



Finance Bill 2025
with short commentary

BILL No. 14 OF 2025

THE FINANCE BILL, 2025

(AS INTRODUCED IN LOK SABHA)



Central Goods and Services Tax

- 116. Amendment of section 2.
 - 117. Amendment of section 12.
 - 118. Amendment of section 13.
 - 119. Amendment of section 17.
 - 120. Amendment of section 20.
 - 121. Amendment of section 34.
 - 122. Amendment of section 38.
 - 123. Amendment of section 39.
 - 124. Amendment of section 107.
 - 125. Amendment of section 112.
 - 126. Insertion of new section 122B.
 - 127. Insertion of new section 148A.
 - 128. Amendment of Schedule III.
 - 129. No refund of tax collected.
- Total 14



AS INTRODUCED IN LOK SABHA
ON 1ST FEBRUARY, 2025

Bill No. 14 of 2025

THE FINANCE BILL, 2025

A

BILL

to give effect to the financial proposals of the Central Government for the financial year 2025-2026.

BE it enacted by Parliament in the Seventy-sixth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Finance Act, 2025.

Short title and commencement.

(2) Save as otherwise provided in this Act,—

(a) sections 2 to 86, 99 to 115, 120 and 131 shall come into force on the 1st day of April, 2025;

(b) sections 116 to 119 and sections 121 to 129 shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.



Central Goods and Services Tax

Amendment of
section 2.

12 of 2017.

116. In the Central Goods and Services Tax Act, 2017 (hereinafter referred as the Central Goods and Services Tax Act), in section 2,—

ISD **IGST RCM can also be distributed**

(i) in clause (61), after the word and figure “section 9”, the words, brackets and figures “of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017” shall be inserted with effect from the 1st day of April, 2025;

13 of 2017.

(ii) in clause (69),— **local authority**

“Input Service Distributor” means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, [of this Act or under subsection (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017] for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20

(c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a **municipal [fund] or local fund;**

(a) in sub-clause (c), after the words “management of a municipal”, the word “fund” shall be inserted;

(b) after sub-clause (c), the following *Explanation* shall be inserted, namely:—

‘Explanation.— For the purposes of this sub-clause—

(a) **“local fund”** means any fund under the control or management of an authority of a local self-government established for discharging civic functions in relation to **a Panchayat area and vested by law** with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called;

local fund: Panchayat area

municipal fund: Metropolitan area or Municipal area

(b) **“municipal fund”** means any fund under the control or management of an authority of a **local self-government established for discharging civic functions in relation to a Metropolitan area or Municipal area and vested by law** with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called.’;

(iii) after clause (116), the following clause shall be inserted, namely:—

new definition inserted

“(116A) “unique identification marking” means the unique identification marking referred to in clause (b) of sub-section (2) of section 148A and includes a digital stamp, digital mark or any other similar marking, which **is unique, secure and non-removable;**’;

Track and trace mechanism for certain goods.

117. In **section 12** of the Central Goods and Services Tax Act, sub-section (4) shall be omitted. **Voucher**

Amendment of
section 12.



118. In section 13 of the Central Goods and Services Tax Act, sub-section (4) shall be omitted. **Voucher** Amendment of section 13.

119. In section 17 of the Central Goods and Services Tax Act, in sub-section (5), in clause (d),— Amendment of section 17.

Safari retreat judgment nullified

(i) for the words “plant or machinery”, the words “plant and machinery” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of July, 2017;

(ii) the *Explanation* shall be numbered as *Explanation 1* thereof, and after *Explanation 1* as so numbered, the following *Explanation* shall be inserted, namely:—

Explanation 2.—For the purposes of clause (d), it is hereby clarified that notwithstanding anything to the contrary contained in any judgment, decree or order of any court, tribunal, or other authority, any reference to “plant or machinery” shall be construed and shall always be deemed to have been construed as a reference to “plant and machinery”.

Manner of distribution of credit by
Input Service Distributor

120. In section 20 of the Central Goods and Services Tax Act, with effect from the 1st day of April, 2025,— Amendment of section 20.

(i) in sub-section (1), after the word and figure “section 9”, the words, brackets and figures “of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017” shall be inserted;

13 of 2017.

(ii) in sub-section (2), after the word and figure “section 9”, the words, brackets and figures “of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017,” shall be inserted.

Credit note
Section 15(3)
IMS

121. In section 34 of the Central Goods and Services Tax Act, in sub-section (2), for the proviso, the following proviso shall be substituted, namely:— **B2B: can reduce**
B2C: cannot reduce Amendment of section 34.

