

## **Ministry of Finance**

### **Frequently Asked Questions (FAQs) for Health Security se National Security (HSNS) Cess Act, 2026 and HSNS Cess Rules, 2026**

Posted On: 02 JAN 2026 5:03PM by PIB Delhi

#### **Q1. Who is required to get registered under the HSNS Cess Rules?**

**Ans.** Every taxable person as per section 3 of the Health Security se National Security Cess Act, 2025 (hereinafter referred to as 'the Act') must register. An application for registration shall be made in **FORM HSNS REG-01** through the ACES portal. Where machines are installed in more than one factory, separate registration shall be required for each factory.

#### **Q2. I am an existing manufacturer of Pan Masala. By what date must I apply for registration under the new HSNS Cess Rules?**

**Ans.** You must apply for registration immediately upon the commencement of the Act and the HSNS Cess Rules, i.e., on 1st February, 2026. Since the liability to pay cess begins from that date, you must submit the registration application in **FORM HSNS REG-01** on the portal at the earliest. Your registration certificate will be effective from the date you become liable, which for existing manufacturers is 1st February, 2026.

#### **Q3. I applied for registration, but the officer has not responded for the past ten days. Can I start manufacturing?**

**Ans.** Yes. As per rule 5(3) of the HSNS Cess Rules, if the proper officer fails to take action within seven working days, the application is deemed to have been approved. The Registration Certificate in **FORM HSNS REG-02** will be made available on the portal.

#### **Q4. Can I pay my cess liability after applying for registration without obtaining the registration certificate?**

**Ans.** Yes, you may pay your cess liability after obtaining the temporary registration number upon successful submission of **FORM HSNS REG-01**. The Act requires that the cess be collected from every taxable person at the beginning of each month, but no later than the 7th day of that month. For new applicants who already own or control machines on 1 February, 2026, the cess payment may be done on the portal by utilizing the said temporary registration number even if the registration certificate (which shall be issued within seven working days) is still being processed.

**Q5. Once I get my registration, when must I file the declaration regarding my machines?**

**Ans.** You must file the declaration in **FORM HSNS DEC-01** on the portal within seven days of the grant of your registration. This declaration must specify the parameters of your machines (maximum rated speed, weight of specified goods, etc) relevant for the computation of the cess. **Example:** 'ABC Ltd' receive their Registration Certificate on February 10, 2026. They must file **FORM HSNS DEC-01** by February 17, 2026.

**Q6. What if I add a new machine? Do I need to inform the department?**

**Ans.** Yes. You must file a fresh declaration under section 9(3) of the Act and rule 9(2) of the HSNS Cess Rules within fifteen days of any change in the parameters relevant for the computation of cess, which includes the installation or addition of a new machine. **Example:** On March 1, 2026, you install a new packing machine. You must file a fresh declaration in **FORM HSNS DEC-01** reflecting this change by March 16, 2026.

**Q7. Can I file a fresh declaration immediately after filing the first one?**

**Ans.** As per rule 9(2) of the HSNS Cess Rules, you cannot file a fresh declaration until the proper officer has issued an order under rule 11 with respect to your previous declaration.

**Q8. How will the department verify my declaration?**

**Ans.** The proper officer will verify your declaration within 90 days as per rule 10 of HSNS Cess Rules (Chapter III).

**Q9. What happens if the officer finds that the maximum rated speed of my machine is higher than what I declared?**

**Ans.** If a discrepancy is found affecting the computation of cess:

1. The officer will inform you of the discrepancy.
2. After giving you an opportunity to be heard, the proper officer will pass an order confirming the computation of cess within 30 days of verification.
3. You will have to pay the amount of cess so determined for the subsequent period and the past period as per rule 11(3) which mandates that you are liable to pay the differential amount of cess along with interest for the period commencing from the date of installation (for initial declarations) or the date of change in parameters (for fresh declarations) until the date of actual payment and also, pay the determined cess amount for the subsequent period.

**Example:** On 1 February, a manufacturer installs a machine with a speed of 300 pouches/minute and declares its details to the Department. On 1 April, the proper officer, after verification, concludes that the machine's maximum rated speed is actually 700 pouches/minute. The proper officer shall issue an order by April 30th detailing the computation of cess after giving a reasonable opportunity to be heard. The registered person shall pay the differential cess amount for February, March,

and April, along with interest, because the liability is backdated to the date of installation (Feb 1st) and also, pay the cess as determined for the subsequent period as per the order issued.

**Q10. If the officer agrees with my declaration, will I get a confirmation?**

**Ans.** Yes. If no discrepancy is found, the proper officer shall pass an order confirming your declaration within 15 days from the date of verification.

