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CLAUSE BY CLAUSE ANALYSIS OF THE PROPOSED AMENDMENTS TO THE CENTRAL GOODS AND SERVICES TAX ACT, 2017, BY THE FINANCE BILL, 2025

PROPOSED AMENDMENTS IN THE CGST ACT, 2017

Clause no.	Section	Existing provision	Proposed amendment (effective from 01.04.2025)	Authoris comments
116(i)	2(61)	îInput Service Distributorï means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;	îInput Service Distributorï means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9 ***of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017,*** for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20;	The amendment explicitly incorporates references to sub-sections (3) and (4) of Section 5 of the Integrated Goods and Services Tax (IGST) Act, 2017. This change builds on an earlier amendment introduced by the Finance Act, 2024, dated 15.02.2024, which revamped the definition of an Input Service Distributor (ISD). That previous amendment aimed to include input services liable to tax under the reverse charge mechanism within the scope of the ISD framework. However, it limited its reference to the liabilities specified in section 9(3) and 9(4) of the Central Goods and Services Tax (CGST) Act.

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				This limitation could potentially exclude inter-state transactions that are taxable on a reverse charge basis. By adding the IGST Act provisions, the current amendment clarifies that an ISD's responsibilities indeed extend to such inter-state input services. The ISD mechanism is set to be implemented mandatorily with effect from 01.04.2025. While this provides a clear timeline for compliance, it also raises questions about how smoothly organizations will adapt to and implement the new provisions. Transition challenges may include updates to internal systems, training of personnel, and ensuring proper coordination among various business units across different states. Companies, especially those registered in multiple states, will need to closely monitor these changes and prepare for adjustments in their invoicing and tax credit distribution processes. A point of potential ambiguity arises from the insertion of sub-rule (1A) in Rule 39, inserted

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				w.e.f. 10.07.2024. This provision allows a regular registration that shares the same PAN and state code as the ISD to issue an invoice for transferring the credit of common input services taxable under reverse charge to the ISD. Subsequently, the ISD would distribute this credit among other regular registrations under the same PAN. Although the ISD mechanism is already empowered to receive tax invoices for input services under reverse charge, the need for this additional provision is not entirely clear. It appears to create a secondary channel for credit transfer, potentially to streamline or ensure the correct allocation of credits.

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Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authoris comments
116(ii)	2(69)	îlocal authorityï meansóó (a) a îPanchayatï as defined in clause (d) of article 243 of the Constitution; (b) a îMunicipalityï as defined in clause (e) of article 243P of the Constitution; (c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund; (d) a Cantonment Board as defined in section 3 of the Cantonments Act, 2006 (41 of 2006);	îlocal authorityï meansóó (a) a îPanchayatï as defined in clause (d) of article 243 of the Constitution; (b) a îMunicipalityï as defined in clause (e) of article 243P of the Constitution; (c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal ***fund*** or local fund; ***Explanation ó*** ***(a) î local fundï means any fund under the control or management of an authority of a local self government established for discharging civic functions in relation to a Panchayat area and vested by law with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called;***	The proposed amendment to the definition of "local authority" involves a subtle yet important rephrasing that clarifies the scope of funds under the control or management of local self-government bodies. In the existing, clause (c) referred to "a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund". The revised version reorders this phrase to read "with the control or management of a municipal fund or local fund." This change, while seemingly minor, explicitly distinguishes between two separate categories of fundsò municipal funds and local fundsò each corresponding to different types of local governing bodies and their respective civic functions. The amendment further provides explanations that define what is meant by "municipal fund" and "local

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		(e) a Regional Council or a District Council constituted under the Sixth Schedule to the Constitution; (f) a Development Board constituted under article 371 and article 371J of the Constitution; or (g) a Regional Council constituted under article 371A of the Constitution;	***(b) î municipal fundï means any fund under the control or management of an authority of a local self government established for discharging civic functions in relation to a Metropolitan area or Municipal area and vested by law with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called.*** (d) a Cantonment Board as defined in section 3 of the Cantonments Act, 2006 (41 of 2006); (e) a Regional Council or a District Council constituted under the Sixth Schedule to the Constitution; (f) a Development Board constituted under article 371 and article 371J of the Constitution; or (g) a Regional Council constituted under article 371A of the Constitution;	fund." A municipal fund is designated for authorities established in metropolitan or municipal areas and is entrusted with the responsibility of discharging civic functions through the power to levy, collect, and appropriate taxes, duties, tolls, cess, or fees. In contrast, a local fund pertains to local self-government bodies in Panchayat areas, which similarly are endowed with legal powers to manage revenue for local civic functions. This clear demarcation helps in ensuring that the financial responsibilities and management processes for urban and rural areas are properly delineated, thereby reducing ambiguity and potential misinterpretations.
116(iii)	**2(116A)**	**-**	***(116A) î unique identification markingï means the unique identification marking referred to in clause (b) of sub-section (2) of section 148A and includes a digital***	The proposed amendment establishes a definition for "**unique identification marking**" as a digital stamp, digital mark, or similar secure and non-removable identifier. Its purpose is to provide

