



Policy costing

Data Centre Taxation	
Requestor:	Senator David Pocock, Independent Senator for the ACT
Date costing completed:	20 October 2026 <i>Authorised for public release on 21 October 2026</i>
Expiry date of the costing:	Release of the next economic and fiscal outlook report
Summary of proposal: The proposal would introduce a 5% tax on revenue generated by individual data centres in Australia, based on the following specifications. <u>In scope revenue</u> The tax would apply to data centres with an energised IT (information technology) load of above 5 megawatts (MW). <u>Deemed revenue</u> To represent revenue generated by data centre facilities wholly owned and operated by hyperscalers¹ (such as Google, Amazon etc) who use their data centres to support their revenue streams, as opposed to revenue generated from co-location providers (who directly charge customers for data centre capacity, i.e. “data centres as a service”). A deemed revenue rate would apply to owner-occupied hyperscale facilities that do not directly generate co-location revenue (based on total revenue ratio to billed utilisation capacity of a market leading co-location provider). The rate will be used to approximate the revenue that their capacity could generate if it were supplied in the co-location market. The deeming rate would be set by legislation as follows: • \$236 per kilowatt per month (total revenue basis including electricity pass through costs). The deeming rate would be indexed by the Consumer Price Index (CPI). <u>Company tax</u> The revenue tax would not be creditable and would be treated as a non-deductible expense in respect to Australian company income tax. <u>Additional analysis</u> The proposal also requested additional analysis on the projections used for the energised IT load build out over the medium term and a sensitivity analysis using an alternative scenario for IT load build out. The proposal starts on 1 January 2027 and would be ongoing.	

¹ For the purpose of this costing, owner-occupied [hyperscale facilities](#) refer to data centres owned and operated by large cloud and technology companies primarily for their own use rather than for the provision of co-location services to third parties.

Overview

The proposal would be expected to increase the fiscal and underlying cash balances by around \$404 million over the 2026-27 Budget forward estimates period (see Table 1). This impact reflects an increase in taxation revenue, with minor offsets from departmental expenses to administer the proposal.

The proposal would be expected to have an impact beyond the 2026-27 Budget forward estimates period. A breakdown of the financial implications, including separate public debt interest (PDI) tables, over the period to 2036-37 is provided at Attachment A. The additional analysis requested is provided at Attachment B.

The proposal is subject to a high degree of uncertainty. The estimate also assumes that the required legislation is enacted in time to support commencement on 1 January 2027. Any delay in the passage of legislation could affect the timing and fiscal impact of the proposal.

Table 1: Data Centre Taxation – Financial implications^{(a)(b)(c)}

	2026-27 \$m	2027-28 \$m	2028-29 \$m	2029-30 \$m	Total to 2029-30 \$m
Fiscal balance	-4.0	64.9	157.8	184.8	403.5
Underlying cash balance	-4.0	64.9	157.8	184.8	403.5

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

(c) Financial implications were rounded consistent with the PBO's rounding rules.

- Indicates nil.

Sensitivity and uncertainties

The estimates are subject to a high degree of uncertainty. Due to limited information on Australian data centre revenues, customer composition and future market development, the costing relies on a number of simplifying assumptions and proxy data sources. A high-level approach was used to estimate the tax revenue base, drawing on aggregate co-location market data and estimates of total energised IT load (broadly defined as the active available data centre capacity consuming electricity). In practice, a tax levied on individual data centre facilities may yield materially different results.

The planned build out of data centres to support artificial intelligence (AI) workloads in Australia is currently in the beginning stages, with volatility in the current pipeline of proposed projects, as noted by the Australian Electricity Market Operator (AEMO).² The financial impacts presented here use the Clean Energy Finance Corporation (CEFC) central case scenario for projections on IT load over the medium term.³ Any deviation from the central case scenario, and the key assumptions detailed below, would produce materially different results.

An additional source of uncertainty is whether businesses subject to the tax would pass through the cost of the tax to their customers, as observed in businesses subject to a similar Digital Services Tax (DST) in other jurisdictions.⁴ As the magnitude, direction and interactions of pass

² [2026-electricity-statement-of-opportunities.pdf](#)

³ [Getting The Balance Right Data Centres and The Energy Transition Full Report - Clean Energy Finance Corporation](#)

⁴ <https://www.theguardian.com/technology/2022/nov/23/uks-digital-services-tax-reaps-almost-360m-from-us-tech-giants-in-first-year>

through for this proposal are unknown, the Parliamentary Budget Office (PBO) has not quantified this impact, but notes it is a possible response to the proposal.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Co-location data centre revenues in the Australian market would grow at a compound annual growth rate of 13% over the medium term, as estimated in recent market reports.
- The IT load capacity for Australian data centres would grow in line with the estimated projections for the CEFC central case.
- 85% of data centre facilities would have an IT load of over 5MW (and therefore be in scope of the proposal).
 - This would rise to 95% by the end of the medium term, reflecting the larger capacity for planned data centre projects in the current pipeline.
- 42% of the current data centre market represent hyperscale users and would increase annually to 65% by 2035.
- 30% of IT load would be utilised by hyperscale owner-occupied facilities (70% purchased from co-location provider facilities).
 - This rises to 50% by the end of the medium term.
- Data centre revenue tax liabilities for a given financial year are raised on an annual basis and are determined and paid in the following financial year.
 - Example: Data centre tax liabilities relevant to revenue generated in 2026-27 would be reported and paid in 2027-28.
- A new team would be required in the Australian Tax Office (ATO) to administer the proposal and monitor ongoing compliance.

