

Ministry of Finance



India and France sign Amending Protocol to update Double Taxation Avoidance Convention (DTAC)

Amending Protocol to India-France DTAC to boost investment and strengthen economic cooperation; Aligns tax treaty with international standards

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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.

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.

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.

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.

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.

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