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GST Amendments – Proposed through The Finance Bill, 2026

The Finance Bill, 2026 proposes significant GST amendments primarily aimed at reducing litigation and improving cash flow. Post-supply discounts will now require only issuance of a credit note and ITC reversal by the recipient, removing the need for prior agreements or invoice linkage. Section 34 is amended to expressly permit credit notes for such discounts. Provisional 90% refunds are extended to inverted duty cases, easing working capital blockage. Refunds below ₹1,000 are allowed for exports with tax payment, benefiting small consignments. Pending constitution of the National Appellate Authority, GSTAT

may hear conflicting advance rulings. Importantly, intermediary services will now follow recipient-based place of supply, impacting both imports and exports related services.

Multiple expectations surround the budget for trade and industry. The intrigue associated with such expectations compounds the excitement around such proposals. With the year-round functioning of the GST Council and key decisions announced after every Council meeting, the surprise element of GST amendments has reduced significantly. However, the exact verbatim of the amendments still adds spice to known decisions. It is quite interesting to study both the intended and unintended, direct and far-reaching consequences of such amendments. On this notion, all the proposed amendments in the GST law have been examined below:

1. GST reduction on discount only subject to ITC reversal by recipient:

Source

Clause 137 of the Finance Bill, 2026.

Effective Date

Prospectively from the date of the enactment.

Affected Provision

Sub-section (3) of Section 15 of the CGST Act, 2017.

Provision Before Amendment

Section 15(3): - The value of the supply shall not include any discount which is given-

- ~~(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 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.~~

Provision After Amendment

Section 15(3): - In the Central Goods and Services Tax Act, 2017, (hereinafter referred to as the Central Goods and Services Tax Act), in section 15, in sub-section (3), for clause (b), the following clause shall be substituted, namely: -

“(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.”

Effect of the Amendment

1. The conditions for the reduction of outward supply value for post supply discount are as follows:

- A credit note has been issued by the supplier with GST
 - ITC attributable to such discount has been reversed by the recipient
2. The mechanism for tracking ITC reversal by the recipient has already been established through the invoice management system (IMS). In the IMS portal, if the ITC is rejected by the recipient, the tax attributed to such credit note is appended to outward tax liability in Table 3.1.(a) of the subsequent Form GSTR 3B.
 3. After an amendment, the following conditions would no longer stay relevant for post supply discounts:
 - Having to be established in terms of agreement at or before the time of supply
 - Having to be specifically linked to relevant invoices

This is a welcome move because the above would reduce unnecessary litigation. This was particularly so when the agreement establishing the conditions of provision of discount were verbal and not written.

This would definitely encourage taxpayers to issue more credit notes with GST. It would result in a direct benefit of cost reduction in case of B2C supplies or supplies to composition dealers. Even for B2B supplies, the ITC accumulation which was otherwise arising due to higher taxes paid on inward invoices may also stand mitigated to a greater extent.

4. After the given amendment, one need not link the credit note against the relevant invoices for satisfaction of Section 15(3)(b).

However, the conditions for issuing of credit note u/s 34 would still be applicable towards discounts indirectly. Therefore, the said credit note for discount still needs to be issued and reported within 30th November of the financial year following the year in which the supply was made.

In other words, even for post supply discount, one cannot issue credit notes with GST if the invoice for the original supply precedes the timelines defined above as per Section 34(2).

2. Conditions for issuance of credit note to include post supply discounts:

Source

Clause 138 of the Finance Bill, 2026.

Effective Date

Prospectively from the date of the enactment.



“Refund is not permitted for an applicant if the refund is less than Rs. 1000. The reason behind this is that for small value refunds, the resources of the GST Department should not be invested.”

Affected Provision

Sub-section (1) of Section 34 of the CGST Act, 2017.

Provision Before Amendment

Section 34(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 containing such particulars as may be prescribed.

Provision After Amendment

Section 34(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 is referred to in a 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 more credit notes for supplies made in a financial year containing such particulars as may be prescribed.



Effect of the Amendment

1. Credit notes can currently be issued in the following situations:
 - Taxable value or Tax charged in Invoice > Taxable value or Tax charged for supply
 - Where goods supplied are returned by the recipient, i.e. Sales return
 - Deficiency in the supply of goods or services
2. However, there was no reference to the issuance of a credit note in the most common situation, i.e. in the case of post supply discount given under Section 15.
3. The post supply discount has now been proposed to be specifically covered as one of the reasons for the issuance of a credit note under Section 34.
4. This seems to be more of a corrective action to correct the lacuna in the law. Even before such amendment, the credit notes with GST u/s 34 have been issued in the past for post supply discounts. Such actions of the past would continue to stand valid in our view even though the specific allowance u/s 34 has been proposed only through the Finance Bill 2026.

3. 90% Provisional refund applicable for inverted-rated supplies as well:

Source

Clause 139(a) of the Finance Bill, 2026.

Effective Date

Prospectively from the date of the enactment.

Affected Provision

Sub-section (6) of Section 54 of the CGST Act, 2017.

Provision Before Amendment

Section 54(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 percent 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.

Provision After Amendment

Section 54(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



“GSTAT would only hear those questions which are subject matter of dispute with the other Advance Ruling authorities. For the other questions within the same judgement, the same may not be heard by the GSTAT.”

percent 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.

Effect of the Amendment

1. Currently, 90% of the provisional refund has to be sanctioned within 7 days of the issue of acknowledgement in RFD-02 (to be issued within 15 days of application in RFD-01) for the following types of supplies:

- Export of goods and/or services
- Supplies to SEZ unit/developer

2. This 90% provisional refund and the timeline would now be applicable to refund under the inverted rated structure as well. This would improve cash flow for businesses whose working capital is unnecessarily blocked due to purchase of higher-rated GST inputs.

