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The Next Phase of GST Reform: Harmonisation, Not Reinvention

How Maharashtra is Helping Turn GST's Promise into Reality

In a recent move, Maharashtra state cabinet in June, 2026 approved a draft amendment Bill to align the Maharashtra Goods and Services Tax (MGST) Act, 2017 with subsequent amendments made to the Central GST (CGST) Act following the recommendations of the 56th GST Council.

Maharashtra's proposed GST amendments signal a significant step toward realizing the original vision of "One Nation, One Tax" by aligning State GST provisions with recent Central GST reforms.

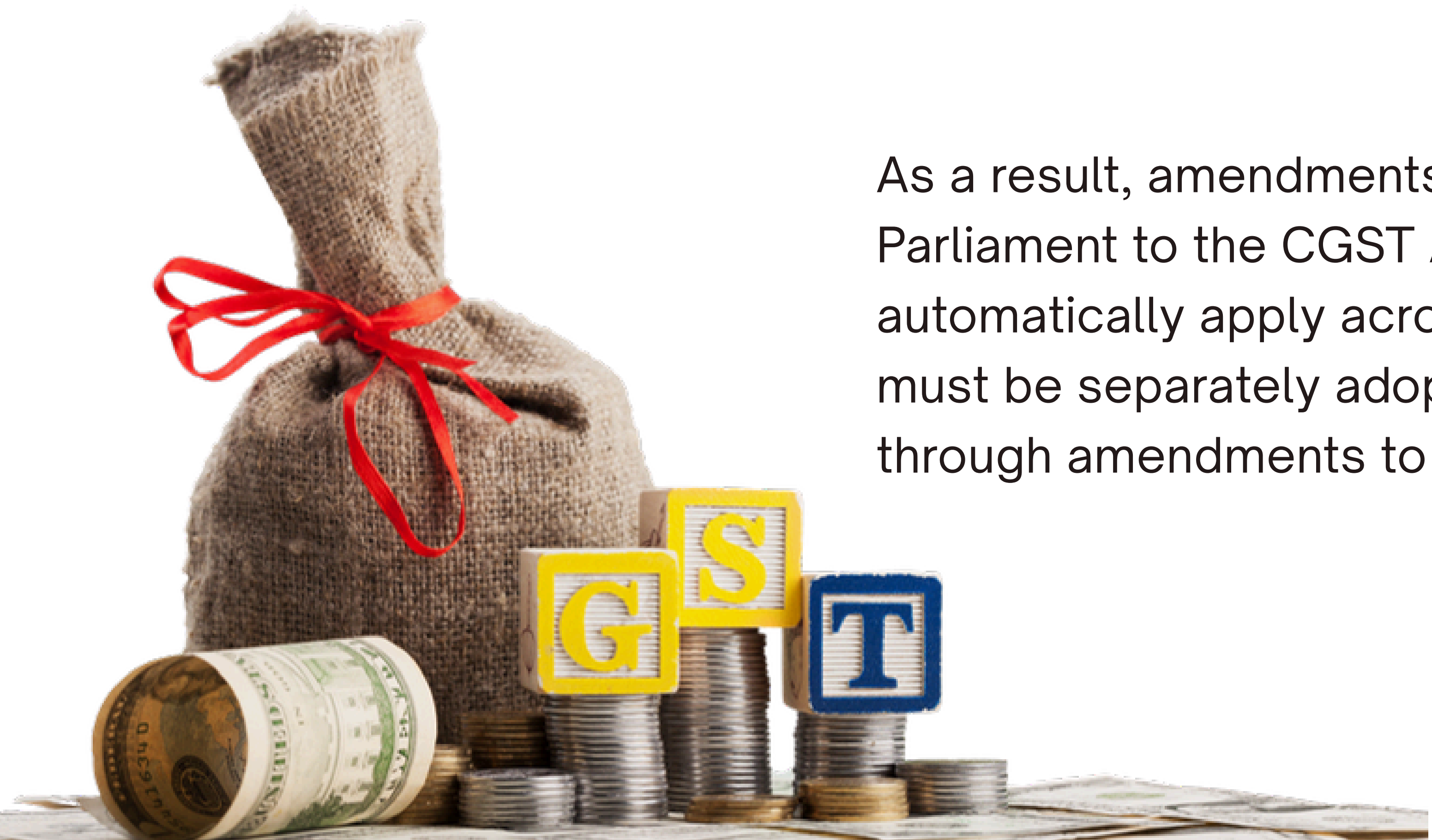
The changes reduce compliance complexity, improve legal certainty, and make multi-state GST management more predictable for businesses operating across India.

