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BETWEEN FINE LINES

Analysis of the Recommendations of the 57th GST Council Meeting

1. Nature and status of the recommendations

The GST Council, in its 57th meeting held on 08.10.2026, has recommended process reforms in registration, returns, refunds and adjudication, together with relaxations in input tax credit, exports, prosecution and movement of goods. This update is based on the press release issued by the Ministry of Finance on the same date.

Kindly Note: The recommendations do not alter the law by themselves. The release records that they will be given effect through circulars, notifications and law amendments, which alone shall have the force of law. Assesses should therefore continue to comply with the existing provisions until each change is notified. Changes to the CGST Act, 2017 and the IGST Act, 2017 will require an amending enactment and corresponding amendments in the State laws. Changes to the CGST Rules, 2017 and rate notifications can be expected earlier.

2. Registration

2.1. Processing of registration applications

- Rule 14A of the CGST Rules, inserted by Notification No. 18/2025-Central Tax dated 31.10.2025, already grants registration electronically within three working days where the output tax liability on supplies to registered persons does not exceed Rs. 2.5 lakh per month.
- For all other applicants, the Council has recommended a comprehensive circular listing the documents and information required for registration.
- FORM GST REG-01 will carry drop boxes for the prescribed documents, which should reduce queries in FORM GST REG-03 and rejections under rule 9.

2.2. Amendment of registration particulars

- Rule 19 will be amended so that amendments to all registration particulars are accepted automatically on the portal, except those relating to the principal place of business. Section 2(89) of the CGST Act defines that expression as the place of business specified as such in the certificate of registration.
- For persons registered under rule 14A, even a change in the principal place of business will be accepted automatically.

2.3. Cancellation on application of the taxpayer

An application for cancellation in FORM GST REG-16 under section 29(1) will be accepted by the system once all pending returns are filed and all dues are paid.

- **In the first phase** this applies where the taxpayer has not passed on input tax credit exceeding Rs. 2.5 lakh in any month, or has filed the final return in FORM GSTR-10 under section 45 within the specified time.
- **In the second phase** it will apply to all applications, and FORM GST REG-16 will itself capture the details of FORM GSTR-10.

2.4. Cancellation by the department

Certain grounds of cancellation in rule 21 will be omitted. Rules 21A and 22 will be amended and a new rule 23A inserted to provide for system based cancellation where returns are not filed or bank account details are not furnished, and for system based revocation once the default is made good within the specified period.

2.5. Small sellers on e-commerce platforms

A person supplying goods through an electronic commerce operator, as defined in section 2(45), presently requires a place of business in every State in which he seeks registration. Proposed rule 14B will permit such a supplier to declare the warehouse of the operator in a State as his principal place of business where he has no physical presence there. **The facility is confined to suppliers** who intend to pass on credit of not more than Rs. 2.5 lakh per month, excluding stock transfers between distinct persons under section 25(4), and **registration will be granted automatically**. Kindly note that this limit of Rs. 2.5 lakh per month shall be all India limit and not per registration.

3. Returns

3.1. Alignment of FORM GSTR-3B with FORM GSTR-1 and FORM GSTR-2B

The Council has recommended an alternate mechanism for amending liability and input tax credit, to operate from the return **for April 2027**.

- Proposed sub-rule (1A) of rule 61 will require the liability in FORM GSTR-3B to align with the details furnished in FORM GSTR-1, FORM GSTR-1A or the invoice furnishing facility under section 37. This shall be done by way of mechanism of correct reporting and correction/rectification of liability in the return GSTR 3B. Today GSTR-3B cannot be revised, and an error is corrected only in a later return under section 39(9), with interest, up to 30 November. If correction is to go beyond what section 39(9) allows, the Act must change. The release proposes amending sections 16, 37 and 39 only to align time limits, so the scope of "correction/rectification" needs watching in the draft.

