Anivesh
Legal Consultants

Analysis of Union Budget 2026 (GST, Customs and Excise)

ABOUT US:

Anivesh Legal Consultants (ALC Group) is a professionally managed multi-specialised consultancy firm headquartered in Gurgaon, Haryana. The term 'Anivesh' denotes 'responsibility' which is our main focus. We are steadfast in our commitment to assuming complete responsibility for every client engagement, striving to deliver genuine value that enhances quality of our services. We are dedicated to not just meet but exceed client expectations, ensuring clients' satisfaction and success.

OUR STORY:

ALC Group was founded by CA. (Adv) Mohit Gupta and CA. (Adv) Ayush Agarwal under the guidance of CA. Vishnu Agarwal (M/s Agrawal Goyal and co. which is a 35 years old firm). It was founded by a team of experienced & dedicated Chartered Accountants & Advocates having rich experience of working in top tier firms of India. ALC team brings together refined consultancy skills, the pinnacle of industry practices, and an unwavering dedication to fulfilling every client need.

OUR EXPERTISE:

With core focus on Indirect Tax (GST, Customs, Foreign Trade Policy) Litigation, Advisory & Audit, Transaction Structuring & Advisory and IDT Due Diligence & compliance Review, we provide a comprehensive range of services including Statutory audits, Internal audits, Financial Services, Direct Tax, Company Law, FEMA / RBI, Economic Zone, Intellectual Property, Business Process automation (i.e. Excel automation), Accounting Services etc.

WHY US?

- Rich experience of working with industry leaders
- Holistic solution
- Strong Work Ethics
- Long-Term Partnerships

Founders of

Anivesh Legal Consultants

CA (ADV) MOHIT GUPTA

GST, Customs, FTP

This Budget 2026 sets a youth-driven vision for India, aiming to harness the potential of its young population to drive economic growth and innovation. Recognizing the transformative power of Artificial Intelligence and emerging technologies, the budget proposes targeted initiatives to support AI startups, R&D, and technology-led industrial modernization, ensuring India stays at the forefront of global innovation.

A major highlight of the budget is its focus on international trade aligning with recently signed Free Trade Agreements (FTAs) with EU, UK and Oman designed to enhance India's export competitiveness, attract foreign investment, and deepen economic ties with key global partners and open new markets for Indian products, and promote collaboration in technology, manufacturing, and services sectors.

CA (ADV) AYUSH AGARWAL

GST, Customs, FTP

The Union Budget 2026–27 places significant emphasis on strengthening the Micro, Small and Medium Enterprises (MSME) sector as a critical engine for employment, exports, and inclusive growth. Key policy measures announced aim to deepen access to capital, improve liquidity and support competitiveness of MSMEs across India.

A dedicated Rs. 10,000 crore growth fund has been announced to nurture high-potential MSMEs into future champions by providing equity support and performance-linked incentives.

Government will collaborate with professional bodies (e.g., ICAI, ICSI, ICMAI) to develop a cadre of "Corporate Mitras" — advisors to help MSMEs with compliance, governance, and growth planning, particularly in Tier-II and Tier-III towns.

Our Contributors

CA GAURAV JHA

GST, Customs

The Union Budget 2026-27 reflects a clear and deliberate policy direction focused on long-term economic strengthening rather than short-term fiscal impulses. Anchored around infrastructure development, AI-driven innovation, and tourism-led growth, the Budget seeks to build durable growth enginess for the Indian economy.

Sustained emphasis on infrastructure underscores the Government's commitment to improving connectivity, logistics efficiency, and investment readiness, thereby supporting manufacturing, trade, and regional development. At the same time, the recognition of technology and AI as India's growth engine—supported by tax rate stability and compliance rationalisation—provides much-needed certainty to businesses, startups, and global investors.

Overall, Budget 2026-27 presents a cohesive and forward-looking roadmap, where infrastructure, innovation, and experience-based sectors converge to shape a resilient, investment-friendly, and future-ready India.

CA GOPAL SONIKA

GST, Customs

The Finance Bill, 2026, marks a decisive moment in India's fiscal history- a transition from a regime of 'permission' to an era of 'process.' By embedding effective rates directly into the Statute and unshackling the supply chain from discretionary hurdles, particularly in the warehousing sector, the Government has signaled that trust is now the currency of trade.

In this budget update, we move beyond the surface-level rate changes to dissect the legislative intent behind these reforms.

Simultaneously, the GST proposals offer long-awaited clarity and relief. The decisive omission of Section 13(8)(b) of the IGST Act effectively resolves the 'Intermediary' conundrum, promising to unleash the full potential of our service export sector.

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Amendments to Central Goods & Services Tax Act, 2017 (CGST Act)

1. Clause 137: Proposed amendment in Section 15 of CGST Act, 2017

Before	After
(3) (a) ….. (b) after the supply has been effected, if- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.	(3) (a) ….. *"(b) after the supply has been effected, if for such discount, a credit note has been issued by the supplier and input tax credit as is attributable to such discount has been reversed by the recipient of the supply, in accordance with the provisions of section 34."*

Anivesh (ALC) Comments:

- As per recommendation of 56th GST Council Meeting, this amendment simplifies valuation provisions by removing the rigid requirements of written pre-agreement and invoice-wise linkage for giving discounts.
- It aligns Section 15 with Section 34, making issuance of credit note a pre-requisite for exclusion of post-supply discounts from value of supply.

Issues:

- Whether acceptance of credit note by recipient in its Invoice Management System (IMS) and reflected on the supplier's portal will be treated as sufficient proof of reversal of ITC by recipient? Whether any other mechanism or proof can be given to substantiate the fact that ITC has been reversed by recipient of supply other than IMS.

- Further, if the recipient rejects or fails to accept the credit note, whether it will result in denial of deduction of discount and reduction in output tax liability, thereby making the supplier's tax position contingent upon recipient action and GST portal?

2. Clause 138: Proposed amendment in Section 34 of CGST Act, 2017

Before	After
(1) [1][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 goods or services or both, may issue to the recipient [2][one or more credit notes for supplies made in a financial year] containing such particulars as may be prescribed.	(1) [1][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, ***or where a discount referred to in clause (b) of sub-section (3) of section 15 is given,*** the registered person, who has supplied such goods or services or both, may issue to the recipient [2][one or more credit notes for supplies made in a financial year] containing such particulars as may be prescribed.

Anivesh (ALC) Comments:

- As per recommendation of 56th GST Council Meeting, this amendment explicitly permits issuance of credit notes for post-supply discounts covered under Section 15(3)(b). It appears to be clarificatory in nature as it was already covered in Section 34 in case of 'taxable value charged in the tax invoice is found to exceed the taxable value.'

- It harmonises Section 34 with Section 15, creating a clear statutory mechanism for reduction in value of supply through credit note.
- The inclusion of discounts referred to in Section 15(3)(b) as a ground for issuance of credit notes aligns the provision with the Invoice Management System (IMS), as it enables the supplier to issue credit notes for post-supply discounts which can be uploaded on the common portal for recipient acceptance, thereby facilitating corresponding ITC reversal and ensuring reconciliation between supplier and recipient records.

Issues:

- Whether acceptance of credit note by recipient in its Invoice Management System (IMS) and reflected on the supplier's portal will be treated as sufficient proof of reversal of ITC by recipient? Whether any other mechanism or proof can be given to substantiate the fact that ITC has been reversed by recipient of supply other than IMS.
- Further, if the recipient rejects or fails to accept the credit note, whether it will result in denial of deduction of discount and reduction in output tax liability, thereby making the supplier's tax position contingent upon recipient action and GST portal?

3. Clause 139: Proposed amendment in Section 54 of CGST Act, 2017

Before	After
(6) Notwithstanding anything contained in sub-section (5), the proper officer may, in the case of any claim for refund on account of zero-rated supply of goods or services or both made by registered persons, other than such category of registered persons as may be notified by the Government on the	(6) Notwithstanding anything contained in sub-section (5), the proper officer may, in the case of any claim for refund on account of zero-rated supply of goods or services or both ***or of unutilized input tax credit allowed under clause (ii) of the first proviso to sub-section (3),*** made by registered persons, other than such category of registered persons as may be notified by the Government on the

recommendations of the Council, refund on a provisional basis, ninety per cent. of the total amount so claimed, [8][****], in such manner and subject to such conditions, limitations and safeguards as may be prescribed and thereafter make an order under sub-section (5) for final settlement of the refund claim after due verification of documents furnished by the applicant.	recommendations of the Council, refund on a provisional basis, ninety per cent. of the total amount so claimed, [8][****], in such manner and subject to such conditions, limitations and safeguards as may be prescribed and thereafter make an order under sub-section (5) for final settlement of the refund claim after due verification of documents furnished by the applicant.
(14) Notwithstanding anything contained in this section, no refund under subsection (5) or sub-section (6) shall be paid to an applicant, if the amount is less than one thousand rupees.	(14) Notwithstanding anything contained in this section, no refund under subsection (5) or sub-section (6), ***other than cases where refund of tax is claimed on account of goods exported out of India with payment of tax.***

Anivesh (ALC) Comments:

- As per recommendation of 56th GST Council Meeting, the scope of provisional refund (90%) under Section 54(6) has been expanded to include refund of unutilised ITC under Section 54(3)(ii) (i.e. refund due to inverted duty structure), in addition to zero-rated supplies.
- The use of risk-based system and requirement for proper officers to record reasons in writing before denying provisional refund should help in actual implementation of grant of provisional refund rather than merely legislative or administrative changes.
- Risk-based 90% provisional refunds for Inverted Duty Structure (IDS) will speed up cash flow for taxpayers while safeguarding revenue bringing it on par with exports refunds (Rule 91). Most taxpayers will benefit from quicker sanction of 90% provisional refunds, improving cash flow and working capital.
- Certain categories of taxpayers who have poor compliance track record, fake invoice risk, or past fraud cases or where taxpayers have been prosecuted will not receive provisional refunds, to safeguard revenue.

- Amendment to Section 54(14) relaxes the INR 1,000 minimum refund threshold in cases of export of goods with payment of tax, ensuring even small exporters are not denied refunds.

  It will particularly help in grant of refunds to courier or postal exports (especially B2C e-commerce exports, which is a fast growing industry) which are generally of great volume but with small ticket size.

Issues:

- At present as well, Rule 91 provides for grant of provisional refund of 90% amount in cases of zero-rated supplies. However, practically such provisional refunds are rarely granted by tax officers.

  Therefore, it is of utmost importance that this amendment is actually enforced on ground level, otherwise it risks turning into a mere paper amendment without giving any actual relief to the taxpayers.

4. Clauses 140: Proposed amendments in Sections 101A of CGST Act, 2017

Before	After
-No provision-	***"(1A) Notwithstanding anything contained in sub-section (1), till the National Appellate Authority is constituted under that sub-section, the Government, may on the recommendations of the Council, by notification, empower any existing Authority constituted under any law for the time being in force to hear appeals made under section 101B and in such case,-*** ***(a) the provisions of sub-sections (2) to (13) shall not apply; and*** ***(b) any reference to the National Appellate Authority under this Chapter***

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	shall be construed as a reference to such Authority. ***Explanation.- For the purposes of this sub-section, the expression "existing Authority" shall include a Tribunal.".***

Anivesh (ALC) Comments:

- As per recommendation of 56th GST Council Meeting, a new sub-section (1A) is inserted to provide a temporary appellate mechanism till the National Appellate Authority for Advance Ruling (NAAAR) is constituted.
- The Government is empowered, on GST Council recommendation, to authorize any existing authority/tribunal to hear appeals under Section 101B.
- With the Principal Bench also functioning as the National Appellate Authority for Advance Ruling, contradictory rulings from different states will be minimized.

Issues:

- While this provision aims to ensure continuity of appellate mechanism, it may inadvertently increase the burden on GSTAT, which is already going to be overwhelmed (due to backlog of almost 9 years from 2017 to till date). Relegating additional responsibility to act as NAAAR to GSTAT could exacerbate delays, increase backlog even further, and undermine the efficiency and timely disposal of appeals intended under the Act.

Amendments to Integrated Goods & Services Tax Act, 2017 (IGST Act)

1. Clause 141: Proposed amendment in Section 13 of IGST Act, 2017

Before	After
(8) The place of supply of the following services shall be the location of the supplier of services, namely:- (a) ….. (b) intermediary services; (c) …..	(8) The place of supply of the following services shall be the location of the supplier of services, namely:- (a) ….. ~~(b) intermediary services;~~ (c) …..