Methodology

The co-location revenue base was estimated using market reports for the total size of the Australian market. The estimate was adjusted to reflect the proportion of revenue generated by facilities above the 5MW threshold.

The hyperscale deemed revenue base was calculated using IT load, applying the hyperscale utilisation assumption, deemed revenue rate and the assumed share of owner-occupied capacity. The assumptions were varied over the projection period in line with the *Key Assumptions* outlined above.

The co-location and deemed revenue bases were combined, and the 5% tax rate was then applied to estimate the data centre revenue tax liability.

No direct company income tax interaction was included because the data centre revenue tax was specified to be non-deductible for company income tax purposes.

Data sources

Australian Energy Market Operator (2026) [AEMO | Digital demand surge: Preparing Australia's power systems for the rise of data centres](#) accessed on 20 October 2026.

Australian Energy Market Operator (2026) [NEM Electricity Statement of Opportunities \(ESOO\)](#) accessed on 20 October 2026.

Australian Financial Review (2026) [Data centre provider NextDC aims to halve build times to nine months for hyperscalers, rakes in \\$82 million net profit](#) accessed on 20 October 2026.

CBRE (2025) [North America Data Center Trends H2 2024](#) accessed on 20 October 2026.

Clean Energy Finance Corporation (2025) [Getting the Balance Right Data Centres And the Energy Transition \[Full Report\]](#) accessed on 20 October 2026.

Commonwealth of Australia (2026) *2026-27 Budget*, Commonwealth of Australia.

Data Centres Australia (2026) [Australia's data centre debate is being fought with American facts](#) accessed on 20 October 2026.

Data Centres Australia and DCByte (2026) [2026 Australian Data Centre Forecast Report - Issue 1](#) accessed on 20 October 2026.

Forbes (2026) [What Is A Hyperscaler? The Companies Powering The AI Era](#) accessed on 20 October 2026.

IBISworld (2026) [CDC Group Holdings Pty Ltd - Enterprise Profile](#) accessed on 20 October 2026.

Ken Research (2026) [Australia Data Center Colocation Market Share, Companies & Trends Report 2026-2031](#) accessed on 20 October 2026.

Mordor Intelligence (2026) [US Hyperscale Data Center Market Size & Report 2030](#) accessed on 20 October 2026.

NEXTDC (2026) [FY26 Results Announcement](#) accessed on 20 October 2026.

Attachment A – Data Centre Taxation – Financial implications

Table A1: Data Centre Taxation – Fiscal and underlying cash balances^{(a)(b)}

	2026-27 \$m	2027-28 \$m	2028-29 \$m	2029-30 \$m	2030-31 \$m	2031-32 \$m	2032-33 \$m	2033-34 \$m	2034-35 \$m	2035-36 \$m	2036-37 \$m	Total to 2029-30 \$m	Total to 2036-37 \$m
Revenue													
Administered tax													
<i>Data centre revenue tax</i>	-	69.0	162.0	189.0	224.0	262.0	307.0	358.0	417.0	490.0	568.0	420.0	3,046.0
Total – revenue	-	69.0	162.0	189.0	224.0	262.0	307.0	358.0	417.0	490.0	568.0	420.0	3,046.0
Expenses													
Departmental													
<i>Australian Tax Office</i>	-4.0	-4.1	-4.2	-4.2	-4.3	-4.4	-4.4	-4.5	-4.5	-4.6	-4.7	-16.5	-47.9
Total – expenses	-4.0	-4.1	-4.2	-4.2	-4.3	-4.4	-4.4	-4.5	-4.5	-4.6	-4.7	-16.5	-47.9
Total (excluding PDI)	-4.0	64.9	157.8	184.8	219.7	257.6	302.6	353.5	412.5	485.4	563.3	403.5	2,998.1

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Financial implications were rounded consistent with the PBO's rounding rules.⁵

- Indicates nil.

⁵ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Table A2: Data Centre Taxation – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances^{(a)(b)(c)}

	2026-27 \$m	2027-28 \$m	2028-29 \$m	2029-30 \$m	2030-31 \$m	2031-32 \$m	2032-33 \$m	2033-34 \$m	2034-35 \$m	2035-36 \$m	2036-37 \$m	Total to 2029-30 \$m	Total to 2036-37 \$m
Fiscal balance	..	1.0	7.0	16.0	26.0	38.0	53.0	70.0	91.0	116.0	145.0	24.0	563.0
Underlying cash balance	..	1.0	5.0	13.0	23.0	35.0	49.0	65.0	85.0	109.0	137.0	19.0	522.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary⁶.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (c) Financial implications were rounded consistent with the PBO's rounding rules.⁷
- .. Not zero but rounded to zero.
- Indicates nil.