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			stamp, digital mark or any other similar marking, which is unique, secure and non-removable;	precise terminology for the **track and trace mechanism** proposed to be introduced by Section 148A, ensuring that notified goods can be accurately and securely tagged. This tagging is intended to facilitate effective tracking of notified goods throughout the supply chain, thereby enhancing transparency and preventing fraudulent activities, such as bogus exports used to illegitimately claim ITC refunds.

Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authoris comments
117	**12(4)**	12. (1) The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section. Ü ..	12(1) The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section. Ü ..	The proposed amendment aligns with the clarification issued by CBIC in **Circular No. 243/37/2024-GST dated 31.12.2024**, which stated that transactions involving vouchers do not constitute the supply of goods or services. By omitting the "time of supply" provision specific to vouchers, the amendment aims to resolve the ambiguities that have long plagued the voucher industry.

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		(4) In case of supply of vouchers by a supplier, the time of supply shall be- (a) the date of issue of voucher, if the supply is identifiable at that point; or (b) the date of redemption of voucher, in all other cases. Ü .	~~(4) In case of supply of vouchers by a supplier, the time of supply shall be-~~ ~~(a) the date of issue of voucher, if the supply is identifiable at that point; or~~ ~~(b) the date of redemption of voucher, in all other cases.~~	

Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authoris comments
118	**13(4)**	**13.** (1) The liability to pay tax on services shall arise at the time of supply, as determined in accordance with the provisions of this section. Ü (4) In case of supply of vouchers by a supplier, the time of supply shall beóó	**13.** (1) The liability to pay tax on services shall arise at the time of supply, as determined in accordance with the provisions of this section. Ü ~~(4) In case of supply of vouchers by a supplier, the time of supply shall beóó~~	The proposed amendment aligns with the clarification issued by CBIC in **Circular No. 243/37/2024-GST dated 31.12.2024**, which stated that transactions involving vouchers do not constitute the supply of goods or services. By omitting the "time of supply" provision specific to vouchers, the amendment aims to resolve the ambiguities that have long plagued the voucher industry.

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		(a) the date of issue of voucher, if the supply is identifiable at that point; or (b) the date of redemption of voucher, in all other cases. Ü .	~~(a) the date of issue of voucher, if the supply is identifiable at that point; or~~ ~~(b) the date of redemption of voucher, in all other cases~~. Ü .	

Clause no.	Section	Existing provision	Proposed amendment (effective from 01.07.2017)	Authorìs comments
119	**17(5)(d)**	Notwithstanding anything contained in sub-section (1) of section 16 and subsection (1) of section 18, input tax credit shall not be available in respect of the following, namely:- Ü Ü Ü .. (c) works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;	Notwithstanding anything contained in sub-section (1) of section 16 and subsection (1) of section 18, input tax credit shall not be available in respect of the following, namely:- Ü Ü Ü .. (c) works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service; (d) goods or services or both received by a taxable person for construction of an	The proposed **retrospective** amendment in Section 17(5)(d) is designed to override the Supreme Courtìs ruling in the Safari Retreats case. In that judgment, the Apex court determined that the phrase "plant or machinery" should not be interpreted as synonymous with "plant and machinery," meaning that if an immovable property qualifies as "plant," it would not be covered under clause (d). To counter this interpretation and restore the intended

