

Finance Bill, 2026: Indirect Tax Proposals



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GST Amendments under Finance Bill, 2026

Earlier Provision

Section 13: Place of supply of services where location of supplier or location of recipient is outside India.

"(8) The place of supply of the following services shall be the location of the supplier of services, namely:-

.....
(b) intermediary services;"

Amended Provision

Section 13: Place of supply of services where location of supplier or location of recipient is outside India.

"(8) The place of supply of the following services shall be the location of the supplier of services, namely:-

.....
(b) intermediary services"

Tattvam Comments

- ✓ After this amendment, the place of supply for "intermediary services" will be determined as per section 13(2) of the IGST Act, 2017 i.e., the location of the recipient of such services.
- ✓ This change will enable Indian exporters of intermediary services to claim export benefits.
- ✓ The said change is in line with the recommendation made in 56th GST council meeting.

Tattvam Comments

- ✓ Various disputes arose in the past regarding the classification of services as 'intermediary service' or 'support services'. After the proposed change, the said issue will no longer be relevant.
- ✓ In instances where intermediary services were provided to a recipient outside India, the Place of Supply (POS) provisions deemed the supplier's location (India) to be the POS. Resultantly, tax was required to be discharged in respect of services provided to a foreign recipient, which ultimately turned into a cost for the supplier even when their end customers are located outside India and payments were received in foreign exchange.
- ✓ Pursuant to the proposed changes, intermediary services provided to recipient located outside India will be eligible for export benefits (zero-rated supply) as the POS shall be the location of recipient i.e., outside India.
- ✓ However, after the proposed change, in case an Indian entity receives the intermediary service from an overseas supplier, GST will have to be discharged under RCM as the transaction will qualify as import of service.

Export of Intermediary Service

Illustration: Indian supplier provides 'intermediary services' to the recipient located in USA

Before Amendment

- Place of supply determined as India, making GST payable on the transaction.
- The service was not classified as an export, creating tax burden for Indian suppliers.

After Amendment

- Place of supply shifted to the recipient's location in USA.
- The service now qualifies as export of service with no GST liability.

Import of Intermediary Service

Illustration: Indian recipient received 'intermediary services' from the supplier located in USA

Before Amendment

- Place of supply was USA.
- No Reverse Charge Mechanism (RCM) liability for the Indian recipient.

After Amendment

- Place of supply shifted to the recipient's location in India.
- Indian recipient must now pay GST under reverse charge and comply with additional reporting requirements.

Earlier Provision

Section 15(3) of CGST Act:

(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 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.*

Amended Provision

Section 15(3) of CGST Act:

(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 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***

***Effective date to be Notified**

Earlier Provision

Section 34 of CGST Act:

(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.

Amended Provision

Section 34 of CGST Act:

(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 more credit notes for supplies made in a financial year containing such particulars as may be prescribed.

***Effective date to be Notified**

Tattvam Comments

- ✓ In pursuance of the recommendations of 56th GST Council Meeting, the provisions of Section 15(3) and Section 34 of the CGST Act have been amended to provide that post sale discount should be granted through a credit note issued under section 34 of the CGST Act. Corresponding amendment has been made in section 34 to include a reference to section 15(3)(b).
- ✓ The aforesaid amendments seek to achieve a dual objective by removing the requirement to establish post sale discounts through a pre-existing agreement and by eliminating the need to link such discounts to specific invoices.
- ✓ While the requirement of establishing post-sale discounts in terms of an agreement entered into before or at the time of supply has been omitted, post-sale benefits must genuinely qualify as discounts, not other payments such as price support, reimbursements, or compensations. Therefore, even though linking discounts to pre-sale agreements will no longer be mandatory, proper documentation will remain critical to substantiate the nature and eligibility of discounts if questioned by tax authorities.

Tattvam Comments

- ✓ Further, pre-GST rulings required discounts to be known at the time of sale, and it remains to be seen how ad-hoc post-sale discounts will be treated by authorities.
- ✓ The change is expected to simplify compliance, reduce administrative burdens, and help sectors like electronics and FMCG to manage volume-based or seasonal discounts more efficiently.

Amendment in Section 54(6) of CGST Act: Provisional refund facility extended to IDS

Earlier Provision

Section 54(6) of CGST Act:

(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.

