

Niti

*Developments in Tax Laws
February, 2026*



*"Krishna controls the Finite and the Infinite with inconceivable supernatural transcendental force.
This is the power of inner energy."*

.....Bhagavad Gita



Section I – Direct Tax Laws

A. Updated Startup Definition and Section 80-IAC Framework

Official Gazette – DPIIT Notification G.S.R. 108(E), 04-Feb-2026 (startup definition & 80-IAC linkage)

The Ministry of Commerce and Industry (DPIIT) has issued Notification No. G.S.R. 108(E) dated February 4, 2026, superseding the earlier Notification No. G.S.R. 127(E) dated February 19, 2019, under Section 80-IAC of the Income-tax Act, 1961. Vide this notification coverage of the said section has been enhanced for the eligible startups companies and their eligibility for tax deductions on profits.

This notification revises the definition of “Startup”, introduces a framework for “Deep Tech Startups”, and refines eligibility, certification, and compliance conditions for claiming deductions under Section 80-IAC.

'Startup' means an entity which:

- i. is incorporated as a private limited company, LLP, partnership firm, multi-state cooperative society, or cooperative society in India;
- ii. is within a period of ten years from the date of its incorporation or registration;
- iii. has a turnover for any of the financial years since incorporation or registration not exceeding two hundred crore rupees; and
- iv. is working towards innovation, development or improvement of products or processes or services, or is a scalable business model with a high potential of employment generation or wealth creation

An entity formed by splitting up or reconstruction of an existing business shall not be considered a Startup.

Deep Tech Startup means an entity which:

- is working on producing a solution based on new knowledge/ advancements within a scientific or engineering discipline or multiple disciplines, which is yet to be developed or is in the process of being developed;
- has a high percentage of expenditure on research and development (R&D) activities as a percentage of revenue/ funding;
- owns or is in the process of creating significant novel intellectual property (IP) and taking steps to commercialize the same; and
- is facing extended development timelines, long gestation periods, high capital and infrastructure requirements, and carrying large technical or scientific uncertainty.

'Deep Tech Startup' shall be deemed to be a 'Startup', and references to a 'Startup' shall include a 'Deep Tech Startup', unless otherwise stated. In the case of an entity recognised as a 'Deep Tech



Startup' instead of ten-year period, twenty years from the date of its incorporation or registration shall apply and the turnover limit shall be three hundred crore rupees for any of the financial years since incorporation or registration as against two hundred crores rupees as prescribed for Startups.

Section 80-IAC Certification

A Startup, including a Deep Tech Startup, being a private limited company or limited liability partnership and fulfilling the conditions specified under Section 80-IAC, may apply in the prescribed Form through the DPIIT portal to the Inter-Ministerial Board for certification.

The Board may grant or reject the certificate after such enquiry as it deems fit. The certificate is required for availing the 100% deduction as provided under Section 80-IAC.

Conditions on Fund Utilisation

Startup, including a Deep Tech Startup, shall deploy its funds primarily towards its core business activities, innovation, research, scaling, or operational requirements, and shall not engage in activities or investments of the nature specified below, except in the ordinary course of its business.

During the period of recognition, a Startup shall not invest in specified assets or activities (such as non-core real estate, loans and advances, capital contributions, investments in shares and securities, high-value vehicles, jewellery, luxury assets, or speculative activities), except where such investment is integral to its core business operations or in the ordinary course of business.

Revocation

In case it is found that certificate has been obtained on the basis of false information, DPIIT reserves the right to revoke such certificate or approval. Where the certificate or approval has been revoked such certificate or approval shall be deemed never to have been issued or granted by DPIIT.

B. India–France DTAC Amended: Protocol Signed

<https://a2ztaxcorp.net/wp-content/uploads/2026/02/Income-Tax-Press-Release-23.02.2026.pdf>

On February 23, 2026, India and France signed an Amending Protocol to the India–France Double Taxation Avoidance Convention.

Key Changes:

- a) **Capital Gains:** Source country (company's residence jurisdiction) gains exclusive taxing rights on share sales, simplifying cross-border investments.
- b) **MFN Clause Removed:** Deletes the contentious Most-Favored-Nation clause, ending litigation over its interpretation.



- c) **Dividends:** The earlier single tax rate of 10% on dividends has been replaced with a split-rate structure:
- 5% where the beneficial owner holds at least 10% of the capital;
 - 15% in all other cases.
- d) **Fees for Technical Services (FTS):** The definition of “Fees for Technical Services” has been modified and aligned with the definition contained in the India–US Double Taxation Avoidance Agreement.
- e) **Permanent Establishment:** The scope of Permanent Establishment has been expanded by inclusion of Service PE provisions.
- f) **Exchange of Information:** The Protocol updates provisions relating to Exchange of Information and introduces a new Article on Assistance in Collection of Taxes, in line with international standards. Further, it incorporates applicable provisions of the BEPS Multilateral Instrument (MLI), already effective pursuant to ratification by both countries.



Section II – Some Reminders for March, 2026

Particulars		Due Date
Payment of	Tax Deducted at Source for the month of February, 2026	7 th March, 2026
	Advance Tax (4th / final installment for FY 2025-26)	15 th March, 2026
	Provident Fund (includes EDLI) for the month of February, 2026	15 th March, 2026
	ESIC for the month of February, 2026	15 th March, 2026
Filing of	GSTR- 1 for February, 2026 (turnover of more than or less than Rs. 5 crores)	11 th March, 2026
	GSTR-8 for February, 2026 [return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST]	10 th March, 2026
	GSTR-7 for February, 2026 [return to be filed by the persons who is required to deduct TDS (Tax deducted at source) under GST]	10 th March, 2026
	GSTR - 3B for February, 2026 (turnover of more than Rs. 5 crores)	20 th March, 2026
	GSTR - 3B for February, 2026 (turnover up to Rs. 5 crores, depending on the state)	22 nd March, 2026
	Filing of Letter of Undertaking (LUT) for export of Goods and Services without payment of Integrated Tax	31 st March, 2026
Complete	CSR Compliances (amount to be spent)	31 st March, 2026



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Compiled by: CA Nandita Nevatia and Mr. Kiran Mankodi

For more information, please feel free to write to us at:

Innergize Solutions Private Limited

A-2, 1st Floor, A Wing, Barodawala Mansion,

81, Dr. Annie Besant Road,

Worli, Mumbai 400025, India.

Tel: +91-22-6662 1393

Email: nandita.nevatia@innergize.in, kiran.mankodi@innergize.in

Or visit www.innergize.in