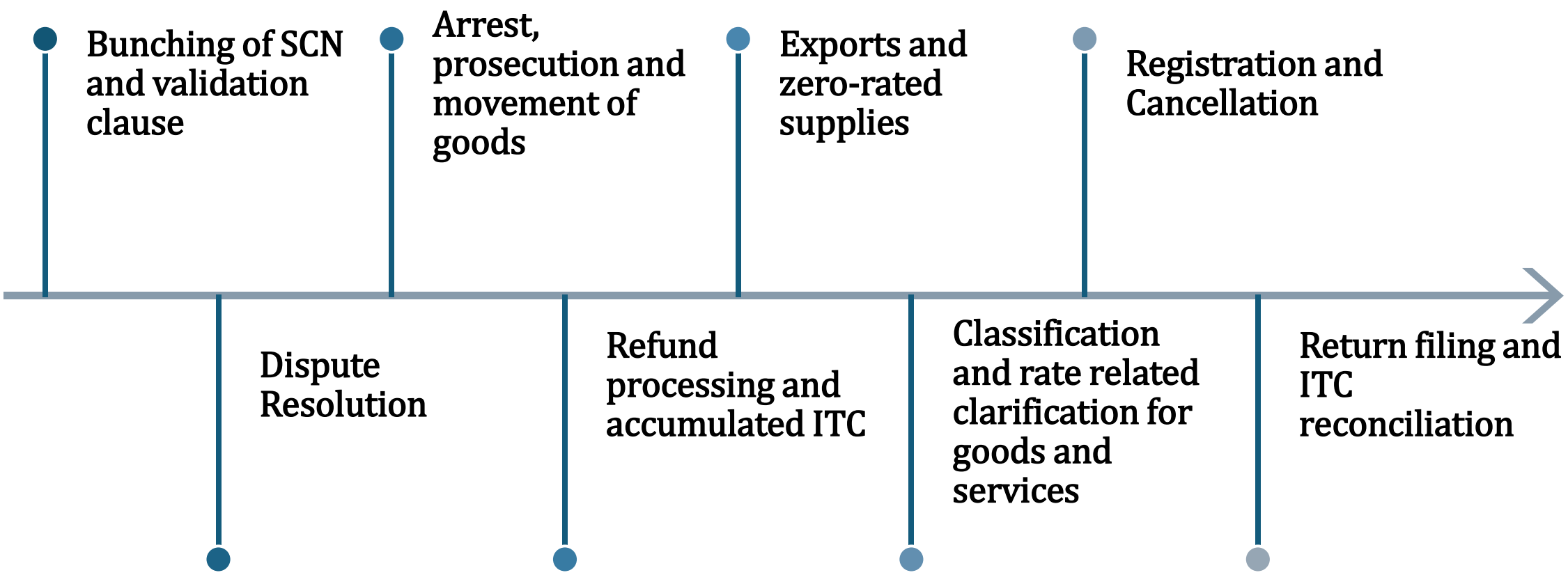
Impact Analysis of Latest Amendments & Council Decisions of GST

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HIGHLIGHTS



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BUNCHING OF SCN

SHOW CAUSE NOTICE (1/5)

GST Council has proposed to validate multi-year Show Cause Notices:

The GST Council has considered a proposal concerning the issuance of a single SCN covering multiple financial years. The proposal seeks to address disputes relating to the consolidation of tax demands across different financial years.

Current Position:

The CGST Act prescribes distinct statutory timelines for the issuance of SCN and adjudication orders under Sections 73, 74 and 74A, as applicable, which vary depending on the relevant financial year. However, GST authorities have issued consolidated SCNs covering multiple financial years.

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SHOW CAUSE NOTICE (2/5)

	Caselaws in favor of consolidation of SCN	Caselaws rejecting consolidation of SCN
1.	Principle Commissioner of Central Tax v. Pramur Homes and Shelters, WA No. 407/2026 *(Batch of petitions pending before the Supreme Court)*	Joint Commissioner (Intelligence & Enforcement), SGST Department, Thiruvananthapuram vs. Lakshmi Mobile Accessories - 2025 (95) G.S.T.L. 356 (Ker.)
2.	Fastenex Pvt. Ltd. vs. State Tax Officer, (ST) (Intelligence), Cuddalore (2026) 44 Centax 180 (Mad.)	Mathur Polymers v. Union of India — (2026) 38 Centax 135 (S.C.)
3.	Tata Projects Ltd. vs. Union of India (2026) 43 Centax 473 (Gau.)	Milroc Good Earth Developers v. UOI — (2025) 36 Centax 97 (Bom.)
4.	Technosys Integrated Solutions Pvt. Ltd. vs. Union of India (2026) 43 Centax 206 (Del.)	State Bank of India vs. Commercial CGST & Central Excise (2026) 44 Centax 47 (Cal.) [30-06-2026]
5.	Commissioner of Central Tax v. Chimney Hills Educational Society, WA No. 1751/2024	Rite Water Solutions (India) Ltd. v. Joint Commissioner, CGST & Central Excise — (2026) 39 Centax 399 (Bom.)

Larger Bench - Rollmet LLP vs. Union of India (2026) 41 Centax 332 (Bom.) [17-04-2026]

In this case, the issue on consolidation of SCN was referred to the **Larger Bench** due to conflicting judicial views on whether a consolidated SCN could be issued for multiple tax periods under Sections 73 and 74, and its interplay with the particularly in light of the period-wise limitation prescribed under Section 73(10).

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SHOW CAUSE NOTICE (3/5)

Rationale allowing consolidation of SCN	Rationale for not allowing consolidation of SCN
Common cause of action: Multiple issues arise from the same transaction, common facts or a continuing dispute.	Distinct tax periods: Each financial year may constitute a separate unit of assessment with independent facts and liabilities.
No statutory prejudice: Permissible where the applicable provisions allow it and the notice clearly identifies each tax period, allegation and demand.	Separate statutory limitation: Sections 73, 74 and 74A prescribe period-specific timelines; consolidation cannot override these limits.
Avoidance of multiplicity: Prevents repetitive proceedings, duplication of evidence and inconsistent findings.	Independent determination: Tax liability, ITC eligibility and returns may differ from one period to another.
Consistent adjudication: Enables a holistic determination where issues and evidence are interrelated.	Effective opportunity of hearing: A composite notice may obscure year-wise allegations, computations and the basis of demand.
Judicial economy: Saves time and resources for both taxpayers and the Department.	Prejudice to the taxpayer: Consolidation cannot cure non-compliance with mandatory statutory procedures or dilute procedural safeguards.

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SHOW CAUSE NOTICE (4/5)

What is ‘validation’ and what have the courts held?

Validation is a legislative mechanism through which the legislature removes the legal defect identified by a court and provides a valid statutory basis for an action that was previously held unlawful.

Shri Prithvi Cotton Mills Ltd.
v.
Broach Borough Municipality
(1969) 2 SCC 283

- The Hon’ble Supreme Court held that the legislature may remove the basis of a judicial decision by changing the law, but it cannot simply declare the court's judgment ineffective while leaving the underlying legal defect uncorrected.
- The amendment must identify and cure the statutory infirmity, define its scope and temporal application, and establish a valid legal basis for the notices.
- The amendment must comply with constitutional requirements, including legislative competence and the permissible limits of retrospective legislation.

