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57th GST Council Announcements

09 October 2026

GST Council recommends major reforms through wider ITC and refund eligibility, and various trade facilitation measures

Highlights

Threshold for prosecution increased from

INR1 crore » to » INR5 crore

Refund of tax paid on input services under IDS will be allowed from **01 November 2026**

Arrest powers will be removed from GST

Input tax paid on capital goods will be allowed for refund in a staggered manner for zero-rated supplies as well as businesses under IDS

Key takeaways

- Restriction on claiming ITC under Section 17(5) relaxed for outdoor catering, health and life insurance, telecommunication towers, pipelines laid outside factory premises, free samples, and goods destroyed or written off upon expiry of shelf life.
- Refund eligibility to be widened:
- Refund of ITC on capital goods will be available for zero-rated supplies and IDS in a staggered manner.
- Refund of ITC on input services will be eligible in the case of IDS.
- Export status to be extended to services supplied to a head office, branch, agency or representative office located outside India.
- Place of supply for performance-based services on goods to be determined based on the location of the recipient.
- Decriminalization measures introduced through rationalization of prosecution provisions and removal of arrest powers.
- Exemption on GTA services provided to an unregistered person will not apply where such services are provided in relation to goods supplied through an ECO.

Detailed analysis

Input Tax Credit

- ITC on input services availed on or after 1 November 2026 will be eligible for refund under IDS.
- ITC availed on capital goods on or after 1 April 2027 will be eligible for refund over a period of 60 months in the case of zero-rated supplies and IDS.
- Restriction on availment of ITC under Section 17(5) to be removed for outdoor catering, health and life insurance, telecommunication towers, pipelines laid outside factory premises, free samples, and goods destroyed or written off upon expiry of shelf life, as required by law.
- Suppliers of restaurant/outdoor catering services, hotel accommodation services (up to INR7,500 per unit per day) and gym/fitness services will be allowed ITC on expenses in the same line of business.

Exports

- Supply of services to / through head office, branch, agency or representational office outside India will be granted export status subject to fulfillment of specified conditions.
- A Circular will be issued to clarify various issues related to receipt of payment in convertible foreign exchange or in INR, as permissible by RBI, for export of goods and services.
- Section 13(3)(a) of the IGST Act will be omitted. Accordingly, the place of supply of services in cases where goods are made physically available by the recipient to the supplier shall be the location of the recipient.
- In cases where goods are supplied to an overseas buyer, but delivery is made to the said buyer in an SEZ/FTWZ, such goods will be deemed to have been supplied to the SEZ/FTWZ, subject to the condition that payment is received in convertible foreign exchange or in INR, wherever permitted by the RBI.

Highlights

ITC will be available

on health and life insurance taken for employees

Detailed analysis

Refunds

- Reforms relating to refund processing will be implemented in the following two phases:
  - Phase 1
    - Refund claim of excess balance in the electronic cash ledger will be sanctioned automatically by the system.
    - Time limit for issuance of acknowledgment or deficiency memo to be reduced from 15 days to 10 days.
    - For refund claims on account of zero-rated supplies and IDS, 90% of the amount claimed will be sanctioned automatically by the system on a provisional basis, based on risk identification.
  - Phase 2
    - System-based automated acknowledgment upon due verification of the refund application.
    - Automated sanction of refund claim by the system in respect of zero-rated supplies on the basis of risk identification and evaluation.
- CGST Rules will be amended to remove the restriction on the maximum turnover of zero-rated supplies of goods vis-à-vis the value of like goods supplied domestically.
- CGST Act will be amended to make Section 115 a standalone provision prescribing the rate of interest applicable on refund of pre-deposit amount. A Circular will also be issued to clarify issues regarding rate of interest on refund of pre-deposit.

Registration

- A comprehensive Circular and FAQs will be issued specifying the documents and information required for GST registration.
- CGST Rules will be amended to provide for automatic acceptance of amendments to all registration particulars on the portal, except those relating to the PPoB.
- Automatic cancellation of registration upon application by the taxpayer will be implemented in the following two phases:
  - Phase 1
    - The system will automatically accept eligible cancellation applications after all pending returns have been filed and all dues have been paid, subject to specified conditions relating to ITC passed on and filing of the final return.