  Some Issues:

  - ***Consequence of non-alignment is not stated***. It could be a hard block on filing, or a warning with reasons to be recorded. That decides whether this is a facility or a compulsion.
  - ***Genuine differences exist***. Advances adjusted, credit notes creating negative liability, supplies reported in the wrong period and section 9(5) supplies all cause GSTR-1 and GSTR-3B to differ legitimately.
  - ***Reverse charge is not in GSTR-1 at all***. That is presumably why rule 86D is proposed alongside.
  - ***Rule 88C may become redundant***. If liability is aligned at filing, the DRC-01B intimation and the Explanation to section 75(12), which allows direct recovery of the GSTR-1 difference under section 79, lose most of their purpose. The release does not say whether they stay.
  - ***Correction route***. GSTR-1A, filed between GSTR-1 and GSTR-3B, becomes the main way to fix liability before it flows into the return.

- Proposed sub-rule (1B) will require the credit availed in FORM GSTR-3B to align with the statement in FORM GSTR-2B by providing a mechanism for correction and rectification within the return GSTR 3B.

  Some issues:

  - ***GSTR-2B is supplier-driven****. Alignment makes the recipient's credit depend more tightly on the supplier's filing, beyond what section 16(2)(aa) already does.*
  - ***Timing must be cumulative.*** *Credit appearing in an earlier GSTR-2B but claimed later, and reclaim of credit reversed earlier (rule 86C), will fail a month-to-month match.*
  - ***Items outside or late in GSTR-2B****. Import credit and reverse charge on supplies from unregistered persons need a separate track.*
  - ***Invoice Management System****. A credit note kept pending defers the recipient's reversal, so the cap on the pending period directly affects liability.*
- At present such differences result in intimations in FORM GST DRC-01B under rule 88C and FORM GST DRC-01C under rule 88D. **The proposal seeks to resolve the difference at the stage of filing.**

3.2. New statements on the portal

The following mechanisms will first be placed in the public domain for consultation, and the Union Finance Minister is authorised to approve modifications.

Three facilities will receive statutory backing.

- Sub-rule (6A) of rule 60 will govern the Invoice Management System, under which a recipient may accept, reject or keep pending an inward supply document before FORM GSTR-2B is generated, subject to a limit on the period for which a credit note may be kept pending.
- Rule 86C will provide for the Electronic Credit Reversal and Reclaim Statement.
- Rule 86D will provide for an electronic statement of tax paid on reverse charge basis and credit claimed thereon.

- Further, a circular will be issued to clarify the manner of furnishing correct and proper information of ITC and reversal thereof in return in FORM GSTR-3B, in the context of IMS, Electronic Credit Reversal and Reclaim Statement and Electronic Statement of tax paid on Reverse charge basis and input tax credit.

3.3. DRC-03 to contain invoice level details

FORM GST DRC-03 will be amended to capture the invoice against which a voluntary payment is made.

4. Refunds

4.1. System based processing

Section 54 of the CGST Act and rules 89 to 92 will be amended in two phases.

- **In the first phase**,
  - refund of excess balance in the electronic cash ledger under section 49(6) will be sanctioned in full by the system, **without officer intervention**.
  - The time for issuing an acknowledgement in FORM GST RFD-02 or a deficiency memo in FORM GST RFD-03 under rule 90 will be reduced from 15 days to 10 days, failing which the application will be deemed to be acknowledged.
  - For claims of zero rated supplies and inverted duty structure, 90% of the amount claimed will be sanctioned provisionally by the system on the basis of risk evaluation.

- **In the second phase**, the acknowledgement itself will be generated by the system and the full claim relating to zero rated supplies will be sanctioned automatically (without officer intervention) after adjusting pending dues.

  Wider points

  - ***Who passes the order***. Appeal under section 107 lies against an order of an adjudicating authority. The amendment must say

whose order a system sanction is, for appeal by the taxpayer and for review or revision by the department.

- ***Scrutiny moves to after payment***. Expect post-refund audit and recovery under section 73 or 74A with interest. Scanned documents will no longer be uploaded, so Assessees must keep shipping bills, realisation certificates and workings ready.
- ***Criminal exposure remains***. Fraudulently obtaining refund stays an offence under section 132(1)(e) even after the proposed amendments.

4.2. Application and computation

- FORM GST RFD-01 will capture details in a system readable format, and scanned documents will no longer be required for claims of zero rated supply and inverted duty structure.