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SHOW CAUSE NOTICE (5/5)

When can Validation happen?

- Validation may be undertaken where the legislature has the requisite legislative competence.
- The amendment must remove the legal basis on which the court invalidated the notices.
- It may operate retrospectively if the legislation clearly provides for such operation, addresses the defect identified by the court and complies with constitutional limitations.

What happens to the SCNs already issued?

- Notices pending adjudication or appeal may be affected if the amendment validly operates retrospectively and expressly covers those proceedings.
- The department must establish that the notices fall within the validation clause and satisfy all remaining statutory requirements.
- Where a High Court has already quashed a notice, the position requires particular care. A valid retrospective amendment may alter the legal basis on which the notice was challenged, but it does not follow that every quashed notice automatically stands revived.

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DISPUTE RESOLUTION

DISPUTE RESOLUTION

Common standards for notices and orders

- A comprehensive circular is proposed to guide tax officers on notices, adjudication orders, timelines, natural justice and personal hearings. Fraud, wilful misstatement or suppression should be invoked only where supported by the facts. The recommendation does not automatically invalidate existing proceedings.

Minimum ₹10,000 threshold for show-cause notices

- A minimum threshold of ₹10,000 is proposed under Sections 73, 74 and 74A, aggregating CGST, SGST/UTGST, IGST and cess. Interest, late fee and penalty are excluded, while wrongly availed or utilised ITC is included. A transitional provision is also proposed for certain pending proceedings below the threshold, subject to the final statutory wording.

Reclassification of voluntary-payment amounts

- In specified provisions, the term “penalty” is proposed to be replaced with “charge”. This is a change in terminology and legal treatment, not a reduction in the amount payable. The prescribed payment conditions and timelines must still be met.

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DISPUTE RESOLUTION

Reduced penalties in specified cases

- A reduced penalty of 5% is proposed in specified non-fraud cases where tax and interest are paid within the prescribed period 30 days under Section 73 or 60 days under Section 74A, as applicable. The minimum penalty of ₹10,000 in non-fraud cases is also proposed to be removed.

Reduction in general penalty ceiling

- The maximum general penalty under Section 125 is proposed to be reduced from ₹25,000 to ₹10,000. This would not override separate penalties prescribed under specific provisions.

Cap on appellate pre-deposit for appeals on penalty

- For appeals involving only a penalty and no tax demand, the proposed pre-deposit cap is ₹40 crore in aggregate ₹20 crore each under CGST and SGST/UTGST. This relief is limited to the specified penalty-only cases and does not apply generally to all GST appeals.

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Circular No. 258/04/2026-GST (1/5)

Structured and Reasoned Orders for GST Adjudication and Appeals

Background and Key Objectives

- The CBIC issued Circular No. 258/04/2026-GST under Section 168(1) of the CGST Act to promote consistency and uniformity in GST adjudication and appellate proceedings.
- The circular addresses concerns regarding vague, non-speaking and inadequately reasoned orders passed by adjudicating and appellate authorities.
- It emphasises the need for authorities to examine taxpayers' submissions, supporting evidence, statutory provisions and relevant judicial precedents.
- It seeks to strengthen procedural fairness, transparency, accountability and the quality of quasi-judicial decision-making.
- The objective is to reduce avoidable litigation, remands and reversals arising from deficiencies in notices and orders.

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Circular No. 258/04/2026-GST (2/5)

Show Cause Notices and Invocation of Fraud Provisions

- **Pre-SCN intimation: Form GST DRC-01A may be issued, wherever feasible, to enable clarification and voluntary compliance.**
- Adequate particulars: SCNs must clearly identify the facts, tax periods, statutory provisions, evidence, allegations and quantified demand, preferably financial-year-wise.
- **Fraud and suppression: Invocation of Sections 74 or 74A must be supported by specific facts and evidence establishing the relevant grounds and intent to evade tax, wherever required.**
- Mere non-payment of tax or discrepancies in returns do not, by themselves, establish fraud or suppression.
- Where fraud-related grounds are unsupported, the demand must be considered under the applicable non-fraud provision. Mixed demands must separately explain the legal basis and quantification for each category.
- Proceedings on the same subject matter must also account for the restriction under Section 6 concerning parallel proceedings by CGST and SGST/UTGST officers.

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Circular No. 258/04/2026-GST (3/5)

Adjudication, Natural Justice and Speaking Orders

- Personal hearings: Hearings are required where requested in writing or where an adverse decision is contemplated. The circular encourages virtual hearings and proper recording of proceedings.
- Reasoned decisions: Orders must address the taxpayer's reply, evidence, hearing submissions and relevant judicial precedents, explaining why arguments are accepted or rejected.
- **Independent application of mind: Orders must not mechanically reproduce the SCN or rely on unexamined material. AI-generated assistance may be used only with human oversight and independent verification.**
- Limits on adjudication: Under Section 75(7), the confirmed demand cannot exceed the amount specified in the SCN or be based on grounds not set out in it.
- Clear quantification: Orders should specify the demand confirmed or dropped, issue-wise and tax-period-wise, with the applicable tax components, interest, penalty and adjustments.
- Interest and penalty must be dealt with in accordance with the applicable statutory provisions; penalty cannot be imposed mechanically.

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Circular No. 258/04/2026-GST (4/5)

Rectification and First Appeals

- Section 161 — Rectification: Limited to errors apparent on the face of the record; it cannot be used to reconsider disputed facts, law or the merits of an order.
- Applications must ordinarily be made within three months, and rectification orders passed within six months, subject to the statutory exception for clerical or arithmetic errors arising from accidental slips or omissions.
- Section 107 — Appeals: Appeals must be filed within three months, with a further one-month period available for condonation where sufficient cause is established. Delay beyond the permissible condonable period cannot be ignored.
- Additional grounds and evidence may be admitted only in accordance with the applicable statutory and procedural conditions, with reasons recorded where required.
- Appellate authorities should avoid conducting a fresh investigation, document proceedings appropriately and aim to decide appeals within one year, excluding periods covered by court or tribunal stays.
- Cross-appeals arising from the same order should be decided together through a composite order.

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Circular No. 258/04/2026-GST (5/5)

Practical Implications and Key Takeaways

- For tax authorities: to draft precise SCNs, substantiate fraud allegations, comply with limitation periods and service requirements, and pass reasoned orders addressing all material submissions.
- For adjudication: Ensure meaningful hearings, transparent demand computation, proper treatment of interest and penalty, and timely communication of orders.
- For appellate authorities: Apply statutory maintainability requirements, regulate additional evidence and grounds, and ensure reasoned and timely disposal.
- For taxpayers: Submit detailed replies with supporting evidence, preserve records of hearings and filings, and identify defects in allegations, quantification or compliance with natural justice.

Overall impact

The circular seeks to improve procedural discipline, reduce arbitrary or unsustainable demands, and strengthen the quality and consistency of GST adjudication and appellate proceedings.

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Circular No. 259/05/2026-GST (1/2)

Clarifies the amount payable for admission of appeals before the Appellate Authority and Appellate Tribunal. Addresses six issues concerning admitted amounts, calculation of pre-deposits, refunds, interest and remand proceedings.

