KARNATAKA LEGISLATIVE ASSEMBLY
SIXTEENTH LEGISLATIVE ASSEMBLY
TENTH SESSION

THE KARNATAKA GOODS AND SERVICES TAX (AMENDMENT) BILL, 2026
(LA Bill No. 22 of 2026)

A Bill further to amend the Karnataka Goods and Services Tax Act, 2017(Karnataka Act 27 of 2017).

Whereas, it is expedient further to amend the Karnataka Goods and Services Tax Act, 2017 (Karnataka Act 27 of 2017), for the purpose hereinafter appearing;

Be it enacted by the Karnataka State Legislature in the seventy seventh year of the Republic of India as follows:-

1. Short title and commencement.- (1) This Act may be called the Karnataka Goods and Services Tax (Amendment) Act, 2026.

(2) It shall come into force at once.

2. Amendment of section 15.- In the Karnataka Goods and Services Tax Act, 2017 (Karnataka Act 27 of 2017) (hereinafter referred to as the Principal Act), in section 15, in sub-section (3), for clause (b), the following clause shall be substituted, namely:-

> "(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.".

3. Amendment of section 34.- In the Principal Act, in section 34 of the principal Act, in sub-section (1), after the words "both supplied are found to be deficient", the words, brackets, letter and figures "or where a discount referred to in clause (b) of sub-section (3) of section 15 is given", shall be inserted.

4. Amendment of section 54.- In the Principal Act, in section 54,-

(i) in sub-section (6), after the words "supply of goods or services or both", the words, brackets, letters and figure "or of un utilized input tax credit allowed under clause (ii) of the first proviso to sub-section (3)", shall be inserted; and

in sub-section (14), after the words, brackets and figures "sub-section (5) or sub-section (6)", the words", other than cases where refund of tax is claimed on account of goods exported out of India with payment of tax," shall be inserted.

STATEMENT OF OBJECTS AND REASONS

In order to overcome the difficulties faced due to the new tax regime, it is considered necessary to amend the Karnataka Goods and Services Tax Act, 2017 (Karnataka Act No. 27 of 2017) to,-

(1) amend clause (b) of sub-section (3) of section 15 of the Act, to do away with the requirement of linking the post-sale discount with an agreement and to refer to issuance of credit note under section 34 where the input tax credit is reversed by the recipient;

(2) amend sub-section (1) of section 34 of the Act, as to include the reference of section 15 in the said section;

(3) amend sub-section (6) of section 54 of the Act, to extend the provisions of provisional refund to refunds arising out of inverted duty structure; and

(4) amend sub-section (14) of section 54 of the Act, to remove the threshold limit for sanction of refund claims in case of goods exported out of India with payment of tax.

Hence, the Bill

FINANCIAL MEMORANDUM

There is no extra expenditure involved in the proposed legislative measure.

D. K. SHIVAKUMAR
Chief Minister

M.K. VISHALAKSHI
Secretary
Karnataka Legislative Assembly

ANNEXURE

EXTRACT FROM THE KARNATAKA GOODS AND SERVICES TAX ACT, 2017 (KARNATAKA ACT NO.27 OF 2017)

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15. Value of taxable supply.- XXX XXX XXX

(3) The value of the supply shall not include any discount which is given—

(a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and

(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.

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34. Credit and debit notes.- (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 one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed.

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54. Refund of tax.- XXX XXX XXX

(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 recommendations of the Council, refund on a provisional basis, ninety per cent. of the total amount so claimed, 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.

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(14) Notwithstanding anything contained in this section, no refund under sub-section (5) or sub-section (6) shall be paid to an applicant, if the amount is less than one thousand rupees.

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