

EY Tax Alert

Government amends CGST Rules, expands scope of e-invoicing and revises GST rate on certain goods and services, pursuant to the GST Council recommendations

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Executive summary

This Tax Alert summarizes recent Notifications¹ issued by the Government pursuant to the recommendations made in the 57th Goods and Services Tax (GST) Council Meeting.

The key amendments are:

- Rule 89 of the Central Goods and Services Tax Rules, 2017 (CGST Rules) expands refund eligibility to include input tax credit (ITC) on capital goods for zero-rated supplies, and on input services and capital goods under the inverted duty structure.
- Eligible input service credit availed on or after 1 November 2026 to be refunded under the inverted duty structure. Capital goods credit availed on or after 1 April 2027 will be apportioned over 60 months, subject to prescribed conditions, for the purpose of refund.
- For refund computation, the cap restricting zero-rated goods turnover to 1.5 times the value of comparable goods supplied domestically, has been removed.
- Provisional refund of 90% of the amount claimed will be sanctioned through the portal within three working days of acknowledgement, based on system-driven risk identification and evaluation.
- From 1 January 2027, the scope of e-invoicing to be extended to supplies received from unregistered person on which the recipient pays tax under reverse charge, and to imports of services.

¹ Notification No. 04 and 05/2026-Central Tax, both dated 26 October 2026, Notification Nos. 02 to 10/2026-Central Tax

(Rate) and Notifications Nos. 06 to 07/2026-Central Tax all dated 27 October 2026



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Background

- The Goods and Services Tax (GST) Council, at its 57th meeting held on 8 October 2026 in New Delhi, recommended a series of measures aimed at simplifying compliance, facilitating trade and streamlining GST administration. The Council placed greater emphasis on process reforms covering registration, returns, refunds and adjudication.
- Pursuant to these recommendations, the Government has now issued Notifications, amending the scope of mandatory e-invoicing and various provisions of the Central Goods and Services Tax Rules, 2017 (CGST Rules), respectively². Unless otherwise specified below, the amendments shall take effect from 1 November 2026.
- Various notifications have also been issued covering, *inter alia*, GST rate revisions, exemptions, TDS provisions and supplies liable to tax under RCM, effective from 1 November 2026.³

Highlights

Registration

- **Simplified registration for ECO sellers (Rule 14B):**

Eligible suppliers of goods may obtain a single regular registration in States/UT where they have no physical presence or any active regular registration, using an ECO's warehouse as their principal place of business.

In such cases, supplies must be exclusively through ECO collecting TCS under Section 52. Monthly output tax on supplies to registered persons, excluding same-PAN entities, must not exceed INR2.5 lakh.

Composition taxpayers, Input Service Distributors (ISDs), Special Economic Zone (SEZ) units/developers and casual taxable persons (CTPs) are excluded.

Application and verification: GST REG-01 must identify the home-State GSTIN and warehouse addresses. The ECO's regular and TCS registrations must be active in the destination State/UT, and its consent is required within seven working days.

Biometric Aadhaar authentication, document checks and physical verification will be undertaken in the home State unless completed earlier.

Failure to carry out the field visit within 30 days of ARN generation will result in deemed approval. Applicants registered under Rule 14A must first seek withdrawal from that option.

Ongoing conditions: Records for each GSTIN (under Rule 14B) must be maintained at the home-State principal place. Display of the certificate/GSTIN at the warehouse is waived. ECOs must appoint State/UT representatives to facilitate information requests. Warehouse changes require consent-based amendments. Withdrawal of permission, cancellation of the ECO's relevant registration or an approved warehouse-address change can trigger deletion of an additional place or automatic cancellation if corrective action is not taken within 30 days. Cancellation of the home-State GSTIN also terminates the linked registration.

- **Amendment of particulars (Rule 19):** Changes in registration must be reported in GST REG-14 within 15 days.

Principal-place/professional-address changes will need officer approval within 15 days, or seven working days after clarification, wherever required. Inaction will lead to deemed amendment, while failure to respond to clarification sought will result in deemed rejection.

Legal-name and specified management changes apply across same-PAN registrations. A PAN change will require fresh registration.