“Provided that no reduction in output tax liability of the supplier shall be permitted, if the—

(i) input tax credit as is attributable to such a credit note, if availed, has not been reversed by the recipient, where such recipient is a registered person; or

(ii) incidence of tax on such supply has been passed on to any other person, in other cases.”

what if ITC is ineligible / blocked then OT recipient at the time of issuance of invoice will avail and reverse. At the time of issuance of credit note the recipient will not again reverse it. Therefore output tax cannot be reduced by the supplier. It is disadvantage for the supplier since it has not received the full consideration.
GREY AREA. NEED CLARIFICATION



GSTR 2B

122. In **section 38** of the Central Goods and Services Tax Act,— **Communication of details of inward supplies and input tax credit** Amendment of section 38.

IMS-->GSTR 2B

(i) in sub-section (1), for the words “an auto-generated statement”, the words “a statement” shall be substituted;

(ii) in sub-section (2),—

(a) for the words “auto-generated statement under”, the words “statement referred in” shall be substituted;

(b) in clause (a), the word “and” shall be omitted;

(c) in clause (b), after the words “by the recipient,”, the word “including” shall be inserted;

(d) after clause (b), the following clause shall be inserted, namely:—

“(c) such other details as may be prescribed.”

GSTR 3B: cannot change the auto populated figures

123. In **section 39** of the Central Goods and Services Tax Act, in sub-section (1), for the words “and within such time”, the words “within such time, and subject to such conditions and restrictions” shall be substituted. Amendment of section 39.

124. In **section 107** of the Central Goods and Services Act, in sub-section (6), for the proviso, the following proviso shall be substituted, namely:— Amendment of section 107.

FAA

“Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty has been paid by the appellant.”

125. In **section 112** of the Central Goods and Services Act, in sub-section (8), the following proviso shall be inserted, namely:— Amendment of section 112.

GSTAT Total 20% pre-deposit

“Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty, in addition to the amount payable under the proviso to sub-section (6) of section 107 has been paid by the appellant.”

126. After **section 122A** of the Central Goods and Services Act, the following section shall be inserted, namely:— Insertion of new section 122B.

“122B. Notwithstanding anything contained in this Act, where any person referred to in clause (b) of sub-section (1) Penalty failure for to

(1) Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, and within such time, and subject to such conditions and restrictions as may be prescribed:

Penalty u/s 122, 125:
Pre-deposit: 10%

Penalty under section 129
Pre-deposit: 25%



of section 148A acts in contravention of the provisions of the said section, he shall, in addition to any penalty under Chapter XV or the provisions of this Chapter, be liable to pay a penalty equal to an amount of one lakh rupees or ten per cent. of the tax payable on such goods, whichever is higher.”.

comply with track and trace mechanism.

127. After section 148 of the Central Goods and Services Act, the following section shall be inserted, namely:—

Insertion of new section 148A.

“148A. (1) The Government may, on the recommendations of the Council, by notification, specify,—

Track and trace mechanism for certain goods.

(a) the goods;

(b) persons or class of persons who are in possession or deal with such goods,

to which the provisions of this section shall apply.

(2) The Government may, in respect of the goods referred to in clause (a) of sub-section (1),—

(a) provide a system for enabling affixation of unique identification marking and for electronic storage and access of information contained therein, through such persons, as may be prescribed; and

(b) prescribe the unique identification marking for such goods, including the information to be recorded therein.

(3) The persons referred to in sub-section (1), shall,—

(a) affix on the said goods or packages thereof, a unique identification marking, containing such information and in such manner;

(b) furnish such information and details within such time and maintain such records or documents, in such form and manner;

(c) furnish details of the machinery installed in the place of business of manufacture of such goods, including the identification, capacity, duration of operation and such other details or information, within such time and in such form and manner;

(d) pay such amount in relation to the system referred to in sub-section (2),



as may be prescribed.”.

128. In Schedule III of the Central Goods and Services Act,— Amendment of Schedule III.

(i) in paragraph 8, after clause (a), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017, namely:—

“(aa) Supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area;”;

(ii) in *Explanation 2*, after the words “For the purposes of”, the words, brackets and letter “clause (a) of” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017;

(iii) after *Explanation 2*, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017, namely:—

“*Explanation 3.*— For the purposes of clause (aa) of paragraph 8, the expressions “Special Economic Zone”, “Free Trade Warehousing Zone” and “Domestic Tariff Area” shall have the same meanings respectively as assigned to them in section 2 of the Special Economic Zones Act, 2005.”.

28 of 2005.

129. No refund shall be made of all such tax which has been collected, but which would not have been so collected, had section 128 been in force at all material times. No refund of tax collected.

Section 128. Power to waive penalty or fee or both.-

The Government may, by notification, waive in part or full, any penalty referred to in section 122 or section 123 or section 125 or any late fee referred to in section 47 for such class of taxpayers and under such mitigating circumstances as may be specified therein on the recommendations of the Council.



