Post-Sale Discounts Under GST From 1 November 2026

Section 15(3)(b) of the CGST Act is substituted: the credit note and the recipient's ITC reversal now decide the test

Volume rebates · Year-end incentives · Credit notes · ITC reversal

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What changed, and when

Section 153 of the Finance Act 2026 substitutes clause (b) of section 15(3) of the CGST Act, 2017. Section 154 adds discounts under that clause to the credit note situations in section 34(1).

The Finance Act left the date of these sections to be appointed by the Central Government (section 1(2)(b)). Notification No. 03/2026-Central Tax, dated 26 October 2026, appoints 1 November 2026 as the date on which sections 153 to 155 come into force.

Item	Position
Provision	CGST Act section 15(3)(b), substituted
Amending law	Finance Act 2026, sections 153 and 154
In force from	1 November 2026
Unchanged	Section 15(3)(a): discount given before or at the time of supply and duly recorded in the invoice

The old test and the new test

Condition for excluding a post-supply discount	Until 31 October 2026	From 1 November 2026
Agreement entered into at or before the time of supply	Required	Not in the clause
Discount specifically linked to relevant invoices	Required	Not in the clause
Document from the supplier	Document issued by the supplier	A credit note issued by the supplier
ITC attributable to the discount reversed by the recipient	Required	Required
Link to section 34	None in the clause	In accordance with the provisions of section 34

Section 34 now governs the discount credit note

A fourth situation.

Section 34(1) allowed a credit note where the taxable value or tax charged exceeds what is payable, where goods are returned, or where goods or services are found deficient. It now adds: where a discount referred to in section 15(3)(b) is given.

One or more credit notes.

The supplier may issue one or more credit notes for supplies made in a financial year.

Time limit.

The credit note is declared in the return for the month it is issued, but not later than 30 November following the end of the financial year of the supply, or the date of furnishing the relevant annual return, whichever is earlier (section 34(2)).

Recipient reversal.

Under the proviso to section 34(2), in force from 1 October 2025, the supplier's output tax is not reduced if a registered recipient has not reversed the ITC attributable to the credit note, if availed.

Who this reaches

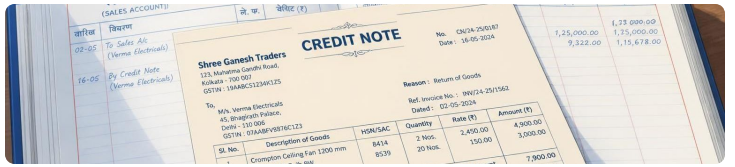
Suppliers who give discounts after invoicing: target-based or year-end discounts that were not fixed in an agreement at the time of supply. From 1 November 2026 the clause asks for a credit note and the recipient's ITC reversal under section 34, not a prior agreement linked to invoices.

Registered recipients: the discount stays outside the supplier's taxable value only when they reverse the attributable ITC, and the supplier's output tax reduction depends on that reversal.

Finance teams and advisers: discount schemes, credit note registers and the 30 November cut-off in section 34(2).



Points to watch



No transition provision.

Neither section 153 nor Notification No. 03/2026-Central Tax contains a transition provision for discounts on supplies made before 1 November 2026. Where a discount spans that date, examine it on the facts with the statutory text.

Reversal still decides it.

Both the new section 15(3)(b) and the proviso to section 34(2) turn on the recipient reversing the attributable ITC.

The cut-off is fixed.

A credit note declared after 30 November following the end of the financial year of supply, or after the annual return if earlier, falls outside section 34(2).

Clause (a) is unchanged.

A discount given before or at the time of supply must still be duly recorded in the invoice.



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Your discount plan

1. Route post-supply discounts through GST credit notes under section 34(1) for supplies covered by the new clause.
2. Confirm and record each registered recipient's ITC reversal.
3. Diarise the section 34(2) cut-off: 30 November after the financial year of supply, or the annual return date if earlier.
4. Review discount schemes and customer contracts drafted around the old agreement at or before supply condition.
5. Match internal approvals and documents to the clause in force on the date the discount is given.

Key dates

1 October 2025:

Proviso to section 34(2) on recipient ITC reversal in force

26 October 2026:

Notification No. 03/2026-Central Tax issued

1 November 2026:

Substituted section 15(3)(b) and amended section 34(1) in force

30 November after the financial year of supply:

Last date to declare the credit note, or the annual return date if earlier

Reworking your discount schemes or credit notes for 1 November? Talk to A S Banka Advisors Private Limited.

Book a Call

Source: CBIC, Notification No. 03/2026-Central Tax, 26 October 2026.
Source: The Finance Act, 2026 (4 of 2026), sections 1(2)(b), 153 and 154.
Source: Central Goods and Services Tax Act, 2017, sections 15 and 34.
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