

Contents – Amendments May 2026 (1.7.25 to 31.10.25)

<i>Supply</i> _____	2
<i>Time of Supply, Value, RCM and ECO, Exemptions</i> _____	3
<i>Input Tax Credit</i> _____	6
<i>Invoice, Returns</i> _____	8

Supply

1. Definition of local authority

- Local authority” means—
 - (a) a “Panchayat” as defined in clause (d) of article 243 of the Constitution;
 - (b) a “Municipality” as defined in clause (e) of article 243P of the Constitution;
 - (c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a **municipal fund or local fund**;

Explanation.—For the purposes of this sub-clause—

(a) “local fund” means any fund under the control or management of an authority of a local self-government established for discharging civic functions in relation to a Panchayat area and vested by law with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called;

(b) “municipal fund” means any fund under the control or management of an authority of a local self-government established for discharging civic functions in relation to a Metropolitan area or Municipal area and vested by law with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called;’;

Time of Supply, Value, RCM and ECO, Exemptions

1. TOS for Vouchers deleted

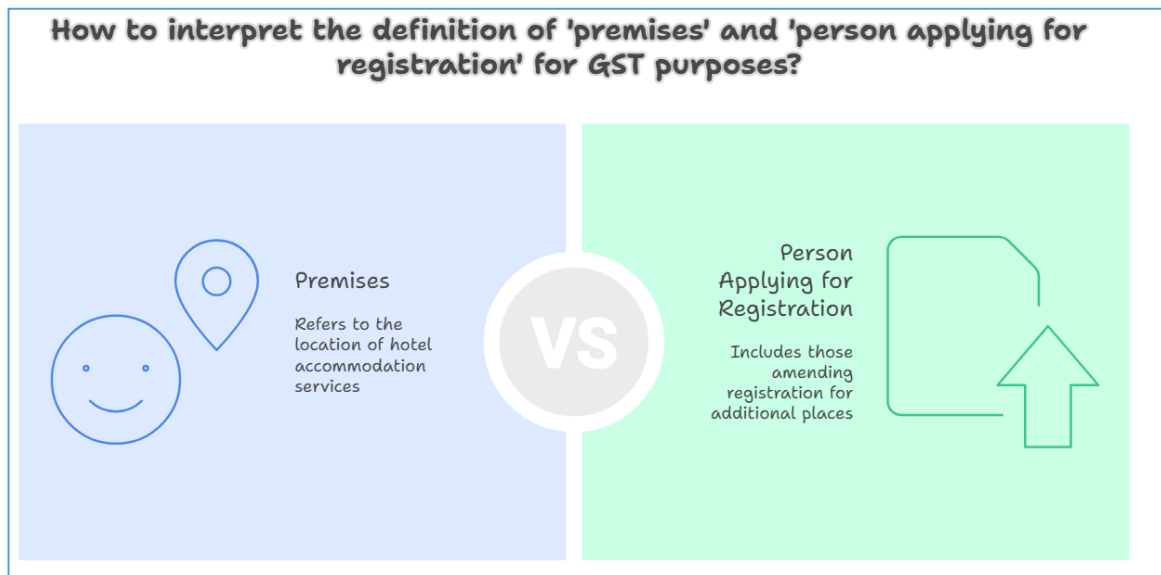
- Time of supply for vouchers stands deleted.

2. Definition of Specified Premise relevant to decide applicability of 9(5) is changed – Effective from 1.4.2025 – This is not included in Jan 2026 and May 2026 statutory update of ICAI

- “Specified premises”, for a financial year, means,- (a) a premises from where the **supplier has provided in the preceding financial year, ‘hotel accommodation’ service having the value of supply of any unit of accommodation above ₹7,500 per unit per day or equivalent; or** (b) a premises for which a **registered person** supplying ‘hotel accommodation’ service has **filed a declaration, on or after the 1st of January and not later than 31st of March of the preceding financial year, declaring the said premises to be a specified premises; or** (c) a premises for which a person **applying for registration has filed a declaration, within fifteen days of obtaining acknowledgement for the registration application, declaring the said premises to be a specified premises;**”;

Explanation 1.- For the purposes of this clause, ‘premises’ means a place from where hotel accommodation services are being supplied or are to be supplied.

Explanation 2.- For the purpose of sub-clause (c), the expression ‘a person applying for registration’ shall include a person applying for amendment of registration to declare an additional place of business.



3. Section 9(5) – Additional Entry

- Services by way of local delivery except where the person supplying such services through electronic commerce operator is liable for registration under section 22(1) of CGST Act 2017.