- Rule 89(4)(C) will be amended to remove the ceiling which restricts the turnover of zero rated supply of goods to 1.5 times the value of like goods supplied domestically.

Why its removal matters and issues

- ***Undefined terms***. "Like goods" and "similarly placed supplier" are not defined, so the comparison was never workable for customised goods or for an exporter with no domestic sales.
- ***Unequal treatment***. The ceiling applies only to exports under bond or letter of undertaking. An exporter paying integrated tax and claiming refund under rule 96 faces no such limit.
- ***Already struck down in one State***. The Karnataka High Court held the ceiling ultra vires section 54 and Article 14 in Tonbo Imaging India Pvt. Ltd. v. Union of India (Writ Petition No. 13185 of 2020 (T-RES), decided on 16-2-2023).
- ***Remaining safeguard***. The Explanation to rule 89(4) already limits the value of exported goods to the lower of the FOB value in the shipping bill and the invoice value.

- ***Effective date***. The release is silent. A rule amendment is ordinarily prospective, and there is no statement like the one for rule 96(10) treating the change as effective from an earlier date.
- ***Pending claims and rejections***. For past periods the argument rests on Tonbo Imaging, which binds only in Karnataka. The Council's decision to remove the ceiling is supporting material, not a ground by itself.

- An explanation to section 54(14) will clarify that the minimum of Rs. 1,000 applies to the total of central tax, State or Union territory tax and integrated tax taken together.

4.3. Refund of credit on capital goods and input services

Under clause (ii) of the first proviso to section 54(3) read with rule 89(5), refund on account of inverted duty structure is presently confined to credit on inputs. That restriction was upheld in *Union of India v. VKC Footsteps India Pvt. Ltd.*, 2021 (52) G.S.T.L. 513 (S.C.). The Council has now **recommended refund of accumulated credit on input services and capital goods** in inverted duty cases, and on capital goods in zero rated cases.

Important points:

- The relief is prospective.
- Credit on input services will qualify where it is availed on or after 01.11.2026.
- Credit on capital goods, as defined in section 2(19), will qualify where it is availed on or after 01.04.2027, and the refund will be spread over 60 months. ***For eg.,***

  PCR Tools Pvt. Ltd., Pune, exports machined components under a letter of undertaking. On 15.06.2027 it purchases a CNC machining centre for Rs. 3,00,00,000 and pays integrated tax of Rs. 54,00,000 at 18%, which it avails as credit in its return for June 2027. Since the credit is availed after 01.04.2027, it qualifies for refund. The amount of Rs. 54,00,000 would not enter the refund computation at once. It would be spread over 60 months from June 2027 to May 2032, at Rs. 90,000 per month.

For June 2027, the company has credit of Rs. 8,00,000 on inputs and Rs. 2,00,000 on input services. Its exports are Rs. 4,00,00,000 out of a total turnover of Rs. 5,00,00,000.

Particulars	***Amount (Rs.)***
Credit on inputs and input services	*10,00,000*
Add: one-sixtieth of credit on the machine	*90,000*
Net ITC for June 2027	*10,90,000*
Refund at 80% (exports ÷ total turnover)	*8,72,000*
Of which attributable to the machine	*72,000*

- ***Timing of availment***. The condition is tied to the date the credit is availed, not the invoice date. Whether a March 2027 invoice with credit availed in April 2027 qualifies will depend on the final wording.
- ***Method of spreading***. The release says only "spread over 60 months". Likely, this is one-sixtieth per month through the formula, as assumed here, or some other method, the same is awaited as shall be worded in the rule.
- ***Sale of the machine within 60 months***. Section 18(6) requires payment on the supply of capital goods on which credit was taken. The condition would require compliance post the present benefit.

4.4. Interest on refund of pre-deposit

Section 115 will be recast as a standalone provision prescribing the rate of interest on refund of the amount deposited under section 107(6) or section 112(8). A circular will address the existing doubts on the rate.

