

Ministry of Finance



BUDGET 2025-26 PRIORITISES TRADE FACILITATION: GST AMENDMENTS PROPOSED

DISTRIBUTION OF INPUT TAX CREDIT IN RESPECT OF INTER-STATE SUPPLIES FROM 1ST APRIL, 2025.

NEW CLAUSE TO DEFINE UNIQUE IDENTIFICATION MARKING FOR TRACK AND TRACE MECHANISM

PROVISION TO REDUCE SUPPLIER TAX LIABILITY

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The Union Budget 2025-26 was tabled by the Union Minister for Finance and Corporate Affairs, Smt Nirmala Sitharaman in the Parliament today. The Budget proposes changes in GST laws for ensuring trade facilitation. These proposed amendments include:

- Provision for distribution of input tax credit by Input Service Distributor in respect of inter-state supplies on which tax has to be paid on reverse charge basis, with effect from 1st April, 2025.
- A new clause to provide definition of Unique Identification Marking for implementation of Track and Trace Mechanism.
- Provision for reversal of corresponding input tax credit required in respect of a credit-note, if availed, for the purpose of reduction of tax liability of the supplier.
- 10% mandatory pre-deposit of penalty amount for appeals before Appellate Authority in cases involving only demand of penalty without any demand for tax.
- Provision for penalties for contraventions of provisions related to the Track and Trace Mechanism.
- Provision in Schedule III of the CGST Act, 2017 stating 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. Also no refund of tax already paid will be available for such transactions. This will be applicable with effect from 01.7.2017.
- Inclusion of definitions of 'Local Fund' and 'Municipal Fund' used in the definition of "local authority".

- Certain conditions and restriction for filing of return to be included.

These changes will be brought into effect from a date to be notified in coordination with States, as per recommendations of the GST council, states the budget.

NB/VV/GS

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