Highlights

Automatic sanction

of 90% of refund claims within 3 days of acknowledgment

- Phase 2
  - The system will automatically accept all cancellation applications after the taxpayer has filed all pending returns and paid all dues. The form for cancellation of registration will be amended so that details of the final return can be furnished therein.
- Certain grounds for *suo moto* cancellation of registration by tax officers will be removed and a system-based mechanism for cancellation and revocation will be introduced.
- A simplified and automatic registration mechanism will be provided for small suppliers who sell goods through ECO in States or UT where they do not have a physical presence and intend to pass on ITC not exceeding INR2.5 lakh per month. Such suppliers will be eligible to declare the ECO's warehouse in the relevant State or UT as their PPoB, subject to specified conditions.

Returns

- Following alternate mechanism for making amendment of liabilities and ITC in returns will be provided to minimize mismatches and reduction of notices/intimations:
  - Enhancements will be made in GSTR-1, GSTR-1A and IFF to enable better reconciliation with GSTR-3B.
  - Rules will be inserted to provide for facilities of "electronic statement of tax paid on reverse charge basis and input tax credit claimed" and "electronic credit reversal and reclaim statement".
  - A mechanism will be provided for correction/rectification of liability and ITC reported in GSTR-3B with the details in GSTR-1, GSTR-1A, IFF and GSTR-2B.
  - DRC-03 will be amended to capture underlying invoice details.
  - Rules regarding IMS facility will be inserted to provide for recipients to accept, reject or keep prescribed inward-supply documents pending.
  - A circular will be issued to clarify the correct reporting of ITC and its reversal in GSTR-3B in the context of the new electronic statements and the IMS.
- No late fee on delayed filing of GSTR-3B by taxpayers having annual turnover up to INR5 crore, provided such return is filed by the end of the month.
- Optional annual return with quarterly payment scheme may be introduced in future for taxpayers engaged exclusively in B2C supplies having aggregate turnover up to INR5 crore in the preceding FY.

Detailed analysis

E-way Bill

- A conveyance carrying goods can be intercepted only on specific intelligence and with the authorization of an officer not below the rank of Joint Commissioner.
- Inspection and further action of detention or seizure to be limited to States where the supplier or recipient is located or registered.
- Such jurisdictional restrictions will not apply where e-way bill or supporting documents are not available.
- Confiscation provisions will not apply to goods or conveyance in transit.

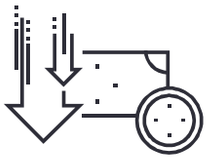
Dispute Resolution

- Comprehensive guidelines will be issued for tax officers to streamline the process of issuance of show cause notices, adjudication and appeal orders.
- No notice will be issued if the tax amount involved is less than INR10,000. This will also apply to notices and appeals pending as on the date when such law comes into force.
- Penalty amount will be deemed to be a "charge" where full tax, along with interest and penalty, is voluntarily paid within specified time limit.
- A reduced penalty of 5% will be applicable in non-fraud cases where tax along with interest is discharged within 30 days (under section 73) or 60 days (under section 74A) of the adjudication order.
- The condition of minimum penalty of INR20,000 (INR10,000 each under CGST and SGST Act) in non-fraud cases will be removed.
- Maximum general penalty of INR50,000 (INR25,000 each under CGST and SGST Act) will be reduced to INR20,000.
- An upper limit of INR40 crore (INR20 crore each under CGST and SGST Act) shall be applicable on the pre-deposit amount for filing appeal before the Appellate Authority or GSTAT, in cases where the order involves only penalty and no demand of tax.

Highlights

No notice will be issued for demands below

INR10,000



General penalty reduced from

INR50,000

to

INR20,000

Detailed analysis

Arrest and prosecution

- The power to arrest will be withdrawn from the GST law.
- Monetary threshold for prosecution to be increased from INR1 crore to INR5 crore.
- Punishment for certain offences will be omitted.
- Quantum of punishment for various offences to be rationalized.