4.5. Omission of rule 96(10)

Rule 96(10), which denied refund of integrated tax on exports where specified exemption notifications were availed on inward supplies, was omitted by Notification No. 20/2024 Central Tax dated 08.10.2024. In *Goodluck India Limited v. Union of India*, (Special Leave Petition (C) Nos. 24550 of 2025), the Supreme Court held that the omission, being without a saving clause, applies to all pending proceedings. ***A circular***

will now be issued to clarify that the omission as effective from 23.10.2017, and exporters facing demands on this ground should seek closure of the proceedings.

5. Adjudication, penalty and appeals

5.1. Standards for notices and orders

- A circular will lay down guidelines for demand notices, adjudication orders and appellate orders. It will cover the:
  - quality and timely issuance of notices and orders,
  - the conduct of personal hearings under section 75(4), and
  - the invocation of fraud, wilful misstatement or suppression of facts only on the merits of each case.

  This Circular will help assessee wherever the extended period under section 74 or the higher penalty under section 74A(5)(ii) is invoked without specific material.

  Important to note:
  - It is important to remember that deviation from Circular is arguable, not fatal. Breach of a circular supports a plea of arbitrariness. Courts may not treat every departure as vitiating the SCN / order.
  - The circular will apply to proceedings pending when it issues, at least for hearings and orders yet to be passed. Replies now being drafted should already plead the absence of specific allegations of suppression and any denial of an effective hearing, so that the circular can be cited when it arrives.

5.2. Monetary threshold for show cause notices

- Sections 73, 74 and 74A will be amended so **that no notice is issued** where the tax involved, taking central tax, State tax, integrated tax and cess together, is less than Rs. 10,000.

- Notices and appeals below Rs. 10,000 which are **pending on the date the amendment** comes into force **will be withdrawn** as if the threshold had applied when the notice was issued.

5.3. Reduction in penalty

- Sections 73(9) and 74A(5)(i) presently impose a penalty of 10% of the tax or Rs. 10,000, whichever is higher, in cases not involving fraud. The Council has recommended removal of the minimum of Rs. 10,000.
- It has also recommended a reduced penalty of 5% where the tax and interest are paid within 30 days of the order under section 73, or within 60 days of the order under section 74A.

5.4. Ceiling on pre-deposit in penalty orders

Where an order involves only penalty and no demand of tax, the provisos to sections 107(6) and 112(8) require a pre-deposit of 10% of the penalty. The Council has recommended an upper limit of Rs. 40 crore on such pre-deposit, being Rs. 20 crore under central tax and Rs. 20 crore under State or Union territory tax. If a penalty of Rs. 500 crore is imposed under section 122, the pre-deposit before the Appellate Authority would be Rs. 40 crore instead of Rs. 50 crore.

5.5. Notices covering more than one financial year

Several High Courts have held that a single notice under section 73 or section 74 cannot cover more than one financial year. Other High Courts have taken the contrary view, and the question is pending before the Supreme Court in *Joint Commissioner (Intelligence and Enforcement) v. Lakshmi Mobile Accessories*, SLP (C) Diary No. 60097 of 2025.

The Council has recommended a validation clause in the CGST Act to validate notices held invalid on this ground. ***Assessees who have challenged notices solely on this ground should assume that the objection may be neutralised with retrospective effect.*** Replies, appeals and writ petitions should therefore press limitation and merits for each financial year independently.

6. Input tax credit

6.1. Rationalisation of blocked credit under section 17(5)

Section 17(5) of the CGST Act denies credit on specified supplies notwithstanding their use in the course or furtherance of business. The Council has recommended removal of the restriction on

- outdoor catering,
- health insurance and life insurance,
- telecommunication towers and pipelines laid outside the factory premises, both of which are excluded from the expression "plant and machinery" by the Explanation to section 17. The character of telecommunication towers as movable goods was recognised by the Supreme Court under the CENVAT regime in *Bharti Airtel Ltd. v. Commissioner of Central Excise, Pune*, 2024 INSC 880.
- free samples and
- for goods destroyed or written off on expiry of shelf life as required by law.

Until the amendment is enacted, reversal under the existing clause continues to be required.