Why GST still isn't fully "One Nation, One Tax"

When GST was launched on July 1, 2017, it was celebrated as India's most ambitious tax reform replacing the already existing chaotic framework of Central excise, state VAT, service tax, and entry taxes with a single, unified indirect tax.

However, India's GST is founded on a unique constitutional arrangement under Article 246A, which empowers both the Centre and the States to legislate on GST with the Parliament having exclusive legislative competence over GST on inter-State supplies.

The GST Council along with the constitutional body recommends changes to the GST framework under Article 279A of the Constitution. However, as held by the Supreme Court in the case of ***Union of India v. Mohit Minerals Pvt. Ltd. (MANU/SC/0683/2022: 2022 INSC 596)***, these recommendations do not automatically become law. Amendments to the CGST Act must be enacted by Parliament, while corresponding changes to State GST laws must be enacted by the respective State Legislatures.



As a result, amendments made by Parliament to the CGST Act do not automatically apply across the country, they must be separately adopted by each State through amendments to its own GST law.

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Why State GST amendments matter

State amendments matter because businesses operating across multiple States may encounter temporary inconsistencies in compliance where corresponding amendments to State GST laws, rules or notifications have not yet been adopted. This creates:

Interpretational inconsistency

The same transaction may be taxed differently in Karnataka versus Maharashtra because the two state laws haven't adopted the same amendments on the same timeline.

Compliance complexity

A company with GST registrations in multiple states must track different procedural rules simultaneously.

Litigation risk

Courts in different states may reach conflicting conclusions on identical issues because their state GST Acts differ textually.

Due diligence uncertainty

In M&A or funding transactions, assessing GST exposure across a multi-state target becomes exponentially more complex.

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Key amendment highlights

In the previous year, the Maharashtra Goods and Services Tax (Amendment) Bill, 2025 was introduced in the State Legislative Assembly to align the Maharashtra Goods and Services Tax Act, 2017 with the amendments introduced under the Finance Act, 2025 to the Central GST Act, pursuant to the recommendations of the 55th GST Council Meeting. The Act amends thirteen provisions of the State Act.

Amendments

Amendment	Provision Amended	Changes	Why it matters?
1. Revised definitions	Section 2	Introduces/updates definitions including Input Service Distributor (ISD), Unique Identification Marking, Local Fund, and Municipal Fund to align with the CGST Act.	Ensures consistency between the Maharashtra GST Act and the CGST Act, reducing interpretational disputes and supporting the implementation of new compliance mechanisms such as Track and Trace.
2. Time of supply for vouchers (Goods)	Section 12	Omits the special provisions determining the time of supply for vouchers relating to goods.	Removes ambiguity surrounding taxation of vouchers and aligns the law with evolving GST treatment, simplifying compliance for businesses issuing or accepting vouchers.
3. Time of supply for vouchers (Services)	Section 13	Deletes the corresponding provisions governing the time of supply for vouchers relating to services.	Creates a uniform approach for vouchers and eliminates unn ecessary interpretational disputes.

Amendment	**Provision Amended**	**Changes**	**Why it matters?**
4. Input Tax Credit – Plant and Machinery	Section 17	Replaces the expression "plant and machinery" with "plant or machinery", with retrospective effect, in line with the Finance Act, 2025.	Clarifies the scope of blocked Input Tax Credit (ITC) and aligns the State law with the Central framework, reducing litigation over ITC eligibility.
5. Expanded Input Service Distributor (ISD) mechanism	Section 20	Requires ITC relating to certain common input services, including Reverse Charge Mechanism (RCM) supplies, to be distributed through the ISD mechanism.	Provides greater clarity for businesses operating through multiple GST registrations by standardising ITC distribution and reducing disputes over cross-charge versus ISD mechanisms.
6. Credit Notes	Section 34	A supplier may reduce output tax liability through a credit note only where the recipient has correspondingly reversed the ITC attributable to that credit note.	Strengthens reconciliation between suppliers and recipients, preventing double tax benefits and improving the integrity of the ITC system.
7. Input Tax Credit Statements (Invoice Management System)	Section 38	Revises the framework governing ITC statements to facilitate the Invoice Management System (IMS) and system-generated ITC information.	Improves return accuracy, reduces manual intervention, and enables technology-driven GST compliance.
8. Return Filing	Section 39	Makes consequential amendments to GST return filing provisions to support the revised electronic return architecture.	Facilitates automated return preparation, improves data consistency, and reduces compliance errors.

