



# Overview of Union Budget 2025-26

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Detailed analysis of **GST** Proposals and  
Amendments

- ⌚ Proposal to clarify Input Service Distributor (ISD) can distribute ITC of inter-state supplies attracting IGST under RCM
- ⌚ A new system is proposed to be set up by Government for tracking specified goods to have a unique identification mark and tracing persons possessing/dealing in such goods. Penalty, of higher of Rs. 1 lac or 10% of tax of goods, is proposed for violation
- ⌚ Provisions pertaining to time of supply of voucher are proposed to be removed as supply of vouchers is outside the ambit of GST

- ⌚ It is proposed to block ITC for all goods and services used for construction of immovable property by amending the term “plant or machinery” mentioned under Section 17(5)(d) as “plant and machinery” retrospectively WEF 01.07.2017
- ⌚ The reference to the term "auto-generated statement" for communicating details of ITC to be availed by recipient is proposed to be removed aligning with introduction of IMS facility
- ⌚ It is proposed that outward GST liability on issuance of credit note shall be reduced by supplier only if recipient has reversed corresponding ITC

## ...Key Highlights – GST

- ⌚ Proposal empowering Government to prescribe conditions and restrictions for filing GSTR-3B
- ⌚ 10% pre-deposit proposed to be introduced in case of filing an appeal against demand order consisting of only penalty. Simultaneously, pre-deposit for preferring an appeal against order imposing penalty on detention of goods/conveyance proposed to be reduced from 25% to 10%
- ⌚ It is proposed that GST would not be applicable on supply of goods warehoused in a SEZ or FTWZ to any person before clearance for exports or DTA WEF 01.07.2017

# Restriction of ITC of goods or services used for construction of immovable property i.e. plant or machinery retrospectively...

## Background

- ⊙ The Supreme Court in the case of **Safari Retreats** held that though ITC in respect of services pertaining to works contract may not be available under Section 17(5)(c) in relation to “plant and machinery”. However, ITC pertaining to services other than works contract may be allowed in respect of “plant or machinery” under Section 17(5)(d). The entire judgement was hinging on one single word – “and” & “or”

## Current Scenario

- ⊙ ITC on works contract services would be blocked as per Sec. 17(5)(c)
- ⊙ ITC on goods or services would be blocked as per Sec. 17(5)(d)

## Change in Law

- ⊙ It is proposed to replace the word “or” with “and” so as to restrict ITC on goods or services as per Sec. 17(5)(d) and explanation to such effect is to be inserted retrospectively

## WEF

- ⊙ Retrospectively WEF 01.07.2017

## Impact

- ⊙ The benefit granted by Supreme Court judgement by distinguishing two terms “and” & “or” has been nullified by making retrospective amendment

## ...Restriction of ITC of goods or services used for construction of immovable property falling i.e. plant or machinery retrospectively

### GSC Comments

- ⊙ In cases where immovable properties are used for business purposes such as renting, hotels, factories, etc., there was a long drawn debate if ITC for goods or services used in construction of such immovable property would be available or not. Hon'ble Supreme Court in **Chief Commissioner of Central Goods and Service Tax vs. Safari Retreats (P.) Ltd. [2024] 90 GSTL 3 (SC)** pronounced that ITC on goods or services used for construction of plant “or” machinery may be allowed subject to functionality test
- ⊙ Now, it is proposed to block ITC for all goods and services used for construction of immovable property by amending the term “plant or machinery” mentioned under Section 17(5)(d) as “plant and machinery” retrospectively WEF 01.07.2017
- ⊙ Therefore, ITC availed and/or utilized for construction of immovable property needs to be re-examined in the context of the proposed retrospective amendment since wrong availment of ITC may entail interest consequences

# No reduction in output tax liability on issuance of credit notes

## Background

- 🕒 Sec. 34 deals with provisions relating to credit notes and debit notes

## Current Scenario

- 🕒 Currently, reduction of output tax liability on issuance of credit notes is not allowed if the incidence of tax and interest is passed on by supplier to any other person

## Change in Law

- 🕒 Henceforth, it is proposed that if ITC availed is not reversed by the recipient, supplier would not get deduction in output tax liability on issuance of such credit notes