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		(d) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business. ***Explanation***.ööFor the purposes of clauses (c) and (d), the expression îconstructionï includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property; Ü (6) Ü Ü ***Explanation.*** öö For the purposes of this Chapter and Chapter VI, the expression îplant and machineryï means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such	immovable property ***(other than plant and machinery)*** on his own account including when such goods or services or both are used in the course or furtherance of business. ***Explanation***.ööFor the purposes of clauses (c) and (d), the expression îconstructionï includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property; Ü (6) Ü . ***Explanation 1*** öö For the purposes of this Chapter and Chapter VI, the expression îplant and machineryï means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes- (i) land, building or any other civil structures; (ii) telecommunication towers; and	scope of the provision, the amendment proposes to change the wording from "plant or machinery" to "plant and machinery." Additionally, an explanation is inserted to reinforce that the term in clause (d) should always be construed as "plant and machinery." This change aims to ensure that all relevant immovable property (other than plant and machinery), including those (plants) previously excluded by the Supreme Court's narrow interpretation, are appropriately encompassed within the ambit of the clause, thereby aligning the statute with its original legislative intent of denying the input tax credit of goods or services or both used in the construction of immovable property. **However, an important question remains regarding whether the construction of an immovable property intended for lease, rather**

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		foundation and structural supports but excludes- (i) land, building or any other civil structures; (ii) telecommunication towers; and (iii) pipelines laid outside the factory premises.	(iii) pipelines laid outside the factory premises. ***Explanation 2óóFor the purposes of clause (d), it is hereby clarified that notwithstanding anything to the contrary contained in any judgment, decree or order of any court, tribunal, or other authority, any reference to îplant or machineryï shall be construed and shall always be deemed to have been construed as a reference to îplant and machineryï .***	**than on own account, would be eligible for ITC under clause (d) or if it would still fall under the purview of clause (c) for the immovable property owner.**

Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authorìs comments
120	**20**	(1) Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on	(1) Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9 ***of this Act or under***	The proposed amendment explicitly incorporates references to sub-sections (3) and (4) of Section 5 of the Integrated Goods and Services Tax (IGST) Act, 2017. This change builds on an earlier amendment introduced by the Finance Act, 2024, dated

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		behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service Distributor under clause (viii) of section 24 and shall distribute the input tax credit in respect of such invoices. (2) The Input Service Distributor shall distribute the credit of central tax or integrated tax charged on invoices received by him, including the credit of central or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to such restrictions and conditions as may be prescribed. (3) The credit of central tax shall be distributed as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document	***subsection (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017***, for or on behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service Distributor under clause (viii) of section 24 and shall distribute the input tax credit in respect of such invoices. (2) The Input Service Distributor shall distribute the credit of central tax or integrated tax charged on invoices received by him, including the credit of central or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 ***of this Act or under subsection (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017***, paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such	15.02.2024, which revamped the provision of an Input Service Distributor (ISD) mechanism. That previous amendment aimed to make ISD mechanism mandatory from 01.04.2025 onwards and include input services liable to tax under the reverse charge mechanism within the scope of the ISD framework. However, it limited its reference to the liabilities specified in section 9(3) and 9(4) of the Central Goods and Services Tax (CGST) Act. This limitation could potentially exclude inter-state transactions that are taxable on a reverse charge basis. By adding the IGST Act provisions, the current amendment clarifies that an ISD's responsibilities indeed extend to such inter-state input services.

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		containing the amount of input tax credit, in such manner as may be prescribed.	time and subject to such restrictions and conditions as may be prescribed. (3) The credit of central tax shall be distributed as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit, in such manner as may be prescribed.	

Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authoris comments
121	**34**	Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such	Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be	The proposed amendment seeks to prevent unjust enrichment by ensuring that a supplier can only benefit from a reduction in output tax on account of a GST credit note if the corresponding input tax credit (ITC) has been effectively not availed by the recipient or the incidence has not been passed on to any other party. Initially, a similar provision was included in Section 43

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		goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed. (2) Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than the thirtieth day of November following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed: Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.	deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed. (2) Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than the thirtieth day of November following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed: ~~*Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on*~~	of the CGST Act as part of the matching mechanism in the GST framework (GSTR-1, 2 & 3), but it was ultimately omitted through the Finance Act, 2022, effective from 1 October 2022, due to its impracticality in implementation. While the goal of preventing unjust enrichment is sound, it raises a practical concern regarding how a supplier can verify that the recipient has not availed or reversed the ITC related to the credit note. Ideally, the recipient should be independently liable for reversing the ITC on the credit note declared by the supplier in GSTR-1 and subsequently communicated in GSTR-2A/2B, with the recipient's jurisdictional officer overseeing compliance. However, Circular No. 212/6/2024-GST, dated 26 June 2024, had already placed an additional burden on suppliers by requiring them to obtain a

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			~~*such supply has been passed on to any other person.*~~ ***Provided that no reduction in output tax liability of the supplier shall be permitted, if theóó*** ***(i) input tax credit as is attributable to such a credit note, if availed, has not been reversed by the recipient, where such recipient is a registered person; or*** ***(ii) incidence of tax on such supply has been passed to any other person, in other cases.***	declaration or a CA certificate from the recipient confirming that the ITC corresponding to the credit note has not been availed or reversed. In effect, the amendment appears to be reinforcing the additional safeguard introduced by that circular.

Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authoris comments
122	**38**	(1) The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such	(1) The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such	The proposed amendment in Section 38 is designed to provide statutory backing to the GSTR-2B statement that is regenerated

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		other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed. (2) The auto-generated statement under sub-section (1) shall consist ofóó (a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and (b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of section 37,óó (i) by any registered person within such period of taking registration as may be prescribed; or	other supplies as may be prescribed, and ~~***an auto-generated statement***~~ ***a statement*** containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed. (2) The ~~***auto-generated statement under***~~ ***statement referred in*** sub-section (1) shall consist ofóó (a) details of inward supplies in respect of which credit of input tax may be available to the recipient; ~~***and***~~ (b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient ***including***, on account of the details of the said supplies being furnished under sub-section (1) of section 37,óó	based on actions taken within the Invoice Management System (IMS) on the GSTN portal. Under the IMS, recipients can accept, reject, or defer each tax invoice reflected in the GSTR-2B, which is generated based on the GSTR-1 furnished by the supplier. Invoices accepted by the recipient in the IMS are subsequently reflected in the regenerated GSTR-2B, and the corresponding input tax credit is auto-populated in the GSTR-3B. The amendment further proposes to expand the statutory scope of this statement to include any additional details that may be prescribed in the future. It is important to note that, as per clause (ba) of sub-section (2) of Section 16, one of the prerequisites for claiming ITC is that such credit should not be restricted under Section 38 of the Act. Section 38(2)(b) specifically details the inward supplies for which credit is restricted; however, in majority instances under clause (b) of

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		(ii) by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or (iii) by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or (iv) by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or (v) by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of sub-section (12) of section 49 subject to such	(i) by any registered person within such period of taking registration as may be prescribed; or (ii) by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or (iii) by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or (iv) by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or	Section 38(2), the applicable thresholds are still pending prescription through Rules.

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		conditions and restrictions as may be prescribed; or (vi) by such other class of persons as may be prescribed.	(v) by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of sub-section (12) of section 49 subject to such conditions and restrictions as may be prescribed; or (vi) by such other class of persons as may be prescribed. ***(c) such other details as may be prescribed.***	

Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authoris comments
123	**39(1)**	Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or	Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or	The proposed amendment seeks to provide for an enabling clause u/s 39(1) to prescribe conditions and restriction for filing of GSTR-3B return under the said sub-section. Notably, a similar enabling clause was introduced for GSTR-1 u/s 37(1) by the Finance Act,

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		services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, and within such time, as may be prescribed: Provided that the Government may, on the recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof, subject to such conditions and restrictions as may be specified therein.	services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, ~~***and within such***~~ ***within such time, and subject to such conditions and restrictions***, as may be prescribed: Provided that the Government may, on the recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof, subject to such conditions and restrictions as may be specified therein.	2022, w.e.f. 01.10.2022, and thereafter the restrictions on filing of GSTR-1 were prescribed under Rule 59.

Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authoris comments
124	**107(6)**	No appeal shall be filed under sub-section (1), unless the appellant has paid- (a) in full, such part of the amount of tax, interest, fine, fee and penalty	No appeal shall be filed under sub-section (1), unless the appellant has paid- (a) in full, such part of the amount of tax, interest, fine, fee and penalty arising	The proposed amendment provides that, in cases where an order demands only a penalty (with no corresponding tax demand), the appellant must make a pre-deposit amounting to 10% of the disputed penalty. Under the current law, no such pre-deposit is

