A2Z TAXCORP LLP

Tax and Law Practitioners

Key Highlights of Union Budget 2026-27

Changes under GST Law

GST

The Finance Bill, 2026 has proposed changes in the CGST Act, 2017 & IGST Act, 2017 through Clauses 137 to 141 of the Finance Bill, 2026 in the CGST Act, 2017 & IGST Act, 2017.

Unless specified otherwise, amendments proposed in the Finance Bill, 2026, vide Clauses 137 to 141 will come into effect from a date when the same will be notified concurrently, as far as possible, with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature.

Note:

(a) CGST Act means Central Goods and Services Tax Act, 2017

(b) IGST Act means Integrated Goods and Services Tax Act, 2017

(c) UTGST Act means Union Territory Goods and Services Tax Act, 2017

Current provisions	Proposed provisions	Effect
Clause 137 of the Finance Bill, 2026 **Section 15 – Value of taxable supply**		
Section 15(3): *(3) The value of the supply shall not include any discount which is given—* *(a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and* *(b) after the supply has been effected, if–* *(i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically*	**Section 15(3):** *(3) The value of the supply shall not include any discount which is given—* *(a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and* ~~*(b) after the supply has been effected, if–*~~ ~~*(i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically*~~	Sub-section (3) of Section 15 of the CGST Act has been amended to do away with the requirement of linking the post-sale discount or incentive with an agreement and linking of such discounts to specific invoices. The amended provision mandates issuance of credit note under Section 34 where the input tax credit **("ITC")** has been reversed by the recipient. Under pre-amended Section 15(3)(b) of the CGST Act, exclusion of post-supply discounts from the value of taxable supply was subject to three conditions, namely: • The discount was established in terms of an agreement entered

linked to relevant invoices; and *(ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.*	~~*linked to relevant invoices; and*~~ ~~*(ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.*~~ *(b) after the supply has been effected, if for such discount, a credit note has been issued by the supplier and input tax credit as is attributable to such discount has been reversed by the recipient of the supply, in accordance with the provisions of section 34.*	into at or before the time of supply; and was specifically linked to relevant invoices; and • The recipient of supply had reversed the ITC attributable to such discount. However, the requirement of pre-supply agreement resulted in practical difficulties, due to lack of clarity on whether 'agreement' referred only to a written agreement or oral/ implied arrangements would suffice. Further, the requirement of linking post-supply discounts to specific relevant invoices proved onerous, as such discounts are commonly structured around achieving pre-defined milestones based on the quantum of sales, sales target, payment terms, etc. Another persistent concern was the absence of mechanism to enable suppliers to verify whether the recipient had actually reversed the ITC corresponding to the discount granted. While CBIC had temporarily addressed this gap through ***Circular No. 212/6/2024 – GST dated 26.06.2024***, by prescribing for issuance of CA/CMA Certificate certifying reversal of ITC of Rs. 5 Lakh or more, otherwise self certified by the recipient, the same was subsequently withdrawn vide

		Circular No. 253/10/2025 – GST dated 01.10.2025. . In light of the recommendation made by the GST Council in the 56th GST Council Meeting held on 3rd September, 2025, the amendment to Section 15(3)(b) of the CGST Act read with Section 34 of the CGST Act, substantially reduces compliance burden and aligns the law with commercial realities.
Clause 138 of the Finance Bill, 2026 **Section 34 – Credit Note and Debit Note**		
Section 34(1): *(1) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year*	**Section 34(1):** *(1) Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, or where a discount referred to in clause (b) of sub-section (3) of section 15 is given the registered person, who has supplied such goods or services or both, may issue to the recipient one or*	Section 34 of the CGST Act has been amended to include post-supply discounts referred to in amended Section 15(3)(b) of the CGST Act as another grounds for issuance of a credit note.

