GST AMENDMENTS FOR MAY, 2026/ JUNE, 2026

CA & CMA FINAL

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(Amendments notified and effective between 1st May, 2025 to 31st October, 2025)

AMENDMENTS INDEX

SUPPLY UNDER GST

Insertion of New Entry in Schedule III [S. 133 of FA 2025 r/w NN 16/2025 – CT]

Section 133 of the Finance Act, 2025 amends Schedule III of the CGST Act, 2017 to insert a new clause (aa) after paragraph 8, retrospectively from 1 July 2017. It states that the ***supply of goods warehoused in a Special Economic Zone (SEZ) or Free Trade Warehousing Zone (FTWZ) to any person before their clearance for export or sale into the Domestic Tariff Area (DTA) will not be treated as a supply under GST.***

Impact & Analysis:
Earlier, there was confusion if goods stored in SEZ or FTWZ were sold to another buyer while still inside the zone, tax officers sometimes treated it as a "supply" and levied GST, even though the goods hadn't actually entered the Indian market. This caused double taxation and blocked working capital for traders.

The amendment removes this doubt by confirming that no GST applies on such intra-SEZ or pre-export transfers. Tax will apply only when goods are finally cleared into DTA or exported.

Example:
Suppose a company imports goods and stores them in an FTWZ in Mumbai. Before exporting them, it sells those goods to another exporter within the same FTWZ.

Earlier: This sale could be taxed as a "supply."
Now (after amendment): It is not a supply, and no GST is payable until the goods leave the FTWZ for export or DTA clearance.

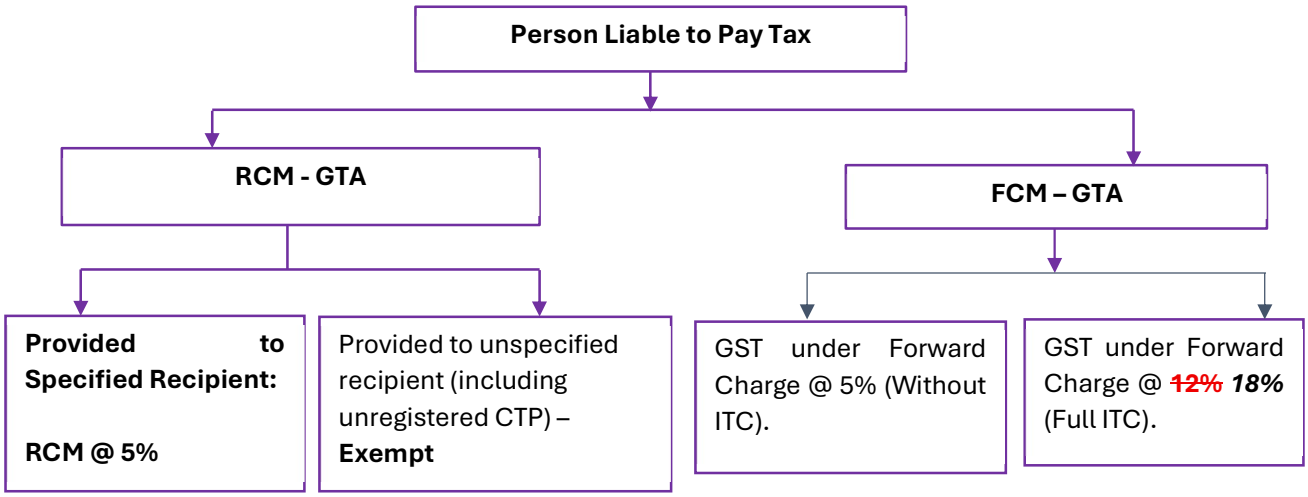
In short, Section 133 retrospectively ensures that transactions inside SEZ/FTWZ before final clearance are non-taxable, bringing GST law in line with customs principles and reducing compliance disputes.

Section 134 – Validation Clause (No Refund of Past Tax)

Though Section 133 applies retrospectively, Section 134 says no refund will be given for any tax already collected before this change. If someone paid GST earlier on SEZ warehouse movements (thinking it was a supply), they can't claim that refund now.