4. Exemption Entry changes

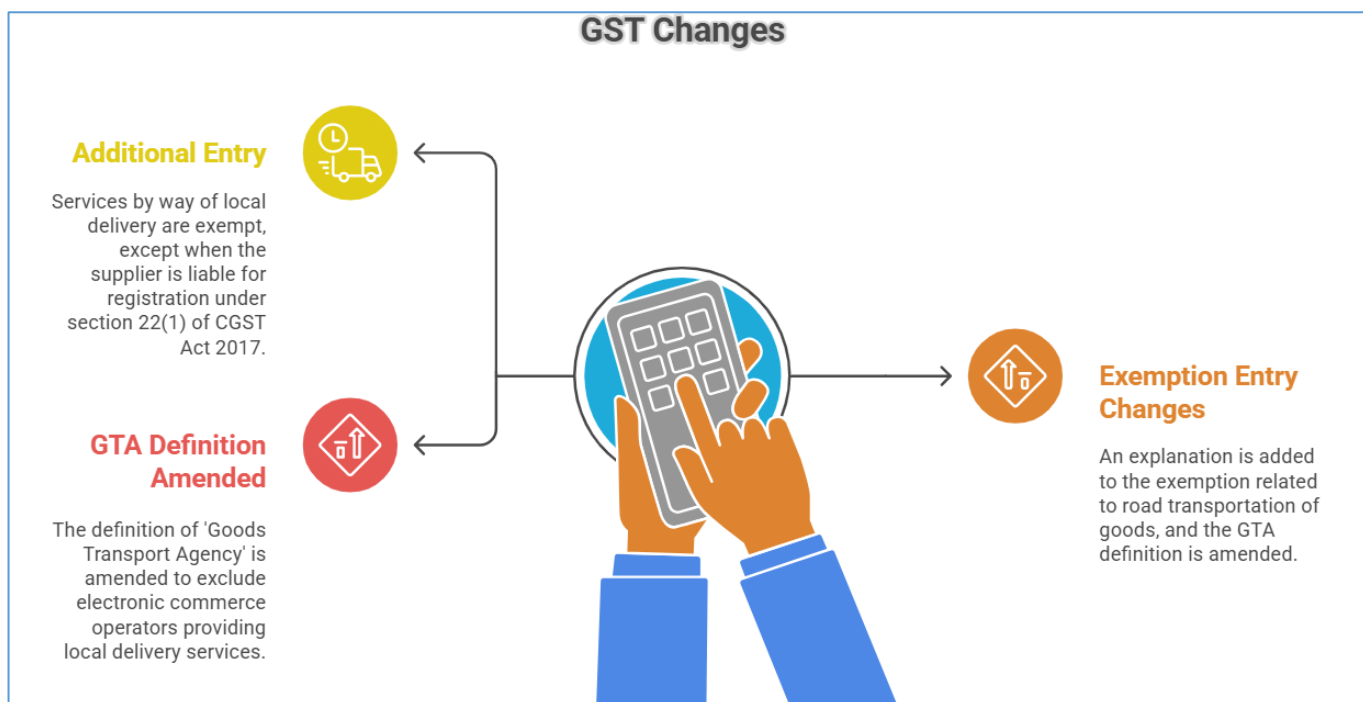
- An explanation is added in the exemption related to transportation of goods by road and GTA definition stands amended

Entry - “Services by way of transportation of goods by road except the services of goods transportation agency or courier agency

Explanation Added - Nothing contained in this entry shall apply to: (i) local delivery services provided by an Electronic Commerce Operator; or (ii) local delivery services provided through an Electronic Commerce Operator

Definition of GTA amended - ‘Goods Transport Agency’ **means** any person who provides service in relation to transport of goods by road and issues a consignment note by whatever name called, but does **not** include

- (i) electronic commerce operator by whom services of local delivery are provided;
- (ii) electronic commerce operator through whom services of local delivery are provided



- Services of **life insurance** business provided by an insurer to the insured, where the insured is **not** a group.

Explanation: For the removal of doubts, it is hereby clarified that:

- This exemption shall apply to a contract of insurance where the insured is an individual, or an individual and family of the said individual.
- For the purposes of (a) above, family shall include all individuals insured as family in the contract of insurance.

- Services of **health insurance** business provided by an insurer to the insured, where the insured is **not** a group.

Explanation: For the removal of doubts, it is hereby clarified that:

- This exemption shall apply to a contract of insurance where the insured is an individual, or an individual and family of the said individual.
- For the purposes of (a) above, family shall include all individuals insured as family in the contract of insurance.