## WEF

- 🕒 The date to be notified by CG

## Impact

- 🕒 This will result in additional compliance burden on the part of supplier to ensure that recipient has reversed ITC to the extent of credit notes issued for reducing its own liability

# ITC to be claimed based on re-computed GSTR-2B and not system generated GSTR-2B

## Background

- ⌚ Sec. 38 deals with communication of details of inward supplies and input tax credit

## Current Scenario

- ⌚ Currently as per Sec. 38, ITC is claimed based on GSTR-2B which is auto-generated statement which cannot be altered by recipient

## Change in Law

- ⌚ With the introduction of IMS, the recipient is required to take actions on whether ITC of specific invoice is to be claimed or not
- ⌚ It is proposed that ITC as per GSTR-2B would not be exclusively based on auto-generated statement but ITC would be re-determined by recipient and accordingly, ITC would be claimed by recipient

## WEF

- ⌚ The date to be notified by CG

## Impact

- ⌚ This communication will ensure that recipients would avail ITC on self-assessment basis. However, tight deadlines may pose a challenge considering momentum of data to be processed accurately by suppliers and recipients on monthly basis

# Compulsory pre-deposit of 10% of Penalty for orders involving only penalty and reduction in pre-deposit for penalty in case of detention of goods/conveyances

- Background** ☹ Sec. 107 and Sec. 112 deals with filing of Appeals to Appellate Authority and Appellate Tribunal respectively
- Current Scenario**
- ☹ No appeal against Order under Sec. 129(3) detaining goods/conveyance during movement of goods would be admitted if Appellant has not paid pre-deposit of 25% of penalty
  - ☹ No pre-deposit required for filing Appeal where only penalty is in dispute
- Change in Law** ☹ It is proposed to introduce mandatory pre-deposit of 10% of penalty for filing an appeal where only penalty is demanded. Further, amount of pre-deposit for filing an appeal against order detaining goods/conveyances during movement of goods is proposed to be reduced from 25% to 10%
- WEF** ☹ The date to be notified by CG
- Impact** ☹ This will result in additional blockage of working capital in all cases except appeal against order detaining goods/conveyances

# Proposal to introduce a tracking mechanism for certain goods and tracing persons involved

## Background

- ☑ Government was desirous of devising a system for tracking of goods and persons dealing in specified goods

## Current Scenario

- ☑ Presently, there is no provision or mechanism to track specified goods and trace specific persons dealing/in possession of specified goods

## Change in Law

- ☑ It is proposed that Government vide notification would specify certain kinds of goods where person who is in possession/deals in such goods would be required to affix a unique identification marking
- ☑ Such unique identification marking would be a digital stamp/mark consisting of information like maintenance of records and documents, details of machinery used for manufacture of goods, payment thereof etc.
- ☑ It is proposed that non-compliance of aforesaid provisions would result in penalty of Rs. 1,00,000 or 10% of tax payable, whichever is higher

## WEF

- ☑ The date to be notified by CG

## Impact

- ☑ The Unique Identification Marking would provide a legal framework for tracking of specified goods throughout the supply chain

# Supply of goods warehoused in SEZ/FTWZ not liable to GST

## Background

- ☑ Schedule III deals with supplies which are outside the purview of GST

## Current Scenario

- ☑ Presently, 10 activities or transactions are treated neither as supply of goods nor supply of services

## Change in Law

- ☑ It is proposed that supply of goods warehoused in SEZ or FTWZ before clearance for exports or DTA would fall outside the scope of 'supply' and no GST would be applicable
- ☑ It is further proposed that no refund would be allowed where taxpayer has already paid GST on supply of warehoused goods in SEZ or FTWZ to another person before clearance for exports or DTA
- ☑ Also, an explanation is proposed to be inserted for clarifying that the terms 'SEZ', 'FTWZ' and 'DTA' would have the same meaning as defined in SEZ Act, 2005

## WEF

- ☑ Retrospectively WEF 01.07.2017

## Impact

- ☑ Long pending ambiguity/dispute on applicability of GST on Supply of warehoused goods within the precincts of SEZ or FTWZ would be resolved