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		arising from the impugned order, as is admitted by him; and (b) a sum equal to ten per cent. of the remaining amount of tax in dispute arising from the said order subject to a maximum of twenty crore rupees, in relation to which the appeal has been filed. Provided that no appeal shall be filed against an order under sub-section (3) of section 129, unless a sum equal to twenty-five per cent. of the penalty has been paid by the appellant.	from the impugned order, as is admitted by him; and (b) a sum equal to ten per cent. of the remaining amount of tax in dispute arising from the said order subject to a maximum of twenty crore rupees, in relation to which the appeal has been filed. ~~***Provided that no appeal shall be filed against an order under sub-section (3) of section 129, unless a sum equal to twenty-five per cent. of the penalty has been paid by the appellant***~~. ***Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty has been paid by the appellant.***	required when only the penalty is in disputeò except in the context of penalties imposed under Section 129(3) (pertaining to e-way bill cases), where the requirement is essentially redundant because appeals are typically filed after the release of goods upon full payment of the penalty by the aggrieved. It is also clarified that when an order demands tax, interest, and penalty, a mandatory pre-deposit of 10% of the disputed tax amount (excluding interest and penalty) must be paid when preferring an appeal before the First Appellate Authority under Section 107. Following the enforcement of the proposed amendment, for orders that demand only a penalty without any tax componentò including orders under Sections 122, 125, or 129ò a mandatory pre-deposit of 10% of the disputed penalty amount will be required.

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Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authoris comments
125	112(8)	No appeal shall be filed under sub-section (1), unless the appellant has paidóó (a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him, and (b) a sum equal to ten per cent. of the remaining amount of tax in dispute, in addition to the amount paid under sub-section (6) of section 107, arising from the said order subject to a maximum of twenty crore rupees, in relation to which the appeal has been filed.	No appeal shall be filed under sub-section (1), unless the appellant has paidóó (a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him, and (b) a sum equal to ten per cent. of the remaining amount of tax in dispute, in addition to the amount paid under sub-section (6) of section 107, arising from the said order subject to a maximum of twenty crore rupees, in relation to which the appeal has been filed. ***Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty, in addition to the amount payable under***	The proposed amendment provides that, in cases where an order demands only a penalty (with no corresponding tax demand), the appellant must make a pre-deposit amounting to 10% of the disputed penalty, in addition to pre-deposit made at the time of filing Appeal before the FAA u/s 107. Under the current law, no such pre-deposit is required when only the penalty is in dispute before the Appellate Tribunal u/s 122 ò not even in the context of penalties imposed under Section 129(3) (pertaining to e-way bill cases). It is also clarified that when an order demands tax, interest, and penalty, a mandatory pre-deposit of 10% of the disputed tax amount (excluding interest and penalty) must be paid when preferring an appeal before the Appellate Tribunal under Section 112, in addition to pre-deposit made u/s 107. Following the enforcement of the proposed amendment, for

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			the proviso to sub-section (6) of section 107 has been paid by the appellant.	orders that demand only a penalty without any tax componentò including orders under Sections 122, 125, or 129ò a mandatory pre-deposit of 10% of the disputed penalty amount will be required. **Despite GST being operational for over seven yearsò with the eighth year about to be complete ò the Appellate Tribunal remains non-functional**. Meanwhile, the provisions governing the Tribunal have undergone multiple amendments since GST's inception, underscoring the persistent delays and inefficiencies in establishing this critical mechanism for dispute resolution.

Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authorìs comments
126	**122B ó new section**	**-**	***Notwithstanding anything contained in this Act, where any person referred to in clause (b) of sub-section (1) of section 148A acts in contravention of the provisions of***	The proposed amendment provides for insertion of new penal provision - Section 122B - which is designed to reinforce compliance with the track and trace mechanism

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			the said section, he shall, in addition to any penalty under Chapter XV or the provisions of this Chapter, be liable to pay a penalty equal to an amount of one lakh rupees or ten per cent. of the tax payable on such goods, whichever is higher.	established under Section 148A. While Section 148A lays down the framework for tracking and tracing certain goods through unique identification markings and related systems, Section 122B adds a layer of accountability by imposing an additional penalty for contraventions of the provisions of Section 148A. Specifically, if any person covered under Section 148A violates its mandates, they will incur a penalty of either one lakh rupees or 10% of the tax payable on the goods involvedò whichever is higherò in addition to any other penalties that may apply under Chapter XV or elsewhere in the Act.