Amendment	Provision Amended	Changes	Why it matters?
9. Reduced pre-deposit for first appeals	Section 107	Reduces the mandatory pre-deposit for appeals against penalty-only orders from 25% to 10% of the penalty amount.	Makes appellate remedies more accessible, particularly for MSMEs, by lowering the upfront financial burden while retaining safeguards against frivolous appeals.
10. Reduced pre-deposit before the GST Appellate Tribunal	Section 112	Similarly reduces the pre-deposit requirement for appeals before the GST Appellate Tribunal in penalty-only matters from 25% to 10%.	Reduces litigation costs and promotes access to higher appellate forums.
11. Penalty for Track and Trace violations	New Section 122B	Introduces penalties for failure to comply with the proposed Track and Trace mechanism for notified goods.	Creates an enforcement framework to deter tax evasion and counterfeit supply chains once the mechanism is operationalised through notifications.
12. Track and Trace framework	New Section 148A	Empowers the Government to notify a Track and Trace mechanism, including Unique Identification Marking for specified goods.	Enables end-to-end traceability of high-risk goods, strengthening tax administration and reducing supply chain fraud.
13. Schedule III – SEZ and FTWZ transactions	Schedule III	Clarifies, with retrospective effect from 1 July 2017, that specified supplies involving SEZs or Free Trade Warehousing Zones before clearance for home consumption are treated as neither a supply of goods nor a supply of services.	Eliminates long-standing uncertainty over GST liability on these transactions, aligns State law with the CGST framework, and reduces litigation relating to SEZ and bonded warehouse operations. However, the Act expressly provides that no refund shall be granted in respect of GST already collected on such transactions. The principal benefit, therefore, lies in resolving pending disputes and preventing future demands, rather than enabling recovery of tax already paid.

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Impact on businesses

Maharashtra's SGST Act now tracks the CGST Act almost provision-by-provision following these thirteen changes and the recent amendment. Prior to these amendments, despite both Maharashtra and Rajasthan following the overarching principles of the CGST framework, a business registered in both States could encounter different procedural outcomes for the same transaction due to variations in their respective SGST laws.

The amendments significantly reduce such inconsistencies by bringing Maharashtra's SGST provisions in line with the corresponding provisions of the CGST Act.

For businesses operating in Maharashtra, this means:

- A single compliance framework governs CGST and MGST obligations simultaneously, reducing duplicative review;
- Appeal strategies developed for CGST disputes can be applied substantially unchanged to MGST disputes;
- SEZ supply chains can be structured without uncertainty about Maharashtra-specific interpretations;
- ISD credit allocation decisions for Maharashtra-registered units align with decisions made for all other states that have already adopted equivalent CGST changes.

The bigger GST harmonisation story

- Maharashtra's amendment follows a pattern that is beginning to emerge across India's GST landscape.
- Manipur amended its SGST Act in late 2025, passing the Manipur GST (Second Amendment) Bill to align with the Centre's rate rationalisation agenda consolidating existing four-slab rates towards a two-slab structure of 5% and 18%.
- Several other states have introduced or are in the process of introducing similar alignment amendments.

GST is maturing from a structurally federal tax into an operationally integrated one. The GST Council's 55th and 56th meeting decisions covering rate rationalisation, ISD reform, Track and Trace, SEZ clarifications, and appeal mechanics are now being translated into state laws, with major revenue-generating states like Maharashtra leading the way.

Key takeaway

India's GST was always intended to be *one nation, one tax*. The reality made that aspiration more complex than the slogan suggested. The state-by-state alignment wave represents a gradual, pragmatic shift towards the GST's original promise.

For India Inc., the trajectory is unambiguously positive. Every aligned amendment reduces one more dimension of multi-state compliance complexity. Every retrospective clarification resolves a category of legacy dispute. Every procedural harmonisation allows a compliance function to think nationally rather than state-by-state.

That is, ultimately, what *One Nation, One Tax* was always supposed to feel like.