Admitted Amount

- Admitted amount: The portion of tax, interest, fine, fee or penalty acknowledged as payable and not intended to be challenged must be paid in full before filing the appeal.
- Tax in dispute: The contested portion of the liability against which the taxpayer intends to appeal.

Calculation of Pre-Deposit

- Appeal before the Appellate Authority: Full payment of the admitted amount, along with a pre-deposit equal to 10% of the disputed tax, as prescribed under Section 107(6).
- Appeal before the Appellate Tribunal: The admitted amount must be paid in full, along with a pre-deposit equal to 10% of the remaining disputed tax, in addition to the amount paid at the first appeal stage.
- If the Appellate Authority modifies the demand, the Tribunal-stage pre-deposit is calculated on the liability confirmed by the Appellate Authority that remains disputed.

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Circular No. 259/05/2026-GST (2/2)

Refund of Pre-Deposit Following a Favourable Order

- A favourable order does not need to expressly direct refund of the pre-deposit.
- The taxpayer must file a refund application under S. No. 7 of Form GST RFD-01 — "On account of order."
- Where the Department intends to appeal against a favourable order, the pre-deposit remains refundable unless the order is stayed by the Appellate Tribunal or a Court.
- Refund cannot be denied merely because the Department intends to or has filed a further appeal.

Interest on Refund of Pre-Deposit

- Section 115 governs interest payable where an amount deposited is required to be refunded.
- Where pre-deposits are made at both the Appellate Authority and Appellate Tribunal stages, the payment dates must be determined separately for each stage.
- Interest computation must correspond to the actual date on which each respective pre-deposit was paid.

Refund Where the Matter Is Remanded

- Full remand: Where the Appellate Tribunal remands the matter to the original adjudicating authority, the appellant is eligible for refund of the pre-deposit, to be granted within the prescribed time limit.
- Partial remand: Where part of the tax demand is upheld, the amount corresponding to the demand confirmed in favour of Revenue, along with applicable interest, must first be recovered or adjusted against the pre-deposit.
- The balance amount may then be refunded to the taxpayer.

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INTERPLAY BETWEEN LIMITATION ACT AND GST LAW

Section 107 of the CGST Act, 2017

- Section 107(1): Appeal before the Appellate Authority must be filed within **3 months** from communication of the order.
- Section 107(4): The Appellate Authority may condone delay for a **further period of 1 month**, upon sufficient cause being shown.
- The statutory outer limit for filing an appeal is therefore **4 months**.

Section 5 of the Limitation Act, 1963

- Permits condonation of delay in appeals and applications upon sufficient cause being established.
- Its applicability depends on whether the special statute expressly or impliedly excludes its operation.

Section 29(2) of the Limitation Act, 1963

- Governs the application of limitation provisions under special and local laws.
- Sections 4 to 24 of the Limitation Act apply to the extent they are not expressly excluded by the special statute.

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INTERPLAY BETWEEN LIMITATION ACT AND GST LAW

Radhika Furniture @ Radha Devi v. Commissioner, State Goods and Services Tax (2026) 44 Centax 276 (Uttarakhand)

- **Held**
  - Section 107 of the CGST Act prescribes a specific limitation period and a limited power to condone delay.
  - The Appellate Authority cannot condone delay beyond the additional one-month period under Section 107(4).
  - Section 5 of the Limitation Act stands excluded by necessary implication in the statutory appellate framework.

- **Distinction: Appellate Authority vs. High Court**
  - **Appellate Authority:** Cannot extend the statutory period beyond the prescribed outer limit.
  - **High Court:** Retains its separate constitutional jurisdiction under Article 226, exercisable in appropriate cases; this does not amount to routine condonation of a delayed statutory appeal.

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INTERPLAY BETWEEN LIMITATION ACT AND GST LAW

S.K. Chakraborty & Sons v. Union of India (2024) 15 Centax 172 (Cal.)

- **Facts**
  - The assessee challenged the dismissal of its GST appeals on limitation grounds.
  - The issue was whether the Appellate Authority could condone delay beyond the four-month period prescribed under Section 107 of the CGST Act.
- **Held**
  - Section 107 does not expressly or impliedly exclude Section 5 of the Limitation Act, 1963.
  - By virtue of Section 29(2) of the Limitation Act, Section 5 could be invoked to consider condonation beyond the statutory period.
  - The Appellate Authority could consider the delay in light of the facts and circumstances of the case.
- **Supreme Court Status**
  - The Revenue challenged the judgment before the Supreme Court in *Joint Commissioner of Commercial Taxes (West Bengal) v. S.K. Chakraborty & Sons*, SLP (C) Diary No. 20272 of 2024 and connected proceedings.
  - The Supreme Court stayed the operation of the impugned judgment by its order dated **30 August 2024**.
  - The matter remains pending before the Supreme Court; the Calcutta High Court's ruling should therefore be cited with this qualification.

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ARREST PROVISIONS

ARREST AND PROSECUTION

Removal of arrest powers:	• Omission of Section 69 of the CGST Act, thereby removing the power to arrest under the GST law. • Higher prosecution threshold: Increase the monetary threshold for prosecution from ₹1 crore to ₹5 crore.
Narrower scope of offences:	• Omit Section 132(1)(i), remove the expression "evades tax" from clause (e), and narrow clause (h) by removing the words "or in any other manner deals with".
Narrower ITC-related offence:	• Amend Section 132(1)(c) to cover fraudulent availment of ITC without receipt of goods or services, or without an invoice or bill.
Rationalised punishment:	• Reduce imprisonment exposure for specified offences and give courts greater discretion to impose a fine instead of imprisonment.

- Section 132(1)(i), concerning supply of services in contravention of the Act, is proposed to be omitted since the offence is difficult to quantify and may invite subjective interpretation.
- Section 132(1)(e) would be narrowed by removing "evades tax", leaving the clause focused on fraudulently obtaining a refund.
- Section 132(1)(h) would be narrowed by removing the broad expression "or in any other manner deals with", retaining the specifically listed acts.

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GST ARREST AND PROSECUTION: IMPLICATION

Prosecution may continue despite removal of arrest powers

- The FAQ clarifies that following the proposed amendment, a person cannot be arrested under the GST arrest mechanism.
- However, the tax authorities may still initiate prosecution by filing a complaint before the competent criminal court where the amount involved exceeds ₹5 crore, subject to the applicable statutory requirements.
- Accordingly, the proposed change concerns the power to arrest and does not, by itself, eliminate criminal liability for offences that continue to remain under Section 132.

Section 132: Offences and punishment remain relevant

- Section 132 prescribes offences and punishments for specified GST-related acts, including tax evasion, fraudulent availment of input tax credit and wrongful collection or utilisation of tax.
- Unless separately amended, the continued existence of the relevant offences and punishment provisions means that prosecution and imprisonment upon conviction may remain possible, even if the arrest mechanism is removed.

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GST ARREST AND PROSECUTION: IMPLICATION

Role of the criminal courts

- Section 134 provides that a court cannot take cognizance of an offence punishable under the CGST Act without the previous sanction of the Commissioner.
- It also provides that no court inferior to a Judicial Magistrate of the First Class may try an offence under the Act.
- Therefore, the proposed change would shift the emphasis away from arrest under Section 69, while leaving the applicable prosecution and judicial processes relevant.

