

ASC

**UNION BUDGET
2025-26**



Complied by: GST Team, ASC Group

UNION BUDGET 2025-26

The Union Bill 2025-26 seeks to amend certain provisions of Central Goods and Services Tax Act, 2017 (CGST Act). These provisions are as follows:

Aspect	Original Section	Amendment in Section	Impact
Section 2(61) – Definitions “Input Service Distributor”	“Input Service Distributor” means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;	“Input Service Distributor” means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9 (of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Service Tax Act, 2017) , for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;	To rationalize the inclusion of distribution of input tax credit received on inward supplies liable to reverse charge mechanism, the government has proposed to amend the definition of Input Service Distributor by inserting the reference to CGST Act in respect to section 9(3) and 9(4) and corresponding provision of section 5(3) and 5(4) in IGST Act, 2017. This amendment will be effective from 1 st April 2025.
Section 2(69) – Definitions “Local Authority”	“local authority” means- (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 or local fund;	“local authority” means- (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	To resolve the ambiguity, the government has proposed to define the term “Municipal fund” and “Local Fund” by inserting the explanation after clause (c) of section 2(69) under the term of Local Authority.

		<i>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.;</i>	
Section 2(116A) – Definitions “Unique Identification Marking”	NA	New clause (116A) is being inserted as; “unique identification marking” means the unique identification marking referred to in clause (b) of sub-section (2) of section 148A and includes a digital stamp, digital mark or any other similar marking, which is unique, secure and non-removable;	In order to implementation of track and trace mechanism to curb the tax evasion in respect to specified evasion-prone commodities, it is being proposed to insert the new clause (116A) to section 2 so as to define the expression “unique identification marking” to mean a mark that is unique, secure and nonremovable.
Section 12(4) - Time of Supply of Goods	In case of supply of vouchers by a supplier, the time of supply shall be- (a) the date of issue of voucher, if the supply is identifiable at that point; or (b) the date of redemption of voucher, in all other cases.	To be omitted.	To rationalize the provision of the Act, it is being proposed to remove the provision of time of supply in respect to supply of vouchers as the same being neither supply of goods nor supply of services.
Section 13(4) - Time of Supply of Services	In case of supply of vouchers by a supplier, the time of supply shall be- (a) the date of issue of voucher, if the supply is identifiable at that point; or (b) the date of redemption of voucher, in all other cases.	To be omitted.	To rationalize the provision of the Act, it is being proposed to remove the provision of time of supply in respect to supply of vouchers as the same being neither supply of goods nor supply of services.

<p>Section 17(5)(d) – Block Credit</p>	<p>goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.</p> <p>Explanation.-For the purposes of clauses (c) and (d), the expression "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;</p>	<p>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.</p> <p>Explanation 1-For the purposes of clauses (c) and (d), the expression "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;</p> <p>Explanation 2.—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”.</p>	<p>To remove the ambiguity in interpretation of section 17(5)(d) regarding availment of input tax credit the word “Plant or Machinery” is being substituted by the word “Plant and Machinery” as an exception to Immovable Property with effect from 1st July, 2017.</p> <p>Further, Explanation 2 is being inserted to the said clause to nullify the effect of judgement of Hon’ble Supreme Court retrospectively in the matter of Chief Commissioner of CGST & Ors. v. Safari Retreats Private Ltd. & Ors. In which it was held that If a building is designed and constructed to meet specific technical needs of a taxpayer, it can qualify as a plant for investment purposes, thus the ITC was allowed.</p>
<p>Section 20(1) & 20(2) – Manner of distribution of credit by Input Service Distributor</p>	<p>(1) Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service Distributor under clause (viii) of section 24 and shall distribute the input tax credit in respect of such invoices.</p> <p>(2) The Input Service Distributor shall distribute</p>	<p>(1) Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9 (of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Service Tax Act, 2017), for or on behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service Distributor under clause (viii) of section 24 and shall distribute the input tax credit in respect of such invoices.</p> <p>(2) The Input Service Distributor shall distribute the credit of central tax or integrated tax charged on invoices received by him, including the credit of central or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 (of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Service Tax Act, 2017)</p>	<p>To rationalize the inclusion of distribution of input tax credit received on inward supplies liable to reverse charge mechanism, the government has proposed to amend the definition of Input Service Distributor by inserting the reference to CGST Act in respect to section 9(3) and 9(4) and corresponding provision of section 5(3) and 5(4) in IGST Act, 2017.</p> <p>This amendment will be effective from 1st April 2025.</p>

