

PAPER 3B: GOODS AND SERVICES TAX

STATUTORY UPDATE FOR MAY 2026 EXAMINATION

For the sake of brevity, Central Goods and Services Tax, Integrated Goods and Services Tax, Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, Central Goods and Services Tax Rules, 2017 and Integrated Goods and Services Tax Rules, 2017 have been referred to as CGST, IGST, CGST Act, IGST Act, CGST Rules and IGST Rules respectively.

The provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2025 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2025, are applicable for May 2026 examination.

*The amendments made by the Annual Union Finance Acts in the CGST Act, 2017 and IGST Act, 2017 are made effective from the date notified subsequently. Thus, those amendments made by the relevant Finance Acts which have become effective till 31.10.2025 are applicable for May, 2026 examination. **Accordingly, all the amendments made by the Finance Act, 2025 are applicable for May 2026 examination.***

The subject matter of July edition of the Study Material of Goods and Services Tax is based on the provisions of the CGST Act and the IGST Act as amended by the notifications and circulars issued up to 30.04.2025. The amendments made vide relevant Finance Acts, which have become effective till 30.04.2025, and significant notifications and circulars issued upto 30.04.2025 have been incorporated in the Study Material.

Further, students are advised to read all the amendments made by the Finance Act, 2025 given at the end of relevant chapters for May 2026 examinations as all such amendments have become effective.

The significant notifications and circulars issued between 01.05.2025 and 31.10.2025 in GST laws are given in this Statutory Update.

For the ease of reference, the amendments have been grouped into Chapters which correspond with the Chapters of the Study Material.

CHARGE OF GST



1. Amendments in the list of notified services tax on which is paid by the electronic commerce operator (ECO) if such services are supplied through it.

The Government may, on the recommendations of the GST Council, notify specific categories of services the tax [CGST/SGST/IGST] on supplies of which shall be paid by the **electronic commerce operator (ECO)** if such services are supplied through it. Such services shall be notified on the recommendations of the GST Council [Section 9(5) of the CGST Act/Section 5(5) of the IGST Act].



Notification No. 17/2017 CT (R) dated 28.06.2017/ Notification No. 14/2017 IT (R) dated 28.06.2017 as amended has notified the following categories of services **supplied through ECO** for this purpose –

- (a) services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motorcycle, or any other motor vehicle except omnibus;
- (b) Services by way of transportation of passengers by an omnibus except where the person supplying such service through ECO is a company**.
- (c) services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22(1).

(d) services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under sub-section 22(1).



(e) supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises.

(f) services by way of local delivery except where the person supplying such services through electronic commerce operator is liable for registration under sub section (1) of section 22 of the Central Goods and Services Tax Act, 2017.

**The tax on services by way of transportation of passengers by an omnibus provided by a company through ECO is not payable by ECO. It will be payable by the company itself.

[Effective from 22.09.2025]

[Notification No.17/2025 CT(R) and Notification No. 17/2025 IT(R) both dated 17.09.2025]

2. Change in GST rates

(i) Taxability of Goods Transport Agency (GTA) services

(a) Where GTA has not taken the Input Tax Credit (ITC) on goods or services used in supplying GTA service (there can be either of the cases - where GTA exercises the option to itself pay GST at said rate or /does not exercise the option to itself pay GST at said rate, on services supplied by it) – taxable @ **5%** (2.5% CGST+2.5% SGST/UTGST or 5% IGST)-**This remains unchanged.**

(b) Where GTA wishes to avail ITC on goods or services used in supplying GTA service– Earlier taxable @ 12% (6% CGST+6% SGST/UTGST or 12% IGST) , **this rate has been changed to 18% (9% CGST+9% SGST/UTGST or 18% IGST)**

(ii) **Taxability of service by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient**



- (a) If supplier of services has taken only the limited ITC (of input services in the same line of business) – taxable @ **5%** (2.5% CGST+2.5% SGST/UTGST or 5% IGST) --**This remains unchanged.**
- (b) Where Supplier wishes to avail ITC without restriction on goods or services used in supplying renting of motor vehicles service - Earlier taxable @ 12% (6% CGST+6% SGST/UTGST or 12% IGST), **this rate has been changed to 18%¹ (9% CGST+9% SGST/UTGST or 18% IGST).**

[Effective from 22nd September, 2025]

[Notification No. 15/2025 CT (R) dated 17.09.2025 & Notification No. 15/2025 IT(R) both dated 17.09.2025]

¹ Amended vide *Notification No. 11/2017 CT (R) dated 28.06.2017*. It may be noted that *Reverse Charge Notification No. 13/2017 CT (R) dated 28.06.2017* still contains 12% rate.

