

## Union Budget 2026–27 | Indirect Tax Reforms – Strategic Business Takeaways

The Union Budget 2026-27 signals a decisive shift towards **destination-based taxation, compliance simplification, export competitiveness and trust-based administration** across GST, Customs and Excise. Below is a consolidated perspective on the key indirect tax proposals and their business impact:

### **Goods & Services Tax (GST):**

#### **1. Intermediary Services – Alignment with Destination Principle (IGST Act) -**

The special place of supply rule for intermediary services is proposed to be removed. Going forward, place of supply will be determined based on **location of the recipient**.

#### **Business Impact:**

- Cross-border intermediary services to overseas clients may now qualify as **export of services (zero-rated)**, unlocking ITC refunds
- Services provided by foreign intermediaries to Indian entities will qualify as **import of services**, attracting GST under RCM
- Amendment applies **prospectively** – no impact on legacy disputes
- Accurate determination of time of supply becomes critical for export eligibility

#### **2. Post-Supply Discounts – Credit Note + ITC Reversal Driven Model (CGST Act) -**

Section 15(3) and Section 34 proposed to be amended to delink post-sale discounts from pre-agreed invoice-specific contracts.

#### **Business Impact:**

- a) Value reduction allowed if:
  - Discount established at/before supply
  - Supplier issues credit note
  - Recipient reverses proportionate ITC
- b) Simplifies trade/volume discount structures
- c) IMS becomes pivotal for credit note acceptance
- d) Strong documentation & recipient confirmations recommended to ensure audit-defensible compliance

#### **3. Inverted Duty Structure – Provisional Refund Relief (Section 54) -**

Provisional refund (up to 90%) proposed to be extended to inverted duty refunds.

#### **Business Impact:**

- Faster liquidity for sectors with chronic inversion
- Reduced working capital blockage
- Significant relief for manufacturing-led supply chains

#### **4. Interim Appellate Mechanism for Advance Rulings -**

Until the National Appellate Authority is operational, the Government may notify an existing authority/Tribunal to hear appeals against AAAR orders.

##### **Business Impact:**

- Long-pending AAR disputes may finally move forward
- Reduced interpretational uncertainty, especially for multi-State operations

#### **Customs Act, 1962 – Trade & Export Enablement:**

#### **5. Tariff Rationalisation & Strategic Exemptions -**

Rationalisation across minerals, lithium-ion batteries, renewable energy, nuclear projects, electronics, aircraft parts and lifesaving drugs.

##### **Business Impact:**

- Supports Make in India, energy transition and healthcare access
- Lower cost of imports for priority sectors

#### **6. Export Promotion & Trade Facilitation -**

Measures include expansion of duty-free input benefits, export timeline relaxations, courier & marine export facilitation and technology-driven customs.

##### **Business Impact:**

- Enhanced export competitiveness
- Reduced transaction costs
- Shift towards risk-based, trust-driven customs clearance

#### **7. Procedural Simplification & Advance Rulings -**

- Validity of Customs Advance Rulings extended from 3 to 5 years
- One-time extension for existing rulings
- Introduction of factory-to-port clearance, electronic sealing, extended duty deferment, AI-based scanning and Customs Integrated System (CIS)

##### **Business Impact:**

- Greater certainty for long-term supply chains
- Faster clearance and reduced compliance friction

#### **Central Excise - Select Measures:**

- NCCD increase on tobacco products (rate hike; notified rate unchanged)
- Bio-CBG exclusion from excise value for blended CNG
- Unblended diesel duty deferment extended till March 2028