From 1 December 2026, principal-place changes for taxpayers under Rule 14A who have not sought withdrawal, will also be processed through online validation without officer approval.

- **Taxpayer-requested cancellation (Rule 20):** GST REG-16 must generally be filed within 30 days of the relevant event, except death of a sole proprietor.

Due returns/CMP-08 statements must be furnished beforehand; GSTR-1/IFF, if filed for a period, also necessitates GSTR-3B. On filing of the application, GSTIN will be suspended

Subject to return and payment compliance, portal-based cancellation is available where monthly B2B output tax has never exceeded INR2.5 lakh or GSTR-10 is furnished within three days of the prescribed due dates of remaining returns, where applicable.

For cancellation applications requiring review, the officer must act within 15 days of the application. In case any clarification is sought, the applicant must reply within 15 days.

The application is treated as approved if the officer does not act in time, or it is rejected if the applicant does not reply within five timelines.

- **Earlier cancellation date:**

- Rule 20 permits the officer to propose an earlier effective date through a separate notice, allowing 30 days for reply.
- An order must follow within 30 days of the response;
- Proceedings lapse if no order is issued within 60 days of notice.
- The revised date cannot be changed again.
- These provisions also apply to cancellations under Rules 14B and 22.

- **Specified cancellation grounds (Rule 21):** The substituted rule covers non-filing of the annual composition return beyond three months of its due date, six consecutive monthly returns or two quarterly tax periods; breach of bank-account requirements under Rule 10A; and failure to meet the specified post-revocation return conditions under Rule 23.

² Notification No. 04 and 05/2026-Central Tax, both dated 26 October 2026

³ Notification Nos. 02 to 10/2026-Central Tax (Rate), and Notifications Nos.

- **Suspension and departmental cancellation (Rule 21A and 22):**
 - From 1 April 2027, return defaults and Rule 10A violations may trigger electronic suspension, followed by automatic cancellation, if not rectified within 30 days.
 - During suspension, tax invoices cannot be issued, tax cannot be charged and Section 39 returns are not required.
 - Timely compliance restores the GSTIN from the suspension date. The prescribed invoicing/return provisions apply upon restoration.
 - Initiation of cancellation requires a show-cause notice allowing seven working days to reply. Order must be issued within 30 days of receipt of reply or its due date, as applicable.
- **System-based revocation (Rule 23A):** From 1 April 2027, person whose registration is automatically cancelled under Rule 22(5), may apply in GST REG-21 within 180 days. Pending returns and related tax, interest, penalty and late fee, or missing bank details, must first be regularised. The portal will then restore GSTIN without officer approval. Returns for the intervening cancellation period must be furnished within 30 days of the revocation order.

Input Service Distributor

- Section 20(3) of the Central Goods and Services Tax Act, 2017 (CGST Act) permits distribution of IGCST credit as integrated tax or central tax. However, Rule 39(1)(i) presently provides for distribution only as integrated tax. The said Rule has been amended to align the Rules with Section 20(3).
- Rule 54(1A) provides for issuance of an invoice, credit note or debit note by a regular registrant, having the same PAN and registered in the same State as the ISD, for transfer of credit relating to common input services. Rules 54(1A) and 39(1A) have been amended to facilitate transfer of such credit to the ISD as well.
- While Rule 60(1) provides for reflection of suppliers' GSTR-1 details in the ISD's GSTR-6A, Rule 60(2) did not provide for similar reflection of invoices reported by a non-resident taxable person in GSTR-5. Rule 60(2) has accordingly been amended to provide for such invoices to be made available to the ISD in FORM GSTR-6A.

Refunds

- **Expansion of refund eligibility:** Rule 89 has been amended to permit refund of ITC on capital goods in case of zero-rated supplies, and refund of ITC on input services and capital goods in case of inverted duty structure.

With effect from 1 April 2027, 'Net ITC' for purposes of Rules 89(4) and 89(5) will include ITC on capital goods attributable to the relevant period. Broadly, eligible ITC on capital goods availed on or after 1 April 2027 will be apportioned over 60 months, subject to prescribed conditions and adjustment for applicable ITC reversals.