	the credit of central tax or integrated tax charged on invoices received by him, including the credit of central or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to such restrictions and conditions as may be prescribed.	paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to such restrictions and conditions as may be prescribed.	
Section 34(2) - Credit and debit notes	<p>Proviso to section 34(2)</p> <p>Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.</p>	<p>Proviso to section 34(2)</p> <p><i>“Provided that no reduction in output tax liability of the supplier shall be permitted, if the—</i> <i>(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</i> <i>(ii) incidence of tax on such supply has been passed on to any other person, in other cases.”.</i></p>	To reduce the loss of revenue, it is being proposed to amend the provision of section 34(2) in which the supplier can reduce the output tax liability through credit note issued by him in respect to supply of goods or services only when corresponding input tax credit has been reversed by the registered recipient of such supplies.
Section 38(1) – Furnishing details of Inward Supplies	The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.	The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and a statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.	It is being proposed to replace the word “an auto-generated statement” with the word “ a statement ”, to widen the scope of the said provision in respect to the generation of GSTR-2B.

<p>Section 38(2) – Furnishing details of Inward Supplies</p>	<p>The auto-generated statement under sub-section (1) shall consist of—</p> <p>–</p> <p>(a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and</p> <p>(b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of section 37,—</p>	<p>The statement referred in sub-section (1) shall consist of—</p> <p>(a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and</p> <p>(b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient including, on account of the details of the said supplies being furnished under sub-section (1) of section 37,—</p> <p>–</p> <p>(c) such other details as may be prescribed.</p>	<p>To rationalize the said sub-section, it is being proposed to replace the word “auto-generated” with the word “statement referred in” at par with sub-section (1).</p> <p>Further, it is being proposed to insert the word “including” after “by the recipient” in clause (b) to make the scope of GSTR-2B more inclusive.</p> <p>Furthermore, a new enabling clause (c) is being inserted to prescribe other details to be made available in the said statement of input tax credit.</p>
<p>Amendment in Section 39 (1)</p>	<p>[(1) Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, and within such time, as may be prescribed:</p>	<p>In section 39 of the Central Goods and Services Tax Act, in sub-section (1), for the words “and within such time”, the words “within such time, and subject to such conditions and restrictions” shall be substituted.</p>	<p>An amendment is proposed in section 39(1) of the CGST Act so as to provide for an enabling clause to prescribe conditions and restriction for filing of return under the said sub-section.</p>

<p>Amendment in Section 107(6)</p>	<p>(6) No appeal shall be filed under sub-section (1), unless the appellant has paid-</p> <p>.....</p> <p>²[Provided that no appeal shall be filed against an order under sub-section (3) of section 129, unless a sum equal to twenty-five per cent. of the penalty has been paid by the appellant.]</p>	<p>In section 107 of the Central Goods and Services Act, in sub-section (6), for the proviso, the following proviso shall be substituted, namely:</p> <p>“Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty has been paid by the appellant.”.</p>	<p>This amendment seeks to substitute the proviso to sub-section (6) of section 107 of the CGST Act whereby it'll be required to pre-deposit of 10% of the penalty amount for filing an appeal before the Appellate Authority against an order which involves demand of penalty without involving any demand of tax.</p>
<p>Insertion of proviso in Section 112(8)</p>	<p>NA</p>	<p>In section 112 of the Central Goods and Services Act, in sub-section (8), the following proviso shall be inserted, namely:</p> <p>“Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty, in addition to the amount payable under the proviso to sub-section (6) of section 107 has been paid by the appellant.”.</p>	<p>A new proviso is being inserted in sub-section (8) of section 112 of CG ST Act wherein it'll be provided for the requirement of pre-deposit of 10% of the penalty amount for filing an appeal before the Appellate Tribunal against an order which involves demand of penalty without involving any demand of tax.</p>
<p>Insertion of new Section 122B</p>	<p>NA</p>	<p>After section 122A of the Central Goods and Services Act, the following section shall be inserted, namely:</p> <p>“122B. Notwithstanding anything contained in this Act, where any person referred to in clause (b) of sub-section (1) of section 148A acts in contravention of the provisions of the said section, he shall, in addition to any penalty under Chapter XV or the provisions of this Chapter, be liable to pay a penalty equal to an amount of one lakh rupees or ten per cent. of the tax payable on such goods, whichever is higher.”.</p>	<p>A new section is being inserted i.e. section 122B in the CGST Act which will provide for penal provisions for contraventions of the provision relating to track and trace mechanism.</p>