Amended Provision

Section 54(6) of CGST Act:

(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 claim after due verification of documents *Effective date to be Notified

Tattvam Comments

- ✓ Based on the recommendations of the 56th GST Council Meeting, Section 54(6) of the CGST Act has been amended to allow provisional refunds in cases where refund is claimed due to an inverted duty structure under Section 54(3) of the CGST Act. As a result, taxpayers claiming refund of unutilized input tax credit because of an inverted duty structure will now also be eligible to receive a provisional refund of 90% of the refund amount, subject to the prescribed conditions and safeguards.
- ✓ This is a welcome proposal for inverted duty structure claims as it will significantly ease the working capital crunch for businesses by addressing the long-standing issue of accumulation of unutilized ITC. The move is expected to provide much-needed relief to sectors that consistently operate under an inverted tax structure and face delays in realization of refunds.

Amendment in Section 54(14) of CGST Act: Removal of threshold limit for export refunds



Earlier Provision

Section 54(14) of CGST Act:

(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.

Amended Provision

Section 54(6) of CGST Act:

(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.

***Effective date to be Notified**

Amendment in Section 54(14) of CGST Act: Removal of threshold limit for export refunds



Tattvam Comments

- ✓ In line with the recommendations of the 56th GST Council Meeting, the amendment to Section 54(14) of the CGST Act, 2017 removes the minimum threshold limit for refund claims in cases of export of goods with payment of tax.
- ✓ This change ensures that small exporters, including those exporting goods through courier or postal mode, can claim refunds without being restricted by a minimum refund amount, thereby improving access to the refund mechanism and supporting ease of doing business.

Section 101A(1A) of CGST Act: Temporary Appellate Arrangement till Constitution of NAAAR



Earlier Provision

Section 101A of CGST Act:

Amended Provision

Section 101A of CGST Act:

"(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."

*Effective from 01.04.2026

Tattvam Comments

- ✓ Sub-section (1A) to Section 101A of the CGST Act has been proposed to be inserted in the CGST Act to address the prolonged absence of a functional National Appellate Authority for Advance Ruling ('NAA'). By virtue of insertion of said sub-section, the Central Government may empower an existing authority for hearing appeals made under Section 101B of the CGST Act (i.e. the appeals against conflicting advance rulings given by the Appellate Authority of two or more States) till the formal constitution of NAA.
- ✓ This follows the GST Council's 56th meeting recommendation to allow the Principal Bench of the GST Appellate Tribunal (GSTAT) to serve as NAA and provides an interim arrangement to hear advance ruling appeals efficiently until a dedicated authority is constituted.
- ✓ While the amendment has been proposed in the provisions pertaining to the constitution of the National Appellate Authority for Advance Ruling, corresponding amendment may also be required in the provisions pertaining to the constitution of the Appellate Tribunal.
- ✓ Earlier, similar amendment was made in the provisions pertaining to the constitution of the Appellate Tribunal to empower the Appellate Tribunal to examine or adjudicate the matters pertaining to anti-profiteering measures.

Earlier Provision	Amended Provision
<p><u>Section 28J of Custom Act:</u></p> <p>(1) <i>The advance ruling pronounced by the Authority under section 28-I shall be binding only -</i></p> <p>(a) <i>on the applicant who had sought it;</i></p> <p>(b) <i>in respect of any matter referred to in sub-section (2) of section 28H;</i></p> <p>(c) <i>on the Principal Commissioner of Customs or Commissioner of Customs, and the customs authorities subordinate to him, in respect of the applicant.</i></p> <p>(2) <i>The advance ruling referred to in sub-section (1) shall remain valid for three years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier:</i></p> <p><i>Provided that in respect of any advance ruling in force on the date on which the Finance Bill, 2022 receives the assent of the President, the said period of three years shall be reckoned from the date on which the said Finance Bill receives the assent of the President.</i></p>	<p><u>Section 28J of Custom Act:</u></p> <p>(1) The advance ruling pronounced by the Authority under section 28-I shall be binding only -</p> <p>(a) on the applicant who had sought it;</p> <p>(b) in respect of any matter referred to in sub-section (2) of section 28H;</p> <p>(c) on the Principal Commissioner of Customs or Commissioner of Customs, and the customs authorities subordinate to him, in respect of the applicant.</p> <p>(2) The advance ruling referred to in sub-section (1) shall remain valid for five years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier:</p> <p>Provided that in respect of any advance ruling in force on the date on which the Finance Bill, 2026 receives the assent of the President, the Authority shall, upon a request by the applicant, extend the validity for five years from the date of the ruling.</p>