EXEMPTIONS FROM GST



Entry Nos. referred to in this chapter correspond to entries in Notification No. 12/2017 CT (R) dated 28.06.2017 which grants exemption from GST for intra-State supply of specified services. However, these entry numbers have been given only for reference purposes and are not relevant for examination purpose.

1. Amendments in the services exempted from GST

Notification no. 12/2017 CT(R) dated 28.06.2017 provides list of services exempted from CGST. Parallel exemptions from IGST have been granted to inter-State supply of services vide Notification No. 9/2017 IT(R) dated 28.06.2017.

The amendments in the list of exempted services have been highlighted in bold italics/in strikethrough form, hereunder:

(i) Amendments in the existing exemptions

Following existing exemptions have been amended:

Sl. No.	Description of services	Effective from
18	Services by way of transportation of goods- (a) by road except the services of— (i) a goods transportation agency; (ii) a courier agency;	22.09.2025

	<p>(b) by inland waterways.</p> <p>Explanation. - Nothing contained in this entry shall apply to:</p> <p>(i) local delivery services provided by an Electronic Commerce Operator; or</p> <p>(ii) local delivery services provided through an Electronic Commerce Operator.</p>	
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(ii) New exemption introduced

Following new services have been exempted from CGST:

Sl. No.	Description of services	Effective from
36C	<p>Services of life insurance business provided by an insurer to the insured, where the insured is not a group.</p> <p>Explanation: For the removal of doubts, it is hereby clarified that:</p> <p>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.</p> <p>b. For the purposes of (a) above, family shall include all individuals insured as family in the contract of insurance.</p>	22.09.2025
36D	<p>Services of health insurance business provided by an insurer to the insured, where the insured is not a group.</p> <p>Explanation: For the removal of doubts, it is hereby clarified that:</p> <p>a. This exemption shall apply to a contract of insurance where the insured is an individual, or an</p>	22.09.2025

	<p><i>individual and family of the said individual.</i></p> <p><i>b. For the purposes of (a) above, family shall include all individuals insured as family in the contract of insurance.</i></p>	
36E	<i>Reinsurance of the insurance services specified in serial numbers 36C or 36D.</i>	22.09.2025

(iii) Amendments in the existing definition

Following existing definition has been substituted in paragraph 2:

Sl. No.	Description of services	Effective from
ze	<p>Goods Transport agency (GTA) means any person who:</p> <ul style="list-style-type: none"> ❖ provides service in relation to transport of goods by road and ❖ issues consignment note, by whatever name called. <p><i>'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></p> <p><i>(i) an electronic commerce operator by whom the services of local delivery are provided,</i></p> <p><i>(ii) an electronic commerce operator through whom the services of local delivery are provided.</i></p>	22.09.2025

(iv) New definitions introduced

Following definitions have been added in paragraph 2:

Sl. No.	Description of services	Effective from
zfb	<i>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:</i> <i>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;</i> <i>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.</i>	22.09.2025
zga	<i>'health insurance business' means the effecting of contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, whether in-patient or out-patient, travel cover and personal accident cover.</i>	22.09.2025

Parallel amendments in exemptions from IGST to inter-State supply of services have been carried out by amending *Notification No. 9/2017 IT(R) dated 28.06.2017*.

[Notification No. 16/2025 CT(R) and Notification No. 16/2025 IT(R) both dated 17.09.2025]

VALUE OF SUPPLY



1. Clarification on various doubts related to treatment of secondary or post-sale discounts under GST

Circular No. 251/08/2025-GST dated 12.09.2025 has clarified as follows:

Issue: Whether the full input tax credit is available to the recipient of supply when the recipients make discounted payments to the supplier of goods on account of financial/ commercial credit notes issued by the said supplier?

Clarification:

Section 16 (1) of the CGST Act, 2017 provides that every registered person shall be entitled to take credit of input tax charged on any supply of goods or services or both, which are used or intended to be used in the course or furtherance of his business.

It has been clarified vide *Circular No. 92/11/2019-GST, dated 7th March 2019* that the supplier of goods can issue financial/ commercial credit notes and in such cases, he will not be eligible to reduce his original tax liability. As the transaction value is not allowed to be reduced on account of issuance of financial/ commercial credit note, accordingly the tax charged from the recipient would also not get reduced.

Thus, it is clarified that the recipient will not be required to reverse the Input Tax Credit² attributed to the discount provided on the basis of financial/ commercial Credit notes issued by the supplier, as there is no reduction in the original transaction value of the supply and accordingly the corresponding tax liability would also not get reduced.

² It may be noted that detailed provisions pertaining to reversal of input tax credit are outside the scope of syllabus at Intermediate Level.

