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# Global AI Tax Incentives

Globally, nations are engaged in a high-states tax competition to attract AI innovation, data center infrastructure and technological talent. When looking at global tax policy, different countries align with specific incentive categories based on whether their goal is to host software and R&D talent, IP ownership, build physical infrastructure or adapt to minimum tax rules.

***Global AI tax incentives***

| Incentive | Focus | Countries |
|---|---|---|
| Research & Intellectual Property (IP) Incentives | Heavily subsidizing human capital, algorithms, software engineering and commercial revenue derived from proprietary AI models | UK, Ireland, Singapore, France |
| Capex & compute hardware relief | Prioritize upfront tax relief to encourage tech companies and cloud hyperscalers to deploy physical hardware at scale | US, South Korea, Japan, Italy |
| Data center & energy infrastructure tax breaks | Leverage targeted local tax abatements, utility exemptions and grid-connection relief to attract large data center builds | Norway, Sweden, Finland, US (state-level), Malaysia, Indonesia |
| OECD Pillar Two Safe-Harbor & Qualified Refundable Tax Credits (QRTCs) | Shift to QRTCs to allow government to keep subsidizing tech companies while preserving OECD framework | Ireland, UK, Singapore, Switzerland, EU member states |

*Source: (1) OECD. KPMG. PwC. Tax Foundation. Deloitte. EY.*

# OBBBA Incentivizing US CapEx Supercycle

The 2025 OBBBA includes numerous tax credits and incentives that provide **permanent change** to the US tax code, **100% upfront expensing** and numerous **acceleration incentives** to expedite construction timetables.

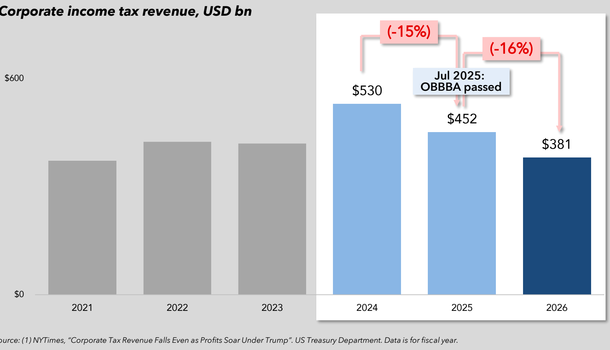
| Provision | One, Big, Beautiful Bill |
|---|---|
| Bonus depreciation (short-term investments) | 100% depreciation *(permanent change)* |
| Domestic R&D expensing | 100% upfront expensing restored *(permanent change)* |
| International R&D expensing | 15-year amortization *(unchanged)* |
| Manufacturing structures | 100% expensing for qualifying structures *(in year of service, if built 2025 -28)* |
| Semiconductor manufacturing | 35% tax credit *(effective Jan 2026)* |
| Business net interest expense deduction | Capped at 30% EBITDA *(permanent change)* |

*Source: (1) Bloomberg. EY. Senate Finance Committee. CBO.*

# Decline in US Corporate Tax Revenue

The OBBBA, that was signed into law in July 2025, provided massive tax relief to major tech companies at the same time they began heavily investing in the AI infrastructure buildout. Since these companies represent a disproportionately large share of US corporate profits and capital spending, the structural changes in the tax code led to a decline in overall corporate income tax receipts for the second year in a row.

***Corporate income tax revenue, USD bn***




*Source: (1) NYTimes, "Corporate Tax Revenue Falls Even as Profits Soar Under Trump". US Treasury Department. Data is for fiscal year.*

# US Corporate Tax Provisions Provided to AI & Technology Sector

| Provision | Tax credits (10 years), USD bn |
|---|---|
| Bonus depreciation (equipment) | AI-related: $150 - $250 — $500 |
| Reduced rate on active CFC income | $135 - $180 — $450 |
| Credit for increasing research activities | $85 - $125 — $415 |
| FDII deduction | $60 - $80 — $230 |
| Expensing of R&E expenditures | $95 - $165 — $224 |
| Advanced manufacturing credit (section 48D) | $10 - $25 — $180 |
| Data center buildings and production property | $15 - $30 — $175 |
| Clean electricity credits for data center power | $50 - $80 — $90 |

**Total AI-related tax credit (10 years): $600 bn - $935 bn**

*Source: (1) Veda Partners, "Gearing Up to Tax AI" (Henrietta Treyz). Treasury Tax Expenditures 2025. Joint Committee on Taxation. Congressional Budget Office. AI-related tax credit based on AI & tech assumed share of total economy credits.*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