who are 41-50 years is 41.50% and % of people who are above 51 years is 20.00% respectively. In Fig 3, From the Above Simple Bar Graph, We can understand that people who are in rural areas have responded to the Questionnaire in more numbers than people residing in other areas. Since, the % of people who are residing in urban areas is 16.00%, % of people who are residing in semi-urban areas is 16.50% and % of people who are residing in rural areas is 67.50% respectively. In Fig 4, From the Above Clustered Bar Graph, We can understand that many people have responded to the Question of The Existence of a Double Taxation Avoidance Agreements (DTAA) between two countries increase the inflow of Foreign Direct Investment (FDI) by stating no as their opinion than other opinions on the basis of their Gender. Since the % of people who said yes to the question and whose gender is male is 16.50%, % of people who said yes to the question and whose gender is female is 14.50% and % of people who said yes to the question and whose gender is prefer not to say is 7.50% and % of people who said no to the question and whose gender is male is 28.50%, % of people who said no to the question and whose gender is female is 24.00% and % of people who said no to the question and whose gender is prefer not to say is 9.00% respectively. In Fig 5, From the Above Clustered Bar Graph, We can understand that many people have responded to the Question of DTAAs primarily benefit multinational corporations rather than host country's economy by stating disagree as their opinion rather than other opinions on the basis of their Place of Residence. Since the % of people who said strongly agree to the question

& whose place of residence is urban areas is 9.50%, % of people who said strongly agree to the question & whose place of residence is semi-urban areas is 4.00% and % of people who said strongly agree to the question & whose place of residence is rural areas is 18.00% respectively. The % of people who said agree to the question & whose place of residence is urban areas is 0.00%, % of people who said agree to the question & whose place of residence is semi-urban areas is 0.00% and % of people who said agree to the question & whose place of residence is rural areas is 1.00% respectively. The % of people who said neutral to the question & whose place of residence is urban areas is 3.50%, % of people who said neutral to the question & whose place of residence is semi-urban areas is 6.50% and % of people who said neutral to the question & whose place of residence is rural areas 19.50% respectively. The % of people who said disagree to the question & whose place of residence is urban areas is 3.00%, % of people who said disagree to the question & whose place of residence is semi-urban areas is 6.00% and % of people who said disagree to the question & whose place of residence is rural areas is 29.00% respectively. The % of people who said strongly disagree to the question & whose place of residence is urban areas is 0.00%, % of people who said strongly disagree to the question & whose place of residence is semi-urban areas is 0.00% and % of people who said strongly disagree to the question & whose place of residence is rural areas is 0.00% respectively. In Fig 6, From the Above Clustered Bar Graph, We can understand that many people who have responded to the Question of DTAA should be revised periodically to address loopholes and ensure fair taxation policies by stating disagree as their opinion rather than other opinions based on their Educational Qualification. Since the % of people who said strongly agree to the question & whose educational qualification is SSLC is 0.00%, % of people who said strongly agree to the question & whose educational qualification is HSC is 0.00%, % of people who said strongly agree to the question & whose educational qualification is UG is 0.50%, % of people who said strongly agree to the question & whose educational qualification is PG is 0.50% and % of people who said strongly agree to the question & whose educational qualification is Diploma is 1.00% respectively. The % of people who said agree to the question & whose educational qualification is SSLC is 1.00%, % of people who said agree to the question & whose educational qualification is HSC is 5.50%, % of people who said agree to the question & whose educational qualification is UG is 6.00%, % of people who said agree to the question & whose educational qualification is PG is 9.50% and % of people who said agree to the question & whose educational qualification is Diploma is 9.50% respectively. The % of people who said neutral to the question & whose