Anivesh (ALC) Comments:

- As per recommendation of 56th GST Council Meeting, clause (b) of Section 13(8) of IGST Act relating to intermediary services is being omitted, removing the rule fixing place of supply in intermediary services as the location of the supplier.
- Services provided by Intermediary from India would now qualify as 'export of services' as per Section 2(6) of the IGST Act, 2017 provided all other terms and conditions are duly satisfied to claim the supply as Zero Rated Supply.
- There has been a long-standing dispute ever since separate place of provision of service was prescribed for intermediary services in Service Tax regime. In GST regime as well, litigation has already kicked off with multiple judgments (with latest significant judgment being ***Dharmender M Jani*** by Bombay HC). Finally, all such disputes will be resolved.
- It will enable service providers acting as intermediaries to treat services to foreign clients as exports, making them eligible for zero-rated benefits, improving their pricing and increasing their competitiveness in global markets. It should also help in increasing India's overall export of services.

Issues:

- Taxpayers importing intermediary services from foreign supplier would have to be especially careful as earlier such services were outside GST [as place of supply being outside India (i.e. location of supplier)]. However, post amendment, such services would qualify as 'import of services' and tax under reverse charge has to be paid on such services.

- Post omission of Section 13(8)(b) of IGST Act, taxpayer should carefully check whether their services are covered in any other specific sub-section of Section 13 of IGST Act and should not automatically assume that such services would get covered in default rule [i.e. Section 13(2)].

Amendments to Customs Act, 1962

1. Clause 129 of the Bill seeks to amend sub-section (*2*) of section 1 of the Customs Act.

Before	After
(2) It extends to the whole of India.	(2) It extends to the whole of India, ***fishing and fishing related activities by Indian-flagged fishing vessels beyond territorial waters of India***.

Anivesh (ALC) Comments:

- The proposed amendment clarifies that the Act shall also apply to fishing and fishing-related activities undertaken by Indian-flagged fishing vessels beyond the territorial waters of India, thereby extending the regulatory jurisdiction of Indian law to such offshore operations.
- Refer Para 5 below for detailed analysis.

2. Clause 130 of the Bill seeks to insert a new clause in section 2 of the Customs Act, so as to define the expression *"Indian-flagged fishing vessel*

Before	After
-No provision-	***(28A) "Indian-flagged fishing vessel" means a vessel which is used or intended to be used for the purpose of fishing in the seas and entitled to fly the flag of India.***

Anivesh (ALC) Comments:

- Clause 130 seeks to insert a new definition of "Indian-flagged fishing vessel" in Section 2 of the Customs Act, thereby providing statutory recognition to vessels entitled to fly the Indian flag and used or intended for fishing activities in the seas.
- Refer Para 5 below for detailed analysis.

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3. Clause 131 of the Bill seeks to amend sub-section (6) of section 28 of the Customs Act

Before	After
6(i) that the duty with interest and penalty has been paid in full, then, the proceedings in respect of such person or other persons to whom the notice is served under sub-section (1) or sub-section (4), shall, without prejudice to the provisions of sections 135, 135A and 140 ~~be deemed to be conclusive as to the matters stated therein; or~~	6(i) that the duty with interest and penalty has been paid in full, then, the proceedings in respect of such person or other persons to whom the notice is served under sub-section (1) or sub-section (4), shall, without prejudice to the provisions of sections 135, 135A and 140 ***be deemed to be conclusive as to the matters stated therein and penalty so paid under sub-section (5), on determination under this sub-section, shall also be deemed to be a charge for non-payment of duty***

Anivesh (ALC) Comments:

- Sub-section (6) of section 28 is being amended so as to provide that the penalty paid under sub-section (5) of section 28, on determination under sub-section (6) thereof, shall be deemed to be a charge for non-payment of duty.

4. Clause 132 seeks to amend sub-section *(2)* of section 28J of the Customs Act.

Before	After
2) The advance ruling referred to in sub-section (1) shall remain valid for ~~three 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: ~~Provided that in respect of any advance ruling in force on the date on which the Finance Bill, 2022 receives the assent of the President,~~	2) The advance ruling referred to in sub-section (1) shall remain valid for ***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: ***Provided that in respect of any advance ruling in force on the date on which the Finance Bill, 2026 receives the assent of the President,***

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~~the said period of three years shall be reckoned from the date on which the said Finance Bill receives the assent of the President.~~	***the Authority shall, upon a request by the applicant, extend the validity for five years from the date of the ruling.***

Anivesh (ALC) Comments:

- The amendment seeks to extend the validity period of advance rulings from three years to five years, unless there is a change in law or facts on the basis of which such ruling has been pronounced.
- The transitional provision continues to prescribe a three-year validity period for advance rulings that are in force on the date of assent of the Finance Bill, 2026, thereby maintaining continuity for existing rulings. However, it can be extended to 5 years upon request by applicant to Authority for Advance Ruling.

5. Clause 133 of the Bill seeks to insert a new section 56A in the Customs Act

Before	After
-No provision-	***56A(1) Notwithstanding anything contained in this Act or in any other law for the time being in force, fish harvested by an Indian-flagged fishing vessel beyond territorial waters of India, — (a) may be brought into India free of duty; (b) that has landed at foreign port may be treated as export of goods, in such manner and subject to such conditions as may be provided by rules. (2) The Board may make regulations providing for the form and manner of making an entry in respect of fish harvested including its declaration,***

	custody, examination, assessment of duty, clearance, transit or transshipment.

Anivesh (ALC) Comments:

- The amendment seeks to insert a new provision to govern the customs treatment of fish harvested by Indian-flagged fishing vessels beyond the territorial waters of India. It provides that such fish may be brought into India free of customs duty and that fish landed at a foreign port may be treated as export of goods, subject to prescribed conditions and procedures.
- This provision brings statutory clarity to the import and export status of fish harvested in international waters by Indian vessels, which was earlier not specifically addressed under the Customs Act.

6. Clause 134 of the Bill seeks to substitute section 67 of the Customs Act

Before	After
~~67.The owner of any warehoused goods may, with the permission of the proper officer, remove them from one warehouse to another, subject to such conditions as may be prescribed for the due arrival of the warehoused goods at the warehouse to which removal is permitted.~~	*67.* ***The owner of any warehoused goods may remove them from one warehouse to another, subject to such conditions as may be prescribed.***

Anivesh (ALC) Comments:

- This change aims to facilitate ease of doing business by reducing procedural approvals and enabling faster movement of warehoused goods between warehouses under a self-compliance framework.
- Refer our article on Pg No. 74-81 for a detailed analysis on this amendment.

7. Clause 135 of the Bill seeks to amend clause (*b*) of section 84 of the Customs Act.

Before	After

84. The Board may make regulations providing for (a)………………………. (b) ~~the examination~~, assessment to duty, and clearance of goods imported or to be exported by [post or courier]; (c)…………………………..	84. The Board may make regulations providing for (a)…………………………. (b)***the custody, examination,*** assessment to duty, and clearance of goods imported or to be exported by [post or courier]; (c)…………………………
Anivesh (ALC) Comments: ➢ The amendment seeks to enable the Board to make provisions for the custody of goods imported or to be exported through post/courier.	

Notifications

1. **Notification No. 12/2026–Customs dated 01.02.2026:**

This notification amends Notification No. 135/2016-Customs (N.T.), which governs deferred payment of import duty under Section 47 of the Customs Act, 1962. A new category called “Eligible Manufacturer Importer” has been introduced.

The notification allows this class of Eligible Manufacturer Importers to avail the facility of deferred payment of import duty up to 31st March 2028, thereby extending the benefit specifically to manufacturer importers.

Further, the Explanation section is amended to define “Eligible Manufacturer Importer” as Manufacturer Importer, clarifying eligibility and removing ambiguity regarding who can claim this facility.

In essence, the notification expands and formalizes the scope of deferred duty payment by including Manufacturer Importers as a recognized eligible category and extends this benefit till 31 March 2028, supporting ease of doing business and improving cash flow for manufacturing importers.

2. **Notification No. 13/2026–Customs dated 01.02.2026:**

This notification amends the Deferred Payment of Import Duty Rules, 2016 by revising the timelines for payment of customs duty under the deferred payment facility.

Under the amended Rule 4, a uniform and simplified payment schedule has been prescribed:

- For goods where the Bill of Entry is returned for payment during any month other than March, the import duty must be paid by the 1st day of the following month.

- For goods where the Bill of Entry is returned for payment between 1st March and 31st March, the import duty must be paid on or before 31st March itself.

The rules shall come into force from 1st March 2026.

3. **<u>Notification No. 14/2026–Customs dated 01.02.2026 :</u>**

This notification supersedes the Baggage Rules, 2016 and introduces the new Baggage Rules, 2026, effective from 2nd February 2026. It lays down updated provisions for duty-free allowance of personal baggage for passengers arriving in India.

Passengers (including infants) are permitted to bring used personal effects and travel souvenirs duty-free, excluding items listed in Annexure-I (such as firearms, excess tobacco/alcohol, gold or silver in raw form, and televisions). A general duty-free allowance of ₹75,000 is provided to residents, tourists of Indian origin, and foreigners with valid non-tourist visas arriving by air or sea, while foreign tourists are allowed ₹25,000. Passengers arriving by land are limited to used personal effects only. One new laptop is permitted duty-free for passengers aged 18 years or above.

Special concessions are provided for jewellery (40 grams for female passengers and 20 grams for others) and for persons transferring residence to India, subject to specified conditions and value limits under Appendices I and II.

The rules also regulate temporary imports, re-imports, unaccompanied baggage, currency, and pets. Crew members are given limited duty-free allowances. Overall, the notification modernizes baggage provisions, rationalizes allowances, and provides structured exemptions for returning residents and long-stay foreign nationals.

4. Notification No. 15/2026-Customs dated 1st February 2026

This notification introduces the Customs Baggage (Declaration and Processing) Regulations, 2026, replacing the earlier Passenger's Baggage and declaration regulations. The new regulations come into force from 2nd February 2026 and apply to all passengers arriving in or departing from India with baggage.

Passengers carrying dutiable or prohibited goods must declare their baggage electronically through the ICEGATE portal or Atithi mobile app using prescribed Customs Baggage Declaration (CBD) forms. Separate electronic declarations are prescribed for accompanying baggage, unaccompanied baggage, re-import of personal effects, and temporary imports by tourists. Declarations can be filed up to three days in advance and are subject to risk-based verification.

The regulations provide procedures for:

- Temporary import and re-import of personal effects with certificates (CBD-III and CBD-IV).
- Examination and clearance of baggage through Red and Green Channels.
- Transit of unaccompanied baggage between customs stations under seal and bond.
- Detention, custody, and disposal of baggage containing prohibited or uncleared goods.
- Filing of declarations by authorized persons and record retention for five years.

Penalties are prescribed for non-compliance under the Customs Act. Overall, the notification modernizes baggage processing by mandating digital declarations, streamlined procedures, and risk-based checks, improving transparency, passenger convenience, and customs control.

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Amendments to the Customs Tariff Act, 1975

1. Modification in Tariff rate (to be effective from 02.02.2026) [Clause 136(a) of the Finance Bill, 2026]

Will come into effect immediately through a declaration under the Provisional Collection of Taxes Act, 2023

S. No.	Heading, sub-heading tariff item	Commodity	Rate of Duty	
			From (per cent)	To (per cent)
		MSME Sector		
1.	6601 91 00, 6601 99 00	Umbrellas (other than garden umbrellas)	20%	20% or Rs. 60 per piece, whichever is higher
2.	6603 20 00, 6603 90 10, 6603 90 90	Parts, trimmings and accessories of articles of heading 6601 to 6602	10%	10% or Rs. 25 per kg., whichever is higher

2. Decrease in Tariff rate (to be effective from 01.04.2026) [Clause 136(b) of the Finance Bill, 2026]

S. No.	Heading, sub-heading tariff item	Commodity	Rate of BCD	
			From (per cent)	To (per cent)
1.	9804	All dutiable goods, imported for personal use	20%	10%

Anivesh (ALC) Comments:

- The tariff rate is being reduced from 20% to 10% on all dutiable goods, imported for personal use under heading 9804. This change shall come into effect from the 1st of April 2026 Further, SWS will be levied on all goods falling under heading 9804.

3. Tariff rate changes (without any change in effective rate of duty) [to be effective from 01.05.2026, unless otherwise specified] [Clause 136(c) of the Finance Bill, 2026]

i. The current applied rate of Basic Customs Duty on these commodities operates through their respective exemption/concessional duty Notification(s). Such corresponding entries would be omitted from the concerned Notification(s) with effect from 01.05.2026, as the same would operate through the Customs Tariff Act, 1975, in the manner as detailed below. It is an exercise for simplification of the Customs tariff structure and applicable Basic Customs Duty rate on these items would remain unchanged.

ii. Heading and sub-heading referred in column (2) shall include all tariff items under such heading or sub- heading.

iii. The said changes are to be read with consequent related to Social Welfare Surcharge (SWS) and Agriculture Infrastructure and Development Cess (AIDC).