Clause no.	Section	Existing provision	Proposed amendment (effective from a date to be notified)	Authorìs comments
127	**148Aó new section**	**-**	***148A (1) The Government may, on the recommendations of the Council, by notification, specify,ó*** ***(a) the goods;***	The proposed amendment is a significant addition that establishes a comprehensive **track and trace system** within the GST framework. Its meaningful purpose is to empower the Government to identify and monitor specific goods and the persons dealing in them, by mandating a unique identification marking for those goods. This mechanism ensures that every

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			(b) persons or class of persons who are in possession or deal with such goods, to which the provisions of this section shall apply. ***(2) The Government may, in respect of the goods referred to in clause (a) of sub-section (1), -*** ***(a) provide a system for enabling affixation of unique identification marking and for electronic storage and access of information contained therein, through such persons, as may be prescribed; and*** ***(b) prescribe the unique identification marking for such goods, including the information to be recorded therein.*** ***(3) The persons referred to in sub-section (1), shall,ó*** ***(a) affix on the said goods or packages thereof, a unique identification marking, containing such information and in such manner;*** ***(b) furnish such information and details within such time and maintain such records or documents, in such form and manner;***	unit can be tracked throughout the supply chain, with all relevant data electronically stored and accessible. In essence, the provision serves as a powerful tool to prevent fraudò **such as bogus export claims for ITC refunds**ò by ensuring greater transparency and accountability in the movement of goods.

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			(c) furnish details of the machinery installed in the place of business of manufacture of such goods, including the identification, capacity, duration of operation and such other details or information, within such time and in such form and manner; ***(d) pay such amount in relation to the system referred to in sub-section (2),69 as may be prescribed.***	

Clause no.	Section	Existing provision	Proposed amendment (effective from 01.07.2017)	Authoris comments
128	**Schedule III (para 8)**	8. (a) Supply of warehoused goods to any person before clearance for home consumption; (b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but	8. (a) Supply of warehoused goods to any person before clearance for home consumption; ***(aa) Supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area.***	The proposed **retrospective** amendment serves primarily as a clarificatory measure. It explicitly states that any supply of goods from warehouses located in a Special Economic Zone (SEZ) or a Free Trade Warehousing Zone (FTWZ) before clearance for exports or for the Domestic Tariff Area (DTA) is not considered a supply of goods or services under GST. Essentially, it reinforces the principle that

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		before clearance for home consumption; **Ü ..** Explanation 2.ööFor the purposes of paragraph 8, the expression îwarehoused goodsï shall have the same meaning as assigned to it in the Customs Act, 1962.	(b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption; **Ü ..** Explanation 2.ööFor the purposes of ***clause (a) of*** paragraph 8, the expression îwarehoused goodsï shall have the same meaning as assigned to it in the Customs Act, 1962. ***Explanation 3.öö For the purposes of clause (aa) of paragraph 8, the expressions î Special Economic Zoneï , î Free Trade Warehousing Zoneï and î Domestic Tariff Areaï shall have the same meanings respectively as assigned to them in section 2 of the Special Economic Zones Act, 2005.***	any supply occurring prior to customs clearance for home consumption falls outside the GST ambit. Even before this amendment, supplies of goods warehoused in an FTWZ were generally not treated as taxable supplies by the supplier, as the tax liability typically arose only when the goods were cleared for home consumption, at which point the importing entity obtaining clearance from Customs becomes liable for IGST and Import Duty, as applicable. By clarifying the status of supplies from SEZs or FTWZs, the retrospective amendment removes ambiguity and ensures consistent treatment across different warehousing scenarios. Furthermore, it is to be appreciated that the scope of í**exempt supply**ì as defined u/s 17(3) for the purpose of apportionment of credit u/s 17(2) has not been amended to include proposed clause (aa) of Para 8 of Schedule III. The same continues to include transactions

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				covered in clause (a) of Para 8 of Schedule III only.
129	**In connection with Schedule III (Para 8)**	-	***No refund shall be made of all such tax which has been collected, but which would not have been so collected, had section 128 been in force at all material times.***	The proposed amendment provides that no refund will be made for any tax that was collected on transactions involving supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance, which are now a part of Schedule III with retrospective effect from 01.07.2017.

All clauses from 116 to 129 of the Finance Bill, 2025, save for clauses 116(i), 119 and 128, shall come into force on a prospective basis from such date as may be notified by the GST Council, unless otherwise expressly provided herein. It is hereby clarified that the provisions herein contained shall not become operative until the Finance Bill receives the assent of the President of India, following which the GST Council shall have the authority to notify their effective date. Notwithstanding the foregoing, clauses 119 and 128 shall be deemed to have retrospective effect and shall be deemed to have come into force as of 1st July, 2017, upon notification thereof. Furthermore, clause 116(1) shall be effective from 01.04.2025 upon notification thereof.