containing such particulars as may be prescribed.	*more credit notes for supplies made in a financial year containing such particulars as may be prescribed.*	
Clause 139 of the Finance Bill, 2026 **Section 54 – Refund of tax**		
Section 54(6): *(6) Notwithstanding anything contained in sub-section (5), the proper officer may, in the case of any claim for refund on account of zero-rated supply of goods or services or both made by registered persons, other than such category of registered persons as may be notified by the Government on the recommendations of the Council, refund on a provisional basis, ninety per cent. of the total amount so claimed, in such manner and subject to such conditions, limitations and safeguards as may be prescribed and thereafter make an order under sub-section (5) for final settlement of the refund claim after due verification of documents furnished by the applicant.*	**Section 54(6):** *(6) Notwithstanding anything contained in sub-section (5), the proper officer may, in the case of any claim for refund on account of zero-rated supply of goods or services or both or of unutilised input tax credit allowed under clause (ii) of the first proviso to sub-section (3) made by registered persons, other than such category of registered persons as may be notified by the Government on the recommendations of the Council, refund on a provisional basis, ninety per cent. of the total amount so claimed, in such manner and subject to such conditions, limitations and safeguards as may be prescribed and thereafter make an order under sub-section (5) for final settlement of the refund*	Sub-section (6) of Section 54 of the CGST Act has been amended to extend the provisions of provisional refund hitherto available for zero-rated supplies to refunds, arising out of Inverted Duty Structure **("IDS")**, allowing up to 90% of the claimed refund to be sanctioned on provisional basis within 7 days from the date of acknowledgment, based on system based risk evaluation basis. Further, the CBIC issued ***Instruction No. 06/2025-GST dated October 03, 2025***, directing provisional sanction of refund applications filed on account of IDS, on or after 01.10.2025 till the date of amendment, in similar manner as provided for zero-rated supplies, through a system-based, risk-driven mechanism. The inclusion of IDS refunds within the scope of Section 54(6) of the CGST Act marks a significant and timely policy intervention, particularly in the context of the evolving GST 2.0 regime, which has resulted in the creation and

	claim after due verification of documents furnished by the applicant.	deepening of IDS in several sectors, such as the paper, corrugated box, packaging, and printing industries, etc. By placing IDS refunds at par with zero-rated supplies for provisional sanction of refunds, the amendment directly mitigates working capital pressures arising from rate rationalisation and accumulation of ITC under the GST 2.0 Regime. However, in light of prevailing practical realities and existing administrative practices, in many cases, proper officers do not issue acknowledgements within the prescribed timeline under Rule 90 of the CGST Rules, which in turn delays the grant of provisional refund. Further, in terms of the proviso to Rule 91(2) of the CGST Rules, the grant of provisional refund continues to be subject to the discretion of the proper officer, exercisable for reasons recorded in writing. As a result, despite the statutory enablement of provisional refunds in IDS cases, timely sanction may still be constrained by procedural delays and discretionary decision-making. The practical effectiveness of this amendment will therefore depend on the proper officer's strict

		adherence to timelines and on the basis of system-driven identification and evaluation.
Section 54(14): *(14) Notwithstanding anything contained in this section, no refund under sub-section (5) or sub-section (6) shall be paid to an applicant, if the amount is less than one thousand rupees.*	**Section 54(14):** *(14) Notwithstanding anything contained in this section, no refund under sub-section (5) or sub-section (6), other than cases where refund of tax is claimed on account of goods exported out of India with payment of tax, shall be paid to an applicant, if the amount is less than one thousand rupees.*	Sub-section (14) of Section 54 of the CGST Act has been amended to remove the threshold limit of INR 1,000/- for sanction of refund claims in case of goods exported out of India with payment of tax. The removal of the threshold limit will have a significant positive impact, particularly for micro and small exporters involved in low-value export consignments common in courier, postal, and cross-border e-commerce exports.
Clause 140 of the Finance Bill, 2026 **Section 101A – Constitution of National Appellate Authority for Advance Ruling**		
Section 101A(1A):	**Section 101A(1A):** *(1A) Notwithstanding anything contained in sub-section (1), till the National Appellate Authority is constituted under that sub-section, the Government, may on the recommendations of the Council, by notification, empower any existing Authority constituted under any law for the time being in force to hear appeals made under*	Sub-section (1A) has been inserted in Section 101A of the CGST Act, empowering the Central Government, on the recommendation of the GST Council, to authorise any existing authority, including tribunal constituted under any law to hear appeals against advance rulings under Section 101B, pending the constitution of the National Appellate Authority for Advance Ruling **("NAAAR")**. Consequentially, sub-sections (2) to (13) of Section 101A of the CGST Act shall not apply, and references to

