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GST Talk

GST 2.0 AMENDMENTS, PROVISIONS & COMPLIANCE.

- The Goods & Services Tax Appellate Tribunal (GSTAT), Department of Revenue, Ministry of Finance issued Order vide F. No. GSTAT/Pr. Bench/Portal/125/25-26/1499-1502 dated September 24, 2025 directing that all appeals/applications under Sections 107 and 108 of the CGST Act, 2017 be filed electronically on the NIC-developed portal. Deadline for filing appeal extended up to 31.07.2026

- Rate and Slab Amendments (w.e.f. September 22, 2025)

- Reduced Slabs: Consolidated into primarily 5% and 18% tiers.
  - Many FMCG and food items (packaged *namkeens*, pasta, instant noodles) dropped to the 5% slab.
  - 33 life-saving medicines and certain dairy products were made nil-rated (0%).

Increased/Special Slab: A 40% rate (along with cess where applicable) applies to luxury and "sin" goods like casino services, aerated drinks, tobacco products, and luxury vehicles.

1. Revised Tax Slabs.

The old 12% and 28% slabs were abolished to simplify compliance and reduce the burden on consumers.

- **Nil / 0% GST:** Fresh dairy products, educational materials, and 33 life-saving drugs. **Individual health and life insurance** are also exempted.

- **5% Slab:** Replaced most everyday and essential items. Includes processed foods, hotel stays up to ₹7,500/day, gym/salon services, agricultural equipment, and footwear below ₹2,500.

- **18% Slab:** Covers higher-value consumer durables (ACs, dishwashers, TVs > 32 inches), two-wheelers (< 350 cc), small petrol (< 1200 cc) & diesel (< 1500 cc) cars, and commercial vehicles.

- **40% Slab (Luxury/Sin Goods):** For Demerit, Sin and Luxury goods (private aircraft, yachts, high-end cars, soft drinks, tobacco) are now taxed at this highest slab.

2. Time of Supply Rule

If any two of the following conditions occurred before September 22, 2025—**date of invoice, date of payment, or date of supply**—the old GST rate will apply. Otherwise, the new rate applies.

3. Key Portal & Process Amendments

Alongside the rate cuts, key administrative and compliance updates were rolled out:

ITC Claims in GSTR-2B: Input Tax Credit can only be claimed for accepted invoices that are visible in your GSTR-2B statement.

Invoice Management System (IMS): Taxpayers are allowed to mark specified records as "pending" for one tax period. You can also declare the actual ITC availed/to be reversed directly and save remarks when rejecting or holding records.

GSTAT Launch: The Goods and Services Tax Appellate Tribunal (GSTAT) is fully operational with a Principal Bench in New Delhi and state benches, offering a unified digital platform for indirect tax dispute resolutions.

GSTN advisory, May 20, 2026.

The implementation of two major E-Way Bill enhancements postponed from 15th July to 1st August, 2026. This gives businesses and ERP providers additional time to test the mandatory "Ship To GSTIN" field and the voluntary E-Way Bill Closure feature.

E-Way Bill System Enhancements (August 1, 2026 Implementation):

- **Mandatory "Ship To GSTIN"**: In Bill-To/Ship-To transactions, the "Ship To GSTIN" will now be a mandatory data element extended to 1st August.
- **Voluntary Closure**: A new feature allows you to voluntarily close an E-Way Bill once the delivery of goods is fully completed.

What you should do: Use the extended timeframe to update ERP configurations, test the new APIs in the sandbox, and familiarize staff with the workflow.

- <u>**Interest Collection in GSTR-3B**</u>:
  - Interest is now auto-computed in Table 5.1 of GSTR-3B.
  - If you notice any discrepancies (such as the system failing to account for your minimum cash balance as per Rule 88B), you can use the **“RE-COMPUTE INTEREST”** option on the portal to recalculate it with your updated parameters.

