

# GST Amendments – Easing Compliance & Restoring Certainty

## BUDGET PROPOSAL

The Union Budget 2026 proposes a set of amendments under the GST law which are aimed at easing compliance, improving cashflow, and positioning statutory provisions with standard business practices and judicial precedents. The proposals include:

- **Post-sale discounts:** Sections 15(3) of the CGST Act is proposed to be amended to remove the requirement to detach post-sale discounts with a pre-supply agreement and linkage of credit notes to specific invoices. Consequential amendments also proposed for credit notes and input tax credit (ITC).
- **Provisional refunds for inverted duty structure (IDS):** Section 54(6) of the CGST Act is proposed to be amended to extend the benefit of provisional refund to refunds arising on account of IDS, thereby granting statutory backing to provisional refund of such claims.
- **National Appellate Authority for Advance Rulings:** A new sub-section is proposed to be inserted in Section 101A to empower the Central Government to notify an existing Tribunal to hear appeals under Section 101B of the CGST Act, pending constitution of the National Appellate Authority for Advance Rulings. This amendment will take effect from 1 April 2026.
- **Intermediary services:** Clause (b) of Section 13(8) of the IGST Act is proposed to be omitted, thereby providing that the place of supply for intermediary services shall be determined in accordance with the default rule under Section 13(2) of the IGST Act.

## IMPACT

- **Alignment with commercial practices:** Allowing post-sale discounts without insisting on a pre-existing contract or invoice-wise linkage and recognising such discounts through credit notes issued under Section 34 (with corresponding ITC reversal by the recipient), brings GST valuation closer to commercial practice.
- **Improved liquidity for businesses:** Statutory extension of grant of 90% refund on provisional basis to IDC is expected to significantly ease working capital constraints for businesses operating under structurally inverted rate regimes.
- **Continuity in advance ruling mechanism:** Interim empowerment of an appellate authority ensures continuity in dispute resolution and avoids prolonged uncertainty caused by conflicting state-level advance rulings.
- **Reduced litigation on qualification as intermediary:** Removal of the intermediary place-of-supply fiction is expected to restore export status to several cross-border service models and substantially reduce litigation in this area.

## ELP's INSIGHTS

The amendments relating to post-sale discounts correct a long-standing interpretational issue where benefits were denied purely due to absence of pre-supply agreements or invoice-wise linkage. This position had resulted in adverse rulings such as **MRF Ltd.** and **Vedmutha Electricals India Pvt. Ltd.**, where technical non-compliance with Section 15(3)(b) was used to deny valuation adjustment or triggered ITC disputes.

The amendment realigns the law with settled commercial and accounting practices by anchoring recognition of discounts to issuance of GST credit notes.

Granting statutory recognition to provisional refunds for inverted duty structure addresses persistent industry concerns regarding cash-flow blockage and converts what was earlier an administrative concession into a legal entitlement. This change brings parity between different categories of refund claims and reinforces the objective of timely refund under GST.

The amendment concerning the advance ruling appellate mechanism reflects a pragmatic solution to an institutional gap.

The omission of Section 13(8)(b) of the IGST Act is a significant course correction.

Courts have consistently rejected an over-expansive interpretation of “intermediary services” in cases such as ***Ernst & Young Ltd., Global Opportunities Pvt. Ltd., T.C. Global India Pvt. Ltd., Informatica Business Solutions Pvt. Ltd. and KC Overseas Education Pvt. Ltd.***, where denial of export benefits was held to be unsustainable. The amendment is expected to substantially reduce litigation and restore export benefits that were otherwise denied despite favourable judicial outcomes.

Overall, the GST changes in Budget 2026 reinforce the original design of GST as a destination-based, consumption-oriented tax, reduce avoidable disputes, and enhance India’s credibility as a predictable tax jurisdiction for domestic and cross-border business operations.