

GOVERNMENT OF INDIA  
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY  
**LOK SABHA**  
**UNSTARRED QUESTION NO. 2830**  
TO BE ANSWERED ON: 06.08.2025

**RIGID LAWS AS HURDLE FOR INVESTMENT FOR DATA CITIES AND AI  
INNOVATION**

**2830. SHRI BALASHOWRY VALLABHANENI:**

Will the Minister of ELECTRONICS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether it is true that rigid laws of the country standing as hurdle for investment for data cities and AI innovation;
- (b) if so, whether is it also true that the present Income Tax Act discourages foreign Cloud Service Providers from investing in India by classifying them as Permanent Establishments which increases their tax burden;
- (c) the manner in which the Government looks at countries like Singapore which offer more transparent and favourable regime;
- (d) whether the State Government of Andhra Pradesh has proposed the Union Government for amending Section 90(1)(1) of the Income Tax Act to reduce litigation risk for foreign investors and helps in enhancing India's global competitiveness; and
- (e) if so, the details of steps taken by the Government in this so far?

**ANSWER**

MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY  
(SHRI JITIN PRASADA)

(a): The Government of India has a well-defined & streamlined regulatory framework thereby providing a transparent & investor-friendly environment to attract investments in data centre and AI.

Progress of the sectors can be seen as under:

- India's Data Centre Capacity has grown from about 375 Megawatt (MW) in 2020 to about 1030 Megawatt (MW) currently (As per industry reports)
- IndiaAI Mission (March 2024) to establish a robust and inclusive AI ecosystem
  - As of now, 34,381 GPUs have been onboarded from 14 empanelled AI service providers
  - This includes both Indian and foreign Cloud Service Providers (CSPs) & Managed Service Providers (MSPs) of Hyperscalers
- 23 Cloud Service Providers (CSPs) including 6 major foreign Cloud Service Providers (CSPs) are empanelled with MeitY

- Both Indian and Foreign Cloud Service Providers (CSPs) have setup their business establishment in the country
- (b): A non-resident's business activity creates a taxable presence in India if it meets:
- "Business connection" threshold under the Income-tax Act, 1961, and
  - "Permanent Establishment" threshold under Double Taxation Avoidance Agreement (DTAA), if applicable

This principle applies uniformly across sectors, and ring-fencing specific business activities (like cloud services) is not advisable, as it contradicts India's consistent stand on source-based taxation taken at international fora.

(c): The policies of government are drafted after examining the best practises across the world. The Economic Survey 2024-2025 released by Department of Economic Affairs (DEA), Government of India, India notes that India offers key advantages, including:

- Lower construction costs,
- Well-established digital services ecosystem, and
- More affordable real estate

All of these contribute to India's competitiveness as a digital and data hub.

(d) and (e): Ministry of Electronics and Information Technology (MeitY) has not received the proposal from the State Government of Andhra Pradesh for amending Section 90(1)(1) of the Income Tax Act, 1961.

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