6.2. Hearing before blocking of the electronic credit ledger

Rule 86A permits the Commissioner or an authorised officer to disallow debit from the electronic credit ledger where he has reasons to believe that the credit is fraudulently availed or ineligible. The rule contains no provision for hearing. The Karnataka High Court has quashed blocking orders passed without a pre-decisional hearing and on borrowed satisfaction in *Travacore Minerals and Transport Company v. State of Karnataka*, [Writ Petition No. 26693 of 2024 (T-RES) – Karnataka HC] and other cases.

The Council has recommended an amendment enabling the taxpayer to file an objection against the blocking and to be heard in person before the proper officer decides the objection. Assessees whose ledgers are blocked should file such objection promptly once the mechanism is notified.

Gaps to watch in the draft

- ***Reasons are not communicated today***. Rule 86A(1) requires reasons "to be recorded in writing", but not served. An objection is of little use unless the amended rule requires the reasons to be supplied.
- ***No time limit***. The release prescribes no period for deciding the objection. With the restriction lapsing after one year under sub-rule (3), delay defeats the remedy.
- ***Who decides***. "Proper officer" may be the same officer who blocked the credit. The borrowed satisfaction objection then carries into the hearing.
- ***Unchanged grounds***. The four grounds in sub-rule (1) and the "reasons to believe" standard are untouched, so K-9 Enterprises on independent application of mind remains good law.

6.3. Time limits and clarifications

Sections 16, 37 and 39 will be amended to align the time available for furnishing and rectifying FORM GSTR-1 and the return under section 39 with the time limit for availing credit under section 16(4). Circulars will also be issued on the Input Service Distributor mechanism under section 20, on banking companies and financial institutions opting for section 17(4), and on credit in respect of demonstration vehicles.

Limited credit in the same line of business will be allowed for restaurant and outdoor catering services, hotel accommodation of value up to Rs. 7,500 per unit per day and gym or fitness services. This follows the pattern already available for passenger transportation, tour operator and renting of motor vehicle services.

7. Exports and zero rated supplies

7.1. Services supplied to overseas branches

Section 2(6) of the IGST Act defines "export of services" through five conditions. Sub-clause (v) requires that the supplier and the recipient are not merely establishments of a distinct person in accordance with Explanation 1 in section 8. On that account, services rendered by an Indian company to its own foreign branch do not presently qualify as exports. The Council has recommended omission of sub-clause (v). The remaining four conditions of section 2(6) will continue to apply.

7.2. Services on goods made physically available

Section 13(3)(a) of the IGST Act fixes the place of supply at the location where the services are actually performed, where the goods are required to be made physically available by the recipient to the supplier. Testing, repair and similar services performed in India on goods sent by a foreign customer are therefore taxed in India. The Council has recommended omission of clause (a), so that the default rule in section 13(2), namely the location of the recipient, will apply.

7.3. Delivery to an SEZ on account of an overseas buyer

An explanation will be inserted in section 16(1) of the IGST Act. Where goods are supplied to an overseas buyer but delivered to that buyer in a Special Economic Zone or a Free Trade and Warehousing Zone, the supply will be deemed to be a supply to such zone. The condition is that payment is received in convertible foreign exchange, or in Indian rupees wherever permitted by the Reserve Bank of India. This removes the doubt whether such a transaction is zero rated when the goods do not physically leave India.

7.4. Realisation of export proceeds

A circular will clarify issues relating to receipt of payment in foreign exchange or in Indian rupees, as permissible, for export of goods and services.

Issues the circular is likely to address

- ***Rupee receipts.*** *Which rupee receipts count as "permitted by the Reserve Bank", including settlement through Vostro accounts and trade with Nepal and Bhutan.*
- ***Third party and platform payments****. Payment received from a person other than the recipient, or through payment aggregators and marketplaces that remit in rupees.*
- ***Short receipt.*** *Bank charges, foreign tax withheld and exchange differences, and whether the refund is reduced in proportion.*
- ***Netting off.*** *Export receivables set off against import payables, where FEMA allows it.*

- ***Evidence.*** *Which document suffices, given that scanned documents are to be dispensed with in refund claims.*

8. Arrest, prosecution and movement of goods

8.1. Withdrawal of the power of arrest

Section 69 of the CGST Act empowers the Commissioner to authorise arrest where he has reasons to believe that a person has committed an offence specified in clauses (a) to (d) of section 132(1). The constitutional validity of this power was upheld, subject to safeguards, in *Radhika Agarwal v. Union of India*, 2025 INSC 272, (2025) 6 SCC 545. The Council has now recommended complete withdrawal of the power by omission of section 69. Until the omission is enacted, the provision and the safeguards laid down by the Supreme Court continue to govern.