## Abbreviations...

<b>WEF</b>	With Effect From
<b>FY</b>	Financial Year
<b>FTP</b>	Foreign Trade Policy
<b>Govt.</b>	Government
<b>GST</b>	Goods and Service tax
<b>Sec.</b>	Section
<b>T/o</b>	Turnover
<b>TCS</b>	Tax collected at source
<b>UTGST</b>	Union Territory Goods and Service Tax
<b>CGST</b>	Central Goods and Service Tax
<b>IGST</b>	Integrated Goods and Service Tax
<b>TDS</b>	Tax Deducted at Source

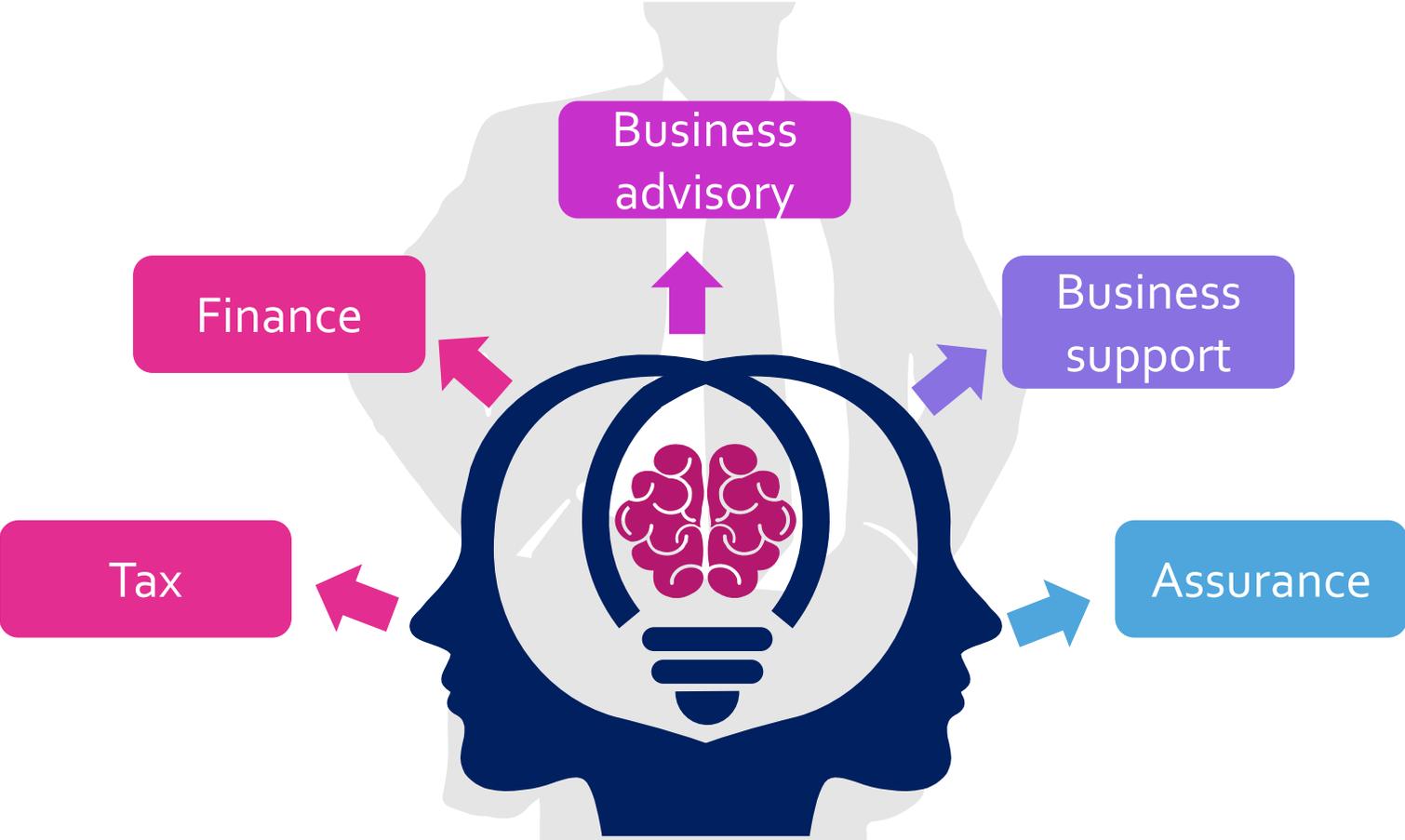
## ...Abbreviations...