3. Having said this, the power to identify and evaluate risk still lies with the proper officer before granting such refund. Therefore, the discretion remains with the officer whether or not to grant such refund. However, any request for such provisional refund from the taxpayer would require documentation and adequate reasoning from the proper officer in case of non-compliance by such officer.



4. Given that this amendment is prospective, it would only be applicable for all refunds filed after the effective date of such amendment irrespective of the periods for which they are filed.

4. Refund of less than Rs. 1000 allowable for exports with payment of tax:**Source**

Clause 139(b) of the Finance Bill, 2026.

Effective Date

Prospectively from the date of the enactment.

Affected Provision

Sub-section (14) of Section 54 of the CGST Act, 2017.

Provision Before Amendment

Section 54(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.

Provision After Amendment

Section 54(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.

Effect of the Amendment

1. Refund is not permitted for an applicant if the refund is less than Rs. 1000. The reason behind this

is that for small value refunds, the resources of the GST Department should not be invested.

2. However, this restriction has been relaxed for the export of goods with payment of tax. This means that refunds of less than Rs. 1000 would be allowable for such exports made with tax payment.
3. Such allowance is also because the process of exports with payment of tax is an automated process through ICEGATE portal, without the Department having to separately invest their resources in processing such refunds.
4. For exports with payment of tax, every shipping bill is deemed to be an application. In certain industries, particularly e-commerce, each consignment sent by courier may be of very low value. They could not make exports because of this restriction on low-value refunds.
5. This amendment aims to automate refunds on small-value consignments, particularly for exports made through courier.
6. Also, exports through courier mode were not getting reflected on the ICES portal due to certain system limitations. With the upgradation of the systems in the recent past, it is now possible to match the invoices/shipping particulars from the GST portal with that reflecting on the ICEGATE portal.



7. Therefore, these types of exporters can now plan for applying a refund with payment of tax rather than 'without payment of tax' as was being done earlier under compulsion.

5. GSTAT to hear decisions on contrary rulings by Advance Ruling Authorities:

Source

Clause 140 of the Finance Bill, 2026.

Effective Date

With effect from 01.04.2026.

Affected Provision

Insertion of New Sub-section (1A) in Section 101A of the CGST Act, 2017.

Insertion of new section

In Section 101A of the Central Goods and Services Tax Act, after sub-section (1), the following sub-section shall be inserted, namely:

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 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.”

Effect of the Amendment

1. In case of conflicting Advance Ruling by different State authorities, the matter may be referred to the National Appellate Authority for Advance Ruling.



2. However, such authority has not been constituted to date.
3. Pending such constitution, the Government has the power to empower any other existing authority, including GSTAT, also in its place to hear appeals of advance ruling.
4. Likely, all such appeals would be heard by the Principal Bench of the GST Appellate Tribunal.
5. One may need to consider the following before applying for appeal before the said Appellate Tribunal for such matters:
 - a. The Appellate Tribunal would only hear such matter if there are contrary advance ruling judgements. All other rulings, if made by the Appellate Authority for Advance Ruling, would attain finality unless a writ is admitted by the High Court.
 - b. GSTAT would only hear those questions which are subject matter of dispute with the other Advance Ruling authorities. For the other questions within the same judgement, the same may not be heard by the GSTAT.
 - c. The procedure and time limit would not be driven by Section 112 and their relevant rules. Instead, it would be driven by that established by the National Appellate Authority for

Advance Ruling under Section 101B and 101C along with their respective rules.

6. Place of supply for intermediary services to be based on the location of the recipient:

Source

Clause 141 of the Finance Bill, 2026.

Effective Date

Prospectively from the date of the enactment.

Affected Provision

Clause (b) of Sub-section (8) of Section 13.

Provision Before Amendment

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.
- (b) intermediary services.
- (c) services consisting of hiring of means of transport, including yachts but excluding aircraft and vessels, up to a period of one month.

Provision After Amendment

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 an account holder.
- (b) services consisting of hiring of means of transport, including yachts but excluding aircraft and vessels, up to a period of one month.

Effect of the Amendment

1. Place of supply in case of intermediary services was considered to be the location of the supplier. This had the following implications:

- Fees paid to an intermediary outside India were not regarded as import of services. Therefore, no tax would be leviable on such transactions.
- Similarly, services provided by an intermediary to a recipient outside India were taxable and not classifiable as export of services.

2. The differential treatment for 'intermediary' services has now been omitted from the GST law. Therefore, the place of supply for intermediary services will be considered as the location of the recipient from now on.

3. This would have the following implications:

- Fees paid to 'intermediary' outside India will now be classifiable as import of services and taxable under reverse charge basis.
- Services provided by the 'intermediary' to the recipient outside India would be regarded as export of services.

4. This is bound to reduce significant litigation under the GST law wherein an unnecessary distinction had been created for services of intermediary and other services. The most common ones have been described below:



- a. On the front of imports, it was quite difficult to convince the Department that any supplier of services was falling within this ambit of intermediary and therefore, the tax under reverse charge mechanism (RCM) was not paid. The Department would allege that if the payment is made outside India, then RCM would be bound to be applicable.
- b. Further, in case of exports of services, the Department would challenge the refunds applied on the grounds that it was falling within the scope of intermediary. This was more so in case of services of business promotion, consultancy and advertisement made on own account by a supplier within India.

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