- **Pre-Deposit for Appeals (APL-01)**:
  - For appeals filed before the First Appellate Authority, the portal auto-fills pre-deposit amounts. The government issued guidance on how to correctly map pre-deposit payments made via Form GST DRC-03 to the respective Demand ID.
- **Restriction on Late Return Filings**:
  - Taxpayers are barred from filing old returns if the original due date is three years old or more. Reconcile and file any outstanding or pending back-dated returns as soon as possible.

- **Major tax slab rationalization, e-way bill delays, and ongoing relief discussions for the online gaming sector:**

- **Online Gaming Dues:** Following the Supreme Court ruling that upheld the 28% retrospective GST on online gaming, the government is drafting rules allowing the GST Council to potentially waive past tax dues that exceed the worth of the gaming companies.

- **E-Way Bill Postponements:** The GST Network (GSTN) delayed the mandatory 'Ship To GSTIN' field for Bill-to/Ship-to transactions and the voluntary e-way bill closure feature from June 15, 2026, to August 1, 2026

Invoice Management Updates:

The GSTN launched an MS Excel-based offline tool for the Invoice Management System (IMS) to allow bulk actions (accepting/rejecting) without logging into the portal.

- **The 2026 GST framework brings major shifts focusing on automated compliance and simplified business operations, rather than structural tax rate overhauls. Key changes include strict return time-bars, portal-enforced input tax credit (ITC) validations, revised export rules, and simpler slab structures.**

1. Compliance and Portal Enforcement

- **Three-Year Time Bar:** The portal permanently blocks the filing or adjustment of returns and Input Tax Credits (ITC) older than three years.

- **Strict ITC and Ledger Validations:** The GST portal enforces hard cutoffs; if an invoice doesn't match eligible balances in GSTR-2B or if you have pending Reverse Charge (RCM) dues, your return filing will be blocked.

Bank Account Mandate:

- Failure to update bank account details in your GST profile triggers the automatic suspension of your GST registration.

2. Rate Rationalization & Exemptions

- **Simplified Four-Tier Slab:** The framework (often referred to as GST 2.0) operates on slabs of 0%, 5%, 18%, and 40%. The 12% slab has been mostly absorbed into the 5% or 18% tiers, while luxury and "sin" goods are unified under a single 40% rate.

- **Insurance:** Health and life insurance policies have been exempted from GST (taxed at 0%).

GSTAT – Jurisdiction

- Principal bench (New Delhi)- Jurisdiction over cases involving ‘place of supply’ disputes.
- State Benches handle regional appeal against refers of the Appellate or Revisional Authority.

- **Kerala Ernakulam (Main Branch)**

- **Jurisdiction districts:** Ernakulam,Thrissur, Malappuram,Kozhikode, Wayanad, Kannur & Kasargod. Alongside the union territory of Lakshadweep

- **Thiruvanathapuram (Circuit Branch)**

- **Jurisdiction districts:** Thiruvanathpuram, Kollam, Pathanamthitta, Alapuzha, Kottayam & Idukki

Key 2026 GST Notifications & Updates

1) Notification No. 01/2026-Central Tax (Rate) dated 30-04-2026 – Effective from May 1, 2026

Aligns GST tariff entries with the Finance Act, 2026, revising HSN codes for Schedule I and Schedule III beverages.

2) Notification No. 01/2026-Central Tax - April 21st 2026

Extended the deadline for filing GSTR-3B for monthly filers of March 2026 till the 21st day of April'2026.

3) GSTR-3B Enhancements -February 2026

System-level enhancements and interest calculations implemented on the portal.

Recent Compliance Changes.

E-Invoicing Lowered Limit: Businesses with an Aggregate Annual Turnover (AATO) exceeding ₹5 crore in the preceding financial year are mandated to generate e-invoices, with a strict 30-day reporting window to the Invoice Registration Portal (IRP) for large entities.

Export Refund Threshold Removed: The restriction preventing the processing of refund claims below ₹1,000 has been removed, allowing all valid export refunds to be processed regardless of amount.