**Q11. How is the HSNS Cess calculated? Is it based on actual production?**

**Ans.** No. It is calculated and payable on a monthly basis based on the number of packing machines installed and their maximum packing speed, as per Table 1 of Schedule II of the Act. In case there is a wholly manual process unit, the cess payable is as per Table 2 of Schedule II of the Act.

**Q12. I am installing a new machine in the middle of the month. Do I pay cess for the full month?**

**Ans.** Yes. If you are a registered person and you add or install a new machine in the middle of a month, the cess payable for that new machine is required to be paid fully for that entire month within five days of such addition or installation.

**Example:** 'M/s ABC Ltd' (an existing registered entity) operates 4 machines. On August 20, 2026, they install a 5th Machine with a monthly cess liability of ₹ 1,01,00,000. They must pay the monthly cess of ₹ 1,01,00,000 by August 25, 2026. In case of any delay in payment, interest would be payable from August 26, 2026 to the date of actual payment.

**Q13. What are the due dates for payment and return filing?**

**Ans.** You must pay the monthly cess electronically by the **7th day** of the current month. You must file the monthly return in **FORM HSNS RET-01** by the **20th day** of the succeeding month.

**Q14. What happens if I file my return late?**

**Ans.** If you fail to furnish the return by the due date, the proper officer will issue a notice requiring you to furnish such return within fifteen days of the receipt of the said notice. Further, as per section 18(1)(c) of the Act, failure to furnish the return on the due date shall result in the penalty of at least ₹10,000.

**Q15. What happens if I make errors in my return or provide false information?**

**Ans.** You can rectify any omission or incorrect particulars in your return before the end of the calendar month in which the original return was filed. However, if such rectification results in a higher liability of cess than declared originally, you must pay the differential amount along with interest.

**Q16. What is "Abatement" under the HSNS Cess Rules?**

**Ans.** Abatement is a form of adjustment in the cess liability of a registered person in case any machine or manual process unit remains inoperative for a continuous period of fifteen days or more. Since the cess is calculated on a monthly basis per machine, abatement ensures adjustment of already paid cess for such periods when the machine was sealed and not in use.

**Q17. What is the minimum period of shutdown required to claim abatement?**

**Ans.** You can only claim abatement if the machine or manual unit is non-operative for a continuous period of fifteen days or more. If a machine is sealed for 10 days, then desealed for two days and again sealed for another 10 days, you cannot claim abatement because the continuous period is less than 15 days.

**Q18. Can I simply switch off the machine and claim abatement later?**

**Ans.** No. You must inform the proper officer at least 3 working days before the intended closure. The proper officer will visit your factory and officially seal the machine so it cannot be operated within three days of the receipt of the intimation. You must ensure that no manufacturing takes place on that machine during the period the machine was sealed.

**Q19. Can I stop paying Cess if my machine is not working or if there is no demand?**

**Ans.** You can claim abatement (adjustment) only if the machine is non-operative for a continuous period of 15 days or more. The procedure for claiming abatement under Chapter V of the HSNS Cess Rules should be followed.

**Q20. How is the abatement amount calculated?**

**Ans.** The abatement is calculated on a pro-rata basis using the formula given below:

$$A = CN \times D$$

Where

**A:** Abatement Amount

**C:** Total monthly Cess liability for that machine

**N:** Total number of days in that month (e.g., 28, 29, 30 or 31)

**D:** Total number of continuous days the machine was inoperative in that month.

Example 1: 'ABC Ltd' has installed a High-speed pouch packing machine (700 ppm). Their monthly liability (C) is ₹ 2,02,00,000. The machine is sealed from September 1st to September 19th (19 days). It is de-sealed on September 20th. Since the

shutdown (19 days) is more than 15 days, they are eligible for abatement, which will be calculated as follows:

- Total number of days in the month (N): 30
- Total number of continuous days the machine was inoperative in the month(D): 19
- Abatement Amount (A):

$$A=2,02,00,000/30 \times 19 = ₹ 1,27,93,333$$

· They can claim an abatement of ₹ 1.28 Crores by applying to the proper officer on or before 20 October. Say, they file the claim on 25 September, and the abatement order is passed on 7 October, they can adjust this amount against their liability for November.