S. No.	Heading, sub-heading tariff item	Commodity	Rate of Duty	
			From	To
1.	0207 25 00, 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%
2.	0306 36 60	Artemia	5%	Nil
3.	0511 91 40	Artemia cysts	5%	Nil
4.	0802 11 00	Almonds, in shell	Rs.42 per kg	Rs.35 per kg
5.	0802 12 00	Almonds, shelled	Rs.120 per kg	Rs. 100 per kg
6.	0802 31 00	Walnuts, in shell	120%	100%
7.	1209 (other than those falling under sub headings	Seeds, fruit and spores, of a kind used for sowing	30%	15%

	120991 and 120999)			
8.	1505	Wool grease and fatty substances derived therefrom (including lanolin)	30%	15%
9.	2008 1921, 2008 19 22, 2008 19 29, 2008 19 91	Makhana, other roasted nuts and seeds	150%	30%
10.	2008 19 92	Other nuts, otherwise prepared or preserved	150%	30%
11.	2309 90 31	Prawn and shrimps feed	15%	5%
12.	2504	Natural graphite	5%	2.5%
13.	2505	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26 of the Customs Tariff Act, 1975	5%	Nil
14.	2506	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	5%	2.5%
15.	2530 90 91	Strontium sulphate (natural ore)	5%	Nil
16.	2701, 2702, 2703	Coal; briquettes, ovoids and similar solid fuels manufactured from coal; Lignite, whether or not agglomerated, excluding jet; Peat (including peat litter), whether or not agglomerated	5%	2.5%
17.	2709 00 10	Petroleum crude	5%	Re 1 per tonne
18.	2804 50 20	Tellurium	5%	Nil
19.	2804 61 00	Silicon, containing by weight not less than 99.99% of silicon	5%	Nil
20.	2804 69 00	Silicon, other	5%	Nil

21.	2804 90 00	Selenium	5%	Nil
22.	2805 30 00	Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed	5%	Nil
23.	2809 20 10	Phosphoric Acid	7.5%	5%
24.	2811 22 00	Silicon dioxide	7.5%	2.5%
25.	2816 40 00	Oxides,hydroxides and peroxides, of strontium or barium	7.5%	Nil
26.	2822 00 10	Cobalt oxides	7.5%	Nil
27.	2822 00 20	Cobalt hydroxides	7.5%	Nil
28.	2822 00 30	Commercial cobalt oxides	7.5%	Nil
29.	2825 20 00	Lithium oxide and hydroxide	7.5%	Nil
30.	2825 30	Vanadium oxides and hydroxides	7.5%	Nil
31.	2825 60 10	Germanium oxides	7.5%	Nil
32.	2825 70	Molybdenum oxides and hydroxides	7.5%	Nil
33.	2825 80 00	Antimony Oxides	7.5%	Nil
34.	2825 90 20	Cadmium oxide	7.5%	Nil
35.	2827 35 00	Chlorides of Nickel	7.5%	Nil
36.	2827 39 30	Strontium chloride	7.5%	Nil
37.	2833 24 00	Sulphates of Nickel	7.5%	Nil
38.	2834 21 00	Nitrates of potassium	7.5%	Nil
39.	2836 91 00	Lithium carbonates	7.5%	Nil
40.	2836 92 00	Strontium carbonate	7.5%	Nil
41.	2910 20 00	Methyloxirane (propylene oxide)	5%	2.5%
42.	2918 15 30	Bismuth citrate	7.5%	Nil
43.	3102 30 00	Ammonium nitrate, whether or not in aqueous solution	10%	5%
44.	3801	Artificial Graphite; colloidal or semi-colloidal graphite; preparations based on	7.5%	2.5%

		graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures		
45.	3808 93 30	Gibberellic acid	10%	5%
46.	3904	Polymers of vinyl chloride or of other halogenated olefins, in primary forms	10%	7.5%
47.	4906	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand-written texts; photographic reproductions on sensitised paper and carbon copies of the foregoing	10%	Nil
48.	5201 00 25	Other cotton of staple length exceeding 32.0 mm	5%	Nil
49.	7202 60 00	Ferro-nickel	2.5%	Nil
50.	7402 00 10	Blister copper	5%	Nil
51.	7802	Lead waste and scrap	5%	Nil
52.	7902	Zinc waste and scrap	5%	Nil
53.	8105 20 30	Cobalt powders	5%	Nil
54.	8419 89 12, 8419 89 13, 8419 89 14, 8419 89 15, 8419 89 16, 8419 89 17, 8419 89 19	Reactors, columns or towers or chemical storage tanks	10%	7.5%

4. **<u>NEW TARIFF LINES HAVE BEEN CREATED</u>**:

(a) In addition to the above, the First Schedule to the Customs Tariff Act, 1975 has also been amended to create new tariff items which will, inter-alia, help in better product identification; getting actual transaction data of precursor chemicals and help in their effective monitoring; facilitating, tracking exports and deciding policy measures for plant-based extract products. These changes will be effective from 01.05.2026, unless otherwise specified.

S. No.	Chapter/ heading/sub-heading/tariff item mentioned in Notification	Commodity	New tariff item being created w.e.f. 01.05.2026	Rate of Duty
55.	0306 19 00	Krill, frozen	0306 19 10	15%
56.	0802 99 00	Pecan Nuts	0802 99 10	30%
57.	0810 40 00	Cranberries, fresh	0810 40 10	10%
58.	0810 40 00	Blueberries, fresh	0810 40 20	10%
59.	0811 90	Cranberries, frozen	0811 90 11 0811 90 91	10%
60.	0811 90	Blueberries, frozen	0811 90 12 0811 90 92	10%
61.	0813 40 90	Cranberries, dried	0813 40 30	10%
62.	0813 40 90	Blueberries, dried	0813 40 40	10%
63.	1207 99 90	Shea Nuts	1207 99 50	15%
64.	2008 93 00	Cranberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 93 10	5%
65.	2008 99	Blueberries, otherwise prepared	2008 99 15	10%

		or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included		
66.	2106 90	Other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	2106 90 *(other than 2106 90 51)*	50%
67.	2202 99	Cranberry products	2202 99 21, 2202 99 31, 2202 99 91	10%
68.	2529 22 00	Acid grade fluorspar containing by weight more than 97% of calcium fluoride	2529 22 10	2.5%
69.	2615 90	Hafnium ores and concentrates	2615 10 10	Nil
70.	2841	Ammonium metavanadate	2841 90 10	2.5%
71.	29	Gibberellic acid	2932 20 40	5%

72.	29	Triethyl orthoformate	2915 90 96	5%
73.	29	Diethyl malonate	2917 19 22	5%
74.	29	DL-2 Aminobutanol	2922 19 30	5%
75.	29	Aceto butyrolactone	2932 20 50	5%
76.	29	Artemisinin	2932 99 30	5%
77.	29	Thymidine	2934 99 50	5%
78.	3302 10	Mixtures of odoriferous substances of a kind used in food or drink industries other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	3302 10 19, 3302 10 99	10%
79.	4104 11 00, 4104 19 00, 4105 10 00, 4106 21 00,	Wet blue leather (hides and skin)	4104 11 10, 4104 19 10, 4105 10 10, 4106 21 10,	Nil

	4106 31 00, 4106 91 00		4106 31 10, 4106 91 10	
80.	4702	Rayon grade wood pulp	4702 00 10	2.5%
81.	4823 90 90	All goods other than kites	4823 90 90 *(kites fall under new tariff item 4823 90 40)*	10%
82.	8101 99 90	Tungsten (wolfram) bars and rods, other than those obtained simply by sintering, profiles, plates, sheets, strip and foil	8101 99 20	5%
83.	8415 90 00	All goods other than indoor or outdoor units of split-system air conditioner	8415 90 90	10%
84.	8421 99 00	All goods other than Reverse Osmosis (RO) membrane element for household type filters	8421 99 90	7.5%
85.	8507 90	Battery separators	8507 90 20	5%
86.	8529 10 99,	Parts suitable for use solely or	8529 10 93,	10%

	8529 90 90	principally with the apparatus of headings 8525, 8526 or 8527	8529 90 30	
87.	8609 00 00	Refrigerated containers	8609 00 10	5%

5. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS

Changes in Basic CustomsDuty (to be effective from 02.02.2026)

S. No.	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
1.	2612 20 00	Monazite *[vide insertion of S. No. 84A in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025]*	2.5%	Nil
2.	2841 90 00	Sodium antimonate for use in manufacture of solar glass *[vide insertion of S. No. 110A in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025]*	7.5%	Nil
3.	2815 20 00	Potassium hydroxide [vide omission of S.No. 21 in Notification No. 36/2024-Customs dated 23.07.2024]	Nil	7.5%
4.	8401 30 00	All goods for generation of nuclear power [vide insertion of S.No. 227A in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025]	7.5%	Nil
5.	8401 40 00	Control and Protector Absorber Rods, and Burnable Absorber Rods, for generation of nuclear power [vide insertion of S.No. 227B in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025]	7.5%	Nil

6.	8501 10 20, 8504 31 00, 8516 80 00, 8516 90 00	Specified goods for use in the manufacture of Microwave Ovens falling under tariff item 8516 50 00 [vide insertion of S.No. 278A in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025]	As applicab le	Nil

Note: Description of entries is indicative. Notification may be referred to for complete description

6. <u>OTHER CHANGES PROPOSED IN THE CUSTOMS NOTIFICATIONS:</u>

a. S. No. 69A of Notification No. 25/2002 dated 1st March, 2002 is being modified to extend the BCD exemption currently available on capital goods for use in the manufacturing of Lithium- Ion Cells for batteries of Electrically Operated Vehicles, to cover batteries for stationary energy storage applications i.e. Battery Energy Storage Systems (BESS) also. This change is being made effective from 02.02.2026.

b. S. No. 334A is being introduced in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025 to extend BCD exemption to raw materials for manufacture of parts of aircraft for maintenance, repair, or overhauling of aircraft or components or parts of aircraft, including engines, provided that the goods are imported by Public Sector Units under the Ministry of Defence. This exemption is subject to following the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 (IGCRS Rules 2022). Further, the importer has to produce an end-use certificate from an officer not below the rank of Joint Secretary in the Ministry of Defence. This change is being made effective from 02.02.2026.

c. S. No. 335A is being introduced in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025 to extend BCD exemption to components or parts, including engines, of aircraft, for the manufacture of aircraft and parts thereof, provided that the importer adheres to the procedure set out in the IGCRS Rules 2022. This change is being made effective from 02.02.2026.

d. The exemption under S. No. 66 of TABLE II in Notification No. 45/2025-Customs has been modified to cover goods required for setting up of specified Nuclear Power Project, irrespective of their capacity, as certified by an officer not below the rank of a Joint Secretary to the Government of India in the Department of Atomic Energy. Further, the validity of this exemption is being extended from 30.09.2027 to 30.09.2035. The eligibility of contracts covered under the scope of this exemption is also being extended to all contracts registered with the Customs Houses concerned on or before 30.09.2035. This change is being made effective from 02.02.2026.

e. The List 3 appended to TABLE I of Notification No. 45/2025-Customs dated 24.10.2025 has been modified to include 17 new drugs/medicines for extending BCD exemption. This change is being made effective from 02.02.2026.

f. The List 22 appended to TABLE I of Notification No. 45/2025-Customs dated 24.10.2025 has been modified to include 7 rare diseases that are a part of National Policy for Rare Disease (NPRD), 2021 for extending Customs duty exemption on drugs, medicines and food for special medical purposes, when imported for personal use. This change is being made effective from 02.02.2026

g. Notification No. 36/2024-Customs dated 23.07.2024 was issued to exempt 55 groups of critical minerals from Basic Customs Duty and Social Welfare Surcharge. As a simplification measure, 29 entries of this Notification are being been omitted with effect from 01.05.2026 by shifting the effective rates to the Tariff itself. Further, 22 redundant entries are being omitted from this Notification with effect from 02.02.2026. In addition, the following three entries are being merged in Notification No. 45/2025-Customs dated 24.10.2025, with effect from 02.02.2026. As a consequence, Notification No. 36/2024-Customs is proposed to be rescinded with effect from 01.05.2026.

S. No.	**S. No. of Notification No. 36/2024-Customs**	**Description**
1.	38	Salts of oxometallic or peroxometallic acids of Beryllium and Rhenium *[vide insertion of S.No. 110B in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025]*
2.	39	Compounds, inorganic or organic of rare earth metals *[vide insertion of S.No. 111A in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025]*
3.	55	Unwrought; waste and scrap; powders of: — (i) Gallium (ii) Germanium (iii) Indium (iv) Niobium (v) Vanadium *[vide insertion of S.No. 226A in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025]*

Note: Effective BCD rates will remain the same.

7. REVIEW OF CUSTOMS DUTY EXEMPTIONS

A. Review of exemptions/concessional rates of BCD prescribed in Notification No. 45/2025-Customs dated 24.10.2025:

Comprehensive review has been undertaken in respect of 124 conditional exemptions/concessional duty rate entries in Notification No. 45/2025-Customs dated 24.10.2025 whose validity is expiring on 31.03.2026. After review, 102 entries are being continued, with or without modification, for two years, i.e. upto 31.03.2028. Further, 22 entries are being allowed to lapse on the end-date of 31.03.2026.

