

# US H-1B Fee Hike: Modest Impact on the Indian Economy. Near-Term Sectoral Challenges but Medium-Term Opportunities.



- The US administration has announced a landmark change to its skilled migration regime by imposing a one-time fee of USD 100,000 on all new H-1B petitions filed after September 21, 2025. Renewals and current visa holders are exempt from this new fee.
- This measure signals continued US focus toward domestic workforce development and reshoring, underscoring that India's services exports are not insulated from US onshoring efforts.
- The hike in H-1B visa fees carries important implications for India, as Indian nationals accounted for ~71% of all H-1B approvals in the US FY24. The Indian IT & ITeS industry is also exposed to this measure, with over half of its software export revenues derived from the US market.
- For Indian H-1B workers, the majority of approvals are renewals. For Indian applicants, continuing employment petitions accounted for ~72% of total approvals in US FY24, while initial employment made up ~28%. This suggests the new fee will affect a smaller subset of applications, reducing the overall potential impact.
- Furthermore, Indian IT firms have already reduced their dependence on the H-1B route. The share of on-site services in India's software exports has halved to ~10% over the past decade, while leading IT firms have steadily expanded their local US hiring. This structural shift cushions the impact of rising visa costs.
- Companies are also likely to adopt mitigation strategies, including greater use of L-1 visas, rotation of existing H-1B staff, increased US localisation, partial cost pass-through to clients, and expanded offshore delivery.
- India-based Global Capability Centres (GCCs) are likely to be net beneficiaries over the medium term. Higher H-1B costs could prompt US Big Tech and MNCs to expand their India-based GCC mandates, anchoring more high-value work within India.
- The macroeconomic impact of the increased visa fee is estimated to be modest, with only a potential marginal drag on GDP via softer services exports and slower remittance growth. These effects could be partly offset by potentially stronger offshore delivery and expanded GCC mandates over the medium term.
- Risks remain from parallel US legislative proposals such as the HIRE Act, which proposes a 25% tax on US companies' payments made to foreign firms for services used by American customers. If enacted, this would pose a more serious long-term challenge for India's IT and GCC delivery models.
- On trade, it is encouraging that India-US negotiations have resumed. We are cautiously optimistic about the prospects of an interim deal by Q4-FY26; however, progress remains complicated by the renewed US focus on the Russia-Ukraine conflict.

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## Potential Implications of the US H-1B Fee Hike for India

The US administration has announced a landmark change to its skilled migration regime by imposing a USD 100,000 fee on new H-1B visa petitions filed after September 21, 2025. Importantly, this hefty levy applies only to new visa applicants and does not affect renewals or current H-1B holders. The administration also clarified that the new fee is a one-time payment upon petition submission rather than an annual charge. Since H-1B registrations and petitions for FY26 are already locked in, the first incremental impact will likely be seen in next year's H-1B cycle. The proclamation also includes a "national interest" exemption clause, giving the Secretary of Homeland Security discretion to allow carve-outs for select industries/types of jobs (such as doctors), though specific criteria remain undefined.

In parallel, the administration has also proposed a comprehensive overhaul of the H-1B visa selection process, moving away from the current randomised lottery to a wage- and skill-based system. Under this proposed framework, applicants would be categorised into four wage bands based on Department of Labour surveys, with higher selection odds for high-wage, high-skill positions. Taken together, these steps signal a broader US policy tilt toward prioritising domestic workforce development and reshoring, underscoring that India's services exports are not insulated from US onshoring efforts.

These US visa measures carry important implications for India, as Indian nationals account for nearly three-quarters of H-1B beneficiaries, and the Indian IT & ITeS (technology-enabled services) industry derives more than half of its software export revenues from the US market. However, the potential direct impact on India's GDP is estimated to be modest, primarily through likely reduced software export revenue and slower remittance flows. These effects could be partly offset by potentially stronger offshore delivery and expanded GCC mandates over the medium term.