⁶ https://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_budget_office/online_budget_glossary

⁷ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Attachment B – Data Centre Taxation – Additional analysis

Table B1: Data Centre Taxation – Energised IT Load (GW) build projections^(a)

Energised IT Load (GW)	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Central Case	0.5	0.7	0.8	1.1	1.3	1.5	1.7	1.9	2.2	2.4	2.6
High Case	0.5	0.7	0.8	1.1	1.5	2.0	2.3	2.8	3.2	4.0	5.1

(a) Source: PBO analysis and [CEFC, Baringa Report](#).

Table B2: Data Centre Taxation – CEFC high case – Fiscal and underlying cash balances^{(a)(b)}

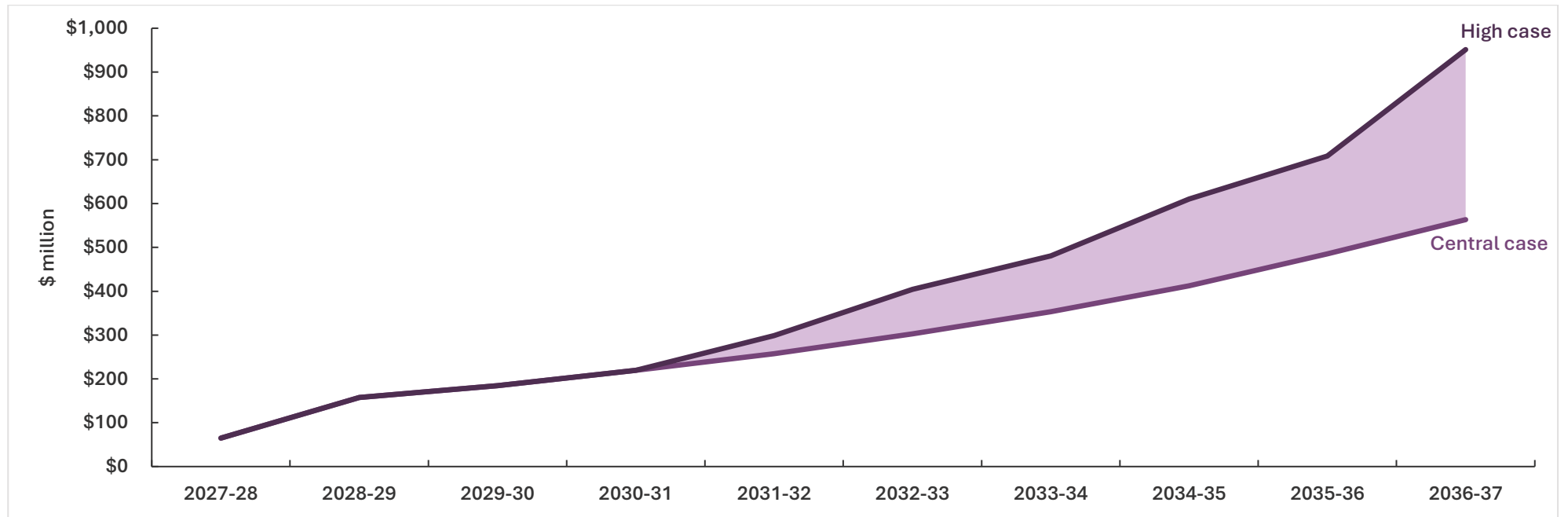
	2026-27 \$m	2027-28 \$m	2028-29 \$m	2029-30 \$m	2030-31 \$m	2031-32 \$m	2032-33 \$m	2033-34 \$m	2034-35 \$m	2035-36 \$m	2036-37 \$m	Total to 2029-30 \$m	Total to 2036-37 \$m
Revenue													
Administered tax													
<i>Data centre revenue tax</i>	-	69.0	162.0	189.0	224.0	303.0	409.0	485.0	615.0	713.0	956.0	420.0	4,125.0
Total – revenue	-	69.0	162.0	189.0	224.0	303.0	409.0	485.0	615.0	713.0	956.0	420.0	4,125.0
Expenses													
Departmental													
<i>Australian Tax Office</i>	-4.0	-4.1	-4.2	-4.2	-4.3	-4.4	-4.4	-4.5	-4.5	-4.6	-4.7	-16.5	-47.9
Total – expenses	-4.0	-4.1	-4.2	-4.2	-4.3	-4.4	-4.4	-4.5	-4.5	-4.6	-4.7	-16.5	-47.9
Total (excluding PDI)	-4.0	64.9	157.8	184.8	219.7	298.6	404.6	480.5	610.5	708.4	951.3	403.5	4,077.1

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Financial implications were rounded consistent with the PBO's rounding rules.⁸

- Indicates nil.

⁸ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Chart B1: Data Centre Taxation: central and high cases^(a)

(a) Source: PBO analysis and [CEFC, Baringa Report](#), Figure 4, page 13.