Example 2: 'ABC Ltd' has installed a High-speed pouch packing machine (700 ppm). Their monthly liability (C) is ₹ 2,02,00,000. The machine is sealed on July 20th and de-sealed on August 8 . Since the shutdown (21 days) is more than 15 days, they are eligible for abatement which will be calculated separately for each month as below:

· For July:

- N: 31 days
- D: 12 days (July 20-31)
- Abatement (A1):

$$A1=2,02,00,000/31 \times 12 = ₹ 78,19,355$$

For August:

- N: 31 days
- D: 9 days (Aug 1-9)
- Abatement (A2):

$$A2=2,02,00,000/31 \times 9 = ₹ 58,64,516$$

· They can claim the abatement amount of ₹ 1,36,83,871 (A1 + A2) by applying to the proper officer on or before 20 September. Say, they file the claim on 25 August, and the abatement order is passed on 5 September, they can adjust this amount against their liability for the month of October.

### **Q21. When do I get this money back?**

**Ans.** It is not a cash refund. You submit a claim on or before the 20th day of the month succeeding the period for which the abatement is claimed. The proper officer shall issue an order within 15 days of the receipt of the claim. The abated amount is

to be adjusted against your cess liability for the month following the month in which the said order is issued.

**Q22. How do I restart a sealed machine?**

**Ans.** You must inform the proper officer at least 3 working days before you intend to resume operations. The officer will visit your premises to de-seal the machine.

**Q23. Are there any mandatory surveillance requirements for my factory?**

**Ans.** Yes. You must install a CCTV system covering all packing machines and manual process units. The footage must be preserved for 24 months and provided to officers within 48 hours upon request.

**Q24. Can I remove an old machine from my factory?**

**Ans.** Yes. You must inform the proper officer 3 working days in advance. The officer will supervise the uninstallation and removal. If removal is not feasible, it will be sealed.

**Q25. My machine has a maximum rated speed of 700 pouches/minute, but I only run it at 300 pouches/minute. Which Schedule II slab applies to me?**

**Ans.** You must pay the amount of cess based on the Maximum Rated Speed, not the actual operating speed. As per Rule 12 the maximum rated speed of a machine shall be taken as the maximum speed achievable by the machine, irrespective of the actual operating speed at which the machine is used to manufacture goods of any weight.

**Q26. If I do not produce the specified goods in a month, but the machine was not sealed, do I still pay Cess?**

**Ans.** Yes.

**Q27. My machine was sealed from September 1st to September 15th. On September 15<sup>th</sup> evening, it was de-sealed. Am I eligible to claim an abatement?**

**Ans.** No. Since the machine was non-operational for a continuous period of only 14 days, you are not eligible to claim abatement.

**Q28. I have 5 machines. 4 were sealed for 20 days, but 1 was running. Can I claim abatement for the 4 machines?**

**Ans.** Yes. The abatement is to be claimed machine-wise.

**Q29. I want to scrap an old machine. Can I just dismantle it?**

**Ans.** No. You must follow the procedure as per rule 34 which requires you to inform the proper officer at least three working days in advance of the intended date of

uninstallation. The proper officer shall then supervise the removal of the machine from the factory. If it is not feasible to remove the machine, the officer will seal it in such a manner that it cannot be operated.

**Q30. How is the cess calculated if my factory uses both machines and manual processes?**

**Ans.** Under the Act, cess is computed based on the specific nature of the production setup. If any part of the process involves a machine, the cess is calculated using the machine-based rates in Table 1 of Schedule II of the Act. A process is only considered "wholly manual" if no machine capable of assisting or completing any part of the manufacturing or production is installed in the factory. The amount of cess payable shall be as per Table 2 of Schedule II of the Act (11 lakhs per month).

**Q31. I am planning to start a new Pan Masala manufacturing unit in March 2026 (after the rules are notified). If I install my machines and start production on the 10th of the month, do I have to pay the Cess for the entire month?**

**Ans.** No. As per the proviso to rule 12 of the HSNS Rules, if a newly registered person installs machines during a month, the cess payable for that specific month is calculated on a pro-rata basis. You will only pay for the number of days remaining in that month, starting from the date of installation of the machine or the start of the manual process unit, as the case may be. Further, you must pay this proportionate cess amount within five days of such installation or start.

**Example:** If you start a new unit and install the machines on 16th September, you will pay the due amount of cess for 15 days (16-30 September) on a pro-rata basis by 21 September.

**Q32. How often will the verification of the machines be carried out?**

**Ans.** The physical verification of the factory and machines will be carried out by the proper officer within 90 days of the filing of the initial declaration in **FORM HSNS DEC-01**. In case of a change in any parameter for the computation of cess (addition or installation of a machine, maximum rated speed of a machine or the weight of the specified goods), a fresh declaration is required to be furnished within 15 days of such change. The fresh declarations shall also be verified within ninety days of its filing.

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