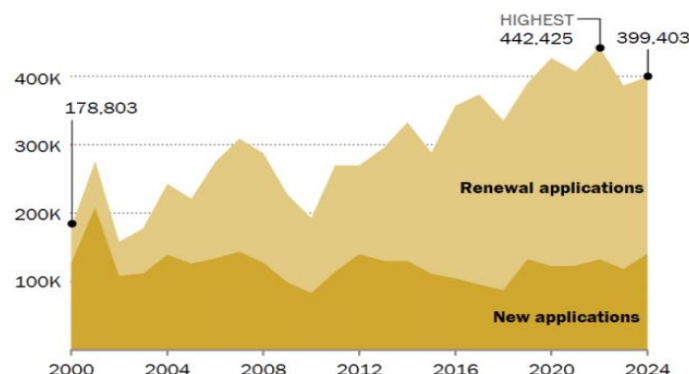
## The US H-1B Visa Landscape

The H-1B program has an annual cap of 85,000 new visas each year (65,000 general quota + 20,000 reserved for US advanced degree holders). The H-1B visa is valid for three years and can be extended for an additional three years, with a maximum duration of six years in total. In US FY24<sup>1</sup>, USCIS approved roughly 399,000 H-1B petitions, more than double the number approved in 2000, with approvals peaking at nearly 442,000 in US FY22. Since 2013, the

majority of H-1B approvals each year have been for renewals rather than new visas. In US FY24, approximately 65% of approved petitions (258,190) were renewals (for continuing employment<sup>2</sup>), and 35% (141,205) were initial employment petitions. Renewals are not subject to the annual cap and are exempt from the new USD 100,000 fee, significantly limiting the immediate impact on existing workers.

## Trends in H-1B approvals since 2000

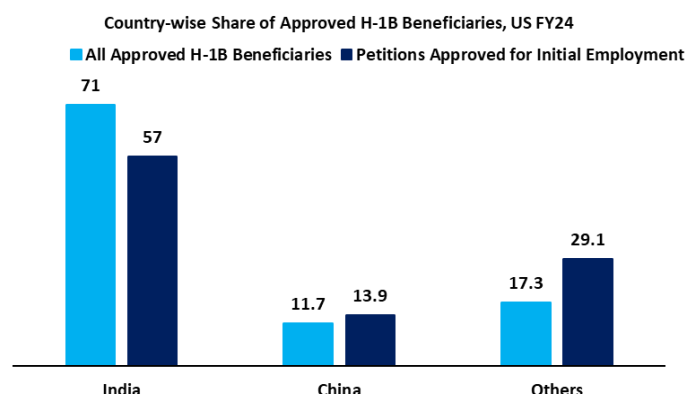
### Number of H-1B Applications Approved by the US in FY



Source: PEW Research Centre, USCIS database. Note: New applications are applications for initial employment, and Renewal applications are for continuing employment.

The median annual compensation for all approved H-1B beneficiaries in the US FY24 was USD 120,000, though this varies significantly by employment type. Computer-related occupations comprised 63.9% of all approvals, with 70% of these being renewals rather than new applications.

## India Accounts for the Largest Share in Approved H-1B Beneficiaries



Source: USCIS database. Others indicate all other countries combined.

Indian nationals comprised approximately 71% of all H-1B approvals in US FY24, far outpacing the next largest group (China, at ~11.7%). For Indian H-1B workers specifically,

<sup>1</sup> Fiscal Year in this report refers to India's FY (which runs from April to March), otherwise stated as US FY (which runs from October to September for the US)

<sup>2</sup> The terms "initial employment" and "continuing employment" are used throughout this report, referring to two types of petitions. Petitions for initial employment are filed for new H-1B employment, only some of which are

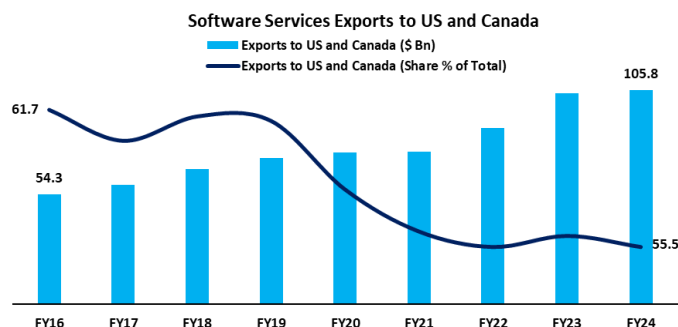
applied to the annual cap. Examples of petitions for initial employment that are exempt from the cap include petitions submitted by nonprofit research organizations or governmental research organizations. Continuing employment petitions refer to extensions, amendments and sequential employment, which are filed for H-1B workers already in the US.