What remains

- ***Arrest under other laws remains****. Fake invoice cases are often also registered as cheating and forgery under the general criminal law, and may lead to money laundering proceedings. "Complete withdrawal of arrest powers under GST" does not touch those.*
- ***Summons and prosecution remain****. Section 70 summons continue, and prosecution proceeds by complaint with the Commissioner's sanction. A Magistrate can still issue a warrant against an accused who does not appear.*
- ***Until enactment****, the power continues in full*
- ***The recommendation has persuasive value****. It can be cited in anticipatory bail and bail applications as a statement of policy that custody is not considered necessary for these offences. It binds neither the Commissioner nor the Court.*
- ***Persons already arrested or on bail.*** *The release says nothing on pending cases. Whether bail conditions and custody under section 69 survive the omission will depend on the transitional provision.*

8.2. Prosecution under section 132

Change	What goes out of prosecution
Threshold raised to Rs. 5 crore	Every offence where the tax evaded, credit wrongly availed or refund wrongly taken is Rs. 5 crore or less. Today these are punishable from Rs. 2 crore, and from Rs. 1 crore for invoices issued without supply under clause (b).
Clause (c) confined	A recipient who actually received the goods or services and took credit on an invoice later found to be one issued by the supplier without supply. Availment that is not shown to be fraudulent also goes out.
"Evades tax" deleted from clause (e)	Evasion of tax as a residuary offence. This covers undervaluation, misclassification, wrong claim of exemption and non-payment under reverse charge, where supplies are invoiced and recorded.
"Or in any other manner deals with" deleted from clause (h)	Persons connected with goods liable to confiscation otherwise than by the eight named acts, such as a broker or financier who never acquires, transports, stores, conceals, supplies or purchases the goods.
Clause (i) omitted	Receiving, or being concerned with, a supply of services made in contravention of the Act. The recipient of services ceases to be liable to prosecution on this ground.
Clause (l), by consequence	Attempt and abetment of anything in the rows above, since clause (l) depends on the principal offences.

What stays, above Rs. 5 crore

- Supply without invoice with intent to evade tax, under clause (a).
- Issue of invoices without supply, under clause (b).
- Fraudulent credit without receipt of goods or services, or without any invoice, under clause (c).
- Tax collected and not paid beyond three months, under clause (d).
- Fraudulently obtaining refund, under clause (e).

- Falsification of records or false information with intent to evade, under clause (f). Whether the Rs. 5 crore threshold applies to this clause is not stated, since it is punishable today without reference to amount.
- The eight named acts in relation to goods liable to confiscation, under clause (h).

8.3. Interception of conveyances

Sections 68, 129 and 130 will be amended to restrict roadside enforcement. A conveyance may be intercepted only on specific intelligence and with the authorisation of an officer not below the rank of Joint Commissioner. Inspection, detention or seizure may follow only where the supplier or the recipient is located or registered in the State of interception, so that goods merely passing through a State will not be intercepted there.

These restrictions will not apply where no e-way bill has been generated under rule 138, or where the conveyance carries no document showing the origin or destination of the goods. Confiscation under section 130 will not apply to goods or conveyances in transit. ***for eg.***, A consignment of GNT Tiles Pvt. Ltd. moving from Morbi (Gujarat) to Kolkata (West Bengal) with a valid e-way bill could not, on this footing, be detained by officers in Madhya Pradesh. Officers in Gujarat or West Bengal could still intercept the consignment on specific intelligence with authorisation, and officers in Madhya Pradesh could act if no e-way bill had been generated.