Transitional and enforcement issues

- The treatment of arrests made before commencement of the amendment, pending complaints and ongoing investigations will require consideration of the final statutory language and applicable transitional provisions.
- Questions may also arise regarding the extent of the authorities' investigative powers after the amendment and whether enforcement activity shifts towards other statutory measures, including provisional attachment and restrictions on input tax credit.

Removing the arrest mechanism would reduce the coercive powers available to GST officers, but would not necessarily eliminate prosecution, criminal liability or other statutory enforcement measures.

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REFUND RELATED REFORMS

Amendments to Section 54 of the CGST Act

A. Refund of excess cash-ledger balance	• Full refund of eligible excess balance in the electronic cash ledger to be sanctioned automatically. • No officer intervention would be required for this category under the proposed mechanism.
B. Shorter acknowledgement period	• Reduce the time limit for issuing an acknowledgement or deficiency memo from 15 days to 10 days. • Provide for deemed acknowledgement where neither is issued within 10 days.
C. Provisional refund for zero-rated supplies and inverted duty structure	• Automatically sanction 90% of the amount claimed on a provisional basis. • Apply system-based identification and evaluation of risk. • Implement the proposed mechanism without officer intervention at the provisional-sanction stage.
D. Further automation	• In the second phase, provide system-based acknowledgement after verification of the application. • Provide for automated sanction of full refunds for qualifying zero-rated supply claims after adjustment of pending dues, if any.

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AMENDMENTS TO SECTION 54 OF THE CGST ACT

Who is excluded from the 90% provisional refund?

Excluded category	Who does this cover?
Certain notified commodity suppliers	Specified categories of registered persons engaged in supplying areca nuts, pan masala, tobacco and manufactured tobacco substitutes, and essential oils. The exclusion applies to the notified categories only.
Persons who have not undergone Aadhaar authentication	Any person who has not completed the Aadhaar authentication prescribed under Rule 10B of the CGST Rules, 2017. (Notification No. 14/2025–Central Tax dated 17.09.2025)
Refund cases involving specified pending proceedings	Cases where a DRC-01 has been issued against an RFD-06, an APL-03 has been filed without the corresponding APL-04, or an APL-07 has been filed against an appellate order while the corresponding APL-04 is yet to be issued. These cases are to be referred for appropriate scrutiny before provisional refund is sanctioned.

Inverted-duty-structure refunds are unavailable for goods covered by Notification No. 5/2017–Central Tax (Rate), as amended. Sections 54(10) and 54(11) of the CGST Act also provide for withholding refunds in specified circumstances.
These restrictions are distinct from the three exclusions listed above and will remain applicable.

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AMENDMENTS TO REFUND PROVISIONS

Documentation simplification

- Amend Form GST RFD-01 to capture information in a system-readable format.
- Dispense with scanned-document uploads for specified zero-rated and inverted-duty-structure refund applications.

The FAQ discusses electronic verification and matching with other systems, including ICEGATE for shipping data, RBI's EDPMS for export proceeds relating to services, and SEZ Online for relevant SEZ supplies.

It also emphasises that taxpayers must ensure that the information in the refund application is consistent with returns and other supporting records. Ineligible ITC, including blocked credit under Section 17(5), and required reversals under Rules 42 and 43 must be dealt with appropriately

Reduced document uploads should not be confused with removal of eligibility conditions or record-keeping obligations. The proposed automation increases the importance of accurate return data and consistency between GST records and export/SEZ information.

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OTHER REFUND RELATED CHANGES

1. Removal of turnover cap for export refunds:

- The Council recommended removing the restriction under Rule 89(4)(C), which caps the export turnover of goods at 1.5 times the value of like goods supplied domestically. This may increase eligible refunds for exporters, subject to the remaining formula and conditions.

2. ₹1,000 minimum refund threshold:

- The proposed amendment clarifies that the ₹1,000 threshold under Section 54(14) should be calculated by aggregating the refund across CGST, SGST/UTGST, IGST all together and other applicable tax heads, rather than separately for each head.

3. Interest on appellate Pre-deposits:

- The Council recommended a standalone provision under Section 115 to govern interest on refunds of pre-deposits made for appeals, alongside a clarificatory circular.

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ACCUMULATED ITC REFUNDS

Recognition of input services and capital goods

- Under the existing framework, ITC on capital goods is excluded from the relevant Net ITC computation, while ITC on input services is excluded for inverted-duty refunds.
- The Council has recommended a broader approach, but with different effective-date proposals and a specific method for capital-goods credit.

Input services in inverted-duty refunds from 1 November 2026

- The Council has recommended that ITC on input services availed on or after 1 November 2026 be included in Net ITC for computing refunds under Rule 89(5), relating to inverted duty structure.

Capital goods: Refund spread over 60 months from 1 April 2027

- The Council has recommended that eligible ITC on capital goods availed on or after 1 April 2027 be included in refund computations for:
- zero-rated supplies made without payment of tax under bond or LUT, under Rule 89(4); and
- inverted duty structure, under Rule 89(5).

Restrictions that continue to apply

The FAQ clarifies that the proposal does not make all capital-goods ITC refundable. Only eligible credit may be included. Credit blocked under Section 17(5), or credit otherwise inadmissible under the Act and Rules, cannot form part of the refund claim. Required reversals, including those under Rule 43, must also be taken into account.

