

GST Post-Sale Discounts: New Section 15(3)(b) Rules from November 2026

Description

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Quick summary

- Notification No. 03/2026-Central Tax dated 26/10/2026 brings sections 153 to 155 of the Finance Act, 2026 into force from 01/11/2026, so three CGST amendments that were enacted but dormant are now live law.
- The biggest change is to section 15(3)(b): a post-sale discount no longer has to be established by an agreement entered into at or before the time of supply and linked to specific invoices.
- What remains is a two-part test: the supplier issues a credit note, and the recipient reverses the input tax credit attributable to the discount, in accordance with section 34.
- Section 34(1) now lists a section 15(3)(b) discount as a ground for issuing a credit note, which removes the old mismatch between the two sections.
- Section 54(6) extends the 90% provisional refund to unutilised input tax credit under the inverted duty structure, and section 54(14) no longer applies the small-refund withholding to exports made with payment of tax.

A discount agreed after the sale has been one of the most awkward things in GST. The law allowed it to reduce the taxable value only if it had been written into an agreement before the supply happened and could be tied to particular invoices, which is exactly what a year-end or volume-based discount cannot do. That test is now gone.

New to these terms? See the technical terms explained in simple words further down.

At a glance

Item	Detail
Notification	No. 03/2026-Central Tax, S.O. 5791(E)
Date of notification	26 October 2026

Item	Detail
In force from	1 November 2026
What it does	Appoints the date on which sections 153 to 155 of the Finance Act, 2026 come into force
Provisions affected	CGST Act sections 15(3)(b), 34(1) and 54(6) and 54(14)
Power used	Clause (b) of sub-section (2) of section 1 of the Finance Act, 2026 (4 of 2026)
Issued by	CBIC, Department of Revenue (F. No. CBIC-20001/1/2026-GST)

- The notification itself is one sentence. It carries no new policy: it switches on amendments that Parliament had already passed in the Finance Act, 2026 but that had no commencement date until now.
- Not covered by this notification: the rest of the Finance Act, 2026 GST amendments, and the separate 57th GST Council items that still await their own notifications.
- A separate notification issued the same day, No. 04/2026-Central Tax, widens e-invoicing from 1 January 2027. That is a different subject and is not part of this change.

What section 15(3)(b) used to require

Before 1 November 2026, a discount given after the supply was excluded from the taxable value only if both of these were true:

Condition	What it meant in practice
The discount was established in terms of an agreement entered into at or before the time of supply, and specifically linked to the relevant invoices	The discount had to be planned, documented in advance and traceable to named invoices. A discount decided later, however genuine, failed this test
The input tax credit attributable to the discount was reversed by the recipient	The buyer had to give back the credit on the part of the price that was being knocked off

The first condition was the problem. Where the amount of a discount cannot be worked out until the year is over, or where the volume of transactions makes invoice-level linking impossible, the supplier simply could not reduce the value, and GST stayed payable on money that was never ultimately received.

What it requires now

The substituted clause reads that the value of a supply shall not include a discount given 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.

Element	Status after 01/11/2026
Agreement entered into at or before the time of supply	No longer required
Specific linking to the relevant invoices	No longer required
Credit note issued by the supplier	Required
Recipient reverses the attributable input tax credit	Required
Route for both of the above	Section 34

So the test moves from “was this planned in advance?” to “has the paperwork been done and has the credit been given back?”. That is a question of documentation rather than of foresight, and it is one a supplier can actually satisfy.

The matching change in section 34

Section 34(1) sets out when a credit note may be issued: an invoice showing a value or tax higher than what is payable, goods returned, or goods or services found deficient. A post-sale discount was not on that list, even though section 15(3)(b) was built around a credit note being issued for it. Section 154 of the Finance Act, 2026 inserts a discount referred to in section 15(3)(b) into that list, closing the gap.

The refund changes in the same commencement

Section 155 makes two changes to section 54, both in force from the same date.

Sub-section	Change	Who gains
54(6)	The 90% provisional refund now also covers a refund of unutilised input tax credit allowed under clause (ii) of the first proviso to sub-section (3)	Taxpayers in an inverted duty structure, who previously waited for full verification while exporters got the provisional amount
54(14)	The power to withhold a refund below the threshold no longer applies where the refund is claimed on goods exported out of India with payment of tax	Exporters claiming small IGST refunds on shipping bills

Worked example

A manufacturer supplies goods worth Rs 10,00,000 plus GST at 18% (Rs 1,80,000) to a dealer during the year. In April the next year, after the annual sales figures are known, the manufacturer allows a 3% volume discount of Rs 30,000. Nothing about this discount was agreed in writing before the supplies were made.

Step	Before 01/11/2026	From 01/11/2026
Was the discount agreed at or before the time of supply?	No	Not asked any more
Can the taxable value be reduced?	No	Yes, if the two steps below are done
Credit note by the manufacturer	Not effective for valuation	Rs 30,000 plus GST of Rs 5,400
Input tax credit reversed by the dealer	Not applicable	Rs 5,400
GST effectively borne on the discounted amount	Rs 5,400, not recoverable	Nil

The figures assume a single rate of 18% on the whole supply and that the dealer had taken full credit. The arithmetic is only to show the direction of the change; the rate and the credit position in a real case have to be checked against the actual invoices.

