

Union Budget 2026

---

Indirect Tax Analysis

**argus**  
partners  
SOLICITORS AND ADVOCATES

Mumbai | Delhi | Kolkata | Bangalore

# Introduction

---

- In this budget update we have highlighted the key changes made to the indirect tax regime in the Union Budget presented by the Hon'ble Finance Minister on February 1, 2026. Various new proposals have been tabled. Apart from amending the current provisions of indirect tax laws, certain new provisions have also been introduced.
- We hope that this update will prove to be handy for understanding the key implications to the indirect tax regime pursuant to the Budget. We will be happy to hear your feedback on this update and help you with any further information that you may require. Feel free to send us an email at **communications@argus-p.com**

February 1, 2026

# CGST – Key Changes

---

- **Value of taxable supply** - Section 15(3) of the Central Goods and Services Tax Act, 2017 (“**the CGST Act**”) is being amended to do away with the requirement of linking the post-sale discount with an agreement. Now it provides for issuance of credit note by the supplier and reversal of ITC by the recipient as attributable to discount in accordance with the provision of Section 34 of CGST Act.
- **Issuance of credit notes** - Section 34(2) of CGST Act is being amended to include the reference of Section 15 in the said section.
- **Refund of Tax** - Section 54(6) of CGST Act is being amended to provide for provisional refund even in cases where refund is arising out of inverted duty structure. Further, Section 54(14) is being amended to remove the threshold limit for sanction of refund claims in case of goods exported out of India with payment of tax.

*The above changes shall come into force from such date as may be notified by the Government  
Reference invited to the provisions of CGST Act would include similar reference to the State GST laws*

# CGST – Key Changes

---

- **Constitution of National Appellate Authority for Advance Ruling** - Section 101A of the CGST Act is being amended to provide that the Government may, by notification, empower an existing Authority (which also includes a Tribunal) as the National Appellate Authority for Advance Rulings to hear appeals under section 101B of the CGST Act. This would further make the mechanism for dispute resolution robust, ensuring consistency in advance rulings, and offering greater certainty to taxpayers.

*The above changes shall be effective from April 1, 2026*

# IGST – Key Changes

---

- **Place of supply of services where location of supplier or location of recipient is outside India** - Section 13(8)(b) of the Integrated Goods and Services Tax Act, 2017 (“**IGST Act**”) is being omitted. Post such omission, the place of supply for "intermediary services" will be determined as per the default provision under section 13(2) of the IGST Act (in such case the place of supply would be the location of the recipient of services).

*The above change shall be effective from the date of enactment of Finance Bill, 2026*

# Customs – Key Changes

---

- **Extent and commencement** - Section 1(2) of the Customs Act, 1962 (“**the Customs Act**”), is being amended to extend the jurisdiction of the said Act beyond the territorial waters of India for the purpose of fishing and fishing related activities.
- **Recovery of duties not levied or not paid or short-levied or short-paid or erroneously refunded** - Section 28(6) is being amended so as to provide that the penalty paid under Section 28(5) on determination under sub-section (6) thereof, shall be deemed to be a charge for non-payment of duty.
- **Applicability of advance ruling** - Section 28J(2) is being amended so as to provide that advance ruling shall remain valid for a period of five years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier. Further, the proviso is also being substituted to provide that in respect of any advance ruling in force on the date on which the Finance Bill, 2026 receives the assent of the President, the Authority shall, upon a request by the applicant, extend the validity of the ruling for five years from the date of the ruling.

*The above change shall be effective from the date of enactment of Finance Bill, 2026*

# Customs – Key Changes

---

- **Removal of goods from one warehouse to another** – Section 67 of the Customs Act is being amended to do away with the requirement of prior permission of the proper officer for removal of warehoused goods from one custom bonded warehouse to another.
- **Regulations regarding goods imported or to be exported by post or courier** – Section 84 of the Customs Act is being amended to enable the Board to make provisions for the custody of goods imported or to be exported under the regulations framed under the said section.

*The above change shall be effective from the date of enactment of Finance Bill, 2026*

# Customs – Key Changes

---

- Clause 136 of the Finance Bill seeks to amend the First Schedule to the Customs Tariff Act, 1975 (“CTA”)
  - a) in the manner specified in the Second Schedule so as to revise the rates in respect of certain tariff items with effect from February 2, 2026
  - b) in the manner specified in the Third Schedule so as to reduce the BCD rate from 20% to 10% in respect of dutiable goods imported for personal use with effect from April 1, 2026
  - c) in the manner specified in the Fourth Schedule and Fifth Schedule with a view to harmonize certain entries and to create new tariff lines in respect of certain items with effect from May 1, 2026.