For purposes of refund under Rule 89(5), 'Net ITC' will also include eligible input service credit availed on or after 1 November 2026, thereby expanding the credit eligible for refund under the inverted duty structure mechanism.

- **Removal value cap:** The restriction limiting the turnover of zero-rated supply of goods to 1.5 times the value of like goods domestically supplied has been omitted.
- **Order of debiting the credit ledger:** The mechanism presently prescribed through Circular for debiting the electronic credit ledger while claiming refund of accumulated ITC has now been incorporated into the Rules. The refund amount is to be debited first from IGCST credit, followed by CGST and SGST/UTGST credit equally, with any shortfall in one ledger being debited from the other. A consequential amendment has also been made to Rule 86(3).
- **Faster acknowledgement of applications:** The time available to the proper officer for issuance of acknowledgement in GST RFD-02 has been reduced from 15 days to 10 days from filing of the refund application. A deficiency memo is also required to be issued within 10 days. Where neither is issued within the prescribed period, the application will be deemed to have been acknowledged.
- **System based provisional refund:** Refund of 90% of the amount claimed will be sanctioned through the portal, based on system-driven risk identification and evaluation, within three working days from the date of acknowledgement. The corresponding payment order will also be made available through the portal.

Returns

- **Alignment of due date for Form GSTR-4:** The proviso to Rule 62(1) prescribes 30 June following the end of the financial year as the due date for furnishing FORM GSTR-4. However, Rule 62(5), applicable in case where a taxpayer exits the composition scheme voluntarily or upon withdrawal by the proper officer, continued to prescribe 30 April. Rule 62(5) has been amended to align the due date with Rule 62(1).
- **Return by Non-Resident Taxable Person:** Section 39(5) of the CGST Act was amended, effective 1 October 2022, to reduce the time limit for furnishing FORM GSTR-5 by a non-resident taxable person from 20 days to 13 days after the end of the calendar month. The corresponding amendment was not carried out in Rule 63. The said Rule has now been amended to align the prescribed due date with Section 39(5).

E-invoicing

- From 1 January 2027, Notification No. 13/2020-Central Tax is amended to extend e-invoicing to supplies received from unregistered persons on which the recipient pays tax under reverse charge and to imports of services.

GST Rates on goods and services

- The earlier entry covering local delivery services has been substituted to cover delivery services (other

than postal and courier services) supplied through an ECO, except where the service provider is liable for registration under section 22(1) of the CGST Act.

Such delivery services as well as delivery services where the underlying goods are supplied through ECO will attract 5% GST without ITC.

- Transportation of passengers by, or renting of, electrically operated vehicles, where battery-charging cost is included in the consideration, will attract 5% GST with restricted ITC (credit limited to tax charged on the same line of business and capped at 5%) or 18% GST with full ITC.
- ITC will be available for restaurant, outdoor catering and hotel accommodation services taxable at 5%, where the inward supply relates to the same line of business. Such credit will be restricted to 5%.
- GST exemption has been extended, inter alia, to:
 - Import of services, without consideration, by an Indian establishment of a foreign shipping company from its related person or other establishments outside India.
 - Grant of exclusive right of way/access and authority to collect and appropriate toll charges by the Central/State Government, Union Territory, local authority, governmental authority or government entity.
- The existing exemption for transportation of goods by a Goods Transport Agency (GTA) to an unregistered person will no longer apply where the underlying goods are supplied through an ECO.
- GST rates have also been revised for specified goods.

Miscellaneous

- Supply of used cooking oil, plastic or tyre waste and scrap, electrical or electronic waste and scrap by unregistered persons to registered persons will be taxable under RCM.

Moreover, GST registration exemption is withdrawn for suppliers engaged exclusively in making supplies (under RCM) of such goods.

Registered recipients of the abovementioned goods are required to deduct TDS while making payment to registered suppliers.