What to do

1. **Check which discounts were being denied under the old test** and whether they can now be routed through a credit note. The change applies from 1 November 2026 and the notification is not retrospective, so do not assume it reopens past periods.
2. **Rewrite the discount clause in dealer and distributor agreements.** The pre-supply agreement is no longer the gateway, but the commercial terms still need to say who bears GST and who reverses credit.
3. **Build the credit note into the process, not the year-end scramble.** The value reduction now depends entirely on the credit note and the reversal, so a discount passed by journal entry or a cheque alone achieves nothing for GST.
4. **Get written confirmation from the buyer that the credit has been reversed.** The condition is about the recipient's conduct, and it is the supplier who loses the value reduction if the recipient does not act.
5. **Review the credit note grounds you use.** With section 34(1) amended, a discount is now a ground in its own right and does not have to be squeezed into "value charged exceeds value payable".
6. **If you are in an inverted duty structure, re-check your refund timing.** The provisional 90% route now applies to those claims, which changes the working capital assumption built into many refund files.
7. **Watch for the circular position on evidence.** The mechanism that had been prescribed for proving compliance with the old condition was tied to a test that no longer exists; confirm the current circular position before relying on an old evidence format.

Technical terms explained in simple words

Term	What it means
Taxable value	The amount GST is calculated on. Reduce it and the tax goes down with it

Term	What it means
Transaction value	The price actually paid or payable for the supply, which is the normal starting point for the taxable value
Post-sale discount	A reduction in price given after the goods or services have already been supplied and invoiced
Volume or turnover discount	A discount that depends on how much the buyer bought over a period, so its amount cannot be known at the time of each sale
Credit note	A document the seller issues to reduce the value and tax of an earlier invoice
Input tax credit	The GST a buyer has already paid on purchases and can set off against its own GST liability
Reversal of input tax credit	Giving back credit already taken, because the purchase price or the tax on it has come down
Commencement notification	A notification that fixes the date from which a law already passed by Parliament starts to operate
Finance Act	The annual Act that carries tax amendments. Its provisions often wait for a commencement notification before they bite
Inverted duty structure	Where the tax on inputs is higher than the tax on the finished supply, so credit piles up and has to be refunded
Unutilised input tax credit	Credit that cannot be used against output tax and therefore sits in the electronic credit ledger
Provisional refund	A part of the refund (90%) released quickly, before the claim is fully verified
Withholding of refund	The officer’s power to hold back a refund in specified situations
Shipping bill	The export document that also works as the refund application where exports are made with payment of tax

How CSM & Co LLP can help

We review discount and incentive structures for GST, redraft the discount clauses in dealer and distributor agreements, and set up the credit note and reversal confirmation trail that the amended section 15(3)(b) now turns on. We also handle refund files, including inverted duty structure claims where the new provisional route changes the cash flow, and we check whether a post-sale payment is a discount at all or an incentive for a service the dealer has performed, which is taxed quite differently. Please reach out to our team and we will be

happy to assist.

Frequently asked questions

What exactly changed in section 15(3)(b) on 1 November 2026?

The old clause allowed a post-supply discount to be excluded from the taxable value only if two conditions were met: the discount was established in terms of an agreement entered into at or before the time of supply and specifically linked to the relevant invoices, and the recipient reversed the attributable input tax credit. The first condition is gone. The substituted clause requires only that the supplier has issued a credit note for the discount and that the recipient has reversed the input tax credit attributable to it, in accordance with section 34.

Does the buyer still have to reverse input tax credit?

Yes. The reversal requirement survives the amendment and is now the main substantive condition. A supplier who issues a credit note for a post-sale discount while the buyer keeps the full credit does not get the value reduction.

Can a discount decided months after the sale now reduce GST?

On the face of the amended clause, yes, provided a credit note is issued and the buyer reverses the matching credit. The point of the change was that the quantum of a discount often cannot be known or agreed at the time of supply, and the old pre-agreement test made those discounts non-deductible however genuine they were.

Does this change the treatment of a post-sale incentive that requires the dealer to do something?

No. Where a dealer has to perform an activity, such as a special sales drive, an advertisement campaign or an exhibition, that has long been treated as a separate supply of service by the dealer rather than as a discount. This amendment is about the value of the original supply only, and does not touch that distinction.

What changed in section 34?

Section 34(1) lists the grounds on which a credit note may be issued. Until now a post-sale discount was not one of them, even though section 15(3)(b) depended on a credit note being issued. Section 154 of the Finance Act, 2026 adds a discount referred to in section 15(3)(b) as a ground, so the two sections line up.

What is the refund change in section 155?

Two changes to section 54. The 90% provisional refund under sub-section (6) now also covers a refund of

unutilised input tax credit allowed under clause (ii) of the first proviso to sub-section (3), which is the inverted duty structure case. And sub-section (14), which lets the officer withhold a refund below a threshold, no longer applies where the refund is claimed on exports made with payment of tax.

Is this the same as the 57th GST Council announcements?

No, and the difference matters. Most of what the 57th Council recommended still needs its own notifications or amendments. These three provisions were already enacted in the Finance Act, 2026 and were only waiting for a commencement date, which this notification supplies.

Official sources

- Gazette of India: Notification No. 03/2026-Central Tax, S.O. 5791(E) dated 26/10/2026 (commencement of Finance Act, 2026 sections 153 to 155)
- CBIC GST portal (notifications and acts)
- CBIC Tax Information Portal

Related reading

- Discounts and GST Valuation (2026): A Worked Example under Section 15(3)
- Valuation of Supply under GST (2026): Section 15, Transaction Value and Discounts

Disclaimer

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