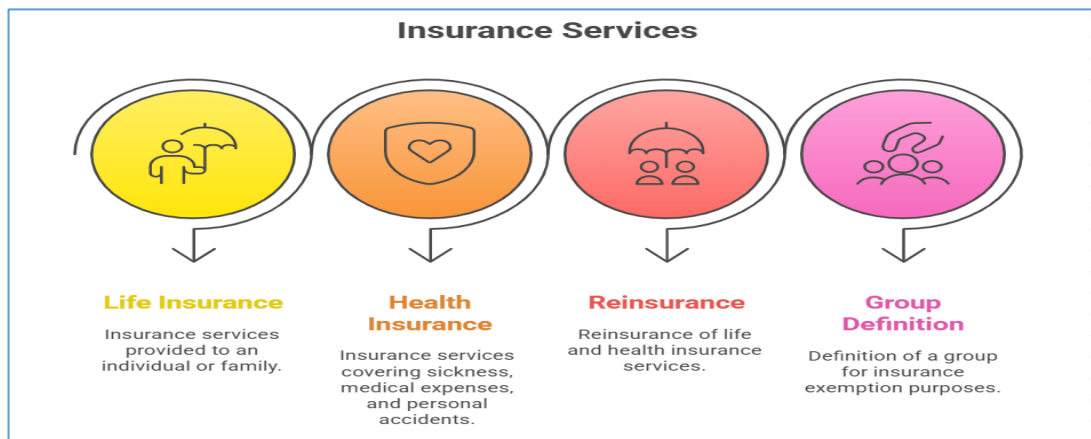
“Health insurance business’ means the effecting of contracts which **provide for sickness benefits or medical, surgical or hospital expense benefits**, whether in-patient or out-patient, travel cover and personal accident cover;

- Reinsurance of the above two insurance services are also exempted.

The definition of Group for the above insurance exemption entries is as follows:

‘**Group**’ means group of persons who join together with a commonality of purpose or for engaging in a common economic activity, other than availing insurance, and includes:

- Employer– employee groups, where an employer-employee relationship exists between the master/group policyholder and the members of the group in accordance with the applicable laws;
- Non employer– employee groups, where a clearly evident relationship exists between the master/group policyholder and the members of the group, for services/ activities other than insurance



Input Tax Credit

1. Section 17(5) - Plant or Machinery replaced with Plant and Machinery

- In clause (d), the term “or” is replaced by “and” which now reads as provided below:

“Goods or services or both received by a taxable person for construction of an immovable property (other than “plant and machinery”) on his own account including when such goods or services or both are used in the course or furtherance of business.”

- For the purposes of clause (d), it is hereby clarified that notwithstanding anything to the contrary contained in any judgment, decree or order of any court, tribunal, or other authority, any reference to “plant or machinery” shall be construed and shall always be deemed to have been construed as a reference to “plant and machinery

2. Circular number 251/8/2025 dated September 12, 2025 - Clarification on Treatment of Secondary or Post-Sale Discounts Under GST

- **Issue:** Representations were received from the industry seeking **clarification on the GST treatment of secondary or post-sale discounts**, particularly regarding **input tax credit (ITC) entitlement**, whether such discounts form part of **consideration**, and if they can be linked to **promotional activities** undertaken by dealers.

- **Clarification:**

A) Input Tax Credit on Discounts through Credit Notes: Under **Section 16(1) of the CGST Act, 2017**, recipients are entitled to claim ITC on supplies used in the course of business. It has been clarified (Circular No. 92/11/2019-GST dated 07.03.2019) that when suppliers issue **financial or commercial credit notes**, they cannot reduce their original tax liability. Since the **transaction value and tax liability remain unchanged**, the **recipient is not required to reverse ITC¹** attributable to the discount.

B) Post-Sale Discounts and Consideration: As per **Section 2(31) of the CGST Act, 2017**, consideration includes the monetary value of inducements for a supply. However, in the absence of an agreement between the manufacturer and end customer, sales from the manufacturer to dealer and dealer to end customer are **independent, principal-to-principal transactions**. Post-sale discounts in such cases are merely **price reductions to promote sales** and **do not constitute consideration**. Conversely, if the **manufacturer has an agreement with the end customer** for supplying goods at a discounted price, then the **discount extended to the dealer enabling such supply shall form part of consideration**, being in the nature of inducement.

C) Discounts and Promotional Activities: Post-sale discounts given by manufacturers to dealers are not to be treated as **consideration for promotional activities**, since these activities ultimately **boost the dealer’s own sales**. However, if a dealer performs **specific promotional services** such

¹ It may be noted that detailed provisions pertaining to reversal of input tax credit are outside the scope of syllabus at Intermediate Level.

as advertising campaigns, co-branding, customization, sales drives, exhibitions, or customer support services under an agreement with defined consideration, then such services qualify as an independent supply and GST will be applicable.

GST on Discounts



Credit Notes

Recipients can claim ITC on supplies used in business. Financial or commercial credit notes do not reduce original tax liability.



Post-Sale Discounts

Post-sale discounts are price reductions to promote sales and do not constitute consideration. If the manufacturer has an agreement with the end customer, the discount is part of consideration.



