

# Changes in GST by Union Budget 2025 India



IMPACT OF GST CHANGES ON  
BUSINESSES AND CONSUMERS



# Summary of Changes in Union Budget w.r.t. GST

- ❖ The input service distributor provisions amended to include 'inter-state' RCM transaction under ISD along with intra-state RCM transactions.
- ❖ A new mechanism for Unique Identification Marking on certain goods has been introduced for implementing a track-and-trace system. A penalty of ₹1 lakh or 10% of the tax payable, whichever is higher, will be imposed for non-compliance with the UIM provisions.
- ❖ The provisions on the time of supply for voucher transactions have been omitted. Now taxable at the time of redemption of voucher.
- ❖ The term "Plant or Machinery" is replaced with "Plant and Machinery" in Section 17(5)(d) retrospectively from July 1, 2017, nullifying the ITC availability based on the Safari Retreat Pvt. Ltd. judgment.
- ❖ Section 34 now explicitly requires the recipient to reverse ITC on credit notes issued to reduce the supplier's outward tax liability.



# Summary of Changes in Union Budget w.r.t. GST

- ❖ Amendment in Section 38 removed the word "auto-generated" in GSTR-2B, indicating that the government may soon mandate actions in IMS for generating GSTR-2B.
- ❖ Amendment in Section 39 allowing the government to impose restrictions on filing GSTR-3B, likely limiting changes to the auto-generated return.
- ❖ A 10% pre-deposit is required on penalty amounts for appeals before the appellate authority involving only penalty demands, without any tax demand.
- ❖ The supply of goods warehoused in SEZ and FTZ to any person before clearance for export or DTA is now neither a supply of goods nor services, simplifying tax treatment for exporters. Provision is made effective from July 1, 2017 retrospectively, with no refund for any tax already paid on such transactions.
- ❖ The definition of "local authority" has been amended, with explanation provided for the terms "municipal fund" and "local fund."





# Changes in Input Service Distributor (ISD)

- ❖ The definition of input service distributor (ISD) and provisions related to manner of distribution of ITC by ISD are amended.
- ❖ The amendment proposed to include 'inter-state' RCM transaction under ISD along with intra-state RCM transactions. (Applicable w.e.f. 01-04-2025).
- ❖ The amendment is to enable the ISD to distribute all type of ITC to its various units located in India.
- ❖ Starting April 1, 2025, registering as an ISD under GST will be mandatory for distributing the ITC of input services received by the head office on behalf of its branches. Cross-charging as a regular taxpayer will no longer be permitted.

# Introduction of Unique Identification Marking (UIM)

- ❖ A new system for Unique Identification Marking (UIM) has been introduced for certain goods (to be notified later) to implement a track-and-trace mechanism.
- ❖ These goods must be marked with a QR code, barcode, RFID tag, serial number, or any other unique, secure, and tamper-proof identifier.
- ❖ This initiative aims to enhance supply chain transparency and curb tax evasion.
- ❖ Failure to comply with the UIM provisions will result in a penalty of ₹1 lakh or 10% of the tax payable on such goods, whichever is higher.







## Changes in Time of Supply for Vouchers

- ❖ The provisions regarding the time of supply for voucher transactions have been omitted.
- ❖ Voucher transactions are now classified as neither a supply of goods nor a supply of services.
- ❖ Tax will now be payable at the time of actual redemption of the voucher.
- ❖ This change simplifies the taxation framework for vouchers and gift cards.

# GST ITC on Construction Services

- ❖ In clause (d) of Section 17(5), the term "plant or machinery" has been replaced with "plant and machinery."
- ❖ This amendment is effective retrospectively from July 1, 2017.
- ❖ It overrides the Supreme Court's judgment in the Safari Retreat case.
- ❖ This amendment now restricts the allowance of ITC on construction services, reversing the effect of the pronouncement in the matter of Safari Retreat.







## Reduction in Tax Liability on Account of issuance of Credit Notes

- ❖ It is now mandatory for the supplier to ensure that the recipient reverses the ITC when a credit note with GST is issued.
- ❖ The issuer of the credit note is responsible for verifying that the recipient has reversed the ITC availed on the original tax invoice.
- ❖ If the supplier fails to ensure the ITC reversal by the recipient, they will not be allowed to reduce their tax liability.



# Input Tax Credit in GSTR-2B

- ❖ In Section 38, the word "auto-generated statement" has been replaced with "statement."
- ❖ This modification allows for both manual and system-driven verification.
- ❖ A new clause (c) has been introduced to enable the inclusion of additional information in ITC statement GSTR-2B.
- ❖ This change indicates that the government may soon introduce mandatory actions in the IMS for generating GSTR-2B.





# Changes in GSTR-3B

- ❖ A new provision has been introduced in Section 39 to empower the government to impose restrictions on the amending the GSTR-3B return.
- ❖ This change indicates that the government may soon implement restrictions on the ability to make modifications to the auto-generated GSTR-3B return.
- ❖ Taxpayers might face limitations in amending the details automatically populated in their returns,
- ❖ This move is likely aimed at reducing errors and ensuring compliance in the GST filing process.



# Pre-Deposits for Appeals

- ❖ A 10% pre-deposit is now required for appeals in penalty-only cases.
- ❖ Amendments to Sections 107 and 112 mandate that appellants must pay the pre-deposit before filing an appeal before the Commissioner (Appeals) or the GST Tribunal in such cases.
- ❖ This change aims to discourage frivolous appeals and ensure only serious cases proceed.





# Warehouse in SEZ & FTZ

- ❖ The supply of goods warehoused in SEZ and FTZ to any person before clearance for export or DTA will now be treated as neither a supply of goods nor a supply of services.
- ❖ This amendment simplifies the tax treatment for exporters utilizing SEZ and FTWZ facilities.
- ❖ It is retrospective and applies effective from July 1, 2017.
- ❖ Additionally, no refund will be granted as a result of this retrospective amendment for the acts done earlier.



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