an overwhelming share was renewals—roughly 203,306 petitions were for continuing employment in the US FY24, versus about 80,449 for initial employment. This suggests that the impact of the new fee will be much lower than total visa approvals might indicate, given that the new fee applies only to applications for initial employment.

### India's IT Sector to Face Headwinds and Will Need to Adapt Delivery Models

In FY24, the US remained the single largest exports destination, accounting for 54.1% of India's software services exports, followed by Europe at ~31%, with the UK being the largest European market. The combined share of the US and Canada has declined from ~62% in FY16 to 55.5% in FY24, reflecting ongoing diversification efforts, though the US market remains dominant.

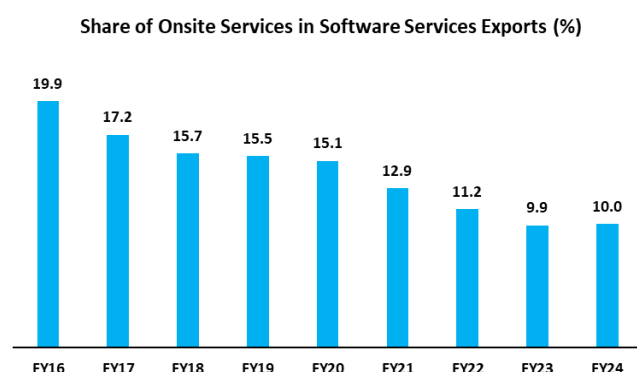
### Despite Diversification, the US Continues to Account for the Majority of India's Software Exports Revenues



Source: RBI

Further, Indian IT firms have strategically reduced their reliance on H-1B visas over the past decade. According to NASSCOM, as quoted in the media, the number of H-1B visas issued to leading Indian and India-centric companies declined from 14,792 in 2015 to 10,162 in 2024. H-1B workers at the top 10 firms now account for less than 1% of their total employee base. This transformation reflects a deliberate shift toward local hiring, with large Indian IT companies employing over 50% of their US staff locally in the US in recent years.

### Share of On-site Services in India's Software Exports Has Halved Since FY16



Source: RBI

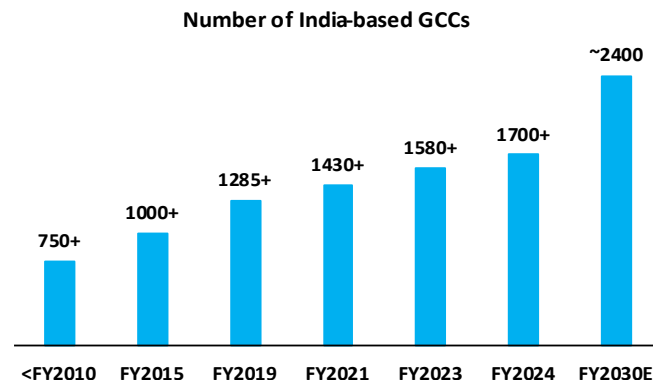
RBI data confirms this structural shift, showing that the share of on-site services in total software service exports has fallen to around 10% in FY24 from nearly 20% in FY16, reflecting greater offshoring and US localisation strategies.

Even so, the cost implications of the new fee could weigh on the IT industry outlook. Companies are likely to respond with mitigation strategies, including increased use of L-1 intracompany transfer visas, rotating existing H-1B staff into the US, hiring more locals in America, and passing on some higher costs to clients. Firms are also likely to expand nearshoring (e.g., Mexico/Canada) and accelerate offshore delivery to balance cost and client proximity.