Points to ponder

- ***"Specific intelligence" is undefined****. Unless it must be recorded in writing and disclosed on request, it cannot be tested.*
- ***Authorisation****. Whether the Joint Commissioner must authorise each interception or may issue a general authorisation will decide how real the safeguard is.*
- ***The exception needs care****. The restrictions fall away where "no e-way bill has been generated". An expired or defective e-way bill is still one that was generated, so it should stay protected. Consignments for which no e-way bill is required at all, such as exempt goods, need an express carve-out.*

- ***Bill-to ship-to movements****. Goods may be delivered in a State where neither the supplier nor the billed recipient is registered. The draft must say which State may act.*
- ***Penalty is untouched.*** *The release proposes no change to the quantum under section 129(1), which remains 200% of the tax where the owner comes forward.*
- ***Confiscation.*** *Section 130 will continue for goods found at premises. Only goods and conveyances in transit go out.*

9. Other compliance measures

9.1. Late fee relief for small taxpayers

Late fee under section 47 on delayed filing of the return under section 39(1) will be waived for taxpayers with aggregate turnover up to Rs. 5 crore in the preceding financial year. The waiver applies only where the return is filed by the end of the month in which it was due. A return for October 2026 due on 20.11.2026 and filed on 28.11.2026 would attract no late fee. The release does not speak of interest under section 50, which should be assumed to remain payable.

9.2. Annual Return Quarterly Payment scheme

The Council has approved in principle a concept note for an optional scheme of annual return with quarterly payment. It is intended for taxpayers with aggregate turnover up to Rs. 5 crore in the preceding financial year who supply exclusively to unregistered persons. No statutory framework has been recommended as yet.

9.3. Liability of electronic commerce operators

Section 9(5) of the CGST Act makes the electronic commerce operator liable to pay tax on notified services supplied through it, as if it were the supplier. The provision will be amended to clarify that this liability arises irrespective of the business model followed by the operator.

9.4. Extension of e-invoicing

For taxpayers with aggregate annual turnover of Rs. 5 crore and above, e-invoicing under rule 48(4) will be extended to supplies received from unregistered persons on

which tax is payable under reverse charge, and to import of services. Assessees should review their systems for generation of self invoices under section 31(3)(f).

9.5. Transfer of intellectual property rights

Paragraph 5(c) of Schedule II to the CGST Act treats temporary transfer or permitting the use of an intellectual property right as a supply of services. Schedule II will be amended so that transfer of title in such rights, whether temporary or permanent, is uniformly treated as a supply of services. This will bring cross border assignments within the place of supply rules for services.

9.6. GST Appellate Tribunal

Amendments have been approved to the CGST Act and to the GSTAT (Appointment and Conditions of Service of President and Members) Rules, 2023. Their object is to align the provisions on the Tribunal with the Tribunals Reforms Act, 2026 and the rules framed thereunder.

10. Rate changes and clarifications

The changes below will take effect only on amendment of the rate and exemption notifications, principally Notification No. 09/2025 Central Tax (Rate) dated 17.09.2025 for goods and Notification No. 12/2017 Central Tax (Rate) for services. Where past cases are regularised on "as is where is" basis, tax already paid is not refundable and tax not paid is not recoverable.

10.1. Goods

Item	Recommendation
Sublimation paper	Classifiable under heading 4809. Past cases regularised.
Toys	Rate entries cover all toys of heading 9503, including dolls and puzzles, and not only tricycles, scooters and pedal cars.
Sea weed extract based bio stimulants	Classifiable under heading 3101 as fertilisers where registered under Schedule VI to the Fertiliser (Control) Order, 1985. Past cases regularised.
Second hand vehicles under margin scheme	Credit allowed on inputs and input services such as spares, repairs, rent and advertisement. Restriction

Item	Recommendation
	applies only to tax paid on the vehicles procured. Notification No. 8/2018 Central Tax (Rate).
Waste and scrap of plastics, electrical and electronic goods, tyres, and used cooking oil	Reverse charge under section 9(3) on supply by an unregistered person to a registered person. TDS at 2% under section 51 on supplies between registered persons.
Psyllium seeds (Isabgol)	Nil rate whether fresh, chilled, frozen or dried.
Retreaded tractor tyres	Rate aligned with new tractor tyres.
Canteen Stores Department	Compensation cess not levied on two and four wheelers from 01.07.2017 to 30.09.2022 and on aerated drinks from 01.07.2017 to 31.03.2022 exempted.

