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CHARTERED ACCOUNTANTS



UNION BUDGET 2026

AN ANALYSIS
GOODS AND SERVICES TAX

Post-Sale Discounts : End of the 'Pre-Agreement' Era

Provisions amended: 15(3)(b)(i) & 34

The Change:

The rigid requirement to have a written agreement before the sale to claim GST benefits on post sale discounts is being removed. You can now issue GST Credit Notes for any commercial discount (Volume, Target, or Secondary) as long as the buyer reverses the proportionate ITC.

Impact:

- **Massive reduction in litigation:** It settles long-standing disputes regarding "Secondary Discounts," providing a clear, credit-note-based path to tax adjustment that aligns with real-world business practices.
- **Total flexibility for sales and marketing teams:** Your sales and marketing teams gain total flexibility to launch mid-season rebates or festive schemes without needing retroactive legal written agreement.
- **End of "linkage" nightmare:** This effectively ends the "linkage" nightmare where tax officers would disallow discounts simply because they weren't explicitly detailed in an initial Master Service Agreement (MSA).

बिक्री के बाद दिए जाने वाले डिस्काउंट के लिए अब पहले से लिखित एग्रीमेंट की ज़रूरत नहीं होगी। अब आप बिजनेस की ज़रूरत के हिसाब से क्रेडिट नोट जारी कर सकते हैं, बस शर्त यह है कि खरीदार अपना ITC रिवर्स कर दे। इससे पुराने इनवॉइस से डिस्काउंट जोड़ने का झंझट खत्म हो जाएगा।

Inverted Duty Structure : 90% "Express" Refunds

Provisions amended: Section 54(6) of CGST Act,

The Change:

The facility of 90% Provisional Refund (previously the fast track refund was only for exporters) is now extended to Inverted Duty Structure refund claims. You will now get 90% of your money back within 7-10 days of filing.

Impact:

Manufacturers in Surat (Textiles, Chemicals) will get 90% of their refund within days of filing, significantly boosting working capital. Dyeing and Printing Mills and chemical industries are the beneficiary. Domestic manufacturers can now breathe easier with faster liquidity.

अब इनवर्टेड ड्यूटी स्ट्रक्चर [जैसे यार्न (Yarn) / कोयला (Coal) / केमिकल (Chemical) पर 18% और कपड़े (Fabric) या उसके जॉब वर्क (Job Work) पर 5% टैक्स] वाले व्यापारियों को रिफंड फाइल करते ही 90% पैसा तुरंत (Provisional) मिल जाएगा। पहले यह सुविधा सिर्फ एक्सपोर्टर्स को मिलती थी, लेकिन अब घरेलू मैन्युफैक्चरर्स को भी एक्सपोर्टर्स के बराबर दर्जा दिया गया है।

The "Intermediary" Masterstroke : Global Services are now true 'Exports'

Provisions amended: Section 13(8)(b) of IGST Act

The Change:

Section 13(8)(b), which specifically defined the Place of Supply (PoS) for "Intermediary Services" as the location of the supplier, is being omitted.

Impact:

The omission of Section 13(8)(b) of the IGST Act is a landmark reform in Budget 2026.

- **A "Surgical Strike" on Litigation:** This amendment effectively ends one of the most disputed legal fictions in the GST regime, resolving years of conflict between tax authorities and service providers.
- **Major beneficiaries:** Commission agents, BPOs, and KPOs to providing services to foreign principals.
- **Victory for Service Exporters:** For years, the industry fought to prove that an intermediary should be treated like any other exporter. This change finally recognizes the true nature of cross-border facilitation.
- **Removal of the "Location" Trap:** Previously, even if a Surat-based intermediary provided services to a client in London, the Place of Supply (PoS) was deemed to be Surat (the supplier's location). This forced a 18% GST levy on services that were essentially consumed abroad. It disqualified these transactions from being treated as a tax-free "Export of Service."

- **New "Zero-Rated" Status:** Services provided by commission agents, BPOs, and KPOs to foreign principals will now qualify as Zero-Rated Exports.
- **Alignment with Global Standards:** The PoS for intermediary services will now follow the default rule under Section 13(2). The Place of Supply is the location of the recipient (Outside India).
- **Global Competitiveness:** This removes the 18% tax burden that previously made Indian services more expensive and less competitive than global rivals.
- **Future Growth:** This shift is expected to trigger a significant influx of foreign service contracts to Indian firms, as global companies can now engage Indian agents without the added cost of non-refundable GST.

यह सर्विस सेक्टर के लिए अब तक का सबसे बड़ा सुधार है। पहले अगर कोई भारतीय एजेंट विदेश के लिए काम करता था, तो उसे 'एक्सपोर्टर' नहीं माना जाता था और 18% GST भरना पड़ता था। अब सरकार ने इस भेदभाव को खत्म कर दिया है। अब इंटरमीडियरी सर्विसेज को भी 'एक्सपोर्ट' माना जाएगा। इससे भारत के बीपीओ (BPO) और कमीशन एजेंट्स को बहुत फायदा होगा और उनकी सर्विस विदेशियों के लिए सस्ती हो जाएगी।

Fast-Track Legal Resolution: Tribunal Empowered

Provisions amended: Section 101A(1A)

The Change:

Pending the formation of a National Appellate Authority (NAA) , the Government has empowered existing Tribunals to hear appeals against conflicting Advance Rulings [Effective from April 1, 2026]. If different states give different rulings on the same GST issue, you can now approach the Tribunal for a final, pan-India decision.

Impact:

Provides legal certainty for businesses operating in multiple states and clears the backlog of "split" legal opinions.

कानूनी विवादों का त्वरित समाधान (सेक्शन 101A): नेशनल अपीलेंट अथॉरिटी बनने तक अब GST ट्रिब्यूनल को ही अपील सुनने की शक्ति दे दी गई है (1 अप्रैल 2026 से प्रभावी)। अलग-अलग राज्यों के विरोधाभासी फैसलों (Conflicting Rulings) को अब ट्रिब्यूनल में जल्दी सुलझाया जा सकेगा।

Important Disclaimer & Caveats

- ➡ The views expressed are those of Rekhani and Saraogi, Chartered Accountants, based on an interpretation of the Finance Bill and may not reflect the views of the Government or any authority.
- ➡ The Finance Bill is yet to be passed by Parliament and is subject to change.
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