The details of exemptions/concessional rates being extended, with or without modifications, upto 31.03.2028 are as under:

S. No.	S. No. of Notification No. 45/2025-Customs	Brief Description
In TABLE I of Notification No. 45/2025-Customs		
1.	5	Meat and edible offal of ducks, frozen
2.	14	Planting materials, namely, oil seeds, seeds of vegetables, flowers and ornamental plants, tubers and bulbs of flowers, cuttings or saplings of flower plants, seeds or plants of fruits and seeds of pulses
3.	58	Algal oil for manufacturing of aquatic feed
4.	61	Lactose for use in the manufacture of homeopathic medicine
5.	69	Specified goods used in the processing of sea-food
6.	84	Gold ores and concentrates for use in the manufacture of gold
7.	85	Specified bunker fuels for use in ships or vessels
		Electrical energy supplied to DTA by power plants of

8.	98	1000MW or above, and granted formal approval for setting up in SEZ prior to 19th July, 2012
9.	99	Electrical energy supplied to DTA from power plants of less than 1000MW, and granted formal approval for setting up in SEZ prior to 19th July, 2012
10.	111	Medical use fission Molybdenum-99 (Mo-99) for use in the manufacture of radio pharmaceuticals
11.	112	Pharmaceutical Reference Standard
12.	114	Specified goods used for the manufacture of ELISA Kits
13.	119	Anthraquinone or 2-Ethyl Anthraquinone, for use in manufacture of Hydrogen Peroxide
14.	134	Specified goods for use in the manufacture of sheets or backsheet, which are used in the manufacture of solar photovoltaic cells or modules *[The entry has been modified]*
15.	138	Specified goods for use in the manufacture of Brushless Direct Current (BLDC) motors
16.	140	Tags, labels, stickers, belts etc. imported by *bona fide* exporters
17.	141	Specified goods imported by *bona fide* exporters for use in the manufacture of handicraft items, for export
18.	142	Specified goods imported by *bona fide* exporters for use in the manufacture of textile or leather garments, for export
19.	143	Specified goods imported by *bona fide* exporters for use in the manufacture of leather or synthetic footwear, or other leather products, for export *[The entry has been modified]*

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20.	144	Specified goods for the manufacture of orthopedic implants or other artificial parts of the body
21.	146	Capacitor grades polypropylene granules or resins for the manufacture of capacitor grade plastic film
22.	148	Super absorbent polymer (SAP) imported for use in the manufacture of specified goods
23.	150	Polytetramethylene ether glycol (PT MEG) for use in the manufacture of spandex yarn
24.	155	New or retreaded Pneumatic tyres of rubber of a kind used in aircrafts
25.	156	New or retreaded Pneumatic tyres of rubber of a kind used in aircrafts
26.	160	Pulp of wood or of other fibrous cellulosic material for the manufacture of newsprint, paper and paperboard, adult diapers, and goods falling under heading 9619
27.	162	All goods imported for use in manufacture of paper, paperboard, or newsprint
28.	163	Specified goods used in the printing of newspapers
29.	164	Lightweight coated paper weighing upto $70g/m^2$, imported by actual users for printing of magazines
30.	173	Pile fabrics for the manufacture of toys
31.	174	Moulds, tools and dies, for the manufacture of parts of electronic components or electronic equipment
32.	175	Graphite Felt for growing silicon ingots, and thin steel wire used in wire saw for slicing of silicon wafers

33.	184	Simply Sawn Diamonds
34.	185	Seeds for use in manufacturing of rough lab-grown diamonds
35.	205	Ferrous Scrap
36.	208	Magnesium Oxide (MgO) coated cold rolled steel coils for use in manufacture of cold rolled grain oriented steel (CRGO).
37.	209	Specified goods for the manufacture of cold rolled grain-oriented steel
38.	220	Forged steel rings for manufacture of special bearings for use in wind operated electricity generators *[The entry is being merged with S.No. 230 in TABLE I of Notification No. 45/2025-Customs dated 24.10.2025.]*
39.	222	Copper wire of refined copper or copper rod for manufacture of photovoltaic ribbon for solar photovoltaic cell or modules [*The entry has been modified]*
40.	227	Dies for drawing metal, when imported after repairs from abroad, in exchange of similar worn-out dies exported out of India for repairs
41.	228	Parts and raw materials for manufacture of goods to be supplied in connection with the purposes of off-shore oil exploration or exploitation
42.	229	Specified goods when imported by a specified person, in relation with various petroleum operations or coal bed methane operations
		Goods for manufacture or the maintenance of wind operated electricity generator components. [*The entry has been modified after merger of entry S.*

43.	230	*No. 220 in TABLE I of Notification No. 45/2025-Customs]*
44.	232	Parts of catalytic converters and goods for use in the manufacture of catalytic convertors or its parts
45.	233	Platinum or Palladium for use in the manufacture of Noble Metal Compounds and Noble Metal Solutions
46.	234	Ceria zirconia compounds for use in the manufacture of wash coat for catalytic converters
47.	235	Cerium compounds for use in the manufacture of wash coat for catalytic converters
48.	237	Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in fabrication of semiconductor wafer and Liquid Crystal Display
49.	238	Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in assembly, testing, marking and packaging of semiconductor chips
50.	239	Specified goods for the manufacture of certain goods and their parts
51.	246	Bushings made of Platinum and Rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India
52.	247	Parts and components for manufacture of tunnel boring machines
53.	256	Evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system
54.	267	Ball screws for use in the manufacture of CNC Lathes

55.	268	Linear Motion Guides for use in the manufacture of CNC Lathes
56.	269	CNC Systems for use in manufacture of CNCL lathes
57.	270	Certain goods for use in manufacture of plastic processing machineries
58.	272	Parts and components for use in the manufacture of goods like Micro ATMs, Fingerprint reader/scanner, Iris scanner miniaturized POS card reader
59.	273	All parts for use in the manufacture of LED lights or fixtures including LED Lamps
60.	274	All inputs for use in the manufacture of LED (Light Emitting Diode) driver or Metal Core Printed Circuit Board for LED lights and fixtures or LED lamps
61.	277	Goods imported for being tested in specified test centers
62.	280	Specified goods for use in the manufacturing of Microphones
63.	292	(i) Parts, components and accessories for manufacture of Digital Video Recorder (DVR)/ Network Video Recorder (NVR) falling under 8521 90 90, other than the following items, namely (a) populated printed circuit boards; (b) charger or power adapter; (ii) Sub-parts for use in manufacture of items mentioned at (*i*) above *[Only clause (ii) is being continued while clause (i) is being allowed to lapse on the end-date of 31st March, 2026]*

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64.	293	Parts, components and accessories for use in manufacture of reception apparatus for television
65.	294	Parts, components and accessories for manufacture of CCTV Camera
66.	295	Parts, components and accessories except Lithium-ion cell and PCBA for use in manufacture of Lithium-ion battery and battery pack
67.	296	Inputs, parts or sub-parts for use in the manufacturing of PCBA of Lithium-ion battery and battery pack
68.	297	Open cell for use in the manufacture of LCD and LED TV panels
69.	302	Specified goods for use in the manufacture of LCD and LED TV panels
70.	306	Magnetron of up to 1.5 KW used for the manufacture of domestic microwave ovens
71.	314	Parts, sub-parts, inputs or raw material for use in manufacture of Lithium-ion cells
72.	319	Lithium-ion cell for use in manufacture of battery or battery pack other than for cellular phone or EV
73.	320	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone
74.	321	Lithium-ion cell for use in the manufacture of battery or battery pack of EV or hybrid motor vehicle
75.	333	Parts of gliders or simulators of aircrafts (excluding rubber tyres and tubes of gliders)
76.	334	Raw materials for manufacture of aircrafts and parts of aircrafts

77.	335	Components or parts including engines, of aircraft for manufacture of air craft
78.	336	Parts, testing equipment, tools and tool-kits for MRO of aircraft, components or parts of aircraft
79.	337	Other Aircrafts
80.	338	Components or parts, including engines, of aircraft
81.	339	Satellites and payloads, ground equipment brought for testing and ground installations for satellite including its spares and consumables
82.	340	Scientific and technical instruments, apparatus, equipment etc., required for launch vehicles and satellites and payloads
83.	341	All goods under heading 8802 (except CTH 8802 6000)
84.	342	All goods under heading 8802 (except CTH 8802 6000)
85.	343	All goods under heading 8802 (except CTH 8802 6000)
86.	345	Parts (other than rubber tubes), of aircraft of heading8802
87.	348	Parts (other than rubber tubes), of aircraft of heading 8802
88.	350	Barges or pontoons imported along with ships for the more speedy unloading of imported goods and loading of export goods
89.	355	Fishing vessels, tugs and pusher crafts, light vessels, excluding vessels and other floating structures as are imported for breaking up

90.	375	Stainless steel tube and wire, cobalt chromium tube, etc. required for manufacture of Coronary stents/coronary stent system and artificial heart valve
91.	376	Ostomy products for managing Colostomy, Ileostomy, Ureterostomy, Ileal Conduit Urostomy Stoma cases
92.	377	Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof
93.	382	Hospital Equipment for use in specified hospitals
94.	386	Raw materials, parts or accessories for the manufacture of Cochlear Implants
95.	387	X-Ray Baggage Inspection Systems and parts thereof
96.	388	Portable X-ray machine / system
97.	392	Parts and cases of braille watches, for the manufacture of Braille watches
98.	396	Parts of electronic toys for manufacture of electronic toys
99.	415	All items of machinery, and auxiliary equipment required for initial setting up of a project for generation of power or generation of compressed bio-gas (Bio-CNG) using non-conventional materials
100.	440	All items of machinery, and auxiliary equipment for
In TABLE II of Notification No. 45/2025-Customs		
101.		Security fibre, security threads, Paper Based Taggant, including M-feature, for use in the manufacture of security paper by Security Paper Mill, Hoshangabad

	1	and Bank Note Paper Mill India Private Limited, Mysore
102.	2	Raw materials for use in manufacture of security fibre and security threads for supply to Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Private Limited, Mysore for use in manufacture of security paper

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

8. **<u>The following 22 conditional exemption entries of Notification no. 45/2025-Customs dated 24.10.2025 are being allowed to lapse on the 31.03.2026</u>**

S. No.	S. No. of Notification No. 45/2025-Customs	Brief Description	End date
In TABLE I of Notification No. 45/2025-Customs			
1.	93	Naphtha, for use in the manufacture of fertilisers	**31.03.2026**
2.	95	Liquified petroleum gases (LPG), in excess of the quantity of petroleum gases and other gaseous hydrocarbons consumed in the manufacture of polyisobutylene by the unit located in the Domestic Tariff Area (DTA), received from the unit located in Special Economic Zone (SEZ) and returned by the DTA unit to the SEZ unit from where such LPG were received.	**31.03.2026**

3.	107	Silicon in all forms for the manufacture of un-diffused silicon wafers; and un-diffused silicon wafers for the manufacture of solar cells or solar cell modules	**31.03.2026**
4.	117	Maltol, for use in the manufacture of deferiprone	**31.03.2026**
5.	145	Specified goods imported for the manufacture of Copper-T contraceptives	**31.03.2026**
6.	154	Ethylene – Propylene – Non-Conjugated Diene Rubber (EPDM) for use in the manufacture of insulated wires and cables	**31.03.2026**
7.	172	Hydrophilic non-woven, hydrophobic non- woven, imported for use in the manufacture of adult diapers	**31.03.2026**
8.	201	Spent catalyst or ash containing precious metals	**31.03.2026**
9.	218	Metal parts for use in the manufacture of electrical insulators	**31.03.2026**
10.	219	Pipes and tubes for use in manufacture of boilers	**31.03.2026**
11.	231	Permanent magnets for manufacture of synchronous generators above 500KW for use in wind operated electricity generators	**31.03.2026**
12.	236	Zeolite for use in the manufacture of wash coat for catalytic converters	**31.03.2026**
13.	243	High speed cold-set or high-speed heat set web offset rotary printing machines along with mail room equipment	**31.03.2026**

14.	271	Cash dispenser or automatic banknote dispenser and its parts and components	**31.03.2026**
15.	275	Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team	**31.03.2026**
16.	276	Photographic, filming, sound recording of foreign origin, if imported into India after having been exported there from	**31.03.2026**
17.	291	Parts and Components of digital still image video cameras	**31.03.2026**
18.	309	Raw materials or parts for use in manufacture of e- Readers	**31.03.2026**
19.	370	X-Ray tubes used in manufacture of X ray machines for medical, surgical or veterinary use	**31.03.2026**
20.	372	Flat panel detector for use in manufacture of X-Ray machine for medical, surgical or veterinary use	**31.03.2026**
21.	397	Parts of video games for the manufacture of video games	**31.03.2026**
In TABLE IV of Notification No. 45/2025-Customs			
22.	1	Motion pictures, music, gaming software for use on gaming consoles printed or recorded on media	**31.03.2026**

Note: Description of entries is indicative. Notification may be referred to for complete description.