# Customs – Key Changes

---

- Baggage Rules, 2016 is being superseded by the Baggage Rules, 2026 to rationalize the baggage provisions and addressing passenger related concerns at airports and resolution of interpretational issues; provide clarity in temporarily carriage of goods brought in or taken out to avoid unnecessary detention of goods, and restructure Transfer of Residence benefits for Indian residents and foreign professionals based on duration of stay.^
- The Customs Baggage Declaration Regulations, 2013, the Baggage (Transit to Customs Stations) Regulations, 1967 and the Passenger's Baggage (Levy of Fees) Regulations, 1966 are being superseded by the Customs Baggage (Declaration and Processing) Regulations, 2026 to consolidate all baggage-related procedural provisions into a single, comprehensive and facilitative framework.^
- Deferred duty payment is being made monthly from the existing 15 days and a new class of 'eligible importers' is being created. This is being done by amending the existing Deferred Payment of Import Duty Rules, 2016.

<sup>^</sup> *Effective February 2, 2026*

# Customs – Key Changes

---

- Basic Customs Duty (“**BCD**”) decreased on Sodium antimonate [28419000] for use in manufacture of solar glass from 7.5% to NIL.
- BCD decreased on goods [84013000] for generation of nuclear Power from 7.5% to NIL.
- BCD exemption extended to capital goods for use in manufacturing of batteries for stationary energy storage applications i.e. Battery Energy Storage Systems (BESS) also.
- BCD exemption on 17 new drugs/medicines.
- The duty exemption available for import of specified inputs for use in manufacture of goods meant for export (which is presently available for leather and synthetic footwear), is now being extended to exporters of shoe-uppers.
- The time period for exporting products manufactured using inputs imported under Notification No. 45/2025-Customs dated October 24, 2025 has been enhanced from six months to one year in specific cases.

*The above changes would be effective from February 2, 2026*

# Customs – Other Changes

---

- **Notification No. 45/2025-Customs dated October 24, 2025**
  - 102 exemptions/concessional rates are being extended upto March 31, 2028.
  - 22 exemptions/concessional rates are being lapsed on their end dates of March 31, 2026.
  - 14 unconditional exemptions (including 5 redundant exemption entries) are being lapsed.
  - Sunset clause is being removed from 3 unconditional exemption entries.
  - Sunset clause is being prescribed for 4 conditional exemption entries in accordance with Section 25(4A) of the Customs Act.

*The above changes would be effective from February 2, 2026*

# Excise – Key Changes

---

- The Seventh Schedule to the Finance Act, 2001 is being amended to revise the National Calamity Contingent Duty (NCCD) Schedule rates on chewing tobacco, jarda scented tobacco and other tobacco products under HS 24039910, 24039930 and 24039990 respectively with effect from May 1, 2026. The effective rate will remain the same (i.e. at 25%) vide notification No. 01/2026-Central Excise dated February 1, 2026.
- For the purpose of computation of central excise duty on CNG compressed with biogas/Compressed Biogas (CBG), the value of such blended CNG shall exclude the value of Biogas/Compressed Bio Gas (CBG) contained in it and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on such biogas/CBG.
- The additional excise duty of Rs 2 per litre notified to be levied on unblended diesel vide notification No. 11/2017-Central Excise dated June 30, 2017, as amended, is being deferred till March 31, 2028.

# Disclaimer

---

This document is merely intended as an update and is merely for informational purposes. This document should not be construed as a legal opinion. No person should rely on the contents of this document without first obtaining advice from a qualified professional person. This document is contributed on the understanding that the Firm, its employees and consultants are not responsible for the results of any actions taken on the basis of information in this document, or for any error in or omission from this document. Further, the Firm, its employees and consultants, expressly disclaim all and any liability and responsibility to any person who reads this document in respect of anything, and of the consequences of anything, done or omitted to be done by such person in reliance, whether wholly or partially, upon the whole or any part of the content of this document. Without limiting the generality of the above, no author, consultant or the Firm shall have any responsibility for any act or omission of any other author, consultant or the Firm. This update does not and is not intended to constitute solicitation, invitation, advertisement or inducement of any sort whatsoever from us or any of our members to solicit any work, in any manner, whether directly or indirectly.

**You can send us your comments at: [ajay.sanwaria@argus-p.com](mailto:ajay.sanwaria@argus-p.com) or [communications@argus-p.com](mailto:communications@argus-p.com)**

Mumbai | Delhi | Kolkata | Bangalore