New Invoice Series: Enterprises must start a fresh document series (invoices, debit notes, credit notes) at the beginning of each financial year to avoid reconciliation discrepancies in GSTR-1.

1.Provisions relating to Invoice Management System:

- Input Tax Credit (ITC) will be available only in respect of accepted invoices forming part of the recipient’s GSTR-2B.
- Rejected invoices will not be considered for ITC claim.
- The amendment aligns the legal provisions with the practical functioning of the GST portal, eliminating ambiguity around the nature of GSTR-2B

2.Credit Notes under GST: New Condition Introduced

- The provison of Section 34(2) of the CGST Act, 2017 has been amended, to explicitly mandate the reversal of Input Tax Credit (ITC) by the registered recipient, if availed, for a credit.
- Rejected invoices will not be considered for ITC claim.
- The amendment aligns the legal provisions with the practical functioning of the GST portal, eliminating ambiguity around the nature of GSTR-2B.

- **Amended provision:**

"Provided that no reduction in output tax liability of the supplier shall be permitted, if the input tax credit as is attributable to such a credit note, if availed, has not been reversed by the recipient, where such recipient is a registered person."

3. Introduction of Pre-Deposit Amendment under GST.

- Section 107(6) Central Goods and Services Act 2017 which provides that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to 10% of the said penalty, in addition to amount payable under the proviso to sub-section (6) of section 107 has been by the appellant for appeals before the Appellate Tribunal.

4. Track and Trace of Specified Goods: Section 148A.

- Section 148A of the Central Goods and Services Tax (CGST) Act, 2017, introduced by the Finance Act, 2025, establishes the legal framework for implementing the Track and Trace Mechanism (TTM) for specified goods.

- This mechanism aims to enhance tax compliance and reduce evasion by enabling end-to-end monitoring of goods from manufacture to end consumer using digital records and technological tools.

Suppose the Government notifies cigarettes under Section 148A.

- Every cigarette pack must carry a unique digital code.
- The manufacturer uploads production details into the GST tracking system.
- As the goods move from manufacturer → distributor → wholesaler → retailer, the code can be scanned and verified.
- If authorities find a pack without the prescribed code or with an invalid code, they can identify it as potentially illegal or tax-evaded goods and take appropriate action.

Important Points

Section 148A is an enabling provision. It does not automatically apply to all goods. It becomes operational only after the Government issues notifications specifying:

- the goods,
- the persons covered, and
- the detailed rules and procedures for implementing the track-and-trace mechanism.

5. GST Track and Trace: Penalty for Non-Compliance.

Insertion of Section 122B of the CGST Act, 2017 introduces specific penalties for non-compliance with the Track and Trace Mechanism.

- **Rule 86B**

Taxable amount in a month exceeds 50 Lakhs 1% cash mandatory

- **Inverted Duty Structure refund**
- **Key Eligibility Criteria**
- **Tax Rate Imbalance:** The GST rate on inputs must be strictly higher than the output tax rate.
- **Output Restrictions:** IDS refunds are not permitted if the output supplies are completely nil-rated or fully exempt

- **Inverted tax structure under the GST regime**

- **Refund in case of inverted tax structure under GST**

- A registered person may claim a refund of unutilised Input Tax Credit (ITC).

- As per the recent **CGST Instruction 6/2025** dated 3rd October 2025, grant of 90% provisional refund of accumulated ITC in case of inverted duty structure is effective from 1st October 2025 for the refund applications made after this date

Operational & Compliance Circulars.

- **Circular No. 246/03/2025-GST dated 30.01.2025:** Provides guidance on the applicability of late fees for delays in furnishing FORM GSTR-9C.

- **Circular No. 248/05/2025-GST dated 27.03.2025:** Clarifies procedures and doubts related to availing the amnesty benefits under Section 128A of the CGST Act.

- **Circular No. 249/06/2025-GST dated 09.06.2025:** Enforces the mandatory generation and quoting of a Document Identification Number (DIN) on all official communications issued by tax officers to taxpayers.