(b) Further, upon review, the following unconditional exemption/ concessional duty rate entries of Notification no. 45/2025-Customs dated 24.10.2025 are also being lapsed by omitting the respective entries with effect from 02.02.2026:

S. No.	S. No. of TABLE I in Notification No. 45/2025-Customs	Brief Description
1.	1	Animals and birds imported by Zoo
2.	113	Alpha pinene
3.	123	Artificial plasma
4.	128	Ammonium phosphate or ammonium nitro-phosphate, for use as manure or for the production of complex fertilisers
5.	132	Potassium sulphate, containing not more than 52% by weight of potassium oxide*
6.	137	Other diagnostic or laboratory reagents falling under tariff item 3822 90 90*
7.	213	INVAR
8.	258	Coffee roasting, brewing or vendin machines for use in the manufacture or processing of coffee
9.	285	Parts of radio trunking terminals
10.	287	CD-ROMs containing books of an educational nature, journals, periodicals (magazines) or newspapers
11.	310	Loco simulators

**Effective BCD rate will remain the same for Sl. No. 5 and 6.*

Note: Description of entries is indicative. Notification may be referred to for complete description.

(C) Other changes in the exemption entries of Notification No. 45/2025-Customs:

i. Sunset-clause for the following entries is being removed **with effect from 02.02.2026**:

S. No.	S. No. of TABLE I in Notification No. 45/2025-Customs	Brief Description
1.	303	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527. **The said entry is being omitted w.e.f. 1st May, 2026 as the applicable rates will be incorporated in Tariff itself.*
2.	353	All goods (excluding vessels and other floating structures as are imported for breaking up) (CTH 8901)
3.	356	All goods (excluding vessels and other floating structures as are imported for breaking up) (CTH 8906)

Note: Description of entries is indicative. Notification may be referred to for complete description

ii. Sunset-clause for the following entries is being removed **with effect from 02.02.2026**:

S. No.	S. No. of TABLE I in Notification No. 45/2025-Customs	Brief Description	End date
1.	192	Gold dore bar, having gold content not exceeding 95%	**31.03.2027**
2.	193	Silver dorebar having silver content not exceeding 95%	**31.03.2027**
		(i) Gold bars, other than tola bars, bearing manufacturer's or refiner's	**31.03.2027**

3.	194	engraved serial number and weight expressed in metric units, and gold coins having gold content not below 99.5%, imported by the eligible passenger (ii) Gold in any form other than (i), including tola bars and ornaments, but excluding ornaments studded with stones or pearls	
4.	195	Silver, in any form including ornaments, but excluding ornaments studded with stones or pearls, imported by the eligible passenger	**31.03.2027**

Note: Description of entries is indicative. Notification may be referred to for complete description.

iii. The following entries of Notification No. 45/2025-Customs are being modified as under, **with effect from 02.02.2026**:

S. No.	S. No. of TABLE I in Notification No. 45/2025-Customs	Particulars
1.	69	The value limit of duty-free imports of specified goods imported for use in processing of sea-food has been increased from 1% to 3% of the FOB value of seafood products exported during the preceding financial year
2.	134	The modified description covers specified goods for use in the manufacture of sheets/encapsulants of EVA (Ethylene Vinyl Acetate), PoE (Polyolefin Elastomer) or combinations thereof or backsheet, which are used in the manufacture of solar photovoltaic cells or modules
3.	12, 140, 142	The time period of export of value-added products manufactured from specified inputs

		imported at concessional rate of duty is being extended from six months to twelve months.
4.	143	The benefit of duty exemption on specified inputs for manufacture of leather/synthetic footwear for export is being extended to exporters of shoe-uppers also. The time period of export of value-added products manufactured from specified inputs imported at concessional rate of duty is being extended from six months to twelve months.
5.	222	The modified description covers copper wire of refined copper of which the maximum cross-sectional dimension exceeds 6 mm or copper rods of refined copper, for the manufacture of photovoltaic ribbon, or tinned copper interconnect or cell interconnect or string interconnect or the photovoltaic connect or photovoltaic ribbon or solar ribbon or manufacture of solar photovoltaic cell or modules.
6.	220 & 230	S. No. 220 pertaining to *"Forged steel rings for manufacture of special bearings for use in wind operated electricity generators"* is being merged with S.No. 230. Subsequently, the description of S.No. 230 covering goods for manufacture or the maintenance of wind operated electricity generator components, has been modified.

Note: Description of entries is indicative. Notification may be referred to for complete description.

(iv) The following exemption entries of Notification No. 45/2025-Customs are being omitted with effect from 02.02.2026 as these are redundant. The effective BCD rate would remain the same and will apply from First Schedule of the Customs Tariff Act, 1975. The details are as under:

S. No.	S. No. of TABLE I in Notification No. 45/2025-Customs	Particulars
1.	139	Ethylene vinyl acetate (EVA)
2.	157	New Pneumatic tyres, of rubber, of a kind used on aircrafts (other than goods covered under S.Nos. 155 and 156 of the Notification No. 45/2025-Customs)
3.	217	Other screws and bolts, nuts and other non-threaded articles falling under tariff items 7318 15 00, 7318 16 00, 7318 29 90

Note: Description of entries is indicative. Notification may be referred to for complete description.

9. **Review of exemptions prescribed by other Notifications**:
(a) The validity of the BCD exemption for the goods covered under the following Notifications is being extended for two years, from 31.03.2026 to 31.03.2028 vide Notification No. 1/2026- Customs dated 1st February 2026:

S. No.	Notification No.	Brief Description
1.	248-Customs dated 2nd August 1976	Exemption to precious stones imported by posts on approval or return' basis
2.	32/1997-Customs dated 1st April 1997	Exemption to goods imported for execution of an export order for jobbing
	24/2001-	Exemption to copper cathodes, wire bars and wire rods produced out of copper reverts

3.	Customs dated 1st March 2001	
4.	25/2001- Customs dated 1st March 2001	Exemption on gold and silver produced out of copper anode slime which were exported out of India for toll smelting and processing

Note: Description of entries is indicative. Notification may be referred to for complete description.

(b) The following standalone Notification is being allowed to lapse on the 31.03.2026:

S. No.	Notification No.	Brief Description	End Date
1.	113/2003- Customs dated 22nd July 2003	Exemption to castor oil cake and castor de- oiled cake manufactured from indigenous castor oil seeds on indigenous plant and machinery by unit in SEZ and brought to DTA	**31.03.2026**

(C) For the following standalone Notification, a sunset date of 31.03.2028 is being prescribed:

S. No.	Notification No.	Brief Description	End Date
1.	29/2025- Customs dated 9th May, 2025	Exemption to works of art and antiques intended for public exhibition	**31.03.2028**

(d) The following exemption entries of Notification No. 36/2024-Customs are being omitted with effect from 02.02.2026 as these are redundant. The effective BCD rate would remain the same and will operate through the First Schedule of the Customs Tariff Act, 1975. The details are as under:

S. No.	S. No. of Notification No. 36/2024-Customs	Brief Description
1.	5	Copper ores and concentrates
2.	6	Cobalt ores and concentrates
3.	7	Tin ores and concentrates
4.	8	Tungsten ores and concentrates
5.	9	Molybdenum ores and concentrates
6.	10	Zirconium ores and concentrates
7.	12	Vanadium ores and concentrates
8.	13	Niobium or tantalum ores and concentrates
9.	14	Antimony ores and concentrates
10.	42	Unwrought Tin
11.	43	Unwrought tungsten, including bars and Rods obtained simply by sintering
12.	44	Unwrought molybdenum, including bars and rods obtained simply by sintering
13.	45	Unwrought tantalum, including bars and rods obtained by sintering, powders
14.	46	Cobalt, unwrought
15.	47	Bismuth, unwrought
16.	48	Unwrought zirconium, powders, containing less than 1 part

		hafnium to 500 parts zirconium by weight
17.	49	Unwrought antimony, powders
18.	50	Beryllium unwrought, powders
19.	51	Hafnium unwrought, waste and scrap, powders
20.	52	Rhenium unwrought
21.	53	Cadmium unwrought, Powders
22.	54	Cadmium, wrought

Note: Description of entries is indicative. Notification may be referred to for complete description.

10. SOCIAL WELFARE SURCHARGE (SWS)

(a) Specified goods are exempted from SWS vide Notification No. 11/2018-Customs. The following changes have been made in Notification No. 11/2018-Customs, consequent to omission of certain entries from exemption Notifications. The effective duty incidence is unchanged and the following goods continue to remain exempted from levy of Social Welfare Surcharge (SWS). The changes are technical in nature.

(i) Sl. No. 1 of Notification No. 11/2018-Customs is being amended to include natural graphite (heading 2504), quartz and quartzite (heading 2506), silicon dioxide (tariff item 2811 22 00), and artificial graphite (heading 3801). Presently, the said goods are exempted from SWS vide Sl. No. 1, 3, 20 and 41 of Notification No. 36/2024-Customs dated 23.07.2024. Subsequent to the omission of these exemption entries from the Notification No. 36/2024-Customs, the said goods will continue to remain exempt from SWS vide modified Sl. No. 1 of Notification No. 11/2018-Customs. This change will come into effect from 01.05.2026.

(ii) Presently, all goods under sub-heading 2106 90, excluding compound alcoholic preparations of a kind used for the manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at a temperature of 20 degrees centigrade, attract concessional BCD rate of 50% vide S. No. 67 of TABLE I in Notification No. 45/2025-Customs (along with SWS). The exemption entry is being omitted from Notification No. 45/2025-Customs and the concessional BCD rate will be shifted to the First Schedule, with effect from 01.05.2026. As a part of consequential changes, Sl. No. 7 of Notification No. 11/2018-Customs is being omitted and Sl. No. 1 of Notification No. 11/2018-Customs is being amended to include tariff item 2106 90 51 covering compound alcoholic preparations. Incidence of SWS for goods under sub- heading 2106 90 will remain unchanged. This change will come into effect from 01.05.2026.

(iii) Spent catalyst and ash containing precious metals falling under heading 7112 is exempt from SWS vide Sl. No. 54A of Notification No. 11/2018-Customs. The description of the entry at Sl. No. 54A is being modified with effect from 01.04.2026 to omit the reference to S.No. 201 of TABLE I of Notification No. 45/2025-Customs which is being lapsed on 31.03.2026. The exemption from SWS, vide modified Sl. No. 54A of Notification No. 11/2018-Customs, will continue unchanged for spent catalyst or ash containing precious metals.

(b) Social Welfare Surcharge (SWS) will be levied on all goods falling under heading 9804 (all dutiable goods imported for personal use) with effect from 01.04.2026.

(c) Parts of electronic toys for manufacture of electronic toys under S. No. 396 of TABLE I in Notification No. 45/2025-Customs are being exempted from SWS with effect from 02.02.2026. Henceforth, all goods under heading 9503 will be exempt from the levy of SWS.

11. AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)

New pneumatic tyres, of rubber, of a kind used on aircraft falling under tariff item 4011 30 00 (other than goods covered under S.Nos. 155 and 156 of TABLE I of Notification No. 45/2025- Customs), attract 0.5% AIDC *vide* Sl. No. 13A of Notification No. 11/2021-Customs. The description of the entry at Sl. No. 13A is **being modified with effect from 02.02.2026** to omit the reference to S. No. 157 of TABLE I of Notification No. 45/2025-Customs, following the omission of the said exemption entry **with effect from 02.02.2026**. The AIDC rate will continue unchanged at

0.5% for New pneumatic tyres, of rubber of a kind used on aircraft (other than those attracting NIL BCD).

12. Notification No. 04/2026- Customs dated- 1st February 2026

The Notification No. 26/2016-Customs dated 31.03.2016 has been amended by substituting the reference from "Baggage Rules, 2016" to "Baggage Rules, 2026". It is a technical change not having any implications.

13. Notification No. 05/2026- Customs dated- 1st February 2026:

The Central Government has rescinded the two earlier Customs Notifications No. 11/2004-Customs dated 08.01.2004 & 27/2016-Customs dated 31.03.2016, the exemptions or provisions granted under the above two Notifications will no longer apply prospectively from 2nd February 2026.

Notification No.	Brief Description
11/2004-Customs dated 08.01.2004	Import of one laptop computer into India by a passenger of the age of 18 years or above (other than member of crew)
27/2016-Customs dated 31.03.2016	Exempts specified household goods imported as baggage by persons returning after long stay abroad or on transfer of residence.

Anivesh (ALC) Comments : The condition which was given under Notification No. 11/2004- Customs for duty-free import of one laptop exemption condition was rescinded through the Notification No. 05.2026- Customs, However, it has been reintroduced through the Baggage Rules, 2026 which is notified through the Notification no. 14/2026-Customs (N.T), which permit one **new laptop** (including notepad) duty-free for passengers aged 18 years and above (other than member of crew).