	section 101B and in such case,— *(a) the provisions of sub-sections (2) to (13) shall not apply; and* *(b) any reference to the National Appellate Authority under this Chapter shall be construed as a reference to such Authority.* *Explanation.— For the purposes of this sub-section, the expression "existing Authority" shall include a Tribunal.*	the NAAAR in the Chapter will be construed as references to the authorised authority, including tribunal. This amendment is expected to bring certainty, reduce prolonged litigation, and ensure continuity in the advance ruling framework, until the constitution of NAAAR. The effectiveness of this provision will, however, depend on timely notification of the authorised authority and issuance of clear procedural guidelines thereof. This provision will come into effect from 1st day of April, 2026.
Clause 141 of the Finance Bill, 2026 **Section 13 – Place of supply of services where location of supplier or location of recipient is outside India.**		
Section 13(8): *(8) The place of supply of the following services shall be the location of the supplier of services, namely:—* *(a) services supplied by a banking company, or a financial institution, or a non-banking financial company, to account holders;*	**Section 13(8):** *(8) The place of supply of the following services shall be the location of the supplier of services, namely:—* *(a) services supplied by a banking company, or a financial institution, or a non-banking financial company, to account holders;*	Clause (b) of sub-section (8) of section 13 of the IGST Act, which prescribed the place of supply of intermediary services as the location of the supplier, has now been omitted. With the removal of Section 13(8)(b) of the IGST Act, the place of supply for intermediary services will now be governed by the default rule under Section 13(2) of the IGST Act, as per which, the place of supply of services by an intermediary shall be the location

(b) intermediary services;	~~*(b) intermediary services;*~~	of the recipient of services. This amendment has been made pursuant to the recommendations of the 56th GST Council Meeting and marks a fundamental shift in the tax treatment of intermediary services. This amendment enables intermediary services supplied by Indian service providers to overseas recipients to qualify as export of services, thereby restoring export-related benefits to them. This change significantly enhances the global competitiveness of Indian intermediary service providers, reduces the cost of doing business, and is expected to promote inflow of foreign exchange by making Indian services more attractive in international markets. Simultaneously, with the place of supply shifting to the recipient's location, intermediary services provided by an overseas service provider to an Indian recipient meet the conditions of "import of services" under Section 2(11) of the IGST Act, resulting in IGST liability on the Indian recipient under the reverse charge mechanism **("RCM")**. The omission of Section 13(8)(b) of the IGST Act addresses a long-standing anomaly under the GST law, whereby export benefits were denied to Indian intermediary

		service providers despite the fact that the services were provided on principal to principal basis and consumed outside India. By aligning the place of supply with the destination-based principle of GST, the amendment brings much-needed clarity, certainty, and consistency in the tax treatment of intermediary services. However, **the amendment should have ideally been given retrospective effect**. A large number of disputes relating to denial of export benefits for intermediary services rendered in since GST regime started from July 1, 2017 are presently pending at various adjudicating and appellate stages. In the absence of retrospective application, the intermediaries who had provided services to overseas clients in the past periods may continue to be denied export-related benefits, whereas the similarly placed intermediaries, who will provide identical services after the current omission of Section 13(8)(b) of the IGST Act, will qualify as exporters eligible for the export-related benefits, thereby, leading to the violation of Article 14 of the Constitution of India as well. Since the amendment seeks to remove a structural inconsistency rather than introducing a new

		concession or levy, retrospective application would have aided in resolving pending litigations and given complete effect to the destination-based character of GST.

Hope the information will assist you in your Professional endeavours. In case of any query/ information, please do not hesitate to write back to us.

[This space has been intentionally left blank]

Thank You

About us:

A2Z Taxcorp LLP is a boutique Indirect Tax firm having its offices at New Delhi and Guwahati specializing in GST, Central Excise, Custom, Service Tax, VAT, DGFT, Foreign Trade Policy, SEZ, EOU, Export – Import Laws, Free Trade Policy, etc. It is a professionally managed firm having a team of experienced and distinguished Chartered Accountants, Company Secretary, Lawyers, Corporate Financial Advisors and Tax consultants to provide various services like litigation and representation, transaction advisory, diagnostic reviews/ health checks, audit defense & protection, retainership & compliance, configuration of tax efficient business model etc. Its clientele consists mainly of Foreign MNC, large/mid-sized Indian companies which includes exporters, FMCG, consumer durables, automobiles, aerated beverages, ceramic tiles, real-estate, hospitality, etc.

Thanks & Best Regards,

Bimal Jain
FCA, FCS, LLB, B. Com (Hons)
Author of a book on Goods and Services Tax, titled, "GST Law and Commentary (with Analyses and Procedures)" [10th Edition]
Email: bimaljain@a2ztaxcorp.com

Connect With Us:

Our Address:

A2Z TAXCORP LLP

Tax and Law Practitioners

Flat No. 34B,
Ground Floor, Pocket – 1,
Mayur Vihar Phase-1
Delhi – 110091 (India)
Tel: +91 11 42427056
Web: www.a2ztaxcorp.com
Web: www.a2ztaxcorp.net
Email: info@a2ztaxcorp.com