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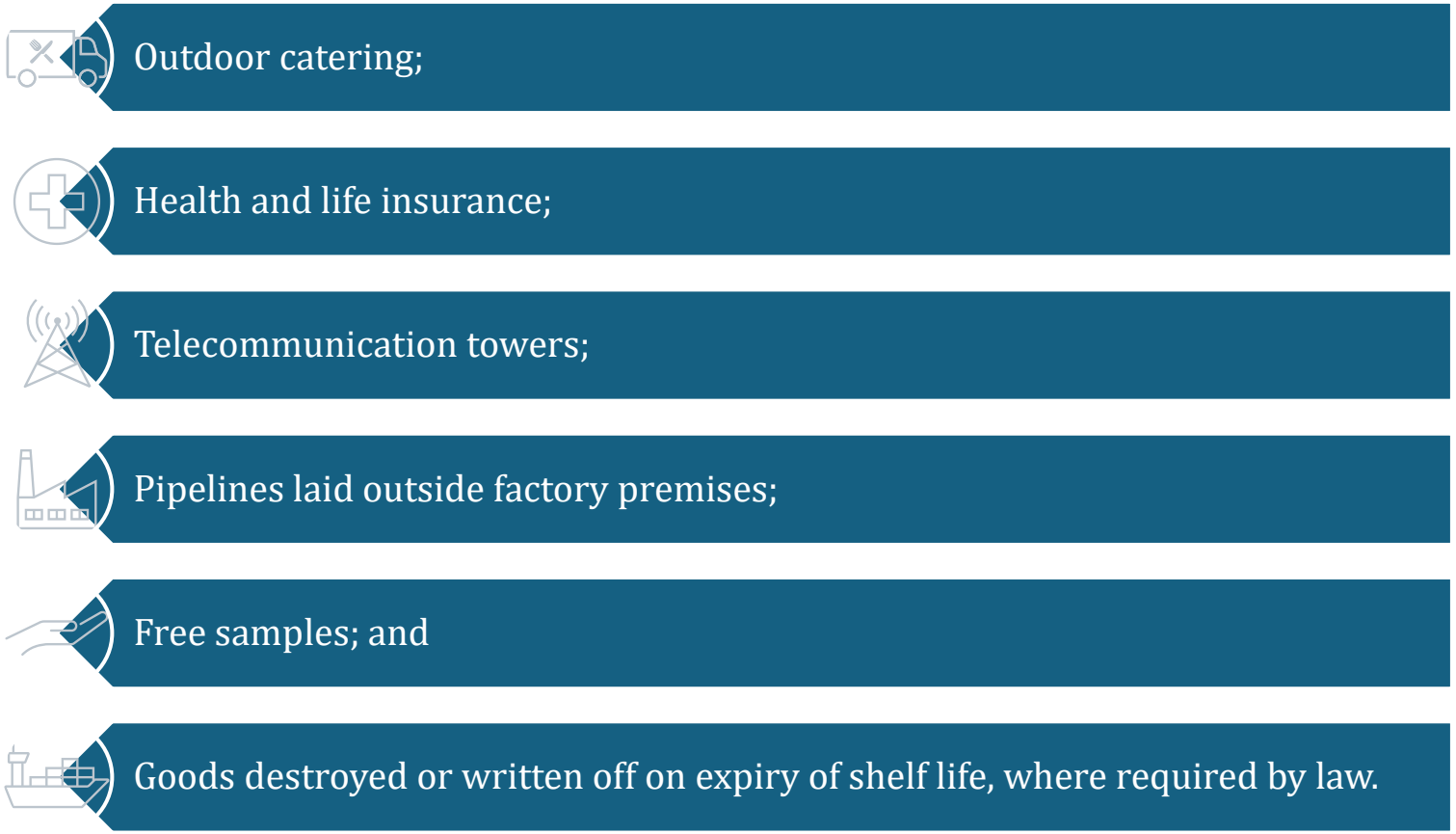


ITC RELATED REFORMS

ITC REFORMS

Rationalisation of blocked ITC under Section 17(5) of the CGST Act

Amendment to Section 17(5) of the CGST Act, 2017 recommended, in order to remove restrictions on ITC in relation to specified categories of expenditure and goods, including:



The stated objective is to reduce cascading of taxes and facilitate a smoother flow of ITC across the supply chain

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ITC REFORMS

Will Existing Disputes End, or Will Litigation Shift to Retrospectivity?

Will the amendments resolve existing disputes?

- The proposed relaxations may reduce future litigation by removing specified statutory restrictions.
- However, existing disputes will not necessarily conclude automatically. A key question will be whether the amendments apply only prospectively or can also affect claims and proceedings relating to earlier tax periods.

Principles governing retrospectivity

- In ***CIT v. Vatika Township Pvt. Ltd., (2015) 1 SCC 1***, the Supreme Court explained that legislation imposing a new burden or adversely affecting existing rights is ordinarily presumed to operate prospectively, unless retrospective operation is expressly provided or follows by necessary implication.
- The judgment provides an important interpretive principle, but it does not automatically determine the treatment of every amendment relaxing an ITC restriction.
- Where an amendment removes an existing restriction, the question will be whether it merely clarifies the original legislative position or changes the law by granting a benefit that was not previously available.

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ITC REFORMS

Will Existing Disputes End, or Will Litigation Shift to Retrospectivity?

Section 6 of the General Clauses Act, 1897

- Section 6 provides that, unless a different intention appears, repeal does not affect the previous operation of the enactment or anything duly done under it.
- Its application to a particular GST amendment will depend on the nature of the legislative change and the applicable statutory language.
- Accordingly, the provision should not be treated as automatically making every relaxation prospective or retrospective.

Section 16(2)(c): No decision yet

- No final decision has been taken on the issue concerning Section 16(2)(c) of the CGST Act, which deals with the requirement that tax charged on a supply must actually have been paid to the Government, subject to the statutory framework.
- **The issue has been referred to the Committee of Officers, which is expected to submit its report within three months.**
- The Council's position on this issue therefore remains pending, and its eventual resolution may have implications for disputes concerning ITC where the supplier has not discharged the tax liability.

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SECTION 16 OF CGST ACT

Section 16 of the CGST Act lays down the eligibility and conditions for availing input tax credit.

Section 16(2)(c) of the CGST Act deals with the requirement that tax charged on a supply must actually have been paid to the Government either in cash or through utilization of ITC admissible in respect of the said supply, subject to the provisions of Section 41 of the CGST Act which provides for availment of ITC.

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CASE LAWS ON SECTION 16

BHANDARI SCRAP TRADERS VS. UNION OF INDIA
(2026) 44 Centax 356 (S.C.)

SHAURYA ALLOYS PVT. LTD. VS. STATE OF PUNJAB
(2026) 47 Centax 82 (P&H)

Common Issue: Challenge to constitutional validity of Section 16(2)(c) on ground that ITC could not be denied for supplier's failure to deposit tax

HELD

- Affirmed and upheld the decision of the Gujarat High Court in the case of ***Maruti Enterprise vs. Union of India – (2026) 42 Centax 256 (Guj.)***, observing that the High Court was fully justified in holding that no grounds were made out to declare Section 16(2)(c) of the CGST Act as unconstitutional or read down the provisions thereof.

HELD

- The court dismissed the challenge to the constitutional validity of Section 16(2)(c) of the CGST Act, holding that ITC is a statutory concession and is available only upon fulfillment of the conditions subject to which it is conferred, and the competence of Parliament to prescribe such a condition is not in question. Rejecting arguments that the clause forces purchasing dealers into an "impossible act" or should be read down to cases of fraud, collusion, etc., the court clarified that potential arbitrary enforcement by authorities does not invalidate the statute itself. The remedy lies in ensuring that the power is exercised in the manner the statute contemplates.

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ITC REFORMS (Telecom Towers)

GST Council's Recommendation

The 57th GST Council recommended amending Section 17(5) to remove ITC restrictions relating to telecommunication towers.

If implemented prospectively, the key issue is whether the existing restrictions would continue to govern ITC claims for earlier periods.

17.Apportionment of credit and blocked credits.

(5) Notwithstanding anything contained in sub-section (1) of section 16 and sub-section (1) of section 18, input tax credit shall not be available in respect of the following, namely:—

(d) goods or services or both received by a taxable person for construction of an immovable property (other than 81a[plant and machinery]) on his own account including when such goods or services or both are used in the course or furtherance of business.

Explanation 1.— For the purposes of clauses (c) and (d), the expression "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;

Explanation 2.— For the purposes of clause (d), it is hereby clarified that notwithstanding anything to the contrary contained in any judgment, decree or order of any court, tribunal, or other authority, any reference to "plant or machinery" shall be construed and shall always be deemed to have been construed as a reference to "plant and machinery.

(6) The Government may prescribe the manner in which the credit referred to in sub-sections (1) and (2) may be attributed.

Explanation.— For the purposes of this Chapter and Chapter VI, the expression "plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes—

(i)land, building or any other civil structures;

(ii)telecommunication towers; and

(iii)pipelines laid outside the factory premises.