However, any actions already taken or omitted under these Notifications **before their rescission will remain valid (saving clause).**

1. Notification No. 01/2026-Central Excise dated 1st February 2026

Rate of National Calamity Contingent Duty has been increased on following products

Tariff item	Description	NCCD Rates	
		From	To
2403 99 10	Chewing tobacco	25%	***60%***
2403 99 30	Jarda scented tobacco	25%	***60%***
2403 99 90	Other	25%	***60%***

Anivesh (ALC) Comments:

- The Seventh Schedule to the Finance Act, 2001 is being amended to revise the NCCD Schedule rates on chewing tobacco (HS 2403 99 10), jarda scented tobacco (HS 2403 99 30) and other tobacco products including gutkha (HS 2403 99 90) w.e.f 01.05.2026, as detailed below. The effective rate will remain unchanged*. [Clause 142 read with Sixth Schedule of the Finance Bill, 2026]
- The effective rate will be maintained at 25% vide notification

2. Notification no. 11/2017-Central Excise has been amended vide notification no. 02/2026-Central Excise dated 01st February 2026

Before	After
(3) (i) …………	*(3) (i)* …………
(ii) ……………	*(ii)* ……………
Provided that, with effect from the 1st day of April, ~~2026~~, nothing contained in this Sl. No. shall apply to High Speed Diesel (HSD), which is intended for retail sale to consumers, not so blended with alkyl esters of long chain fatty acids	Provided that, with effect from the 1st day of April, ***2028***, nothing contained in this Sl. No. shall apply to High Speed Diesel (HSD), which is intended for retail sale to consumers, not so blended with alkyl esters of long chain fatty acids obtained from

obtained from vegetable oils, commonly known as bio-diesels as conforming to Bureau of Indian Standards specifications from time to time for blended diesel	vegetable oils, commonly known as bio-diesels as conforming to Bureau of Indian Standards specifications from time to time for blended diesel
-No Provision-	***9A. Compressed Natural Gas (CNG) when blended with Biogas or Compressed Biogas (CBG) Explanation:- For the purpose of computation of excise duty under this entry, value of such blended Compressed Natural Gas (CNG) shall exclude the value of Biogas or Compressed Biogas (CBG) contained in such blended Compressed Natural Gas (CNG) and the amount of appropriate Central tax, State tax, Union territory tax and Integrated tax, as the case may be, paid on such Biogas or Compressed Biogas (CBG). 14%***
after Annexure, in the proviso, in item (a) …………. (b) the goods specified against serial number 3A of the Table above before the 1st day of April, ~~2026.~~	after Annexure, in the proviso, in item (a) …………. (b) the goods specified against serial number 3A of the Table above before the 1st day of April, ~~2028.~~
-No provision-	***Explanation 3.- For the purpose of goods described in column (3) against serial number 9A of the Table, "appropriate Central tax, State tax, Union territory tax and Integrated tax" means the Central tax, State tax, Union territory tax and Integrated tax leviable under the***

	Central Goods and Services Tax Act, 2017 (12 of 2017), State Goods and Services Tax Act of the State concerned, the Union Territory Goods and Services Tax Act, 2017 (14 of 2017) and the Integrated Goods and Services Tax Act, 2017 (13 of 2017), respectively.
Anivesh (ALC) Comments: ➢ The value of Biogas/Compressed Biogas (CBG) and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on Biogas or CBG contained in blended CNG, is being excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG. To this effect, notification No. 11/2017-Central Excise dated 30.06.2017 is being suitably amended vide notification No. 02/2026-Central Excise dated 01.02.2026. This change will come into effect from 02.02.2026. ➢ The implementation of levy of additional excise duty of Rs. 2 per litre on unblended diesel is being deferred till 31.03.2028, by amending notification No. 11/2017-Central Excise dated 30.06.2017 vide notification No. 02/2026-Central Excise dated 01.02.2026.	

3. Notification No. 05/2023 – Central Excise has been amended vide Notification No. 03/2026-Central Excise dated 1st February 2026

The Central Government has rescinded Notification No. 05/2023–Central Excise dated 1 February 2023, which was issued under section 5A(1) of the Central Excise Act, 1944.

Anivesh (ALC) Comments:

➢ Notification No. 05/2023-Central Excise, dated 01.02.2023, vide which Central Excise duty was exempted only on the GST amount paid on biogas/CBG contained in such blended CNG is being rescinded with effect from 02.02.2026.

JURISDICTIONAL TIME BARS IN GST DEMAND PROCEEDINGS

Limitation under the Goods and Services Tax law has emerged as one of the most decisive and frequently litigated issues in adjudication proceedings. Over the years, a substantial number of GST demands have been challenged not on the basis of taxability or valuation, but on the **jurisdictional failure of the department to adhere to statutory timelines**.

The transition from the initial GST years, the disruption caused by the pandemic, multiple extensions and exclusions of limitation, and finally the introduction of a **new unified limitation regime under Section 74A**, have collectively created a complex matrix of timelines. As a result, both taxpayers and tax administrators are often confronted with the threshold question: **whether the authority to issue a show cause notice or pass an adjudication order still survives**.

In this backdrop, a clear and structured understanding of **Sections 73, 74 and 74A**, viewed through the prism of **"time lapsed" and "time still open"**, becomes indispensable. Since limitation under GST is not procedural but **jurisdictional in nature**, an error in timeline computation is sufficient to vitiate the entire proceedings.

This article, therefore, seeks to present a **date-specific and provision-wise analysis** of GST demand limitation as applicable **as on 01-02-2026**, providing practitioners with a ready reference before engaging with the merits of any demand.

1. Legislative Background

1.1 Section 73 — Non-Fraud Cases

Section 73 of the CGST Act, 2017 applies to cases involving short payment, non-payment, erroneous refund or wrongful availment of input tax credit **not involving fraud, wilful misstatement or suppression of facts**.

As per **Section 73**:

- The adjudication order must be passed **within three years** from the due date of furnishing the annual return for the relevant financial year; and

- The show cause notice (SCN) must be issued **at least three months prior** to the expiry of the order limitation period.
- Limitation under Section 73 is **mandatory and jurisdictional**.

1.2 Section 74 — Fraud / Suppression Cases

Section 74 of the CGST Act, 2017 applies to cases involving short payment, non-payment, erroneous refund or wrongful availment of input tax credit **involving fraud, wilful misstatement or suppression of facts.**

As per **Section 74**:

- The adjudication order must be passed **within five years** from the due date of furnishing the annual return; and
- The SCN must be issued **at least six months prior** to such limitation period.
- Issuance of a valid SCN within limitation is a **condition precedent** for assumption of jurisdiction.

1.3 Section 74A — Unified Limitation Regime

Section 74A, inserted by the **Finance Act, 2024**, is applicable **from FY 2024-25 onwards**. It introduces a **single limitation framework**, **irrespective** of whether fraud or non-fraud is alleged.

As per **Section 74A**:

- The **show cause notice (SCN)** must be issued **within forty-two months** from the due date for furnishing of annual return.
- The proper officer shall issue the order within twelve months from the date of issuance of notice.
- In other words, where notice has been issued before forty-two months from the due date for furnishing of annual return then time limit of 12 months for issuance of order will be calculated from the actual date of issuance of notice.
- Limitation under Section 74A is **mandatory and jurisdictional**, and failure to adhere to either the SCN timeline or the order timeline

renders the entire proceedings **void ab initio**, irrespective of the nature of allegations.

2. Limitation period exhausted (As on 01-02-2026)

2.1 Section 73 — Non-Fraud Cases

Financial Year	SCN Lapsed On	Order Lapsed On
2017-18	30-09-2023	31-12-2023
2018-19	31-01-2024	30-04-2024
2019-20	31-05-2024	31-08-2024
2020-21	30-11-2024	28-02-2025
2021-22	30-09-2025	31-12-2025

Any SCN or adjudication order issued after the above dates is void ab initio, being without jurisdiction.

2.2 Section 74 — Fraud / Suppression Cases

Financial Year	SCN Lapsed On	Order Lapsed / Lapses On
2017-18	05-08-2024	05-02-2025
2018-19	30-06-2025	31-12-2025
2019-20	30-09-2025	**31-03-2026 (Not Lapsed)**

Once the limitation for issuance of SCN expires, adjudication proceedings **cannot survive**, even if the outer limit for passing the order has not yet expired.

3. Limitation period still subsisting (As on 01-02-2026)

3.1 Section 73 — Non-Fraud Cases

Financial Year	SCN To Be Issued By	Order To Be Passed By
2022-23	30-09-2026	31-12-2026

2023-24	30-09-2027	31-12-2027

3.2 Section 74 — Fraud / Suppression Cases

Financial Year	SCN To Be Issued By	Order To Be Passed By
2019-20	**30-09-2025 (Lapsed)**	31-03-2026
2020-21	31-08-2026	28-02-2027
2021-22	30-06-2027	31-12-2027
2022-23	30-06-2028	31-12-2028
2023-24	30-06-2029	31-12-2029

3.3 Section 74A — Unified Regime

Financial Year	SCN To Be Issued By	Order To Be Passed By
2024-25	30-06-2029	30-06-2030 [*Extended outer limit* till 31-12-2030]

4. Conclusion

Limitation under the GST framework is a **jurisdictional threshold** that precedes any enquiry into merits. Where statutory timelines have lapsed, the authority to issue notice or pass an order ceases to exist in law. Conversely, where limitation subsists, proceedings must strictly conform to the legislative conditions governing each provision.

A disciplined, date-specific evaluation of limitation under Sections 73, 74 and 74A is therefore indispensable for both tax administration and dispute resolution under GST.

Anivesh Legal Consultants

GSTAT APPEALS: EVOLUTION, EXECUTION AND WAY FORWARD

From statutory conception to functional adjudicatory forum

1. INTRODUCTION

The Goods and Services Tax regime was conceptualised as a unified, destination-based indirect tax system with a robust and self-contained dispute resolution framework. Central to this framework was the establishment of a specialised appellate tribunal that would ensure uniform interpretation of GST law, reduce litigation before constitutional courts, and provide taxpayers with an effective statutory remedy.

However, the journey of the Goods and Services Tax Appellate Tribunal (GSTAT) has been marked by prolonged delays, constitutional challenges, and phased institutional development. Understanding the **evolution of the Goods and Services Tax Appellate Tribunal**—from its statutory conception **in 2017**, through judicial scrutiny and legislative correction, to its present operational status—is essential for appreciating the current appellate landscape under GST. **The following roadmap** traces this evolution chronologically, highlighting the key legal, procedural, and institutional milestones that have shaped GSTAT into the primary appellate forum under the GST regime.

In addition, the discussion captures **the present pre-requisites** for filing and pursuing appeals before GSTAT, reflecting the procedural discipline now expected at the threshold, and distils **practical takeaways** for practitioners, as GST litigation transitions into a tribunal-centric phase marked by legal hurdles and its resolution, on ground preparation, procedural compliance and finally its operationalization.

2. EVOLUTION OF GSTAT FROM 2017 TO 2026

A. Tribunal on Paper, Not in Practice (2017–2019)

With the introduction of the Goods and Services Tax regime on **1 July 2017**, the CGST Act, 2017 envisaged a dedicated appellate tribunal under **Sections 109 to 113**. However, despite the statutory framework being in place, the

Goods and Services Tax Appellate Tribunal (GSTAT) was never constituted in practice. As a result, taxpayers were deprived of the statutory second appellate remedy, forcing them to directly approach various High Courts against first appellate orders under Section 107. This period marked a complete appellate vacuum under GST.

B. Judicial Intervention and Constitutional Crisis (2019–2021)

The constitution of GSTAT further ran into constitutional challenges. The Madras High Court decision in ***Revenue Bar Association v. Union of India*** **(2021 (4) GSTL 429 Mad.)**, which struck down the GSTAT composition for lack of judicial dominance, was **affirmed in substance by the Supreme Court of India** in ***Union of India v. Madras Bar Association*** **(2022) 11 SCC 1**. The Supreme Court upheld the principle that tribunals exercising judicial functions must have **judicial members in majority**, and that the GST Appellate Tribunal, being a substitute for High Court adjudication on facts, must conform to established constitutional standards laid down in the ***Madras Bar Association*** and ***R. Gandhi*** line of cases.

Consequently, the earlier GSTAT framework was held constitutionally infirm, necessitating **legislative re-engineering of the Tribunal structure**, which ultimately led to the amended GSTAT provisions ensuring judicial predominance.

C. Legislative Repair Phase (2021–2023)

Following the Madras High Court ruling, GST appellate litigation continued to remain within the High Courts. Recognising the systemic issue, Parliament undertook legislative correction. The **CGST (Amendment) Act, 2023 (Act No. 31 of 2023)** was notified and brought into force with effect from **1 October 2023**, substituting **Sections 109 to 113** of the CGST Act. The amended provisions restored judicial primacy in the Tribunal's composition and cured the constitutional defects pointed out by the courts. This marked the legal revival of GSTAT.

