



Budget 2026-27 lays strong foundation for AI Data Centres and Semiconductor Ecosystem

Tax Holiday till 2047 to boost Global Cloud and AI Data Centre Investments in India

Electronics Components Manufacturing Scheme response exceeded expectations, momentum strengthened in Budget 2026-27: Shri Ashwini Vaishnaw

Semiconductor Mission 2.0 to deepen domestic manufacturing, design and talent ecosystem

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Union Finance Minister Smt. Nirmala Sitharaman today presented the Union Budget for the Financial Year (FY) 2026-27. The Budget includes several key measures aimed at accelerating growth in the Electronics, Information Technology and Artificial Intelligence ecosystem, the Union Minister for Electronics and Information Technology, Railways and Information & Broadcasting, Shri Ashwini Vaishnaw, said while addressing the media.



AI Data Centres and Tax Incentives till 2047

Highlighting the focus on digital infrastructure, Shri Ashwini Vaishnaw said that data centres, particularly **AI data centres**, play a critical role in the infrastructure layer of the AI architecture. He noted that investments of around **USD 70 billion** are already underway in India, with announcements of investments of around **USD 90 billion**.

To further encourage long-term investments, Budget 2026-27 has proposed a **tax holiday till 2047** for foreign companies providing cloud services to customers globally using data centre services from India. Such companies will provide services to Indian customers through an Indian reseller entity. A **safe harbour of 15 percent on cost** has also been proposed where the data centre service provider in India is a related entity.

The long-term policy framework for data centres up to 2047 positions India among the leading global destinations for AI and cloud infrastructure, the Minister said.



India Semiconductor Mission (ISM) 2.0

Shri Ashwini Vaishnaw said that the Budget has announced the launch of **India Semiconductor Mission (ISM) 2.0**, building upon the strong foundation created under ISM 1.0, which established a completely new and foundational semiconductor industry in India.

ISM 2.0 will focus on **designing and manufacturing semiconductor equipment in India**, manufacturing of **materials used in semiconductor production**, creation of a **large design ecosystem**, and further strengthening of talent development initiatives. A provision of **Rs. 1,000 crore** has been made for ISM 2.0 for FY 2026-27.

Electronics Components Manufacturing Scheme (ECMS)

The Union Minister said that the **allocation for the Electronics Components Manufacturing Scheme (ECMS)** has been increased from about **Rs. 22,000 crore to Rs. 40,000 crore** in the Budget 2026-27. He highlighted the strong industry response to the scheme, which has received **149 applications**, significantly higher than the expected 50 to 55 applications. The enhanced allocation will help maintain the momentum generated by the scheme.

IT Services Simplification and Safe Harbour Provisions

Shri Ashwini Vaishnaw said that IT services remain India's largest exported service sector, with exports exceeding **USD 220 billion**. To provide tax certainty and support industry growth, the Budget proposes new **safe harbour provisions for IT and IT-enabled services** with higher thresholds and competitive margins.

All IT services, including software development services, IT-enabled services, knowledge process outsourcing and contract R&D services, have been proposed to be grouped under a single category of *Information Technology Services*, with a common safe harbour margin of **15.5 percent**. The threshold for availing safe harbour has been proposed to be increased substantially from **Rs. 300 crore to Rs. 2,000 crore**, with approvals through an automated, rule-based process.

The Budget also proposes fast-tracking the **Unilateral Advance Pricing Agreement (APA)** process for IT services and extending the facility of modified returns to associated entities entering into APA.

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