CHARGE OF GST

Change in GST rate for FCM for GTA Services [NN 15/2025- IT (R) & CT(R)]



- Earlier the rate of tax for GTA services under FCM Option was 12% with full ITC (to supplier). However, w.e.f. 22nd September, 2025; the rate of tax has been amended to 18% with full ITC.

Change in Definition of GTA

"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.

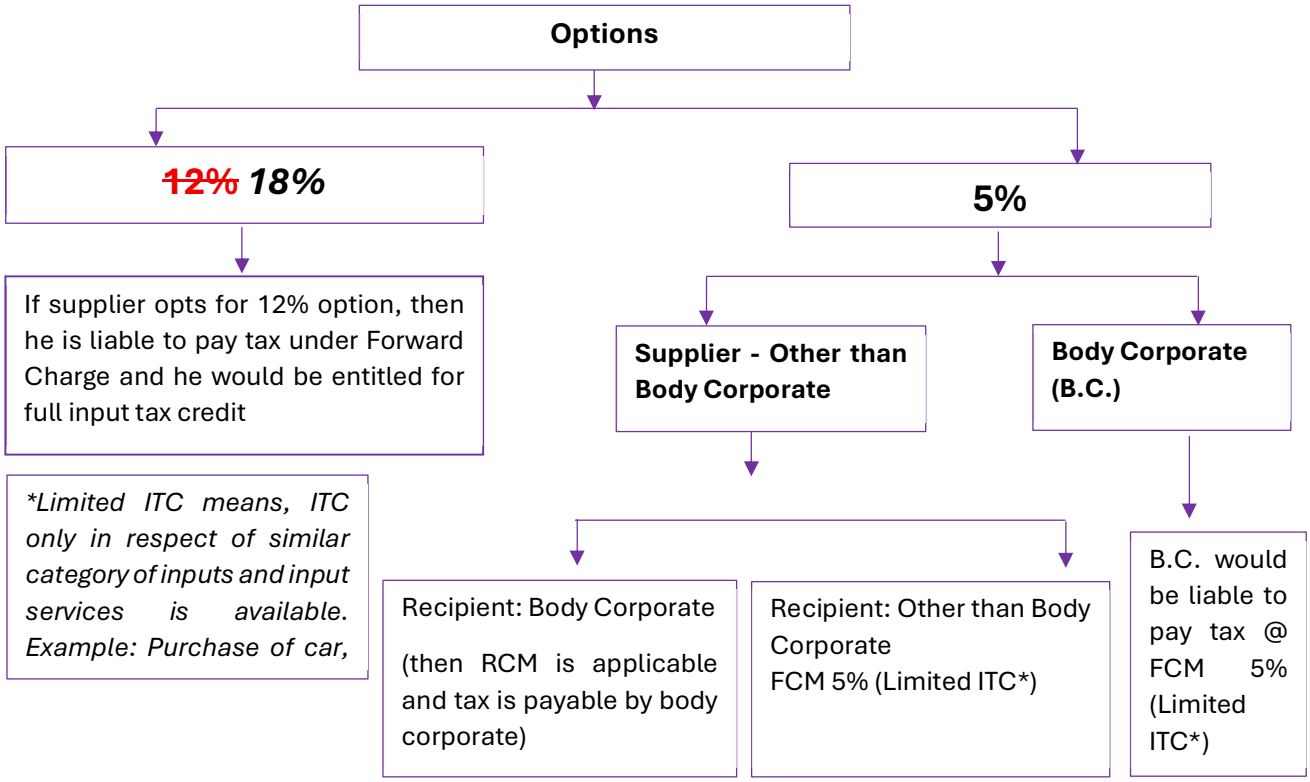
- **Impact & Analysis of Amendment:**
  - Earlier, the goods transport services provided by e-commerce operators like Porter, used to fall in the purview of RCM.
  - However, now such ECO are no longer treated as GTA, thus, now they will be liable to charge GST on their services.

  - The difference in both the wordings is in (i) it is "by whom" means ECO itself is delivery service provider (example – WeFast), however, in (ii) it is "through whom" means using ECO platform, supplier provides services (Example – Porter)

Insertion of New Entry in Section 9(5) & 5(5) i.e., Services on which ECO is liable to Pay Tax. [NN 17/2025 – CT(R), IT(R)]

Services by way of local delivery except where the person supplying such services through electronic commerce operator is liable for registration 22(1) of CGST Act, 2017. Thus, if supplier is liable, he shall be liable to pay tax, otherwise ECO.