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ITC REFORMS (Telecom Towers)

Judicial Position

- In ***Vodafone Mobile Services Ltd. v. Commissioner of Service Tax*** **(2018),** the Delhi High Court held that telecom towers and pre-fabricated buildings (PFBs) were movable property, as they could be dismantled and relocated without damage to their essential structure. Mere attachment to foundations for stability did not render them immovable. Subsequently, the Supreme Court in ***Bharti Airtel Ltd. v. Commissioner of Central Excise, Pune (Supreme Court)*** **(2024),** examined the eligibility of telecom towers and PFBs for CENVAT credit and applied the principles governing their classification as movable property under the applicable rules.
- In ***Bharti Airtel Ltd., Indus Towers Ltd. and Elevar Digital Infrastructure Pvt. Ltd. v. Union of India*** (Delhi HC, 12 December 2024), the Court examined whether telecom towers and pre-fabricated shelters constituted movable or immovable property for CENVAT credit purposes. Further, the court relying in the decision of Supreme Court in ***Bharati Airtel*** held that the telecom towers in question were movable property. Clarified that exclusion from the definition of "plant and machinery" under Section 17(5) does not, by itself, establish that towers are immovable property.
- The Department then, challenged the Delhi High Court decision by way of Special Leave Petition. The Supreme Court dismissed the Revenue's SLPs on 8 August 2025 and review petitions on 19 August 2026.

Impact on Past Periods

- Revenue may argue that a prospective amendment leaves earlier periods governed by the unamended statutory provisions.
- However, the amendment does not, by itself, establish that ITC was inadmissible under the earlier law.
- Revenue would need to address the existing judicial interpretation rather than rely solely on the subsequent amendment.

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EXPORT AND ZERO-RATED SUPPLY

EXPORTS /ZERO RATED SUPPLIES

Export & Zero-Rating Reforms (IGST Act)

- Omission of Section 2(6)(v) of the IGST Act: Distinct person condition
- Issuance of Circular: Payment in foreign exchange/ INR
- Omission of Section 13(3)(a): Place of supply
- Insertion of Explanation to Section 16(1) of the IGST Act: Supply to SEZ/FTWZ

Export of services:

- Recommendation: Omit Sub-Clause (v) of Clause (6) of Section 2 of the IGST Act, 2017
- Removes the condition that supplier and recipient must not be establishments of a distinct person for a supply to qualify as export of services.

Facilitates refunds for Indian service providers in respect of services supplied to/through foreign offices/branches and thus will promote export of services from India.

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Omission of Section 2(6)(v)

Under Section 2(6) of the IGST Act, five cumulative conditions must be met for a transaction to qualify as an "Export of Services":

(i) Supplier of service is located in India.

(ii) Recipient of service is located outside India.

(iii) Place of supply of service is outside India.

(iv) Payment for such service has been received in convertible foreign exchange (or in Indian rupees wherever permitted by the Reserve Bank of India).

~~(v) The supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 to Section 8.~~ **(Recommended for omission by the 57th GST Council)**

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Circular No. 161/17/2021-GST dated 20.09.2021

Clarification issued vide Circular No. 161/17/2021-GST dated 20.09.2021

If any company incorporated in India, is operating through a branch or an agency or a representational office in any country outside India, then that branch or agency or representational office shall be treated as the establishment of the said company in the said country as per Explanation 2 to section 8 of the IGST Act.

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Impact of Omission of Section 2(6)(v)

Omitting Section 2(6)(v) Cannot Convert Internal Self-Service into an Export

- Activities within one legal entity cannot become services from one person to another merely because its establishments are geographically separated.
- On that approach, an internal branch activity fails at the threshold of service and supply. Its exclusion from export treatment does not depend solely on retaining Section 2(6)(v) of the IGST Act; omitting that condition cannot convert self-service into an export.
- Accordingly, transactions between head office in India and branch office outside India do not qualify as export of services merely because of omission of Section 2(6)(v) of the IGST Act, 2017

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PLACE OF SUPPLY: SECTION 13

Section 13(2)

- Place of supply is the location of the recipient of services.
- Where the recipient is overseas, the service qualifies as an export of service under Section 2(6) of the IGST Act.

Section 13(3)(a)

- Overrode the default provision by deeming the place of supply to be the location where services are actually performed.
- Provided the goods were physically made available by the foreign recipient to the supplier in India.

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PLACE OF SUPPLY: SECTION 13(3)(a)

Present Provision:

- Services where goods are required to be made physically available to the supplier in India for testing, repair, R&D, clinical trials, etc.
- Place of supply shall be where the service is being performed, i.e. India.

Recommendation: Omission of Section 13(3)(a) of the IGST Act:

- Default provision under Section 13(2) of the IGST Act shall apply: place of supply shall be the location of the recipient of services.

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PLACE OF SUPPLY: THE LEGAL CONFLICT

When an Indian vendor imported goods or took physical possession of them in India to carry out repairs, treatment or process, the performance took place within Indian territory.

Tax authorities routinely applied Section 13(3)(a) of the IGST Act to indicate the Place of Supply to be in India. As a result, even though the service was contracted by and billed to a foreign client in foreign currency, the transaction failed the condition under Section 2(6)(iii) of the IGST Act, i.e. place of supply of service is outside India, and was denied export status, subjecting it to tax.

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37th GST COUNCIL MEETING

GST Council examined the issue on various kinds of research services provided by the Indian pharma companies on the research material supplied by the foreign clients' companies and clarifications were sought as to whether such services would fall under Section 13(3)(a) of the IGST Act.

The GST Council was of the view that samples given by foreign clients of Indian pharma companies were not marketable and hence did not qualify as 'goods' based on the legal precedents on the said point. It was accordingly concluded that the place of supply of the R&D services would be the location of the service recipient, i.e., foreign client outside India.

Clarification was also sought on place of supply of services related to R&D design services of semi-conductor chips to foreign clients.

CBIC thereafter, vide ***Circular No. 118/37/2019-GST dated 11.10.2019,*** clarified that the place of supply of software/design by the supplier located in the taxable territory to service recipient located in non-taxable territory by using sample prototype hardware is location of the recipient of service.

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PLACE OF SUPPLY: SECTION 13(3)(a)

With its omission, in cases where the goods are made physically available by the recipient of services:

- The transactions fall back under the default provision of Section 13(2) of the IGST Act.
- The Place of supply shall be the location of the recipient of such services.

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KEY TAKEAWAYS:

Taxpayers previously relied on the second proviso to Section 13(3)(a), which exempted goods temporarily imported for repair, process or treatment and re-exported without being put to use in India.

Revenue officers frequently litigated the phrase "put to use", claiming that testing or repairing constituted "use" in India.

Omitting Section 13(3)(a) of the IGST Act renders this contentious proviso obsolete and the transactions will be determined as per the default provision of Section 13(2) of the IGST Act, i.e. location of recipient of service.