<b>GOI</b>	Government of India
<b>FA</b>	Finance Act, 1994
<b>Not.</b>	Notification
<b>ISD</b>	Input Service Distributor
<b>WEF</b>	With Effect From
<b>BCD</b>	Basic Customs Duty
<b>CBIC</b>	Central Board of Indirect Taxes and Customs
<b>SEZ</b>	Special Economic Zone
<b>GSTAT</b>	Goods and Service Tax Appellate Tribunal

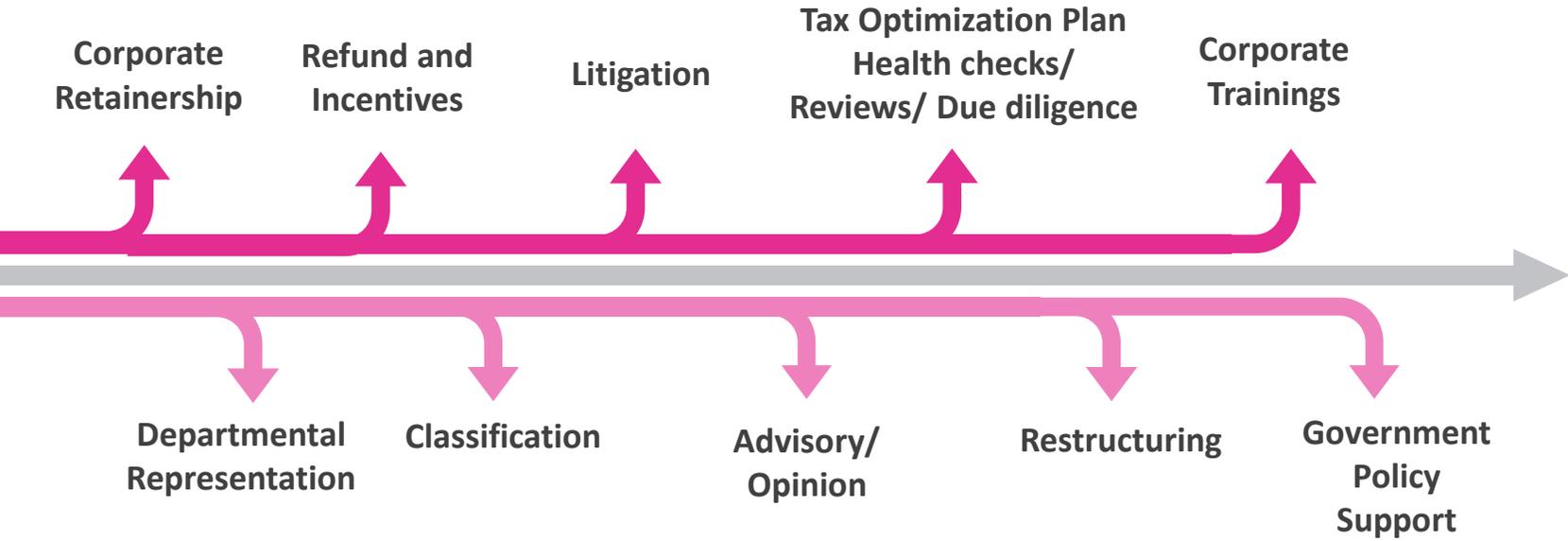
## ...Abbreviations

<b>CG</b>	Central Government
<b>DTA</b>	Domestic Tariff Area
<b>SWS</b>	Social Welfare Surcharge
<b>ITC</b>	Input Tax Credit
<b>Rs.</b>	Rupees
<b>U/s</b>	Under Section
<b>IMS</b>	Invoice Management System
<b>FTWZ</b>	Free Trade and Warehousing Zone

# What do we do?...



# ... What do we do?



# Disclaimer

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