Change in GST rate for FCM for Renting of Motor Vehicle Services [NN 15/2025- IT (R) & CT(R)]



TIME OF SUPPLY

Omission of Section 12(4) – Vouchers [Section 122 & 123 of FA 2025 r/w NN 16/2025 – CT]

Section 12(4) & 13(4) of the CGST Act, which dealt with determining the time of supply in case of vouchers (goods and services), has been omitted.

VALUE OF SUPPLY

Restriction on issuance of GST Credit Notes [S. 126 of FA 2025 – Section 34 of CGST Act]

Before: A supplier could issue a credit note for discounts, returns, or corrections and reduce output tax. There was no clear condition ensuring that the buyer reversed ITC first.
Now: The amendment clearly says the supplier cannot reduce tax liability through a credit note if:

- The recipient (if registered) has not reversed the related ITC, or
- The tax burden has been passed on to another person.

Meaning: Earlier, both supplier and recipient could accidentally (or intentionally) benefit supplier reducing tax, while recipient keeping ITC. Now, reduction is allowed only after buyer reverses the ITC.

Impact: Prevents double advantage and aligns supplier's credit notes with recipient's reversals. GST portal may link credit note adjustments with ITC reversals automatically.

Post Supply Discount Treatment [Circular No. 251/08/2025-GST dated 12 September 2025]

Dealers and manufacturers often give post-sale or secondary discounts after the original sale. The confusion was whether such discounts reduce tax liability, affect input tax credit (ITC), or are treated as separate consideration for services. This circular clarifies the GST treatment for such cases to ensure uniform practice across the country.

Issue 1 – Supplier issues financial or commercial credit note

When the supplier issues a financial or commercial credit note (not a GST credit note), he cannot reduce his original tax liability because it is not linked to any actual reduction in transaction value under Section 15. Since the supplier's tax remains unchanged, the recipient's ITC also remains unaffected.

Example 1:

Company A sells goods to Dealer B for ₹1,00,000 plus ₹18,000 GST. Later, A grants a ₹10,000 financial credit note as a year-end incentive.

A cannot reduce his output tax liability because the transaction value has not changed under GST law.
B continues to claim the full ITC of ₹18,000 because the GST shown on the original invoice remains valid.

Situation 2 – Post-sale discount linked to price offered to end customer

If a manufacturer instructs its dealer to sell goods to the end customer at a reduced price and later reimburses that discount, it becomes a part of the dealer's sale consideration. The discount is effectively a price subsidy funded by the manufacturer and hence taxable as part of the dealer's supply.

Example 2:
Manufacturer M sells goods to Dealer D for ₹10,000 plus GST. M asks D to sell to the customer at ₹9,000 and agrees to pay D ₹1,000 as compensation. The total consideration for D's sale to the customer becomes ₹10,000. GST is payable on the full ₹10,000.

Situation 3 – Post-sale discount involving promotional activities

If a manufacturer provides post-sale discounts simply to encourage higher sales and the dealer's promotional efforts are incidental, it is not treated as a separate supply of service. However, if the dealer undertakes specific promotional or advertising work for the manufacturer under an agreement, it becomes a separate taxable supply of service for which GST must be charged.

Example 3:
Case A: Manufacturer M offers a discount to Dealer D for achieving a sales target. D displays M's products in his shop and uses his own resources for general promotion. The discount is a trade incentive and not a separate service, so no additional GST applies.

Case B: M enters into an agreement with D under which D conducts an advertising campaign for M's products and M pays ₹50,000 for this activity. Here, D is providing a defined marketing service to M. GST applies on ₹50,000 as a taxable service rendered by D to M.

INPUT TAX CREDIT

Nullifying Safari Retreats by amending law retrospectively [Section 124 of FA 2025 r/w NN 16/2025 – CT]

The amendment replaces the words "plant or machinery" with "plant and machinery" in Section 17(5)(d) of the CGST Act, retrospectively from 1 July 2017, and adds Explanation 2 clarifying that this meaning applies despite any court rulings to the contrary.