educational qualification is SSLC is 1.50%, % of people who said neutral to the question & whose educational qualification is HSC is 3.00%, % of people who said neutral to the question & whose educational qualification is UG is 4.50%, % of people who said neutral to the question & whose educational qualification is PG is 9.50% and % of people who said neutral to the question & whose educational qualification is Diploma is 11.00% respectively. The % of people who said disagree to the question & whose educational qualification is SSLC is 0.00%, % of people who said disagree to the question & whose educational qualification is HSC is 0.00%, % of people who said disagree to the question & whose educational qualification is UG is 0.00%, % of people who said disagree to the question & whose educational qualification is PG is 0.50% and % of people who said disagree to the question & whose educational qualification is Diploma is 0.00% respectively. The % of people who said strongly disagree to the question & whose educational qualification is SSLC is 2.00%, % of people who said strongly disagree to the question & whose educational qualification is HSC is 3.50%, % of people who said strongly disagree to the question & whose educational qualification is UG is 4.50%, % of people who said strongly disagree to the question & whose educational qualification is PG is 13.50% and % of people who said strongly disagree to the question & whose educational qualification is Diploma is 14.00% respectively. In Fig 7, From the Above Clustered Bar Graph, We can understand that many people have responded to the Question of investors prioritize the existence of DTAA over other factors like the ease of doing business and regulatory environment by stating disagree as their opinion rather than other opinions based on their Occupation. Since the % of people who said strongly agree to the question & whose occupation is student is 5.50%, % of people who said strongly agree to the question & whose occupation is private sector enterprises is 4.00%, % of people who said strongly agree to the question & whose occupation is public servant is 9.50%, % of people who said strongly agree to the question & whose occupation is business is 3.00% and % of people who said strongly agree to the question & whose occupation is self-employed is 7.50% respectively. The % of people who said agree to the question & whose occupation is student is 0.00%, % of people who said agree to the question & whose occupation is private sector enterprises is 0.00%, % of people who said agree to the question & whose occupation is public servant is 1.00%, % of people who said agree to the question & whose occupation is business is 1.00% and % of people who said agree to the question & whose occupation is self-employed is 1.00% respectively. The % of people who said neutral to the question and whose occupation is student is 5.50%, % of people who said neutral to the question and whose occupation is private sector enterprises is 5.00%, % of people who said neutral to the question and whose occupation is public servant is 3.50%, % of people who said neutral to the question and whose occupation is business is 5.50% and % of people who said neutral to the question and whose occupation is self-employed is 11.00% respectively. The % of people who said disagree to the question & whose occupation is student is 6.00%, % of people who said disagree to the question & whose occupation is private sector enterprises is 4.00%, % of people who said disagree to the question & whose occupation is public servant is 7.00%, % of people who said disagree to the question & whose occupation is business is 9.50% and % of people who said disagree to the question & whose occupation is self-employed is 11.00% respectively. The % of people who said strongly disagree to the question & whose occupation is student is 0.00%, % of people who said strongly disagree to the question & whose occupation is private sector enterprises is 0.00%, % of people who said strongly disagree to the question & whose occupation is public servant is 0.00%, % of people who said strongly disagree to the question & whose occupation is business is 0.00% and % of people who said strongly disagree to the question & whose occupation is self-employed is 0.00% respectively. In Fig 8, NULL HYPOTHESIS (H0): There is no significant association between Gender and DTAAs primarily benefit multinational corporations rather than the host country's economy. ALTERNATE HYPOTHESIS (H1): There is a significant association between Gender and DTAAs primarily benefit multinational corporations rather than the host country's economy.