<p>Insertion of new Section 148A</p>	<p>NA</p>	<p>After section 148 of the Central Goods and Services Act, the following section shall be inserted, namely:</p> <p>“148A. (1) The Government may, on the recommendations of the Council, by notification, specify–</p> <p>(a) the goods;</p> <p>(b) persons or class of persons who are in possession or deal with such goods, to which the provisions of this section shall apply.</p> <p>(2) The Government may, in respect of the goods referred to in clause (a) of sub-section (1),—</p> <p>(a) provide a system for enabling affixation of unique identification marking and for electronic storage and access of information contained therein, through such persons, as may be prescribed; and</p> <p>(b) prescribe the unique identification marking for such goods, including the information to be recorded therein.</p> <p>(3) The persons referred to in sub-section (1), shall –</p> <p>(a) affix on the said goods or packages thereof, a unique identification marking, containing such information and in such manner;</p> <p>(b) furnish such information and details within such time and maintain such records or documents, in such form and manner;</p> <p>(c) furnish details of the machinery installed in the place of business of manufacture of such goods, including the identification, capacity, duration of operation and such other details or information, within such time and in such form and manner;</p>	<p>A new section is inserted in CGST Act i.e. section 148A so as to provide for an enabling provision for implementation of track and trace mechanism for ensuring effective monitoring and control of supply of specified commodities.</p>
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		(d) pay such amount in relation to the system referred to in sub-section (2), as may be prescribed.”.	
Insertion of clause (aa) in paragraph 8 of Schedule III of CGST, Act 2017	NA	<p>In Schedule III of the Central Goods and Services Act –</p> <p>(i) in paragraph 8, after clause (a), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017, namely:</p> <p>“(aa) Supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area;”;</p> <p>(ii) in Explanation 2, after the words “For the purposes of”, the words, brackets and letter “clause (a) of” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017;</p> <p>(iii) after Explanation 2, the following Explanation shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017, namely:</p> <p>“Explanation 3 – For the purposes of clause (aa) of paragraph 8, the expressions “Special Economic Zone”, “Free Trade Warehousing Zone” and “Domestic Tariff Area” shall have the same meanings respectively as assigned to them in section 2 of the Special Economic Zones Act, 2005.”.</p> <p>In Schedule III of the Central Goods and Services Act –</p>	<p>Schedule III of CGST Act is being amended, w.e.f. 01.7.2017 by inserting a new clause (aa) in paragraph 8 of Schedule III of the CGST Act, to provide that the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area shall be treated neither as supply of goods nor as supply of services.</p>

<p>Amendment in Explanation 2 of clause (a) of paragraph 8 of Schedule III of the CGST Act, 2017</p>	<p>Explanation 2 - For the purposes of paragraph 8, the expression "warehoused goods" shall have the same meaning as assigned to it in the Customs Act, 1962 (50 of 1962).</p>	<p>(i) in paragraph 8, after clause (a), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017, namely:</p> <p>“(aa) Supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area;”;</p> <p>(ii) in Explanation 2, after the words “For the purposes of”, the words, brackets and letter “clause (a) of” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017;</p>	<p>An amendment is made in explanation 2 of clause (a) of paragraph 8 of Schedule III of the CGST Act whereby it is clarified that the said explanation would be applicable in respect of clause (a) of paragraph 8 of the said Schedule.</p> <p>It will have effect from 01st July 2017.</p>
<p>Insertion of Explanation 3 in Schedule III of CGST Act, 2017 w.r.t. clause (aa) in paragraph 8</p>	<p>NA</p>	<p>(iii) after Explanation 2, the following Explanation shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017, namely:</p> <p>“Explanation 3 – For the purposes of clause (aa) of paragraph 8, the expressions “Special Economic Zone”, “Free Trade Warehousing Zone” and “Domestic Tariff Area” shall have the same meanings respectively as assigned to them in section 2 of the Special Economic Zones Act, 2005.”.</p>	<p>An explanation 3 is inserted in Schedule III of CGST Act, 2017 w.r.t. clause (aa) in paragraph 8 wherein it will define the terms ‘Special Economic Zone’, ‘Free Trade Warehousing Zone’ and ‘Domestic Tariff Area’, for the purpose of the proposed clause (aa) in paragraph 8 of said Schedule.</p> <p>It will have effect from 01st July 2017.</p>
<p>Explanation w.r.t penalty deposited under Section 128</p>	<p>Section 128. Power to waive penalty or fee or both-</p> <p>The Government may, by notification, waive in part or full, any penalty referred to in section 122 or section 123 or section</p>	<p>No refund shall be made of all such tax which has been collected, but which would not have been so collected, had section 128 been in force at all material times.</p>	<p>A clarification is provided which says that no refund of the tax, already paid in respect of the aforesaid activities or transactions, (mentioned in section 128) shall be available.</p>



	125 or any late fee referred to in section 47 for such class of taxpayers and under such mitigating circumstances as may be specified therein on the recommendations of the Council.		
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