This change directly nullifies the Orissa High Court's decision in *Safari Retreats Pvt. Ltd. v. Chief Commissioner of CGST (2019), which had allowed ITC on buildings used for renting. The amendment makes it clear that input tax credit is not available on construction of immovable property, even if it is used for business, and that the only exception is for genuine "plant and machinery."

In short, it retrospectively blocks ITC on building construction and ensures that "plant and machinery" is interpreted narrowly, closing the door on claims based on the Safari Retreats judgment.

While the amendment clarifies the law, it has drawn criticism for being retrospective and effectively overruling a judicial interpretation in favour of taxpayers. This seems unfair by the government, since it penalizes businesses that claimed ITC in good faith based on the Safari Retreats ruling and undermines trust in judicial system.

EXEMPTIONS UNDER GST

Local Delivery through ECO – Taxable [NN 16 /2025-CT(R)/IT(R)]

Services by way of transportation of goods—
(a) by road except the services of —
  (i) a goods transportation agency;
  (ii) a courier agency;
(b) by inland waterways.

are exempt

Explanation - 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

Impact & Analysis of Amendment:

Earlier, if porter (considered as GTA) was booked by personal household, it used to become exempt. As specified GTA to unspecified recipient was exempt, however now, it shall become taxable.

New Exemptions Introduced [NN 16 /2025 – CT(R), IT(R)]

Entry 36C: 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:
a. This exemption shall apply to a contract of insurance where the insured is an individual, or an individual and family of the said individual.
b. For the purposes of (a) above, family shall include all individuals insured as family in the contract of insurance.

Entry 36D: 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:

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

Entry 36E: Reinsurance of the insurance services specified in serial numbers 36C or 36D.

Meaning of "Group": For the purposes of entries at serial numbers 36C and 36D in the table above, '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:

(a) 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;
(b) 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.

Impact & Analysis:
The GST law distinguishes between individual life insurance policies and group insurance policies through Entry 36C and the accompanying explanation. The primary purpose behind this legislative design is to promote and protect the interests of individual policyholders, while ensuring that commercial or institutional insurance arrangements remain within the tax net.

The law exempts life insurance only when it is truly personal in nature. When insurance is provided to a group whether employer-employee or otherwise it is treated as a commercial service and taxed accordingly. This balances social welfare objectives with the principle of taxing organized commercial transactions.

REFUNDS UNDER GST

Amendment in Rule 91 (2) – Provisional Refund [NN 13/2025–Central Tax]

91(2). The proper officer, on the basis of identification and evaluation of risk by the system, shall make an order in FORM GST RFD-04, within 7 days from the date of the acknowledgement under Rule 90(1) / 90(2)

However, the proper officer, for reasons to be recorded in writing, may not grant refund on provisional basis and proceed with the order under rule 92

Further that the order issued in FORM GST RFD-04 shall not be required to be revalidated by the proper officer.

Impact & Analysis:
Before Amendment (Old Rule 91(2))

- Earlier, under Rule 91(2), the process of granting provisional refund was largely manual and depended on the discretion of the proper officer. The officer had to examine refund applications, verify documents, and issue the provisional refund order in FORM GST RFD-04.

- There was no fixed time limit within which the order had to be issued, so delays were common. Further, if the refund was not disbursed promptly for example, if payment crossed a financial year or was delayed by the system the order had to be revalidated, meaning the officer had to approve it again before payment could be released. This manual revalidation process caused duplication, administrative burden, and significant delays in refund release, affecting taxpayers' cash flow.

After Amendment (Effective 1 October 2025)

- The amended Rule 91(2) has introduced a risk-based system-driven mechanism for sanctioning provisional refunds. Now, the proper officer will issue the provisional refund order in FORM GST RFD-04 on the basis of identification and evaluation of risk by the system, and this must be done within seven days from the date of acknowledgement of the refund application. Low-risk refund claims such as those from compliant taxpayers will be processed swiftly, while high-risk cases may be held back for detailed verification under Rule 92.

- Additionally, the amendment has completely removed the need for revalidation of the refund order. Once RFD-04 is issued, it remains valid until payment is made, even if there is a delay. This makes the refund process faster, more transparent, and less dependent on manual re-approvals by officers.