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GOODS SUPPLIED TO AN OVERSEAS BUYER BUT DELIVERED TO AN SEZ/FTWZ

1. Goods supplied to overseas buyer

2. Delivered to buyer in SEZ/FTWZ

3. Payment received in ble foreign exchange, or INR wherever RBI permits

Insertion: Deemed supply of goods to SEZ/FTWZ (Explanation to s.16(1), IGST Act)
Result: certainty of zero-rating benefit to Indian manufacturers

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Circular 263/09/2026-GST dated 26.10.2026 (1/2)

Clarification in respect of receipt of payment for export of goods or services

Wherever the payment for export of service made by the Indian exporters is received in foreign exchange or in repatriable rupee (INR) accounts, such as SNRR Account or INR Nostro account, or any other similar account for repatriation of foreign exchange, the same shall be considered to be fulfilling the conditions of sub-clause (iv) of clause (6) of Section 2 of IGST Act.

Payment to brokers through repatriable INR accounts (SNRR, NRE) may be considered to be fulfilling the conditions of sub-clause (iv) of Section 2(6) of the IGST Act. However, in case of payments through NRO accounts, as per RBI guidelines, the same should be routed through repatriable INR accounts (SNRR, NRE) for it to be considered to satisfy the conditions stipulated under sub-clause (iv) of Section 2(6) of the IGST Act.

It was further clarified that set-offs are a valid mode of settlement as per FEMA regulations and wherever export receivables are set-off against import payables, then as long as such set-off is in accordance with the directions issued by the RBI, the said condition of sub-clause (iv) of Section 2(6) of IGST Act, shall be considered to be fulfilled.

In cases where an Indian reinsurance broker receives commission through the net retention mechanism, the commission is retained from the funds before the net premium is remitted to the foreign reinsurer, instead of being received through a separate inward remittance. Since the obligation to realize and repatriate export proceeds is treated as fulfilled under FEMA regulations, the condition under Section 2(6)(iv) of the IGST Act is considered satisfied.

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Circular 263/09/2026-GST dated 26.10.2026 (2/2)

Clarification in respect of receipt of payment for export of goods or services

The time limit for realization of export proceeds for goods under Rule 96B of CGST Rules shall be as prescribed under RBI's FED Master Direction No. 16/2015-16 dated 01.01.2016, as amended from time to time.

Where export proceeds are not realized within the prescribed or extended period under FEMA, the refund amount paid is liable to be recovered, to the extent of non-realization, along with applicable interest, within 30 days from the expiry of said period or extended period, under Rule 96B.

No recovery of refund shall be made under Rule 96B where the requirement of realization has been written off, wholly or partly, by the Authorised Dealer (AD) Bank.

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RECOMMENDATIONS RELATING TO GOODS AND SERVICES

CHANGES/CLARIFICATION- GST RATES ON GOODS

Sublimation Paper	• To be classified under Heading 4809
Notification entries related to toys	• To cover all categories of toys mentioned in 9503
Sea-weed extract based bio-stimulants	• Heading 3101 as fertilisers
Suppliers of second-hand vehicles under the GST margin scheme	• ITC on inputs or input services allowed. Restriction on availment of ITC applies only on tax paid on procured second-hand vehicles.
Waste and scrap of plastics, e-waste, tyre scrap, used cooking oil	• RCM when supplied by unregistered person to registered person + 2% TDS introduced when supply is from registered to registered person (B to B)
Supply of Psyllium seeds (Isabgol)	• NIL rate
Re-treaded tractor tyres	• 5% GST [Aligning with GST rate of new tractor tyres]

GST treatment of classification of sublimation paper, sea-weed extract based bio-stimulant will be regularized on an "as is where is" basis, this means that the tax position already adopted by the taxpayer for the past period, will be accepted and no refund of such amount will be allowed.

Exemption for past periods on Compensation Cess not levied by CSDs on 2 and 4 wheelers for 01.07.2017 to 30.09.2022 and by CSDs and Unit Run Canteens on aerated drinks for 01.07.2017 to 31.03.2022

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Circular No. 265/10/2026-GST

Issue	Clarification	GST Implication
Classification of sublimation paper	Sublimation paper is classifiable under Heading 4809.	GST at 18%. Past disputes on classification and applicable GST rate are to be regularised on an "as is where is" basis.
Classification of toys	Entries covering toys under S. No. 497 of Schedule I and S. No. 616 of Schedule II of Notification No. 09/2025-C.T. are not restricted to tricycles, scooters, pedal cars and similar wheeled toys. They extend to other toys under Heading 9503, including dolls, dolls' carriages, scale models and puzzles.	5% GST for covered non-electronic toys and 18% GST for covered electronic toys, subject to the applicable entry.
ITC under the margin scheme for old and used motor vehicles	The ITC restriction under the relevant margin scheme notifications applies only to tax paid on the purchase of the second-hand motor vehicles themselves. ITC on other inputs and input services, such as spares, repairs, maintenance, technology services, rent, marketing and advertising, is not barred merely because the supplier uses the margin scheme.	Dealers may avail ITC on eligible business inputs and input services, subject to the CGST Act, 2017.
Classification of seaweed-extract-based bio-stimulants	Seaweed-extract-based bio-stimulants registered under Schedule VI to the Fertiliser (Inorganic, Organic or Mixed) (Control) Order, 1985, are classifiable under Heading 3101.	Covered by S. No. 237 of Schedule I of Notification No. 09/2025-C.T. Past classification disputes are to be regularised on an "as is where is" basis.

Services (1/5)

Passenger transport and rental services using electric vehicles

Provides an option to pay GST at 5%, with restricted ITC, on passenger transportation and rental services of motor vehicles supplied with an operator, where an electric vehicle is used and the cost of battery charging is included in the consideration.

The proposed change seeks to align the GST treatment of comparable services, irrespective of whether the vehicle runs on conventional fuel or electricity.

Transportation and delivery services supplied through e-commerce operators

Bring specified delivery services supplied through an electronic commerce operator (ECO) within Section 9(5) of the CGST Act, 2017, and prescribe a 5% GST rate without ITC for the specified services. To cover delivery services other than courier and postal services, in the circumstances described by the Council.

The Council also recommended a 5% rate without ITC for delivery services relating to goods supplied or ordered through an ECO, and **exclusion of the existing exemption** for specified goods transportation services provided by a goods transport agency (GTA) to unregistered persons where the goods are supplied or ordered through an ECO.

Businesses operating delivery platforms, merchants selling through e-commerce platforms, and logistics providers liable under Section 9(5), will be subject to GST at the rate of 5% without ITC applies.

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(Services 2/5)

Motor-vehicle leasing

Recommends to clarify the GST treatment of amounts such as registration charges, road tax, insurance and FASTag charges incurred by a lessor and subsequently recovered from the lessee in connection with the leasing of motor vehicles.

A lessor may pay certain charges in connection with a leased vehicle and subsequently recover those amounts from the lessee. The GST treatment of such recoveries can give rise to disputes over whether they form part of the value of the leasing service or qualify for separate treatment.

ITC for resellers of specified services in the same line of business

Permit limited ITC in the same line of business for specified services, including restaurant and outdoor catering services, hotel accommodation up to ₹7,500 per unit per day, and gym or fitness services, in a manner similar to the existing treatment for specified passenger transport, tour operator and motor-vehicle renting services.

Certain services taxed at 5% without ITC can suffer tax cascading when a business purchases the same category of service and resells it as an output service. The GST paid on the input service becomes a cost, even where the business is supplying a similar taxable service onward.