DISCUSSION

In Fig 1, The major findings is that people who are male have responded to the Questionnaire in more numbers than other genders. This is because the topic chosen is more suitable to men than women and prefer not to say. Since, the DTAA concept will be most known by the people who are working in government sectors, lawyers, IFS and taxation sectors. Moreover, the primary reason is that men only pay the taxes on a regular basis in the family. As these agreements are utilised in the international arena only. The women may also know this particular concept only if they are working women at various MNCs and or being a well-known lawyer but it is difficult for an ordinary woman to understand and say their perspective. This suggests that the men are considered as knowledgeable people on all aspects even which are not yet explored as it is still now made a necessity to survive in the society but on the other hand the women who are not working, not educated have no idea about these aspects. The prefer not to say people are not even recognised by the society and mostly their performance is still an invisible thing to see. In Fig 2, The major findings are that people who are between 41-50 years have responded to the Questionnaire in more numbers than people of other age groups. This is because these people will have a better knowledge and experience in these areas especially those who are working in higher positions like Lawyers, IFS and such other people as these people are under the need to get updated on these areas to understand and deliver a better service in the decision making process and at the same time their decision is crucial in many aspects as it would offer good or bad results in the nation building. The people who are less than 18 years will definitely have no idea since they are school-going children who are playful and concentrate more on their academics and other co-curricular activities. The people who are 19-30 years old will also have no idea on DTAA except the students or people pursuing law. This suggests that he people who are between 31-40 years and above 51 years will somewhat know the importance of avoiding payment of taxation twice in the same income and people above 51 years also know the impact of DTAA on FDI only if they are in any government sector job as these people play a major role in making the required policies that could hugely impact the nation. In Fig 3, The major findings is that people who are residing in rural areas have responded to the Questionnaire in more numbers than people residing in other areas. This is because many people have developed in their status to understand the taxation concept which was earlier an impossible task as the people at large pursue agriculture as their main occupation. This suggets Many people have also reached heights like IFS, Lawyers and other positions which enable them to understand the DTAA and its effect on the most important source of income that is FDI. In Fig 4, From the Above Clustered Bar Graph, We can understand that major findings that many people have responded to the question of The existence of a Double Taxation Avoidance Agreements (DTAA) between two countries increasing the inflow of FDI by stating no as their opinion. This is because DTAA focuses mainly on taxation but not the investment climate. Moreover, the DTAA is driven by various market chances not just solely tax benefits as the people who are investors primarily give importance to economic fundamentals including the consumer base and labour costs. This suggests that there is also a vulnerability that DTAA can result in tax treaty shopping but not genuine FDI. These are the reasons why people hold such a perception. In Fig 5, From the Above Clustered Bar Graph, We can understand that many people have responded to the question of DTAA mainly benefiting multinational corporations rather than the host country's economy by stating their opinion. This is because many people are of the opinion that MNCs use DTAA to reduce their own tax burden by paying very much less taxes by making use of favourable tax agreements. This in turn leads to a huge loss in the tax revenue to the host nation as these companies take all the profits via low-tax jurisdictions. Many MNCs also do tax shopping whereby they keep their own subsidiaries in low-tax jurisdictions like Mauritius or Singapore to route investments and avoid higher taxes. This suggests that it destroys the tax base of the host country while doing good to MNCs that pay minimised tax or no tax at all. In Fig 6, From the Above Clustered Bar Graph, We can understand that major findings are that many people who have responded to the question of DTAA should be revised periodically to address loopholes and ensure fair taxation policies by stating their opinion. This is because it builds some kind of uncertainty for the investors as more revisions to DTAAs may establish tax erraticness making it complex for businesses to plan long-time investments. MNCs & foreign investors give importance to balanced tax policies and rapid changes may demotivate from from investing. Moreover, some nations utilise favourable DTAA provisions to pull the FDI. This suggests Continuous revision of the treaties lead to improve the tax rates to restrict benefits and make the nation less crowd puller to investors resulting in the capital outflows. In Fig 7, From the Above Clustered Bar Graph, we can understand that the major findings are that many people have responded to the question of investors prioritizing the existence of DTAA over other factors like the ease of doing business and regulatory environment by stating disagree as their opinion. This is because people think that the investors give more importance to market opportunities than tax treaties as they usually aim at the demand, market size, growth ability, and profitability rather than just tax advantages. This suggests that the ability to carry out the business with ease is also a big factor that is always considered as difficult regulatory circumstances and bureaucratic delays make the investors less interested in the investment, even if a DTAA present. In Fig 8, NULL HYPOTHESIS (H0): There is no significant association between Gender and DTAAs primarily benefit multinational corporations rather than the host country's economy. ALTERNATE HYPOTHESIS (H1): There is a significant association between Gender and DTAAs primarily benefit multinational corporations rather than the host country's economy.

LIMITATIONS

One of the Limitations of this survey is its size of 200 responses which is not enough to draw conclusions for the entire population of 1,30 Crores in our country and since their total population count differs drastically and in that survey 50% of the population are of young age and middle-aged people and less old-age people which makes it even more difficult for the researcher extrapolation. The samples collected through convenience sampling. Moreover, limited availability of nation-specific FDI data as many countries do not publicly disclose detailed FDI inflows with DTAA impact analysis. Differentiating real economic investment from treaty shopping and round-tripping is difficult. Some MNCs and governments do not disclose full treaty details, making analysis incomplete. Each country negotiates DTAA differently, making direct comparisons complex. Some treaties favor capital-exporting countries over capital-importing ones, impacting FDI differently. Present studies are hugely influenced by the government or many MNCs have a direct effect on their objectivity.

CONCLUSIONS

As a Conclusion, DTAA is a treaty signed by two countries. It is signed to make a country an attractive location and to enable NRIs to get relief from having to pay taxes multiple times. The Aim of my research is to have a critical study on the influence of double taxation avoidance agreements on FDI. The DTAA is usually inclusive of different forms of income based on the agreement like capital gains, income from property, salaries, savings and other categories, income from professional services etc. These agreements state guidelines as to which country holds the right to impose taxes on specific types of income. The major objective is to evaluate the effectiveness of DTAAs in reducing tax burdens for foreign investors. The impact of Double Taxation Avoidance Agreements (DTAAs) on Foreign Direct Investment (FDI) is an intricate and multidimensional issue. While DTAAs are structured to eliminate double taxation and create a favorable tax environment for cross-border investments. Moreover, with global tax policies such as the OECD's BEPS framework and the establishment of a global minimum corporate tax, the role of DTAAs in impacting FDI is changing, as countries see to close tax loopholes while balancing investment inflows. Therefore, the finding of the research states that DTAAs can provide FDI, their effectiveness must be checked in line with broader economic policies, tax enforcement techniques, and international tax reforms to make sure that they contribute to responsible and lawful foreign investments instead of just offering tax arbitrage.

