

# Govt plans 20-year tax break for data centres

Incentives in Meity's draft include GST input tax credit on assets

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The government has proposed a tax exemption of up to 20 years for data centre developers, provided they meet targets on capacity addition, power usage effectiveness, and employment generation. These incentives are outlined in a new draft of the National Data Centre Policy, reviewed by *Business Standard* and circulated among stakeholders for consultation.

According to the draft, the Ministry of Electronics and Information Technology (Meity) is likely to request the Ministry of Finance to allow input tax credit (ITC) on the goods and services tax (GST) levied on capital assets, such as data centre construction, heating, ventilation, and air conditioning equipment, and other electrical systems used in data centres.

India's data centre industry, which has grown at a compound annual growth rate of 24 per cent since 2019, is expected to add 795 megawatt (Mw) of new capacity by 2027, taking the total to 1,825 Mw, according to analysis by JLL.

The 2025 draft data centre policy has proposed that foreign companies that operate or lease at least 100 Mw of data centre capacity from Indian firms be granted permanent establishment status. A set of guidelines for this is expected to be formulated under the proposed policy.

Eligible companies may be encouraged to set up an artificial intelligence (AI) development or modelling centre, or a global capability centre, preferably in the same city or another location, as



## Tax incentives, but conditions apply

- Data centre developers **must meet capacity addition**, power usage effectiveness, and employment generation targets
- **Permanent establishment status** for foreign firms operating or leasing at least 100 Mw data centre capacity from Indian companies
- Companies would be encouraged to establish a **new AI development centre**, or a modelling centre, or a GCC
- States would be urged to provide **land near industrial corridors**, IT hubs or manufacturing clusters for data centre infrastructure

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### Industry seeks easy tax rules for GCCs within SEZs



The government should consider offering concessional corporate tax rates or tax holidays to global capability centres (GCCs) set up within the notified special economic zones, the Confederation of Indian Industry (CII) has suggested. It also called for the harmonisation of permanent establishment rules.

proposed in the draft policy.

"This will help create new jobs as well as strengthen domestic capacity in advanced technologies, such as AI and machine learning, Cloud computing, cybersecurity, not just in metro cities but also in Tier-II and Tier-III cities and towns," an official said,

asking not to be named.

States will be encouraged to provide land near industrial corridors, information technology (IT) hubs, or manufacturing clusters for data centre infrastructure, with specific areas earmarked for such centres, the draft has proposed. Turn to Page 6 ►

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Apart from these, the draft has proposed that the IT ministry should coordinate with the Ministry of Power, the Central Electricity Authority, the Central Transmission Utility of India, and other key government bodies to ensure power accessibility for data centres.

“Power is one of the key resource demands for data centres. It is imperative for us to encourage newer data centres to use renewable energy as much as possible. We have proposed some changes, such as uniform guidelines for the usage and

storage of renewable energy and encouraging the deployment of small modular reactors near data centre parks,” the official quoted above said.

With data centre occupancy rates hovering around 75-80 per cent, the market is ripe for expansion, according to a report by commercial real estate and investment guidance firm CBRE. “As India’s digital economy scales up, this demand will only intensify, underscoring the urgency for next-gen infrastructure that can support this growth,” the report noted.