

06<sup>th</sup> February, 2026

## Friday Tax Alert

### **Key Highlights of Budget 2026 covering GST**

#### **1. Post-Sale Discounts – Amendment to Section 15(3) & Section 34 of CGST Act:**

##### **Earlier Position:**

Under Section 15(3) of the CGST Act, post-sale discounts were allowed as deduction from taxable value only if: - The discount was agreed before or at the time of supply - The discount was specifically linked to identifiable invoices - The recipient reversed proportionate ITC attributable to such discount.

In practical business scenarios, many discounts such as turnover discounts, year-end rebates, performance incentives, trade schemes and volume discounts are determined after supply and were not pre-agreed invoice-wise. This resulted in: - Frequent GST audits and objections - Disallowance of value deductions - ITC disputes - Litigation and demand notices.

##### **Amendment:**

The requirement of pre-agreement and invoice linkage for post-sale discounts has been removed. Post-sale discounts will now be allowed as deduction from taxable value if: - A valid credit note is issued by the supplier, and - The recipient reverses the corresponding proportionate ITC.

Further, Section 34 of the CGST Act will be amended to explicitly recognize post-sale discounts as a valid ground for issuing credit notes, removing legal ambiguity.

**Impact:** Legal clarity, reduced litigation, and alignment with commercial business practices.

#### **2. Provisional Refund for Inverted Duty Structure (IDS) – Section 54(6) of CGST Act.:**

##### **Earlier Position:**

Section 54(6) allowed provisional refund of up to 90% only in cases of zero-rated supplies (exports and supplies to SEZ). Refunds arising from inverted duty structure (where input tax rate is higher than output tax rate) were excluded from provisional refund mechanism.

This caused: - Long refund delays - Working capital blockage - Cash flow stress for manufacturers and MSMEs.

##### **Amendment:**

Refunds arising from inverted duty structure will now also be eligible for 90% provisional refund, subject to automated and risk-based verification mechanisms.

**Impact:** This reform will significantly improve liquidity, reduce refund pendency, ease working capital pressure, and provide financial stability to manufacturing and processing sectors.

#### **3. Removal of ₹1,000 Minimum Refund Limit for Export Refunds – Section 54(14):**

##### **Earlier Position:**

Section 54(14) restricted GST refunds where the refund amount per tax head was less than ₹1,000, thereby disallowing small-value refund claims.

This adversely impacted: - Small exporters - E-commerce exporters - Courier and postal exporters - Low-value consignment exporters

##### **Amendment:**

Refunds on exports with payment of tax will be allowed without any minimum threshold limit. This ensures inclusivity for small exporters, promotes cross-border e-commerce, supports MSME exports, and aligns Indian GST with international export refund practices.

## **4. National Appellate Authority for Advance Ruling – Section 101A(1A):**

### **Issue:**

Conflicting advance rulings issued by different State Appellate Authorities created legal uncertainty. Although the law provided for constitution of a National Appellate Authority (NAA), the same had not been operationalized.

### **Amendment:**

Existing tribunals and authorities constituted under law will be empowered to act as the National Appellate Authority for appeals against advance rulings until a dedicated NAA is formally constituted.

**Impact:** This will ensure consistency in GST interpretation, reduce contradictory rulings, provide legal certainty to taxpayers, and strengthen the appellate mechanism.

## **5. Intermediary Services – Place of Supply (Section 13(8)(b) of IGST Act):**

### **Earlier Position:**

The place of supply of intermediary services was deemed to be the location of the supplier in India, even when services were provided to foreign clients. This resulted in: - Non-qualification as export of services - Denial of zero-rated benefit - Levy of CGST and SGST in India - Increased cost of services for foreign recipients

### **Amendment:**

Section 13(8)(b) is proposed to be omitted. Place of supply will now be determined under the general rule (Section 13(2)), i.e., the location of the recipient of services.

**Impact:** Intermediary services provided to foreign clients will qualify as export of services, become zero-rated, and significantly enhance India's service export competitiveness.

## **6. Conclusion:**

The proposed GST amendments for FY 2026–27 represent a structured policy shift towards:

- Litigation reduction
- Trade facilitation
- Export promotion
- Liquidity enhancement
- Commercial alignment of tax law
- Predictable and stable tax regime

These reforms strengthen trust-based compliance, improve ease of doing business, and reflect a mature and business-oriented evolution of India's GST framework.

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