- For operation and maintenance services supplied under a concession agreement, the time of supply will be the tax period in which the relevant expenditure is charged or debited to the Escrow Account maintained under the concession agreement.
- Rule 86A has been amended to introduce procedural safeguards for restrictions placed on utilisation of credit lying in electronic credit ledger. The taxpayer will be informed of the basis for such restriction. Taxpayer may challenge the action through the

prescribed mechanism. The restriction may subsequently be withdrawn by the proper officer where, after considering the taxpayer's submissions, the same is found to be unwarranted.

This will be effective from 1 April 2027.

- Rule 83C has been inserted to enable amendment of particulars furnished by a GST Practitioner in GST PCT-01 at the time of enrolment.
- Consequential amendments have been made to the relevant forms. New forms have also been prescribed wherever required, to give effect to the changes.

Comments

- a. Declaration A of revised Form GST RFD-01 still has a requirement to declare that input service credit has not been availed in case of inverted duty refunds. This requirement may be now restricted to refund claims relating to period before 1 November 2026, in view of the amendment.
- b. Similarly, Declaration E of Form GST RFD-01 requires confirmation of non-prosecution for tax evasion exceeding INR5 crore during the five years preceding the relevant tax period, whereas amended Rule 89 and existing Rule 91(1) prescribe a new threshold of INR2.5 crore.
- c. Sanction of 90% provisional refund within three working days is expected to significantly ease working capital of businesses.
- d. Businesses covered by the expanded e-invoicing mandate will need to update their ERP and IT systems to capture relevant inward supplies, generate e-invoices and integrate with the Invoice Registration Portal. Timely configuration and testing may be critical to comply with new requirement from 1 January 2027.

Our offices

Ahmedabad

22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon Temple
Off SG Highway, Ahmedabad - 380 059
Tel: + 91 79 6608 3800

Gandhinagar

8th Floor, Building No. 14A
Block 14, Zone 1
Brigade International Financial Centre
GIFT City SEZ
Gandhinagar - 382 355, Gujarat
Tel: + 91 79 6608 3800

Bengaluru

12th & 13th Floor
"UB City", Canberra Block
No.24 Vittal Malliya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground & 1st Floor
11, 'A' wing
Divyasree Chambers
Langford Town
Bengaluru - 560 025
Tel: + 91 80 6727 5000

3rd & 4th Floor
MARKSQUARE
#61, St. Mark's Road
Shantala Nagar
Bengaluru - 560 001
Tel: + 91 80 6727 5000

1st & 8th Floor, Tower A
Prestige Shantiniketan
Mahadevapura Post
Whitefield, Bengaluru - 560 048
Tel: + 91 80 6727 5000

Ecospace
1st Floor, Campus 1C
Ecospace Business Park
Outer Ring Road,
Bellandur - Sarjapura Area, Varthur
Hobli,
Bengaluru Urban - 560103

Bhubaneswar

8th Floor, O-Hub, Tower A
Chandaka SEZ, Bhubaneswar
Odisha - 751024
Tel: + 91 674 274 4490

Chandigarh

Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai

6th & 7th Floor, A Block,
Tidel Park, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Aikyam
Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Haryana
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad

THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

THE SKYVIEW 20
2nd Floor, 201 & 202
Right Wing, Survey No 83/1
Raidurgam, Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jaipur

9th floor, Jewel of India
Horizon Tower, JLN Marg
Opp Jaipur Stock Exchange
Jaipur, Rajasthan - 302018

Kochi

9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata

22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

6th floor, Sector V,
Building Omega, Bengal Intelligent
Park, Salt Lake Electronics Complex,
Bidhan Nagar
Kolkata - 700 091
Tel: + 91 33 6615 3400

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

3rd Floor, Unit No.301
Building No.1, Mindspace-Gigaplex
IT Park, MIDC, Plot No. IT-5
Airoli Knowledge Park
Airoli West, Navi Mumbai - 400 708
Tel: + 91 22 6192 0003

18th Floor, Altimus
Pandurang Budhkar Marg
Worli, Mumbai - 400 018
Tel: + 91 22 6192 0503

Pune

C-401, 4th Floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

10th Floor, Smartworks
M-Agile, Pan Card Club Road
Baner, Pune - 411 045
Tel: + 91 20 4912 6800

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