D. Institutional Groundwork & Procedural Framework Notified (2024)

Post-amendment, the Government initiated the process of institutional setup. During early and mid-2024, the **Search-cum-Selection Committee** was constituted and the selection process for **Judicial Members and Technical Members (Centre and States)** was completed. By late 2024, appointment notifications were issued, formally bringing GSTAT into existence as an institution rather than a mere statutory concept.

A major milestone was achieved with the notification of the **GSTAT (Procedure) Rules, 2025** vide **Notification No. 12/2025–Central Tax dated 24-04-2025**. These Rules laid down the complete procedural architecture for GSTAT, including electronic filing of appeals, scrutiny by Registry, interlocutory applications, hearing mechanism, and issuance of orders. The Rules also made it clear that GSTAT would function as a **digital-first tribunal**, similar to NCLAT.

E. Formal Launch and Transitional Controls (September 2025)

On **24 September 2025**, the Government formally launched GSTAT through an official announcement. On the same date, GSTAT issued an **administrative order introducing staggered filing of appeals**, linking filing windows to specified periods, primarily to manage portal load during the initial phase. While well-intentioned, this staggered regime created confusion and practical difficulty for litigants and professionals.

F. Staggered Filing Withdrawn (December 2025)

Recognising the hardship caused, GSTAT issued **Order No. 315/2025 dated 16-12-2025**, revoking the earlier staggered filing mechanism with effect from **18-12-2025**. This order restored **unrestricted e-filing of appeals**, subject only to statutory limitation. This order is significant as it directly impacted the right to institute appeals and is a binding procedural order of the Tribunal, not a mere administrative circular.

G. Tribunal Becomes Functionally Alive & Lenient Scrutiny Regime Introduced (January 2026)

In January 2026, GSTAT transitioned from a setup phase to a functional adjudicatory body. Members began assuming charge at various benches, including **Chennai and Cuttack**, and physical infrastructure such as the **Surat GSTAT office** was inaugurated. Simultaneously, the GSTAT e-filing portal became fully operational for appeal filing, fee payment, and uploading of documents.

To facilitate smooth onboarding of litigants, the **Principal Bench issued an Office Order dated 20-01-2026**, directing the Registry to adopt a **lenient approach in scrutiny for an initial period of six months**. The order clarified that only defects of substance should be raised and also provided clarity on document certification—GSTN-generated documents need not be certified, while scanned physical documents must be signed. This order significantly reduced the risk of technical rejections during the transition phase.

H. First Substantive GSTAT Order (January 2026)

The Tribunal entered the adjudicatory phase with its **first reported order dated 31-01-2026**, arising from **anti-profiteering (NAPA) matters transferred to GSTAT**. The Tribunal upheld enforceability of **Section 171 of the CGST Act**, marking its first decision and signaling that GSTAT was now fully operational as a judicial forum.

3. PRESENT POSITION – GSTAT PRE-REQUISITES & PRACTITIONER READINESS GUIDANCE

As on date, GSTAT stands as a **functional, legally constituted, and procedurally streamlined appellate tribunal**. The staggered filing regime has been withdrawn, scrutiny has been liberalized, benches are operational, and substantive jurisprudence has begun to emerge. GSTAT is no longer prospective or experimental—it is now the **primary appellate forum under GST**.

With GSTAT now functioning as the primary appellate forum under GST, appellate success increasingly depends on disciplined pre-filing preparation rather than post-filing corrections. Appeals before the Tribunal must be **procedurally sound, factually aligned, and legally structured** at the threshold. The following pre-requisites outline the essential checks and preparations expected before approaching GSTAT.

A**. Identifying the Appealable Order and Correct Forum**

The starting point of any appeal before the GST Appellate Tribunal is a careful examination of whether the impugned order is legally appealable under **Section 112 of the CGST Act, 2017** and whether it emanates from a valid order passed by the **First Appellate Authority under Section 107**.

Every communication or consequential action by the department qualifies as an appealable order, and practitioners must consciously exclude recovery notices, rectification communications, or administrative directions that do not culminate in a final appellate determination. Equally important is the identification of the **correct GSTAT bench having territorial and functional jurisdiction**, as misfiling before an incorrect bench can lead to objections, transfer delays, or even dismissal on maintainability grounds. This foundational scrutiny ensures that the appeal enters the Tribunal on firm jurisdictional footing.

B. **Limitation Timeline and Internal Cut-Off Planning**

Limitation for filing an appeal before GSTAT begins from the **date of communication of the appellate order**, which may not always coincide with the date mentioned on the order itself. Given the strict statutory timelines and limited scope for condonation, practitioners must carefully compute limitation and examine whether any **extended or transitional filing window** applies to the case.

Best practices require adoption of **strict timelines and cut-off dates**, allowing sufficient buffer for documentation, approvals, portal readiness, and payment reconciliations. Reliance on last-day filings significantly increases exposure to procedural failures, portal glitches, and payment mismatches.

Where delay is unavoidable, a **separate, detailed application for condonation of delay**, supported by cogent reasons and evidence, becomes indispensable.

C. Pre-Deposit Computation, Appeal Fees and Cash Flow Planning

Compliance with the mandatory **pre-deposit requirement under Section 112 of the CGST Act, 2017** is a condition precedent for the maintainability of an appeal before GSTAT. Accurate computation of the pre-deposit, strictly with reference to the disputed tax component, is essential, as excess or short payment may invite objections.

In addition to the pre-deposit, practitioners must ensure payment of the **statutory appeal fee as prescribed under the GST Appellate Tribunal (Procedure) Rules, 2025**, which is required to be paid electronically at the time of filing the appeal.

Advance **cash-flow and liquidity planning** is therefore critical to ensure timely discharge of both the pre-deposit and appeal fee. Proof of payment of **tax, interest, penalty, pre-deposit and appeal fee** must be correctly reflected and uploaded on the GSTAT portal, as any mismatch or omission can adversely affect maintainability at the appeal admission stage.

D. Compilation of Key Documents

A GSTAT appeal must be supported by a **complete, well-organized, indexed, paginated, legible and cross-verified set of documents**. This includes the show cause notice, replies, adjudication order, appellate order, reconciliations, payment challans, and all relied-upon annexures. Each document should be issue-mapped to facilitate quick reference by the Bench.

GST portal-generated documents may be uploaded without certification, while **scanned copies of physical documents must be duly signed** prior to uploading. Incomplete or poorly compiled documentation not only weakens the appeal but also hampers the Tribunal's ability to adjudicate effectively, often resulting in adjournments or adverse impressions.

E. Issue-Wise Case Sorting

Before drafting the appeal, the dispute must be broken down into **distinct, issue-wise legal questions**, separating jurisdictional objections, limitation challenges, procedural infirmities, and substantive tax demands. Each issue should be supported by clearly articulated **primary and alternative grounds**, enabling the Tribunal to appreciate the hierarchy of arguments.

This structured approach prevents stronger legal points from being diluted by peripheral issues and ensures that advocacy remains focused. Issue-wise case sorting is particularly crucial in GST disputes, where a single order often contains multiple allegations spanning different statutory provisions.

F. Case Law Mapping

Effective appellate advocacy before GSTAT requires deliberate and strategic **case-law mapping**. Binding precedents of the **Supreme Court and the jurisdictional High Court** must be accorded primacy, as they carry decisive weight. Reliance on relevant, recent, and contextually applicable judgments strengthens the appeal, while adverse rulings must be consciously acknowledged and distinguished on facts, statutory context, or subsequent developments.

Mechanical citation of non-jurisdictional or outdated decisions reflects poor preparation and may dilute the credibility of the appeal. Thoughtful precedent selection is therefore a critical component of GSTAT readiness.

G. Validation of the Factual Matrix

All factual assertions made in the appeal must strictly align with the documentary record. Any inconsistency between pleadings and contemporaneous records is viewed seriously by the Tribunal and can erode the appellant's credibility.

Where contentions such as **revenue neutrality, absence of revenue loss, bona fide conduct, or procedural lapse without mens rea** are raised, they must be **demonstrably established through figures, reconciliations, and documentary evidence**, rather than broad or unsubstantiated statements. A carefully validated factual matrix ensures that legal arguments are built on a solid evidentiary foundation.

H. Drafting Readiness

Drafting before GSTAT demands clarity, discipline, and precision. **Grounds of appeal must be concise, issue-wise, legally sustainable, and free from repetition**, while the **statement of facts** should be chronological, factual, and evidence-based. Prayers must be unambiguous and aligned with the grounds raised. Applications for **interim relief or stay**, wherever required, must be specifically pleaded with a clear factual and legal foundation.

Tribunal-friendly drafting avoids emotive or accusatory language and focuses on demonstrating the legal infirmities in the impugned order. Effective drafting often determines whether a case is heard with seriousness from the outset.

I. Procedural and Portal Preparedness

Given the fully digital nature of GSTAT proceedings, **procedural and portal preparedness** is no longer ancillary but central to appellate tribunal practice. Appeals must be filed **only through the GSTAT e-filing portal** in the prescribed electronic format, with **statutory appeal fees paid in accordance with the GSTAT (Procedure) Rules, 2025**.

Prior verification of **Digital Signature Certificate (DSC) validity, authorised signatory mapping, challan reflection, and portal compliance** is essential. Procedural adherence must be cross-verified against the GSTAT (Procedure) Rules, 2025, and **portal acknowledgments and appeal numbers** must be preserved for record and follow-up. Appeals should be filed with complete readiness for **early listing and substantive hearing**, rather than mere admission.

In the GSTAT era, appellate success is increasingly determined at the **pre-filing stage**. These nine pillars collectively define whether an appeal enters the Tribunal as a **procedurally robust and substantively focused case**, or as a vulnerable filing exposed to avoidable objections.

4. HIGH COURT OR GST APPELLATE TRIBUNAL: WHERE TO APPROACH ?

With the operationalization of the **Goods and Services Tax Appellate Tribunal**, the appellate framework under the CGST Act, 2017 has attained **statutory completeness**. GSTAT now constitutes the **normal, efficacious and designated second appellate forum** against orders passed under Section 107 of the CGST Act. Consequently, recourse to writ jurisdiction under Articles 226 and 227 of the Constitution is **no longer intended to be routine** in GST disputes.

It is a settled principle that the writ jurisdiction of High Courts is **discretionary** and is ordinarily **not exercised where an effective alternative statutory remedy exists**. Judicial discipline mandates relegation to the appellate forum, except in well-recognised contingencies such as **lack of jurisdiction**, **violation of principles of natural justice**, **challenge to constitutional or statutory validity**, or **patent abuse of process**.

Post-GSTAT operationalization, **bypassing the Tribunal and directly invoking writ jurisdiction is likely to invite objections on maintainability**. High Courts are expected to consistently direct litigants to avail the GSTAT remedy, thereby **reinforcing the Tribunal as the primary forum for factual adjudication and statutory interpretation under GST**.

Importantly, **GSTAT is the last fact-finding authority** under the GST regime. All issues relating to **appreciation of evidence, reconciliation, computation, classification, valuation, and mixed questions of law and fact** fall squarely within its domain. Where High Courts find that a matter turns substantially on disputed facts or requires detailed factual determination, the consistent approach would be to **remand or relegate the matter to GSTAT**, rather than undertake such an exercise in writ proceedings.

Accordingly, writ jurisdiction post-GSTAT is to remain **exceptional**, not an appellate substitute—preserved for cases warranting constitutional or jurisdictional intervention, while **GSTAT stands as the central adjudicatory forum for GST disputes**.

5. LEGAL UNCERTAINITY SURROUNDING TIME-BARRED APPEALS AT THE APPELLATE STAGE:

An area of continuing legal uncertainty under GST arises where a **first appeal under Section 107 of the CGST Act is rejected solely on the ground of limitation**, i.e., beyond the prescribed period of **three months**, with a further **one-month condonation period**.

While such rejection orders are themselves appealable before the **Goods and Services Tax Appellate Tribunal**, the scope of interference by the Tribunal remains legally nuanced. The statute does not expressly empower GSTAT to **condone delay beyond the outer limit stipulated under Section 107**, thereby creating ambiguity as to the extent of relief available.

At the same time, it is arguable that GSTAT, being the **last fact-finding authority**, may examine whether the rejection on limitation was **legally sustainable**, including issues relating to **service of order, computation of limitation, or procedural infirmities**. Where such factual or jurisdictional aspects are involved, the rejection may not attain finality merely because of delay.

Accordingly, whether a time-barred appeal rejected at the first appellate stage can be effectively revived before GSTAT remains **case-specific and legally unsettled**, and is likely to continue as a contested issue until clarified through various judicial pronouncements.