Miscellaneous

- Transfer of title in IPR, whether temporary or permanent, will be deemed to be supply of services.
- Mechanism will be prescribed to file objections against blocking of balance in the electronic credit ledger and avail a personal hearing before the objection is decided.
- Amendment will be carried out in Section 9(5) to provide clarity regarding liability of the ECO to pay tax on notified services irrespective of the business model adopted.
- A provision to be introduced in the CGST Act for validation of notices held invalid by various courts on the ground of having been issued for multiple FYs.
- Taxpayers having aggregate annual turnover of INR5 crore and above will be required to generate e-invoice for supplies received from unregistered persons where tax is payable under RCM and for import of services.
- Amendments will be carried out in the CGST Act and GSTAT (Appointment and Conditions of Service of President and Members) Rules, 2023 to align provisions relating to the GSTAT with the Tribunals Reforms Act, 2026 and Rules framed thereunder.
- Passenger transport services and renting of motor vehicles with operators using electric vehicles to attract GST at 5%, without ITC, where the battery charging cost is included in the consideration.
- Tax on delivery services supplied through an ECO by an unregistered person shall be payable by the ECO at 5% without ITC.
- In respect of GTA services provided to unregistered persons, exemption will not be available where such services are in relation to goods which are supplied through ECO.
- Services by way of grant of exclusive right by the Government (including local authority, governmental authority and government entity) to the concessionaire of TOT highway project for collecting toll will be exempt.

Detailed analysis

- A special procedure will be provided regarding the valuation and time of payment of GST on O&M services provided by a concessionaire of TOT highway projects.
- Circulars will be issued on the following matters:
  - Mechanism for ITC distribution through ISD.
  - ITC availment by banking companies, financial institutions and NBFCs opting for ITC reversal under Section 17(4) of the CGST Act.
  - Various issues relating to payment of pre-deposits.
  - ITC admissibility on demonstration vehicles in certain situations.
  - Omission of Rule 96(10) to be effective from 23 October 2017.
  - GST treatment of statutory and ancillary charges recovered by lessors from lessees in motor vehicle leasing transactions.

Comments

- Treating permanent IPR transfers as a service ensures uniform taxation, facilitates export benefits and ITC refunds, while imports are likely to be subject to reverse charge.
- Omission of performance-based place of supply may expand export eligibility and reduce disputes, while requiring evaluation of reverse charge on overseas procurements.
- Treating supplies between Indian and overseas establishments of the same entity as exports should preserve ITC benefits and reduce tax costs.
- Refund of ITC on capital goods and input services under inverted duty structure may unlock accumulated credits, improve liquidity and reduce tax costs.
- Rationalization of prosecution provisions and removal of arrest powers advances de-criminalization by focusing criminal consequences on serious non-compliance and fraudulent conduct.
- Relaxation of inspection and e-way bill provisions should improve the ease of doing business and transportation efficiency, and reduce avoidable disputes and litigation.

Way forward

- Circulars providing clarifications on various issues, along with notifications effecting the proposed amendments to the GST Rules and changes in tax rates, are expected to be issued in the near term.
- The recommended amendments to the CGST Act and IGST Act are likely to be taken up for legislative approval during the next Budget Session of Parliament.
- As per the press conference, a Committee of Officers has been appointed to deliberate on denial of ITC to recipients where fraudulent ITC availment occurs at any stage of the supply chain. Further, the framework for a centralized and faceless assessment for CGST taxpayers will be put up for consultation and will be implemented from the next financial year, i.e., FY 2027-28.

Glossary

CGST – Central Tax
CGST Act - Central Goods and Services Tax Act, 2017
CGST Rules – Central Goods and Services Tax Rules, 2017
ECO - Electronic Commerce Operator
FAQs - Frequently Asked Questions
FTWZ – Free Trade Warehousing Zone
FY – Financial Year
GST – Goods and Services Tax
GSTAT – Goods and Services Tax Appellate Tribunal
GTA – Goods Transport Agency
IDS – Inverted Duty Structure
IFF - Invoice Furnishing Facility
IGST Act – Integrated Goods and Services Tax Act, 2017
IGST – Integrated Tax
IMS - Invoice Management System
INR – Indian Rupees
IPR – Intellectual Property Rights
ISD – Input Service Distributor
ITC – Input Tax Credit
NBFC – Non-Banking Financial Company
O&M – Operation and Maintenance
PPoB - Principal Place of Business
RCM – Reverse Charge Mechanism
SEZ – Special Economic Zone
SGST – State Tax
TOT – Toll Operate Transfer
UT – Union Territory
UTGST Act – Union Territory Goods and Services Tax Act, 2017

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