Promotional Activities

Post-sale discounts are not consideration for promotional activities. Specific promotional services under an agreement qualify as an independent supply and GST will be applicable.

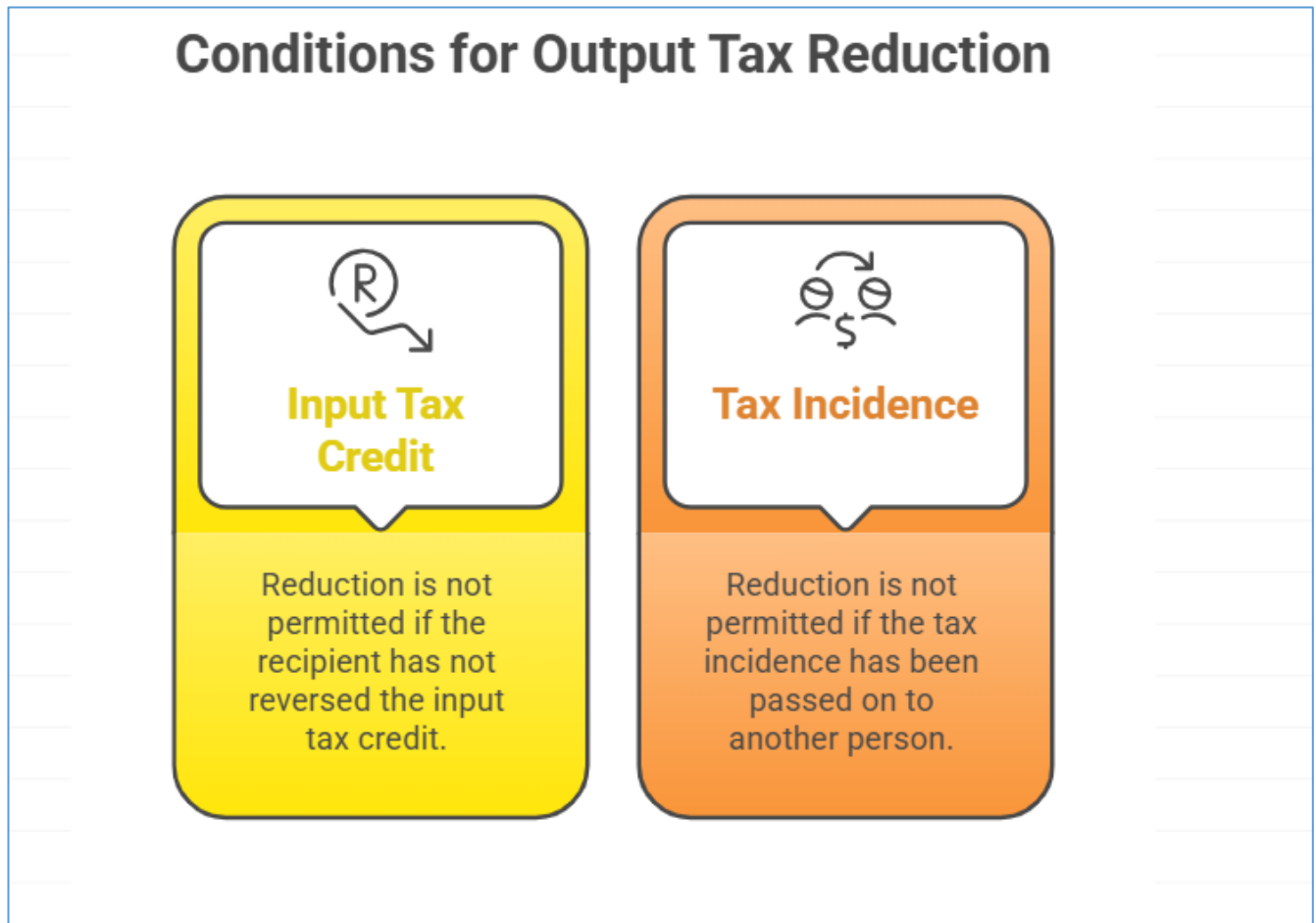
Invoice, Returns

1. Section 34 – Credit Note – A proviso is added

“Provided that **no reduction in output tax liability** of the supplier shall be permitted, **if the**

(i) **input tax credit** as is attributable to such a credit note, if availed, **has not been reversed** by the recipient, where such recipient is a registered person; or

(ii) **incidence of tax on such supply has been passed on to any other person, in other cases.”**



2. No Annual return if the aggregate turnover is upto 2 crores from FY 24-25 onwards.

3. Section 38 – GSTR 2B – Auto generated statement replaced by statement

- The term” auto generated statement” is replaced by “statement”.
- Further, the provisions of section 38 is amended to provide that the statement may include **such other details as may be prescribed.**