

**February
2026**

NEWSLETTER

TAX

- Income Tax
- Goods and Services Tax



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1. India–France DTAA Amended

CBDT

Press Release Dated 23.02.2026

The Governments of India and France have signed an Amending Protocol to the India-France Double Taxation Avoidance Convention, amending the 1992 India-France DTAC. The amendment modernizes the treaty framework and aligns it with evolving international tax standards.

Key Amendments

1. Capital Gains on Shares

- Full taxing rights granted to the country where the company is resident (source-based taxation); earlier, tax rights depended on seller's shareholding—if >10% in source country, otherwise in the country in which shareholder is resident.

2. Deletion of MFN Clause

- The Most-Favoured-Nation (MFN) clause has been removed, resolving ongoing interpretational disputes.

3. Dividend Taxation

- Replaces the single 10% tax rate with:
 - 5% for shareholders holding at least 10% of capital
 - 15% in all other cases

4. Fees for Technical Services (FTS)

- Definition aligned with the India-US Double Taxation Avoidance Agreement.

5. Permanent Establishment (PE)

- Scope expanded to include Service PE.

6. Exchange of Information & Tax Collection

- Updated provisions for Exchange of Information.
- New Article on Assistance in Collection of Taxes, strengthening mutual tax cooperation.

7. Incorporation of BEPS MLI Provisions

- Incorporates applicable provisions of the BEPS Multilateral Instrument already ratified by both countries.

Effective Date:

The Protocol will come into force **after completion of internal legal procedures** in both countries and as per agreed terms & will be notified separately.

[India-France DTAA](#)

2. Draft Income-tax Rules, 2026

CBDT

Press Release 07.02.2026

CBDT released the Draft Income Tax Rules, 2026 on 7th February 2026 to comprehensively replace the Income Tax Rules, 1962.

Key Highlights

- **Purpose:** Modernizes rule framework via nomenclature updates and structural alignment; no substantive changes to existing provisions.
- **Effective Date:** 1 April 2026, upon Gazette notification post-stakeholder inputs.

[Draft Income Tax Rules, 2026](#)

Goods and Service Tax

1. Filing of HSNS Declaration – Form HSNS DEC-01

CBIC

Advisory No. 04/2026 Dated 09.02.2026

The Government has notified the **Health Security se National Security Cess (HSNS Cess) Act, 2025, effective from 01st February 2026** which imposes a special cess on notified goods (such as pan masala) manufactured through manual or machine-based processes, and registration is required for all manufacturers of such specified goods liable to pay HSNS Cess.

In this regard, CBIC has issued Advisory No. 04/2026 prescribing the procedure for filing the **Initial HSNS Declaration (Form HSNS DEC-01)**

Applicability

This advisory applies to registered persons liable to HSNS Cess who have **obtained registration under HSNS** and are categorized under:

- Wholly Manual Production Process, or
- Wholly or Partly Machine-Based Production Process

Information required for filing Declaration:

1. Basic Details (Auto-fetched + additional input)

- HSNS Registration Number
- Legal Name & Factory Address
- GSTIN (if applicable)
- Details of additional manufacturing premises

2. Goods Manufactured

- Tariff Item: **21069020** (Pan Masala – *Auto Populated field*)
- Brand Name(s)
- Multiple brands can be declared.

Additional Details Based on Process Type

A. Manual Process Units

Must provide:

- Description of manufacturing process
- Nature of packing (Pouch/Tin/Container)
- Weight of product (grams)
- Average daily production capacity
- Date of commencement

B. Machine-Based Units

Additional reporting required:

- Machine make, model, manufacturer
- Machine number & purchase date
- Electricity consumption (KWH)
- Working status

- Track type (Vertical/Horizontal)
- Cups/Funnels details
- Packing capacity per minute
- Weight & nature of packing
- Details of intimation to other departments

Upon submission, a **Unique Machine Registration Number** will be generated by the system.

Verification & Submission

- Authorized Signatory must complete self-declaration.
- Once submitted, details **cannot be edited**.
- A Declaration Number is generated upon successful filing.

Important Compliance Note

As per Rule 11(3) of HSNS Rules, 2026:

- A fresh declaration cannot be filed until the earlier declaration is confirmed by the proper officer.
- The system permits filing of a subsequent application only after rejection of the first application.

[Advisory No. 04/2026](#)

Disclaimer:

This is not a complete listing of all circulars/notifications issued during the month.
Instead, it is only a listing of some of the circulars/notifications that we considered important.



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