Customs Amendments under Finance Bill, 2026

Earlier Provision	Amended Provision
<p><u>Section 28J of Custom Act:</u></p> <p>(1) <i>The advance ruling pronounced by the Authority under section 28-I shall be binding only -</i></p> <p>(a) <i>on the applicant who had sought it;</i></p> <p>(b) <i>in respect of any matter referred to in sub-section (2) of section 28H;</i></p> <p>(c) <i>on the Principal Commissioner of Customs or Commissioner of Customs, and the customs authorities subordinate to him, in respect of the applicant.</i></p> <p>(2) <i>The advance ruling referred to in sub-section (1) shall remain valid for three years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier:</i></p> <p><i>Provided that in respect of any advance ruling in force on the date on which the Finance Bill, 2022 receives the assent of the President, the said period of three years shall be reckoned from the date on which the said Finance Bill receives the assent of the President.</i></p>	<p><u>Section 28J of Custom Act:</u></p> <p>(1) The advance ruling pronounced by the Authority under section 28-I shall be binding only -</p> <p>(a) on the applicant who had sought it;</p> <p>(b) in respect of any matter referred to in sub-section (2) of section 28H;</p> <p>(c) on the Principal Commissioner of Customs or Commissioner of Customs, and the customs authorities subordinate to him, in respect of the applicant.</p> <p>(2) The advance ruling referred to in sub-section (1) shall remain valid for five years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier:</p> <p>Provided that in respect of any advance ruling in force on the date on which the Finance Bill, 2026 receives the assent of the President, the Authority shall, upon a request by the applicant, extend the validity for five years from the date of the ruling.</p>

Tattvam Comments

- ✓ The Finance Bill 2026 proposes a significant amendment to Section 28J(2) of the Customs Act, 1962, by extending the validity period of Advance Rulings from three years (a limit originally set by the Finance Act, 2022) to five years. Under this revised framework, a ruling remains effective for five years or until a change in the underlying law or facts occurs, whichever is earlier.
- ✓ Furthermore, a new proviso allows for rulings currently in force to be extended to a total period of five years from their original issuance date, provided the applicant submits a written request to the Authority.
- ✓ By providing a longer window of legal protection, this amendment aims to foster greater tax certainty, minimize litigation, and facilitate more robust long-term business planning for importers and exporters.

Earlier Provision

Section 67: Removal of goods from one warehouse to another

"The owner of any warehoused goods may, with the permission of the proper officer, remove them from one warehouse to another, subject to such conditions as may be prescribed for the due arrival of the warehoused goods at the warehouse to which removal is permitted."

Amended Provision

Section 67: Removal of goods from one warehouse to another

"The owner of any warehoused goods may, ~~with the permission of the proper officer,~~ remove them from one warehouse to another, subject to such conditions as may be prescribed ~~for the due arrival of the warehoused goods at the warehouse to which removal is permitted.~~"

Tattvam Comments

- ✓ The provisions allows warehoused goods owners to move them to another warehouse with proper officer permission, under conditions and procedures provided under Warehoused Goods (Removal) Regulations, 2016.
- ✓ The proposed section seeks to do away with the requirement of prior permission of the proper officer under the said section for removal of warehoused goods from one custom bonded warehouse to another.
- ✓ With the amendment to Section 67, the regulatory framework is expected to be updated to align with the new "operator-centric" system. This will likely involve replacing the manual approval mentioned in Rule 6 of the Warehouse (Custody and Handling of Goods) Regulations, 2016 with self-declarations and electronic tracking.

Amendment in Section 28(6) of Custom Act, 1962 w.r.t. penalty paid voluntarily under Section 28(5)



Earlier Provision

Section 28(6) of Custom Act:

(6) Where the importer or the exporter or the agent or the employee of the importer or the exporter, as the case may be, has paid duty with interest and penalty under sub-section (5), the proper officer shall determine the amount of duty or interest and on determination, if the proper officer is of the opinion-

- (i) that the duty with interest and penalty has been paid in full, then, the proceedings in respect of such person or other persons to whom the notice is served under sub-section (1) or subsection (4), shall, without prejudice to the provisions of sections 135, 135A and 140 be deemed to be conclusive as to the matters stated therein; or
- (ii) that the duty with interest and penalty that has been paid falls short of the amount actually payable, then the proper officer shall proceed to issue the notice as provided for in clause (a) of sub-section (1) in respect of such amount which falls short of the amount actually payable in the manner specified under that sub-section and the period of two years shall be computed from the date of receipt of information under sub-section (5).