### India-based Global Capability Centres (GCCs) Could Emerge as Potential Beneficiaries

India-based GCCs stand out as potential beneficiaries of these changes. According to a February 2025 government release, India now hosts over 1,700 Global Capability Centres, employing 1.9 million professionals and generating about USD 64.6 billion in annual revenue. The sector is projected to reach USD 105 billion in revenue by 2030, with around 2,200 centres employing about 2.8 million professionals.

### Number of GCCs Continues to See Rapid Growth



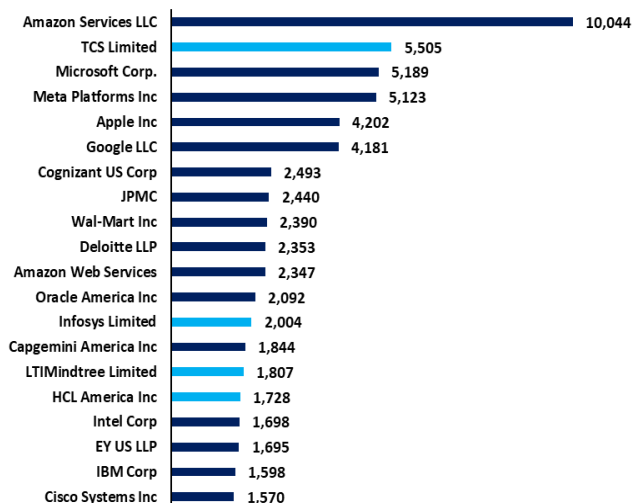
Source: AmchamIndia-Zinnov Report. The estimate for 2030 is from the PIB.

Since US Big Tech companies and multinational corporations account for a large share of H-1B applications (over 80% among the top 20 H-1B approved beneficiaries), with a major online retailer and cloud service provider alone securing 10,044 visas in the US FY25, the higher fees could prompt them to shift more mandates to their India-based GCCs, bypassing traditional outsourcing vendors. This would effectively retain more high-value work within India's borders, boosting export revenues in the medium term. This trend is already visible, with more than 45 new mid-market GCCs having been established in India, accounting for ~35% of all new GCC setups nationwide over the past two years, according to NASSCOM. The upside for India's exports comes with a trade-off, intensified competition for

traditional Indian service providers against clients' captive centres.

## US Big Tech Companies and Multinational Corporations Account for a Large Share of H-1B Visas

Top 20 Employers (H-1B Beneficiaries Approved, US FY25)  
Share of India-based companies: ~18%



Source: USCIS

A key possible policy development to monitor in this context is the proposed Halting International Relocation of Employment (HIRE) Act, introduced by Ohio Senator Bernie Moreno in 2025. The HIRE Act aims to curb outsourcing by imposing a 25% tax on payments that US companies make to foreign workers for services ultimately delivered to US customers. It would also eliminate tax deductibility for outsourcing expenses. As a revenue measure, this bill likely requires approval from both the House and the Senate, and then it must receive Presidential approval. If enacted, it would materially raise the cost of offshoring for US firms, with direct consequences for Indian IT services, India-based GCCs, BPOs, and contractors that serve US clients.

## Potential Impact on External Accounts and the Economy is Expected to be Modest

India's exports of IT and IT-enabled services have nearly doubled in the last five years, rising from USD 96.1 billion in FY20 to about USD 183.3 billion in FY25. On a net basis (exports minus imports of these services), the net services exports increased from USD 85.9 billion to around USD 159.1 billion over the same period.

While the US remains the largest market for India's software exports, most of these export services are now delivered remotely from India. The share of on-site services in India's software services exports is ~10% on average, meaning that around 90% of the software services export value is provided from India. This, coupled with the industry's increased hiring of US nationals onshore, limits

the disruptive potential of the new visa fee. In other words, the H-1B fee shock is unlikely to materially derail India's IT export growth trajectory, though it may require adjustments in cost structures and delivery models.