Issue:

Whether a post-sale discount offered by a manufacturer to its dealer/ distributor, would be treated as a consideration paid by the manufacturer for the dealer's supply of the same goods to the end customer as a monetary value of the inducement to supply of goods manufactured by him to the end customer?

Clarification:

Section 2 (31) of the CGST Act, 2017 defines consideration as to include the monetary value of any act for the inducement of the supply of goods or services, whether by the recipient or by any other person.

In cases where there is no agreement between the manufacturer and the end customer, there are two independent sale transactions, one from the manufacturer to the dealer and the other from the dealer to the end customer.

The essence of the matter is that in a contract of sale, the sale is completed on the transfer of title to the goods to the buyer. Once this happens, the buyer becomes the owner of the goods, and the seller has no vestige of the title or claims therein. The dealer takes ownership of the goods purchased from the manufacturer and subsequently sells them to the end customer and transaction between the manufacturers to dealer operates on a principal-to-principal basis.

These discounts are simply given for competitive pricing to push sales and merely reduce the sale price of the goods and are not linked to any independent activity rendered to the manufacturer. Therefore, it is clarified that such a discount cannot be included in consideration as the monetary value of the inducement of further supply of these goods.

However, in cases where the manufacturer has some agreement with an end customer to supply goods at a discounted price, the manufacturer may issue commercial or financial credit notes to the dealer, enabling such dealer to provide the goods at the agreed discounted rate to the end consumer. Therefore, it is clarified that such a post-sale discount, given by the manufacturer to the dealer for supplying goods to the end customer at a discounted rate, should be included in the overall consideration as it is an inducement towards the supply of goods by the dealer to the end customer.

Issue:

Whether a post-sale discount extended by the manufacturer to the dealer can be treated as a consideration in lieu of the activities performed to promote the sale of the goods?

Clarification:

When dealers receive such post-sale discounts, they may engage in promotional activities to boost sales. However, these activities ultimately enhance the sale of goods that the dealers themselves own, thereby increasing their own revenue. In this context, the discount merely reduces the sale price of the goods and is not linked to any independent service rendered to the manufacturer. Therefore, it is clarified that post-sale discounts offered by manufacturers to dealers in such cases shall not be treated as consideration for a separate transaction of supply of services.

However, GST would be leviable in cases where a dealer undertakes specific sales promotional activities, such as advertising campaigns, co-branding, customization services, special sales drives, exhibition arrangements, or customer support services, etc., only when such services are explicitly stated in the agreement with a clearly defined consideration payable for such a supply. In such cases, the dealer provides a distinct service to the supplier, and accordingly, GST would be chargeable.

TAX DEDUCTION AT SOURCE AND TAX COLLECTION AT SOURCE



1. **Amendments in the list of notified services tax on which is paid by the electronic commerce operator (ECO) if such services are supplied through it.**

The Government may, on the recommendations of the GST Council, notify specific categories of services the tax [CGST/SGST/IGST] on supplies of which shall be paid by the **electronic commerce operator (ECO)** if such services are supplied through it. Such services shall be notified on the recommendations of the GST Council.



Notification No. 17/2017 CT (R) dated 28.06.2017/ Notification No. 14/2017 IT (R) dated 28.06.2017 as amended has notified the following categories of services **supplied through ECO** for this purpose –

- (a) services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motorcycle, or any other motor vehicle except omnibus;
- (b) Services by way of transportation of passengers by an omnibus except where the person supplying such service through ECO is a company**.
- (c) services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying

such service through electronic commerce operator is liable for registration under section 22(1).

- (d) services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under sub-section 22(1).
- (e) supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises.

(f) services by way of local delivery except where the person supplying such services through electronic commerce operator is liable for registration under sub section (1) of section 22 of the Central Goods and Services Tax Act, 2017.

**The tax on services by way of transportation of passengers by an omnibus provided by a company through ECO is not payable by ECO. It will be payable by the company itself.

[Effective from 22.09.2025]

[Notification No.17/2025 CT(R) and Notification No. 17/2025 IT(R) both dated 17.09.2025]

RETURNS



1. Filing of annual return exempted in specific case

Section 44(1) of the CGST Act, 2017 provides that the Commissioner may, on the recommendations of the Council, by notification, exempt any class of registered persons from filing annual return under this section.

In exercise of above powers, the Commissioner, on the recommendations of the Council, in respect of filing of annual return for the financial year 2024-25 onwards, has exempted the registered person whose aggregate turnover in any financial year is up to two crore rupees, from filing annual return that said financial year.

[Notification No. 15/2025 CT dated 17.09.2025]