

DIRECT TAX UPDATE **INDIA–FRANCE DTAC AMENDED**

A press release dated 23rd February 2026 announces amending the Double Taxation Avoidance Convention between India and France, originally signed on 29 September, 1992 (“**India–France DTAC**”). The amendments introduced constitute significant changes to the allocation of taxing rights and administrative cooperation framework under the India–France DTAC. A Summary of the same is as under:

1. Capital Gains – Allocation of Full Taxing Rights:

- The Amending Protocol provides full taxing rights in respect of capital gains arising from the sale of shares of a company to the jurisdiction where such company is a resident.
- Accordingly, capital gains arising from transfer of shares of an Indian resident company would be taxable in India, and capital gains arising from transfer of shares of a French resident company would be taxable in France.

2. Deletion of the Most-Favoured-Nation Clause:

- The Amending Protocol deletes the Most-Favoured-Nation (“**MFN**”) Clause from the Protocol to the India–France DTAC.

3. Revised Taxation of Dividend Income:

- The earlier single withholding tax rate of 10% on dividend income has been replaced with a split-rate regime:
 - 5% where the beneficial owner holds at least 10% of the capital of the company paying the dividend;
 - 15% in all other cases.

4. Alignment of Definition of ‘Fees for Technical Services’ (“FTS**”):**

- The definition of FTS has been modified and aligned with the definition contained in the India US Double Taxation Avoidance Agreement.

5. Expansion of Permanent Establishment (“PE**”):**

- The scope of PE has been expanded by introducing the concept of Service PE.
- The addition of Service PE broadens the circumstances in which business presence may be recognised for treaty purposes.

6. Exchange of Information and Assistance in Collection of Taxes:

- The Amending Protocol updates the provisions relating to Exchange of Information in accordance with international standards.

- It also introduces a new Article on Assistance in Collection of Taxes, which will enable and facilitate seamless exchange of information and strengthen mutual tax cooperation between India and France.

7. Incorporation of BEPS Multilateral Instrument Provisions:

- The Amending Protocol incorporates within the India–France DTAC the applicable provisions of the BEPS Multilateral Instrument (“MLI”), which had already become applicable consequent to the signing and ratification of the MLI by both India and France.

8. Entry into Effect:

- The changes introduced through the Amending Protocol shall enter into effect upon completion of internal procedures under the laws of both countries and subject to the terms agreed between them.
- The effective date will therefore depend upon completion of domestic ratification and notification requirements in both jurisdictions.

Impact of the aforesaid amendments:

- The Amending Protocol updates the India–France DTAC to align it with the latest international standards.
- The amendments balance the interests of both India and France while enhancing clarity in allocation of taxing rights and strengthening administrative cooperation.
- The changes are expected to provide greater tax certainty to taxpayers and boost the flow of investment, technology and personnel between the two countries, thereby strengthening the economic relationship between India and France.

Disclaimer: This tax alert is only for general informational purposes, and nothing in this edition could possibly constitute legal advice (which can only be given after being formally engaged and familiarizing ourselves with all the relevant facts).

© Luthra and Luthra Law Offices India 2024. All rights reserved.

KEY CONTACTS



RUBAL BANSAL
Partner
Email - rbansal@luthra.com



SATVIK SAREEN
Associate
Email - ssareen@luthra.com

OFFICES



NEW DELHI
1st and 9th Floors, Ashoka Estate,
24 Barakhamba Road, New Delhi - 110 001
T: +91 11 4121 5100
F: +91 11 2372 3909
E: delhi@luthra.com



MUMBAI
20th Floor, Indiabulls Finance Center,
Tower 2 Unit A2, Elphinstone Road,
Senapati Bapat Marg, Mumbai - 400 013
T: +91 22 4354 7000
F: +91 22 6630 3700
E: mumbai@luthra.com



BENGALURU
3rd Floor, Onyx Centre, No. 5, Museum Road,
Bengaluru - 560 001
T: +91 80 4112 2800 / +91 80 4165 9245
F: +91 80 4112 2332
E: bengaluru@luthra.com



HYDERABAD
Serene Towers,
House No. 8-2-623/A,
Road No. 10, Banjara Hills,
Hyderabad, Telangana - 500034
T: +91 40 7969 6162
E: hyderabad@luthra.com



CHENNAI
Prestige Palladium Bayan,
8th Floor, Greams Road, Nungambakkam Division,
Egmore, Chennai - 600 006,
Tamil Nadu
T: +91 95604 88155
E: chennai@luthra.com

**Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes**

New Delhi, 23 February, 2026

Press Release

Governments of India and France sign the Amending Protocol to amend the India-France Double Taxation Avoidance Convention

During the recent visit of the President of France to India, the Government of the Republic of India and the Government of the French Republic have signed a Protocol amending the India-France Double Taxation Avoidance Convention, signed on 29 September 1992 ('India-France DTAC'). The Amending Protocol was signed by Mr. Ravi Agrawal, Chairperson, Central Board of Direct Taxes, Government of India, and Mr. Thierry Mathou, Ambassador of France to India, on behalf of their respective Governments.

2. The Amending Protocol provides full taxing rights in respect of capital gains arising from sale of shares of a company, to the jurisdiction where such company is a resident. The Amending Protocol also deletes the so-called Most-Favoured-Nation (MFN) Clause from the Protocol to the DTAC, thereby bringing to rest all issues relating to it. The Amending Protocol also modifies the taxation of income from dividends by replacing a single rate of 10% of tax with a split rate of 5% for those holding at least ten percent of capital and 15% of tax for all other cases. It also modifies the definition of 'Fees for Technical Services' by aligning it with the definition in India US Double Taxation Avoidance Agreement, and expands the scope of 'Permanent Establishment' by adding Service PE.

3. The Amending Protocol also updates the provisions on Exchange of Information and introduces a new Article on Assistance in Collection of Taxes, as per international standards. This would enable and facilitate seamless exchange of information and strengthen mutual tax cooperation between India and France. The Amending Protocol also incorporates within the DTAC, the applicable provisions of BEPS Multilateral Instrument (MLI), that had already become applicable consequent to the signing and ratification of MLI by India and France.

4. The changes introduced through the Amending Protocol shall enter into effect subsequent to the completion of internal procedures under the laws of both the countries and subject to the terms agreed between the two countries.

5. The Amending Protocol updates the India-France DTAC to the latest international standards, in a manner that balances the interests of both India and France, and updates it in accordance with international standards. The Amending Protocol will provide greater tax certainty to the taxpayers and boost flow of investment, technology and personnel between India and France, and thereby strengthen the economic relationship between the two countries.

(V.Rajitha)

Commissioner of Income Tax
(Media & Technical Policy) &
Official Spokesperson, CBDT