Circular No. 250/07/2025-GST dated 24.06.2025: Clarifies the Reviewing, Revisional, and Appellate Authorities regarding orders passed by the Common Adjudicating Authority (CAA) for SCNs issued by DGGI.

Rate & Service Clarifications.

Circular No. 247/04/2025-GST dated 14.02.2025: Contains guidelines on GST rates and the classification of goods.

- **Circular No. 245/02/2025-GST dated 28.01.2025:** Resolves uncertainties regarding the applicability of GST on specific services

- **Circular No.255/01/2026–GST dated 25.06.2026**: Provides comprehensive clarification regarding the jurisdiction authority over registered tax payor who migrate or transfer from one state/Jurisdiction to another due to a change in the principal place of business.

Voluntary Closure of e-Way Bill.

- The Voluntary e-Way Bill Closure facility enables closure of an e-Way Bill after delivery of goods has been completed. It is intended to record completion of movement in the system. Closure of EWB is voluntary in nature. The revised date of implementation is 1st August, 2026.

- An E-Way Bill may be closed after completion of delivery of goods. It is advised that such closure should be carried out on the date of delivery or on the immediately succeeding day.

- However, the closure functionality shall remain available up to one day after the expiry of validity of the E-Way Bill. The date of closure, i.e. the date of receipt/delivery of goods, should fall between the date of generation and the date of expiry of the E-Way Bill.

- For example, where an E-Way Bill is generated on 20.06.2026 and its validity expires on 30.06.2026, the date of closure may be any date between 20.06.2026 and 30.06.2026, depending upon the actual date of receipt of goods. If the goods are received on 25.06.2026, the E-Way Bill may be closed from 25.06.2026 up to 01.07.2026, i.e. one day after the expiry of validity.

- For suppliers, recipients and transporters, the closure option is available after login under the e-Way Bill section of the portal.

- Closure can be performed EWB-wise or date-wise for logged-in users.

- EWB-wise closure means that a specific e-Way Bill number is selected and closed after delivery is completed.

- Date-wise closure allows the logged-in user to view EWBs for a particular date and close eligible EWBs after delivery. The option is available.

- A driver or authorized person can close an EWB through the portal-based mobile number closure facility, where the mobile number has been provided for closure purposes.

- All active EWBs linked to the concerned mobile number are displayed under the Search option on the EWB Common Portal, enabling closure by the authorized person after delivery.

- Providing the mobile number is optional. However, if closure by driver or authorized person is intended, the relevant mobile number should be provided.

- The mobile number may be provided at the time of EWB generation. If required, it can also be updated during vehicle updation, consolidated EWB operations or extension of validity, wherever applicable in the system.

Bill-to/Ship-to Transactions, Export Scenarios.

- In Bill-to/Ship-to and GSTIN is required to be captured as a mandatory data element wherever the Ship-to party is registered. Where GSTIN is not available, "URP" may be entered, wherever applicable.

- The revised date of implementation is 1st August, 2026.

- The relevant changes have been released in Sandbox for testing. Taxpayers, ERP vendors, GSPS, ASPs, private IRPs and other system integrators are advised to complete testing and readiness before production implementation.

- Ship-to GSTIN is being captured to improve traceability of goods movement, strengthen the audit trail in Bill-to/Ship-to transactions, and enable system-based verification by authorised officers.

Business Transaction Types

Sl. No.	Transaction Type	Billing Flow	Movement of Goods	Ship-to GSTIN Treatment
1	Regular	Between supplier and buyer	From supplier to buyer	No. Ship-to GSTIN is not applicable to regular transactions
2	Bill-to/Ship-to	Between supplier and buyer	From supplier to third party as instructed by buyer	Mandatory where Ship-to party is registered. URP may be entered for supply to Unregistered persons.
3	Bill-from/Dispatch-from	Between supplier and buyer	From third party to buyer	Ship-to GSTIN is not required, since the delivery is being made to the buyer himself, who has already been declared as the Bili-to party.
4	Combination	Between supplier and buyer	From third party to fourth party	Mandatory where Ship-to party is registered. URP may be entered where GSTIN is not available.