## Software Services dominate India's Services Exports

Net Services Exports (USD billion)	FY20	FY21	FY22	FY23	FY24	FY25
<b>Total Services</b>	<b>84.9</b>	<b>88.6</b>	<b>107.5</b>	<b>143.3</b>	<b>162.8</b>	<b>188.8</b>
Software Services	85.9	90.8	111.1	132.5	142.7	159.1
Non Software Services	-1.0	-2.2	-3.6	10.8	20.1	29.7
Travel	8.0	-3.0	-7.2	-1.4	0.0	-0.7
Business Services	-1.2	-0.4	7.3	20.6	29.2	40.6
Financial Services	1.8	-0.4	-0.1	2.1	3.5	4.4
Transportation	-3.3	2.1	-3.2	-4.5	-0.1	-1.3
Manufacturing Services	0.2	0.3	0.4	1.3	1.3	0.9
Maintenance & Repair Services	-1.0	-0.7	-1.1	-1.7	-1.3	-0.7
Intellectual Property Usage	-6.8	-6.4	-8.2	-9.4	-13.4	-15.5
Insurance & Pension Services	0.7	0.3	1.2	0.9	0.4	0.5
Govt and Others (Not Included Elsewhere)	-0.4	-0.4	-0.2	-0.3	-0.5	-0.6
Others	1.0	6.4	7.5	3.1	0.9	2.1

Source: RBI

From a macro perspective, the new visa fee represents a transfer of income from Indian companies to the US government (as visa fee payments). Under the assumption of visa application/approval falling to one fourth of the US FY24 level (and the fee is only for those who actually secure a visa), the foreign exchange revenue decline is estimated to be around USD 2bn annually (~4-bps of projected (IMF) FY27 GDP) over the first couple of years of implementation. This is marginal and, by itself, would have a modest impact on India's external accounts.

## Remittances (a secondary adjustment channel); the Potential Impact is Likely to be Marginal

Another channel through which the H-1B issue could weigh on India's external accounts is remittances. India is the world's top recipient of remittances, and these inflows have been reaching new highs. Overseas Indians sent home a record \$ 136 billion in FY25, up from around \$119 billion the previous year, and inflows are expected to continue growing (although the pace may slightly moderate). The US is the largest source, accounting for roughly 28% of India's remittance receipts.

According to the RBI's survey of remittances (2018), around 59.2% of remittances received by Indian residents were used for family maintenance (i.e., consumption), followed by deposits in banks (20%) and investments in land property and shares (8.3%). The "family maintenance" portion is likely to be largely driven by temporary migrant workers (including H-1B professionals) sending earnings back to support their families. In contrast, longer-term residents (e.g., green card holders or naturalised citizens) tend to channel a greater share of remittances into savings and investments.

Since the new visa fee hike applies only to new H-1B entrants, the existing stock of H-1B visa holders will likely

continue working and remitting as before. The reduction in remittance growth will therefore emerge gradually, starting around FY27 as fewer new Indian workers go to the US. Assuming new H-1B deployments from India to the US were to decline to one-quarter of their prior levels. In that case, annual remittance inflows from the US to India might end up being around USD 600 million lower than they would have been otherwise. This is a minimal effect, only modestly tempering one of India's most stable sources of foreign exchange. Continued H-1B renewals and gradual naturalisation of existing workers should partially offset this drag.

### Summary

Overall, the USD 100,000 H-1B fee hike raises costs and introduces certain risks for India's external sector through higher deployment expenses for IT firms, potential delivery frictions, slightly slower remittance growth, and heightened policy uncertainty. At the same time, it also creates opportunities: it is likely to accelerate the expansion of GCCs, strengthen India's offshore delivery model (with more work being done from India), and broaden the domestic talent pool as fewer tech professionals seek opportunities abroad. A key development to watch is the legislative trajectory of the HIRE Act, which could significantly impact India's IT and GCCs' delivery models.

On broad trade relations, the US administration's hike in H-1B visa fees indicates that India's services exports are not insulated from the US onshoring efforts. This may further complicate trade relations with India, following the US's imposition of a 50% tariff on India's merchandise exports to the US. However, encouragingly, trade talks with the US have resumed, indicating engagement from both sides to reach an interim trade deal, which could partially lower the tariff on India. At the same time, discussions could continue for a comprehensive Bilateral Trade Agreement (BTA). We are cautiously optimistic about the prospects of an interim deal by Q4-FY26; however, progress remains complicated by the renewed US focus on the Russia-Ukraine conflict.



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