10.2. Services

Service	Recommendation
Passenger transport and renting of motor vehicles with operator using electric vehicles	Option to pay 5% with restricted credit where battery charging cost is included in the consideration.
Delivery services through an electronic commerce operator	Brought under section 9(5) where the supplier is not liable to registration under section 22(1). Rate of 5% without credit. Courier and postal services excluded.
Goods transport agency services to unregistered persons	Exemption under Entry 21A withdrawn where the goods are supplied or ordered through an electronic commerce operator.
Motor vehicle leasing	Treatment of recoveries of registration charges, road tax, insurance and FASTag charges from the lessee to be clarified.
Helicopter passenger transport	Exempt on seat sharing basis from or to airports and helipads in the north eastern States, Sikkim and Bagdogra.
Storage or warehousing of seeds meant for sowing	Exempt.
Curing of coffee for cultivators	Exempt.

Service	Recommendation
Seamen's Provident Fund Organisation	Services to persons governed by the Seamen's Provident Fund Act, 1966 exempt.
Research and development under Entry 44A	Self certification by the head of the institution that the activity is research and not consultancy.
Foreign shipping lines	Import of services by the Indian establishment from a related person or overseas establishment without consideration exempt. Past period regularised.
Highway projects under Toll Operate Transfer model	Grant of right to collect toll by the Government to the concessionaire exempt. Special procedure for valuation and time of payment on operation and maintenance services.
Funds Transfer Pricing in banks	Notional interest on transfer of funds between branches covered by the definition of "interest" in Notification No. 12/2017 Central Tax (Rate).

11. Summary

Area	Recommendation	Provision	Stated timeline
Registration	Automatic acceptance of amendments other than principal place of business	Rule 19	On notification
	System acceptance of cancellation applications after returns and dues are cleared	Section 29, FORM GST REG-16	Two phases
	Registration on warehouse of e-commerce operator for small sellers	New rule 14B	On notification
Returns	Alignment of FORM GSTR-3B with FORM GSTR-1 and FORM GSTR-2B with correction mechanism	Rule 61(1A) and (1B), rules 60(6A), 86C, 86D	Return of April 2027
Refunds	Automatic refund of cash ledger balance and 90% provisional refund by the system	Section 54, rules 90 and 91	Phase 1

Area	Recommendation	Provision	Stated timeline
	Refund of credit on input services in inverted duty cases	Section 54(3) proviso	Credit availed from 01.11.2026
	Refund of credit on capital goods over 60 months	Section 54(3) proviso	Credit availed from 01.04.2027
Adjudication	No notice where tax is below Rs. 10,000, including pending cases	Sections 73, 74, 74A	On enactment
	Validation of notices covering multiple financial years	New validation clause	On enactment
Penalty	Penalty of 5% on payment within 30 or 60 days of order and no minimum of Rs. 10,000	Sections 73, 74A	On enactment
	General penalty reduced to Rs. 10,000	Section 125	On enactment
Appeals	Pre-deposit capped at Rs. 40 crore in penalty only orders	Sections 107(6), 112(8)	On enactment
Input tax credit	Credit on outdoor catering, health and life insurance, telecom towers, pipelines, free samples, expired goods	Section 17(5)	On enactment
	Objection and personal hearing against blocking of credit ledger	Rule 86A	On notification
Exports	Services to overseas establishments to qualify as export	Section 2(6)(v), IGST Act	On enactment
	Place of supply for services on goods to follow location of recipient	Section 13(3)(a), IGST Act	On enactment
Enforcement	Power of arrest withdrawn	Section 69	On enactment
	Prosecution threshold raised to Rs. 5 crore	Section 132	On enactment
Movement of goods	Interception only on intelligence with Joint Commissioner	Sections 68, 129, 130	On enactment

Area	Recommendation	Provision	Stated timeline
	authorisation and none in transit States		
Small taxpayers	Late fee waived if return filed within the month it was due	Section 47	On notification

Trust the above analysis would be useful for readers. Comments and suggestions for improvement are always welcome.

With regards,

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