- A Regular transaction is a normal transaction where billing and movement of goods take place between the same two parties. For example, A Ltd. sells goods to B Ltd. and the goods move directly from A Ltd, to B Ltd.

- A Bill-to/Ship-to transaction is one where the invoice is issued to the buyer, but the goods are delivered to a third party as per the instruction of the buyer. For example, A Ltd. bills B Ltd., but ships the goods to C Ltd. on the instruction of B Ltd.

- A Bill-from/Dispatch-from transaction is one where billing is between the supplier and the buyer, but goods are dispatched from a third-party location. For example, A Ltd. bills B Ltd., but goods are dispatched from C Ltd. to B Ltd.

- A Combination transaction involves both Bill-to/Ship-to and Bill-from/Dispatch-from features. Billing is between the supplier and buyer, but goods are dispatched from a third party and delivered to a fourth party. For example, A Ltd. bills B.Ltd., but goods move from C. Ltd. to D Ltd, on the instruction of B Ltd.

Business Transaction scenarios:

SL No.	Transaction Type	Description	Example	Whether "Ship-To GSTIN" is Required?
1	Regular	A transaction where the invoice is issued to the buyer (Bill-to), and the goods are delivered to a Same person.	A Ltd. sells goods to B Ltd. and the goods move directly from A Ltd. to B Ltd.	No. This is not treated as a Bill to Ship to transaction.
2	Bill-to/Ship-to Transaction	A transaction where the invoice is issued to the buyer (Bill-to), but the goods are delivered to a third party (Ship-to) as per the buyer's instructions.	A Ltd. raises the invoice on B Ltd., but ships the goods directly to C Ltd. on the instruction of B Ltd.	Yes. The GSTIN of C Ltd. (Ship-To party) should be entered in the Ship-To GSTIN field, where the consignee is a registered person. If the consignee is unregistered, "URP" should be entered.
3	Bill-from/Dispatch-from Transaction	A transaction where the supplier raises the invoice to the buyer, but the goods are dispatched from a third-party location instead of the supplier's own premises.	A Ltd. raises the invoice on B Ltd., but the goods are dispatched from C Ltd. directly to B Ltd.	No. Since the goods are delivered to the buyer (B Ltd.), who is already the Bill-To party, there is no separate Ship-To GSTIN to be entered. Only the Dispatch-From details are required.
4	Combination Transaction (Bill-to/Ship-to + Bill-from/Dispatch-from)	A transaction where both concepts are involved. The invoice is issued by the supplier to the buyer, the goods are dispatched from a third-party location, and delivered to another party as instructed by the buyer.	A Ltd. raises the invoice on B Ltd., the goods are dispatched from C Ltd., and delivered to D Ltd. on the instruction of B Ltd.	Yes. The GSTIN of D Ltd. (Ship-To party) should be entered in the Ship-To GSTIN field, where D Ltd. is a registered person. The Dispatch-From details should also be provided for C Ltd.

Appeal To GST Council!

1. Amnesty Scheme to reintroduce 4 years minimum.

2. Filing of Annual Return delay 200/days limited to 0.25% of turnover.

3. Advance rulings – “Common Nature Issues ” different clarification given by same State Authority. Eg. Rent a Cab.

4. If the payment to creditors not done within 180 days – reversal of ITC required Sec 16(2) Rule 37.

5. Supplier not paid Tax , ITC of buyer disallowed , suitable changes recommended.

6. Cancellation of registration with retrospective effect - ITC of buyer disallowed.

7. Revision of monthly returns – GSTR-1 and GSTR -1 A , time limit of only 9 days. Revision of returns under income tax act and companies act is permitted. Hence relaxation recommended to file revised monthly returns.

Thank you

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