SUGGESTIONS

As far as this research is concerned, It speaks about the importance of DTAA and its various impacts on FDI in a country. From the researcher's point of view some suggestions are given. Governments should periodically review and renegotiate DTAAs to close loopholes that offer a chance for tax avoidance, while ensuring that the treaties continue to provide a condusive environment for legitimate FDI. This can include provisions to curb treaty shopping and round-tripping. Nations have to give some importance to the substance of investments rather than just tax incentives. Governments can align their tax treaties with other economic policies, motivating for more investments that result in long-term value creation, such as job generation, technology transfer, and infrastructure development. In order to make sure that DTAAs are not exploited for tax avoidance, it is crucial to establish strict anti-avoidance measures, such as General Anti-Avoidance Rules (GAAR) and transfer pricing regulations, which can curb false claims and use while still promoting fair and genuine investment and nations should come forward and immerse themselves in multilateral tax cooperation, as seen in the OECD's BEPS framework, to standardize tax treaties and completely reduce disturbances that could result to tax arbitrage.

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ABSTRACT

In General, Double Taxation Avoidance Agreements which is otherwise known as Double Tax Avoidance Treaty universal treaty between two or more countries devised to avert the same income from being taxed two times. The Double Taxation Avoidance Agreements was launched in 1927 by the Fiscal Committee of the League of Nations to oversee the issue. The DTAA is usually inclusive of different forms of income based on the agreement like capital gains, income from property, salaries, savings and other categories, income from professional services etc. The influence of Double Taxation Avoidance Agreements on FDI as it is minimizing tax burden and strengthening returns, cheering the cross-border investment, growing the investor's confidence and certainty and averting tax evasion and treaty shopping. The current statistics of DTAA is that the world FDI flows reduced by 2% to $1.3 trillion in 2023, scoring a continued weakness in international investment, FDI inflows to developed nations fell by 37% to $378 billion in 2023. The main objectives are To analyze the impact of Double Taxation Avoidance Agreements on the Foreign Direct Investment inflows, To evaluate the effectiveness of DTAAs in minimizing tax burdens for foreign investors, To examine the role of DTAAs in enhancing investor confidence and cross-border trade and To identify challenges and loopholes in existing DTAAs affecting FDI. The researcher has collected 202 responses. The researcher has followed the

existing DTAAs affecting FDI. The researcher has collected 202 responses. The researcher has followed the
empirical research method. The scope of having effective and strict regulations in its implementation is purely in the hands of the government as the impact of these agreements on FDI is largely limited. The understanding of agreements by the investors is crucial as it is based on various factors.

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KEYWORDS
Double Taxation Avoidance Agreements, FDI, Impact, Foreign Investors, Challenges.

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INTRODUCTION
Let me start my research paper by stating a wonderful quote on DTAA on FDI "Avoidance of Taxes is the only intellectual pursuit that still carries any reward". Double Taxation Avoidance Agreements is a kind of tax agreement signed between two countries so that the taxpayers can restrain paying double taxes on their income that is acquired from the home country as well as the visiting country. As an interesting fact, India has double tax avoidance treaties currently with more than 80 countries in the globe. The benefits of DTAA are rendered apart from no need to pay double taxes on the same income, Lower Withholding Tax that is Tax Deduction at Source, Tax Credits, Absolution from taxes The role of DTAA in increasing the investor confidence and cross-border trade are that it minimizing tax ambiguity and increasing the tax stability as it gives a clear framework for taxation between two countries, lowering the problem of double taxation and unforeseen tax liabilities and Investors get legal certainty which permits them to make long-term investment decisions without fear of past tax demands.Another role is that making a way for cheering FDI and economic growth as lesser tax impediements rise foreign direct investment (FDI) by making cross-border investments more cost-effective. The challenges and problems being present in available DTAA stirring FDI is that there is tax-shopping and maltreatment of DTAA as some MNCs way their investments via low-tax jurisdictions to prevent higher taxes in source countries, leading to "treaty shopping and moreover, it also on the other hand

