

Greetings to all our readers!

Union Finance Minister Nirmala Sitharaman presented the Union Budget 2026-27 on Sunday, February 1<sup>st</sup>, 2026. The indirect tax proposals aim to simplify the law and make business easier by rationalising rates, cutting disputes, speeding up refunds and further digitising trade processes. Several measures also formalise recent GST Council decisions and ongoing customs tariff and procedure reforms.

At Gabhawalla & Co., through this Newsflash, we bring you a clear, concise summary of the major indirect tax changes announced in the Union Budget 2026-27.

## **I. GST related amendments proposed by Finance Bill, 2026**

The proposed amendments to the CGST and IGST Acts focus on procedural simplification and resolving long-standing litigation. Key proposed changes are discussed below:

- A. Post-Sale Discounts:** Section 15(3) of CGST Act is being amended to remove the requirement of linking post-sale discounts to specific pre-agreed arrangement or invoices. Discounts can now be processed via credit notes under Section 34, provided the recipient reverses the corresponding input tax credit.
- B. Refund Simplification:**
  - (i) Provisional refund benefits are extended to cases involving an inverted duty structure.
  - (ii) Additionally, the threshold limit of Rs. 1,000/- for refund claims is removed for goods exported with payment of tax.
- C. Place of Supply for Intermediary Services:** Clause (b) of Section 13(8) of the IGST Act is omitted, meaning the place of supply for intermediary services will now be determined by the location of the recipient of services (the default provision under Section 13(2)), which is a significant relief for a number of service sectors.
- D. Appellate Authority:** Pending the constitution of the National Appellate Authority, the government is now empowered to designate existing Tribunals to hear appeals under Section 101B against conflicting rulings issued by AAR.

*The above changes shall be effective from a date notified after receiving the President's assent.*

## **II. Custom-related amendments proposed by Finance Bill, 2026**

Key Changes proposed in the Customs Law are discussed below:

**A. Jurisdictional Expansion & Marine Support:** In a landmark move, the jurisdiction of the Customs Act is extended beyond territorial waters to include fishing and related activities by Indian-flagged vessels. New Section 56A clarifies that fish harvested by such vessels beyond territorial waters may enter India duty-free, while landing such catch at foreign ports will be treated as an export of goods.

**B. Warehousing & Administrative Ease:**

- (i) The requirement for prior permission from a proper officer to remove goods from one warehouse to another has been abolished, transitioning to a system of self-declaration and risk-based audit
- (ii) Additionally, the validity of advance rulings has been extended from three to five years, providing greater certainty for business planning.

**C. Trade Facilitation:**

- (i) To decongest terminals, the ₹10 lakh value cap on courier exports is being completely removed.
- (ii) Furthermore, Authorized Economic Operators (AEOS) in Tiers 2 and 3 will see their duty deferral period doubled from 15 to 30 days.

*The above changes shall be effective from a date notified after receiving the President's assent.*

Some of the Key changes in Customs Duty rate are highlighted below:

**D. Personal Use Goods:** The tariff rate on all dutiable goods imported for personal use is reduced from 20% to 10%.

**E. Health and Rare Diseases:** To provide relief to patients, Basic Customs Duty (BCD) exemption for 17 drugs, specifically for cancer treatment, and seven additional rare diseases have been added to the existing exemption list for personal imports.

**F. Electronics and Aviation:** BCD is exempted for specified parts of microwave ovens and for components required for civilian and training aircraft

**G. Energy and Nuclear Power:**

- (i) BCD is exempted for sodium antimonate used in solar glass and capital goods for Lithium-Ion cell manufacturing for battery storage.

(ii) The exemption for Nuclear Power Projects extended until 2035 and expanded to cover all nuclear plants regardless of capacity

*Notifications (01/2026-Customs to 05/2026-Customs) for rate changes are already issued on 01.02.2026 with implementation date as 02.02.2026, unless specified separately.*

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