APPEALS AND REVISIONS

Insertion of Rule 110A [NN 13/2025–Central Tax]

Rule 110A explains how appeals will be sent to or taken back from Single-Member Benches, as it allows quick disposal of simple, low-value, factual cases, while ensuring that complex, legal, or high-value cases stay with a two-member bench for consistency and fairness.

110A (1): When a case can go to a Single Member Bench

- The President (or Vice-President, if authorised) can check any appeal either on their own or on request by the parties.
- If the appeal does not involve a question of law (that is, it's only about facts or figures), it can be transferred to a Single Member Bench within that State to be heard faster.

Crux: Small ***or*** factual cases can be heard by one member instead of two, to save time.

110A (2): If the Single Member finds a legal question later

- If, during the hearing, the Single Member feels that the case actually involves a legal issue, they must write down the reasons and send the case back to the President or Vice-President for re-allocation.

Crux: If it turns out the case is about law, the Single Member cannot decide it and must return it for hearing by a larger bench.

110A (3): Same issue already decided by a Division Bench

- While deciding whether to send a case to a Single Member, it must be checked whether the same person and same issue (for same or different tax period) has already been decided by a two-member (Judicial + Technical) Bench.
- If such a case exists, the new appeal must also be heard by a two-member Bench.

Crux: If that taxpayer's issue has ever been decided by a full bench earlier, the same type of case must again go to a full bench to keep consistency.

110A (4): ₹50-lakh limit for Single Member Bench

- To check if a case qualifies for a Single Member Bench [as per Section 109(8)], the total amount of tax, ITC, fine, fee, and penalty involved in the appeal order must be added together for all issues and all tax periods.

- If the total exceeds ₹50 lakh, the case cannot be heard by a Single Member.

Crux: The ₹50 lakh limit is counted on the full amount of dispute in that order not issue-wise or year-wise.

Substituted Rule 113(2) [NN 13/2025–Central Tax]

Amended 113(2): The Appellate Tribunal shall, along with its order under 113(1), issue, or cause to be issued, a summary of the order in FORM GST APL-04A clearly indicating the final amount of demand confirmed by the Appellate Tribunal.

Impact & Analysis:

- Rule 113 of the CGST Rules lays down how the GST Appellate Tribunal's orders are to be recorded and communicated after an appeal is decided. It ensures that the final outcome of every appeal is properly documented for both the taxpayer and the department.

- Before the amendment, the Tribunal only issued its main order without any standard summary. Officers had to read the full judgment to determine how much tax, interest, or penalty was finally confirmed, which often caused confusion, delay, and mistakes in updating records or starting recovery.

- After the amendment, effective from 1 October 2025, the Tribunal must issue a summary of its order in FORM GST APL-04A, clearly showing the exact amount of demand confirmed, including tax, interest, penalty, fine, or input tax credit. This summary will accompany every Tribunal order and may also be generated automatically through the Tribunal's system.

- The change brings clarity and uniformity. Tax officers can directly use the summary to update the electronic liability register, and taxpayers get immediate clarity on their final payable amount. It also supports automation and faster post-appeal processing.

- Overall, the process has moved from a manual and interpretative system to a structured and system-based approach. Each Tribunal order will now carry a clear, standardized summary of the confirmed demand, improving transparency, speed, and accuracy in GST appeal proceedings.

Amendment in Rule 110 – Procedure for Filing Appeal before GSTAT [NN 13/2025–Central Tax]

Rule 110 of the CGST Rules deals with the procedure for filing appeals before the GST Appellate Tribunal and how acknowledgements are issued. Earlier, appeals were supposed to be filed electronically, but since the Tribunal's online system was not fully ready, two provisos were added temporarily. These provisos allowed manual filing of appeals and manual issue of acknowledgements until the digital system became functional.

The first proviso (under sub-rule 1) allowed physical filing of the appeal and manual provisional acknowledgement.

The second proviso (under sub-rule 2) said that if the appeal was filed manually, the final acknowledgement could also be issued manually. These were only stop-gap measures meant for the transition period.

Amendment **removes both these provisos** and **shifts the process to a fully electronic system.** It introduces a new FORM GST APL-02A, which replaces the earlier FORM APL-02. This new form has two parts:

Part A – issued immediately after filing as the provisional acknowledgement; and
Part B – issued later as the final acknowledgement once the appeal is checked and accepted.