liabilities and Investors get legal certainty which permits them to make long-term investment decisions without fear of past tax demands.Another role is that making a way for cheering FDI and economic growth as lesser tax impediements rise foreign direct investment (FDI) by making cross-border investments more cost-effective. The challenges and problems being present in available DTAA stirring FDI is that there is tax-shopping and maltreatment of DTAA as some MNCs way their investments via low-tax jurisdictions to prevent higher taxes in source countries, leading to "treaty shopping and moreover, it also on the other hand minimizes real tax revenues for the source country just benefiting shell companies alone with no business in reality. Shortfall of evenness in tax treatment as different DTAA gives fluctuating tax rates and benefits resulting in discrepant tax treatment for the investors. This discrepancy creates a sense of confusion and raises the compliance costs for businesses who are investing in two or more countries. " The recent news on this particular topic is that India has achieved a significant landmark by surpassing $1 Trillion in gross FDI inflows since the month April 2000. Since the first few months of the financial year 2024-2025 as FDI inflows have risen by nearly 26% to $42.1 billion,showcasing the nation's plea as a world's investment target. Most importantly there is a rapid rise of Phantom FDI wherein the investments go via empty corporate shells in the tax havens, has suddenly increased questions. AIM: The Aim of my research is to have a critical study on the influence of double taxation avoidance agreements on FDI.

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OBJECTIVES

To analyse the impact of Double Taxation Avoidance Agreements (DTAAs) on Foreign Direct Investment (FDI) inflows.

To evaluate the effectiveness of DTAAs in reducing tax burdens for foreign investors.

To examine the role of DTAAs in enhancing investor confidence and cross-border trade.

To identify challenges and loopholes in existing DTAAs affecting FDI.

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METHODOLOGY

The Research Method used here is the Empirical Research Method. A total of 200 Responses are collected. A Questionnaire was made in the Google Forms and it was sent to my known people, close friends and relatives. They are requested by the researcher to forward the link to the closest ones. The responses were collected from the people residing inside Tamil Nadu such as Poonamallee, Anna Nagar as well as other parts of India. The Questions are The existence of a Double Taxation Avoidance Agreements (DTAA) between two countries increase the inflow of Foreign Direct Investment (FDI), DTAAs primarily benefit multinational corporations rather than the host country's economy, DTAA should be revised periodically to address loopholes and ensure fair taxation policies, Investors prioritise the existence of DTAA over other factors like the ease of doing business and regulatory environment, Tax Treaty Shopping in the context of DTAAs and Rate the Scale 1-10 " Countries with multiple DTAAs attract more FDI compared to those with fewer agreements". Their responses were collected by the researcher by using the SPSS software. The Independent Variables are Gender, Age, Place of Residence, Educational Qualifications, Occupation and Marital Status. The Dependent Variables are The existence of a Double Taxation Avoidance Agreements (DTAA) between two countries increase the inflow of Foreign Direct Investment (FDI), DTAAs primarily benefit multinational corporations rather than the host country's economy, DTAA should be revised periodically to address loopholes and

increase the inflow of Foreign Direct Investment (FDI), DTAAs primarily benefit multinational corporations rather than the host country's economy, DTAA should be revised periodically to address loopholes and
ensure fair taxation policies, Investors prioritise the existence of DTAA over other factors like the ease of doing business and regulatory environment, Tax Treaty Shopping in the context of DTAAs and Rate the Scale 1-10 " Countries with multiple DTAAs attract more FDI compared to those with fewer agreements". The tools used in this research are Simple Bar Graph, Clustered Bar Graph, Chi-Square, Independent Sample T-Test and Correlation respectively.

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LIMITATIONS

One of the Limitations of this survey is its size of 200 responses which is not enough to draw conclusions for the entire population of 1,30 Crores in our country and since their total population count differs drastically and in that survey 50% of the population are of young age and middle-aged people and less old-age people which makes it even more difficult for the researcher extrapolation. Moreover, limited availability of nation-specific FDI data as many countries do not publicly disclose detailed FDI inflows with DTAA impact analysis. Differentiating real economic investment from treaty shopping and round-tripping is difficult. Some MNCs and governments do not disclose full treaty details, making analysis incomplete. Each country negotiates DTAA differently, making direct comparisons complex. Some treaties favor capital-exporting countries over capital-importing ones, impacting FDI differently. Present studies are hugely influenced by the government or many MNCs have a direct effect on their objectivity.

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