6. TRIBUNALS REFORMS ACT, 2021 VIS-À-VIS GSTAT

The Supreme Court's decision in ***Madras Bar Association v. Union of India* (2025)** decisively closes the door on executive-dominated tribunal frameworks and renders any GST Appellate Tribunal model founded on short tenures, minimum age thresholds, or selection committees lacking judicial primacy constitutionally fragile. Given that several features of the GSTAT under Sections 109 and 110 of the CGST Act mirror the very provisions repeatedly invalidated in the Madras Bar Association line of cases, the future of GSTAT remains legally uncertain unless its structure is comprehensively realigned with constitutional mandates of judicial independence. Until a tribunal architecture consistent with the Court's directions—secure tenure, meaningful judicial control over appointments, and insulation from executive influence—is implemented, GSTAT risks prolonged litigation, stalled operationalization, and continued diversion of routine GST disputes to High Courts, defeating the very purpose for which it was conceived.

Unless GSTAT is constitutionally redesigned in line with settled Supreme Court jurisprudence, it risks remaining a tribunal in statute but not in substance.

7. CONCLUSION:

The journey of the Goods and Services Tax Appellate Tribunal from statutory conception to operational reality marks the completion of the GST appellate framework. With constitutional issues resolved, procedural rules notified, digital filing systems stabilized, and benches now functional, GSTAT has **firmly emerged as the primary appellate forum** under the CGST Act.

For practitioners, this shift calls for a tribunal-centric approach to GST litigation, where success is driven by disciplined pre-filing preparation, precise issue identification, and strict procedural compliance. As GSTAT begins to develop its own jurisprudence, it is expected to bring consistency and predictability to GST law, reducing reliance on writ jurisdiction. **Effective engagement with the Tribunal will therefore depend not on reactive litigation, but on structured, informed, and practice-oriented advocacy.**

Anivesh Legal Consultants

BUDGET 2026 AND MOOWR - TRANSITION FROM PERMISSION TO TRUST BASED PROCESS

The Finance Bill, 2026, has proposed a critical amendment to **Section 67** of the Customs Act, 1962. While seemingly procedural, this change acts as a force multiplier for the Government's flagship **Manufacture and Other Operations in Warehouse (MOOWR)** scheme. This article explores the MOOWR ecosystem—which has become the bedrock of "Make in India"—analyzes the operational bottlenecks that have historically slowed it down, and details how the 2026 amendment liberates the supply chain for domestic manufacturers.

I. The Engine of Growth: The MOOWR Scheme (Section 65)

Source: Section 65 of the Customs Act, 1962; Manufacture and Other Operations in Warehouse (No. 2) Regulations, 2019

To understand the amendment, one must first understand the asset it protects: The MOOWR Scheme.

The Concept: "Duty Deferment with No End Date"

The MOOWR scheme is arguably one of the most competitive fiscal incentive available to Indian manufacturers today. Unlike SEZs (which are treated as foreign territory) or EOUs (which have export obligations), a MOOWR unit is a domestic tariff area facility with a "bonded" wrapper.

How it Works:

Under Section 65, a manufacturer can license their factory as a Private Bonded Warehouse (Section 58). This status confers three powerful financial advantages:

1. Capital Goods (The CAPEX Advantage):

A new factory requires massive investment in imported machinery. Under MOOWR, the manufacturer imports this machinery without paying any Customs Duty (Basic Customs Duty + IGST).

- *The Benefit:* The manufacturer saves approx. 25-30% of their initial cash outflow. They do not need to seek refunds; the duty is simply not paid as long as the machine remains within the bonded premises.

- Raw Materials (The OPEX Advantage): Raw materials and inputs are also imported duty-free. The duty liability is deferred until the final product is manufactured and removed.

  - *Scenario A (Export):* If the finished good is exported, the duty on the imported raw material is **remitted** (forgiven). Result: Zero tax cost.

  - *Scenario B (Domestic Sale):* If the finished good is sold in India, the manufacturer pays the duty *only on the imported raw materials* used. Crucially, in many cases, this deferment comes **without the burden of interest**, effectively providing the manufacturer with interest-free working capital for the duration of storage/manufacturing.

  - No Export Obligation: Unlike the Advance Authorization or EOU schemes, MOOWR does not force the manufacturer to export a fixed percentage of output. It is purely a market-neutral scheme—supporting both domestic consumption and global exports.

2. The Legal Structure: The scheme operates on a "Triple-Lock" mechanism:

   - The License: Private Warehouse License under Section 58.

   - The Permission: Manufacturing permission under Section 65.

   - The Bond: A continuity bond under Section 59 that covers the duty risk.

II. The Operational Friction: Challenges in the Supply Chain

Source: Practical application of Section 67 (Pre-Amendment)

While the fiscal incentives of MOOWR are attractive, the logistical reality has often been friction heavy. The primary challenge lies in the **fluidity of inventory**.

1. The "Island" Syndrome:

MOOWR units function as duty-free islands. However, a modern supply chain is not static. A manufacturer often needs to move goods:

- From a Port Warehouse to the Factory (MOOWR Unit).

- From Factory A (MOOWR Unit) to Factory B (MOOWR Unit) for further processing.
- From the Factory to a Depot for storage before export.

2. The Section 67 Barrier (The "Permission" Raj):

Prior to the Finance Bill, 2026, Section 67 of the Customs Act mandated that any removal of goods from one warehouse to another could only happen "with the permission of the proper officer."

The Real-World Impact:

- **Administrative Latency:** Every time a manufacturer needed to shift 10 tons of raw material from their storage unit to their processing unit, they had to file an application. The "permission" was a manual, discretionary act by the jurisdictional officer.
- **The Weekend Trap:** If a permission request was filed on a Friday, and the officer was unavailable, the production line could potentially grind to a halt waiting for raw material that was sitting just a few miles away in another bonded warehouse.
- **Compliance Fatigue:** For large conglomerates with multiple MOOWR units, managing hundreds of "movement permissions" became a full-time compliance job, defeating the "Ease of Doing Business" purpose of the scheme.

III. The Liberating Amendment: Finance Bill, 2026

Source: Clause 134, Finance Bill, 2026; Memorandum Explaining Provisions

The Finance Bill, 2026, directly addresses this logistical paralysis.

The Amendment:

Clause 134 substitutes Section 67. The critical change is the deletion of the phrase "with the permission of the proper officer."

The New Regime:

> *"The owner of any warehoused goods may remove them from one warehouse to another, **subject to such conditions as may be prescribed**."*

Why This Matters for MOOWR:

1. <u>From "Permission" to "Protocol":</u>

The movement of goods is no longer a request that can be denied; it is a right that must be exercised according to procedure. The Board (CBIC) will prescribe standard conditions (likely digital reporting via the Common Portal), effectively automating the process.

2. <u>Inter-Unit Synergy:</u>

For manufacturers with multi-location setups (e.g., a spinning unit in Location A and a weaving unit in Location B, both under MOOWR), the amendment allows for seamless internal transfers. The entire manufacturing ecosystem becomes a single, fluid duty-free zone.

3. <u>Just-In-Time (JIT) Reality:</u>

By removing the human intervention step, the lead time for procuring goods from a bonded warehouse drops from days to hours. This allows MOOWR units to operate on leaner inventory levels, further reducing working capital blockage.

The Counsel's Caveat: Invisible Risks in the New Regime

While the amendment to **Section 67** (removing "permission" for movement) is a welcome reform, we must advise clients that "Deregulation of Process" often leads to "Intensification of Audit." Here are three strategic warnings:

1. <u>The "Interest Clock" Illusion (Section 61 vs. Section 67)</u>

There is a common misconception in the trade that moving goods from Warehouse A to Warehouse B "resets" the warehousing period.

- <u>The Law</u>**:** Under **Section 61**, duty-deferment is interest-free only for **specified period**. Beyond that, interest accrues.
- <u>The Trap:</u> Moving goods under the new Section 67 does **not** stop or reset this interest clock. If you import goods in January, move them in March, and clear them in June, you still pay interest from April.
- <u>Advisory:</u> The seamless movement should not lull the finance team into forgetting the aging analysis of the stock. The "First-In-First-

Out" (FIFO) logic must be strictly maintained across *all* warehouses to minimize interest liability.

2. **The "Bond Solvency" Risk (Section 59)**

With the removal of the officer's check, the onus of maintaining the **Bond Value** falls entirely on the importer.

- The Scenario: You have a Running Bond of ₹10 Crores. You move high-value chips worth ₹5 Crores from the Port to the Factory.
- The Risk: If your bond capability was already choked by other imports, and you initiate this movement without sufficient "free balance" in the bond, technically, you are moving goods without valid cover.
- Consequence: In the old regime, the Officer would catch this during the permission stage. In the new regime, the system might allow the movement, but a post-facto audit could slap a penalty for **"unauthorized removal"** (Section 71) because the bond was insufficient. Automation requires *internal* vigilance.

3. **The "Audit Boomerang" (Post-Clearance Audit)**

History shows that whenever the Customs Department removes a "Physical Control" (Permission), they replace it with a "Legislative Control" (Audit).

- **The Shift:** We anticipate a surge in **On-Site Post Clearance Audits (OSPCA)** for MOOWR units.
- **The Focus:** Auditors will likely focus on **"Reconciliation."** Did the 1000 units that left Warehouse A actually reach Warehouse B? Was there a weight discrepancy?
- **Advisory:** Since you no longer have the "Officer's Permission" signature to use as a shield in court ("The officer allowed it, so I am safe"), the burden of proof is now 100% on your digital records. Defending a shortage notice will become harder without that prior approval.

Final Verdict

The Finance Bill, 2026, gives the industry speed, but it takes away the "safety net" of the officer's approval. The advice to the industry is simple: **Move fast, but document faster.**

The Unfinished Agenda: Critical Gaps in the MOOWR Regime *(Beyond the Section 67 Amendment)*

While the Finance Bill, 2026, solves the "movement" crisis, the MOOWR scheme still suffers from structural anomalies that create friction for large-scale manufacturing. These are the "blind spots" that legal experts argue must be addressed to make the scheme truly competitive against global benchmarks like Free Trade Zones.

1. **The "Depreciation" Trap on Capital Goods**

   - **The Challenge:** Under the Export Oriented Unit (EOU) scheme, if a manufacturer imports a machine and uses it for 10 years, they can de-bond (remove) it by paying duty on the *depreciated* value. Under MOOWR, the law is silent or interpreted strictly.

   - **Why it needs Amendment:** This creates an "Exit Barrier." Manufacturers are stuck with old machinery because the duty cost to remove them exceeds their resale value.

   - **Proposed Fix:** A legislative amendment to **Section 65** or **Section 61** explicitly allowing depreciation on capital goods cleared for home consumption after use in a MOOWR unit.

2. **The "Job Work" Restriction (Principal-to-Principal)**

   - **The Challenge:** Current regulations allow a MOOWR unit to send goods out for job work. However, there is ambiguity when a MOOWR unit *acts* as a job worker for a DTA (Domestic Tariff Area) unit.

   - *Scenario:* A DTA company sends raw material to a MOOWR unit for processing. The MOOWR unit adds some imported consumables.

   - *Issue:* The accounting of "mixed" goods (DTA + Imported) and the duty liability on the "waste" generated from DTA goods during the process is complex and lacks a clear specific provision in the **MOOWR Regulations, 2019**.

- **Proposed Fix:** A specific clarification or amendment in the Regulations to streamline "Job Work *by* MOOWR units" (Reverse Job Work), like the GST provisions.

3. **RoDTEP Ineligibility**

- **The Challenge:** Exporters operating under MOOWR are currently **ineligible** for the **Remission of Duties and Taxes on Exported Products (RoDTEP)** scheme. The logic is that they already get duty deferment.
- **The Counterpoint:** RoDTEP covers *internal* taxes (electricity duty, fuel VAT) that are *not* subsumed by GST or Customs. By denying RoDTEP, the government is forcing MOOWR exporters to export these domestic taxes, making them uncompetitive compared to standard DTA exporters.
- **Proposed Fix:** An amendment to the RoDTEP notification to allow MOOWR units to claim benefits at least for the non-customs/non-GST levies.

4. **The "Waste & Scrap" Valuation Dispute**

- **The Challenge:** When manufacturing happens, waste is generated. If this waste is cleared in the domestic market, import duty shall be charged on the quantity of the warehoused goods contained in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods cleared for home consumption.
- *Issue:* When the duty is charged on the quantity of warehoused goods contained in waste or refuse, the same results in financially higher burden than the tax that would be levied on transaction value of waste being cleared.
- **Proposed Fix:** An amendment to **Section 65** clarifying that duty on waste/scrap shall be paid on the **Transaction Value** of the scrap.

5. **Conclusion**

The MOOWR scheme is the "hardware" of India's manufacturing push—providing the necessary infrastructure and tax incentives. The amendment to Section 67 in the Finance Bill, 2026, acts as the "software upgrade." By replacing the archaic "permission" requirement with a modern, rules-based framework, the Government has ensured that the fiscal benefits of MOOWR are not eroded by procedural delays. For the Indian industry, this marks the transition from a "Controlled Regime" to a "Trusted Ecosystem.” However, one must be careful of the risks that come associated with it. Further, it is in the interest of the Indian manufacturers if the other aspects inter alia, discussed aforesaid are also considered by the lawmakers for the ease of doing businesses.

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