By creating this two-part electronic form and deleting the manual provisions, the amendment makes the appeal filing process completely digital, quicker, and easier to track. In short, manual filing is no longer allowed, and appeals before the Tribunal will now follow a two-step online acknowledgement process through FORM APL-02A (Part A and Part B), ensuring speed, clarity, and transparency.

Pre-deposit for filing penalty appeals [Section 129 of FA 2025 –Section 107 (Appeal to Appellate Authority)]

Before: To file an appeal against an order involving tax and penalty, one had to pre-deposit 10% of disputed tax & in case of penalty appeal for section 129, 10% of penalty.

Now: If the order demands only penalty even other than section 129 (no tax), the appellant must pre-deposit 10% of the penalty amount before filing an appeal.

Section 130 – Amendment to Section 112 (Appeal to Appellate Tribunal)

Before the amendment, a pre-deposit was required only when an appeal involved disputed tax. There was no clear rule for cases where the order contained only a penalty and no tax demand. The amendment now adds a proviso that, in cases where the appeal relates only to a **penalty (without any tax)**, the appellant must **pre-deposit 10% of the penalty amount** before filing the appeal to the GST Appellate Tribunal.

Meaning: This brings consistency with first-stage appeals (Section 107). Even if only a penalty is imposed, a part of it must be paid upfront before filing the appeal.

Impact: Prevents misuse of the appeal process for penalty-only cases and ensures that only genuine appeals reach the Tribunal.

RETURNS UNDER GST

Annual Return Exemption [NN 15/2025 – Central Tax]

Registered persons having an aggregate turnover of up to ₹2 crore shall not be required to file GSTR-9 [9C will not be applicable anyways]

Flexibility in generation of 2A & 2B [S. 127 of FA 2025 – S. 38 of CGST Act]

Before: Section 38 mentioned an "auto-generated statement" (like GSTR-2A/2B) showing details of inward supplies to recipients.

Now: The term changed to just "a statement", and new flexibility is given to include additional details as prescribed.

Meaning: The law now gives the Government power to redesign how inward supply details are shown not necessarily auto-generated; could be rule-based or customized.

Impact: Enables future return system upgrades — e.g., merging GSTR-2B with reconciliation tools, or adding supplier-risk indicators.

Restricting filing of 3B [Section 128 of FA 2025 – S. 39 of CGST Act (Return Filing)]

Before: Section 39 required filing of GSTR-3B "within such time as may be prescribed."

Now: Added the phrase "subject to such conditions and restrictions," giving the Government power to control or block return filing in specific situations.

Meaning: Returns can be linked with compliance checks, for example, if a taxpayer hasn't filed earlier returns or paid previous dues, the system may restrict filing of the next one.

OFFENCES AND PENALTIES

Section 131 – Insertion of New Section 122B (Penalty for Track & Trace Violations)

A new Section 122B has been inserted to impose penalties for failure to comply with the **track and trace system** that will be introduced under Section 148A.

Any person who fails to comply with the prescribed requirements (like affixing a unique identification mark or maintaining records) will be liable to a **penalty of ₹1,00,000 or 10% of the tax payable on such goods, whichever is higher**.

Meaning: This ensures strict compliance with product traceability rules once notified for certain goods.

Impact: It will make businesses handling notified goods (like tobacco, liquor, or luxury products) adopt robust tracking systems and avoid penalties by ensuring digital traceability.

MISCELLANEOUS PROVISIONS

Section 132 – Insertion of New Section 148A (Track & Trace Mechanism) (Irrelevant for exams)

This new section empowers the Government, based on GST Council recommendations, to notify certain **goods or classes of persons** who must follow a **track and trace system**. Such persons must:

- Affix a **unique identification mark** (UID) on each product or package,
- Maintain **electronic records** of manufacture, movement, and sale,
- Use machines or systems as specified, and
- Pay prescribed fees for the track and trace mechanism.

Meaning: Section 148A creates a legal foundation for a digital monitoring system to prevent tax evasion and counter fake goods.

Impact: Strengthens transparency and control in supply chains. Businesses dealing in notified goods will have to upgrade their systems and comply with the new digital marking and reporting requirements.