Ministry of Finance

EXEMPTION FROM MINIMUM ALTERNATE TAX (MAT) TO ALL NON-RESIDENTS WHO PAY TAX ON PRESUMPTIVE BASIS

TAX HOLIDAY TILL 2047 TO ANY FOREIGN COMPANY THAT PROVIDES CLOUD SERVICES TO CUSTOMERS GLOBALLY BY USING DATA CENTRE SERVICES FROM INDIA

SAFE HARBOUR OF 15 PERCENT ON COST IN CASE THE COMPANY PROVIDING DATA CENTRE SERVICES FROM INDIA IS A RELATED ENTITY

प्रविष्टि तिथि: 01 FEB 2026 12:51PM by PIB Delhi

Recognising the need to enable critical infrastructure and boost investment in data centres,the Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman,while presenting the Union Budget 2026-27 in Parliament today, proposed to provide tax holiday till 2047 to any foreign company that provides cloud services to customers globally by using data centre services from India. It will, however, need to provide services to Indian customers through an Indian reseller entity.

The Union Budget also proposes to provide a safe harbour of 15 percent on cost in case the company providing data centre services from India is a related entity.

To harness the efficiency of just-in-time logistics for electronic manufacturing, the Union Finance Ministerproposed in the budget to provide safe harbour to non-residents for component warehousing in a bonded warehouse at a profit margin of 2 percent of the invoice value. The resultant tax of about 0.7 percent will be much lower than in competing jurisdictions.

The Union Finance Minister in order to provide fillip to toll manufacturing in India, hasproposedin the Union budget 2026-27, to provide exemption from income tax for 5 years, to any non-resident whoprovides capital goods, equipment or tooling, to any toll manufacturer in a bonded zone.

The Budget proposals also provide exemption to global (non-India sourced) income of a non-resident expert, for a stay period of 5 years under notified schemes. This is intended to encourage vast pool of global talent to work in India for a longer period of time

The Union budget also proposes to provide exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.

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