Amended Provision

Section 28(6) of Custom Act:

(6) Where the importer or the exporter or the agent or the employee of the importer or the exporter, as the case may be, has paid duty with interest and penalty under sub-section (5), the proper officer shall determine the amount of duty or interest and on determination, if the proper officer is of the opinion-

- (i) that the duty with interest and penalty has been paid in full, then, the proceedings in respect of such person or other persons to whom the notice is served under sub-section (1) or subsection (4), shall, without prejudice to the provisions of sections 135, 135A and 140 be deemed to be conclusive as to the matters stated therein **and penalty so paid under sub-section (5), on determination under this sub-section, shall also be deemed to be a charge for non-payment of duty**; or
- (ii) that the duty with interest and penalty that has been paid falls short of the amount actually payable, then the proper officer shall proceed to issue the notice as provided for in clause (a) of sub-section (1) in respect of such amount which falls short of the amount actually payable in the manner specified under that sub-section and the period of two years shall be computed from the date of receipt of information under sub-section (5).

Tattvam Comments

- ✓ As per Section 28(5) of the Customs Act, allows voluntary payment of differential duty along with applicable interest and reduced penalty of 15%. Post the payment of such differential duty along with interest and said penalty in full, the proceedings are deemed to be concluded under Section 28(6)(i) of the Customs Act.
- ✓ Vide the Finance Bill, 2026, it is proposed to amend Section 28(6)(i) of the Customs Act by way of introducing a deeming fiction that the “penalty” paid under sub-section (5) of section 28 shall be deemed to be a “charge” for non-payment of duty.
- ✓ The proposed amendment introduces a facilitative mechanism for dispute resolution by enabling taxpayers to settle dues without the adverse stigma associated with the term “penalty”, which often implies wilful default even in cases of bona fide disputes or procedural lapses. The use of such terminology has resulted in unintended consequences, including reputational concerns, audit objections, and reluctance to opt for voluntary settlement. By shifting the focus from punitive characterization to revenue recovery, the amendment encourages timely compliance, reduces litigation, and aligns with the principles of ease of doing business and a trust-based, non-adversarial tax regime.
- ✓ The said amendment will not alter the quantum or timelines of payment but will re-characterise punitive nature of the penalty as a “charge” for non-payment of duty to mitigate unintended consequences. The reform will promote voluntary compliance.

One Time SEZ Faciliation for DTA sales on Concessional Rates

To address capacity underutilisation in Special Economic Zones (SEZ) arising due to global trade disruptions, the Budget proposes a one-time measure permitting eligible manufacturing units in SEZs to sell a prescribed proportion of their output into the Domestic Tariff Area (DTA) at concessional rates of duty, subject to regulatory safeguards to ensure a level playing field for domestic producers. The quantity of such sales will be limited to a prescribed proportion of their exports.

Traditionally, SEZ units have been permitted to sell goods into the DTA only upon payment of full applicable duties. At present, many firms find it more cost-effective to import from overseas facilities than to source from Indian SEZs. The proposed measure seeks to reverse this trend.

Similar duty-foregone domestic sales are already permitted in several countries with successful SEZ models. Thus, the present proposal aims to utilise idle capacity within SEZs to generate employment, encourage capacity expansion, and attract fresh investment, while retaining the requirement for SEZs.

Customs Duty Exemptions

A comprehensive review of existing Customs duty exemption notifications has been undertaken with the objectives of rationalizing exemptions, withdrawing benefits for goods that are domestically manufactured and simplifying the determination of applicable duty rates.

In this regard, following amendments are proposed:

- ✓ Extension of 102 exemptions/concessional rates for a defined period of 2 years upto March 31, 2028.
- ✓ 22 Exemptions/concessional rates benefit are allowed to lapse on their end dates of March 31, 2026.
- ✓ 14 unconditional exemptions (including 5 redundant exemption entries) are being lapsed, effective from February 02, 2026.
- ✓ Removal of Sunset clause from 3 unconditional exemption entries, thereby, continuing these benefits on an ongoing basis.
- ✓ New Sunset clause is being prescribed for 4 conditional exemption entries.

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Thank You