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(Services 3/5)

Passenger transport by helicopter from specified locations

Exempt passenger transportation by helicopter on a seat-sharing basis from or to airports or helipads located in the north-eastern states, Sikkim and Bagdogra in West Bengal..

The measure is intended to improve connectivity to specified regions while reducing the GST cost of qualifying helicopter passenger services.

Exemption for coffee-curing services

Exempt agricultural support services consisting of curing coffee, provided by coffee curers to cultivators.

Coffee curing, is ordinarily carried out at separate curing works because of the climatic and geographical requirements of the process. The Council has therefore recommended a specific exemption for coffee-curing services supplied to cultivators.

Services provided by the Seamen's Provident Fund Organisation

Exempt services provided by the Seamen's Provident Fund Organisation (SPFO) to persons governed by the Seamen's Provident Fund Act, 1966.

The proposal is directed at services supplied by the specified organisation to persons covered by the relevant legislation. It should not be read as a general exemption for all provident-fund, pension or employee-benefit services supplied by other organisations.

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(Services 4/5)

Research and development services: self-certification for exemption

Introduce a simplified self-certification mechanism under which the head of the institution or organisation undertaking research and development certifies that the activity is genuinely in the nature of R&D and not consultancy, for determining eligibility under Entry 44A of Notification No. 12/2017–Central Tax (Rate).

The proposed mechanism is intended to reduce documentary and procedural burdens when claiming the relevant exemption.

Import of services by Indian establishments of foreign shipping lines

Exempt the import of services by an Indian establishment of a foreign shipping company from its related person or another establishment outside India, where the services are provided without consideration. The Council also recommended regularising the past period on an "as is where is" basis.

This proposal addresses the GST treatment of certain cross-border intra-group services received by Indian establishments of foreign shipping companies. (e.g. concessionaire)

Valuation and time of payment of GST on highway O&M services under the TOT model

Prescribe a special procedure for valuation and the time of payment of GST on operation and maintenance (O&M) services supplied by concessionaires to the concessioning authority under the TOT model.

Under the proposed procedure, GST liability would arise in the tax period in which the O&M expenses are charged or debited from the toll-proceeds escrow account. The value would be based on the actual O&M expenditure charged or debited during that period.

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(Services 5/5)

Upfront or concession amount under the Toll-Operate-Transfer (TOT) model

Exempt services involving the grant by the Government, a local authority, governmental authority or government entity of the exclusive right, licence and authority to a concessionaire to demand, collect and appropriate toll fees for highway projects under the TOT model

Under a TOT arrangement, a concessionaire may pay an upfront concession amount to obtain the specified toll-collection rights for a highway project. The proposed exemption seeks to address the GST treatment of the grant of those rights.

Fund Transfer Pricing mechanism in banks

Clarify that the notional amount treated as "interest" in a bank's books for notional transfers of funds between branches by the head office under its Fund Transfer Pricing mechanism is covered by the definition of "interest" in Notification No. 12/2017–Central Tax (Rate)

Banks may use internal Fund Transfer Pricing arrangements to allocate the cost or value of funds between branches and business units. The proposal seeks to clarify the GST treatment of the notional interest amount recorded for such internal transfers.

*GST treatment of import of services by Indian establishment of foreign shipping line will be regularized on an "as is where is" basis, this means that the tax position already adopted by the taxpayer for the past period, will be accepted and no refund of such amount will be allowed.

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Circular 262/08/2026-GST dated 26.10.2026 (1/2)

ITC admissibility to authorized agents appointed by manufacturers for sale of motor vehicles, pursuant to Circular No. 231/25/2024-GST dated 10.09.2024

- **"Dealer-agency model"-** the dealer purchases new vehicles from the Original Equipment Manufacturer (OEM) as are required for demo or test drive purposes. New vehicle sales are done directly by the OEM to the customer.
- **"Traditional dealership-based model"-** the dealer purchases a fleet of new vehicles and designates a few of these as demo vehicles for test drive purposes to promote vehicle sales.

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Circular 262/08/2026-GST dated 26.10.2026 (2/2)

ITC admissibility to authorized agents appointed by manufacturers for sale of motor vehicles, pursuant to Circular No. 231/25/2024-GST dated 10.09.2024

- Para 4.6 of Circular No. 231/25/2024-GST, clarified that in case where an authorized dealer merely acts as an agent or service provider to the vehicle manufacturer, i.e. the "dealer-agency model", ITC in respect of a demo vehicle purchased by such authorized dealer for providing facility of vehicle test drive would be blocked in terms of sub-clause (A) of clause (a) of section 17(5) of the CGST Act, 2017, as such an agent is not making the supply of motor vehicles on his own account and is merely providing marketing or facilitation services to the vehicle manufacturer.
- **The said clarification is hereby withdrawn and it is clarified that ITC on the demo vehicles is not blocked under clause (a) of section 17(5) of the CGST Act, to the dealer in the dealer-agency model.**
- The use of the phrase "such motor vehicles" rather than "said motor vehicle" in section 17(5)(a)(A) of the CGST Act, 2017, indicates that ITC is permitted not only on the specific vehicle sold, but also on vehicles used for further supply of similar motor vehicles.
- Since the demo vehicles in both types of business model (dealer-agency model as well as traditional dealership-based model) serve the same purpose of furthering the supply of similar vehicles, ITC should be allowed on such demo vehicles in both type of business models, including the dealer-agency model.

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CIRCULAR NO. 266/12/2026-GST (1/6)

Pursuant to the 57th GST Council Meeting, CBIC has issued Circular 266/12/2026-GST dated 28.10.2026 providing clarifications on applicability of GST on certain services:

R & D Services	• Self-certification may support exemption claims for eligible grant-funded R&D services.
Shipping Companies	• Past-period GST on specified import of services is regularised on an "as is where is" basis.
Motor vehicle leasing	• Statutory and ancillary recoveries form part of the taxable value of leasing services.
TRAI	• TRAI does not qualify as "Government" under Section 2(53) of the CGST Act.
Banking – FTP	• Qualifying notional interest under the FTP mechanism is exempt from GST.
NBFC co-lending	• Lending support services provided by NBFCs to banks are taxable under GST.

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CIRCULAR NO. 266/12/2026-GST (2/6)

R&D Services vis-a-vis Consultancy Services:

- Entry 44A of Notification No. 12/2017–CT(R), effective from 10.08.2024, exempts specified research and development services provided against consideration received in the form of grants.
- The exemption applies to Government Entities and eligible research associations, universities, colleges and other institutions notified under Section 35(1)(ii) or (iii) of the Income-tax Act, 1961.
- Since R&D and consultancy services may overlap in practice, clarification was required to distinguish the two.
- **Clarification: A certificate issued by the head of the concerned eligible institution to certify that the activity undertaken is in the nature of R&D and not consultancy.**

Statutory and Ancillary Recoveries in Motor Vehicle Leasing:

- Issue: Whether statutory and ancillary expenses recovered separately by a lessor from a lessee, over and above the lease rent, are liable to GST independently or as part of the leasing service.
- **Clarification: The lessor purchases and owns the vehicle during the lease period. Expenses such as registration charges, insurance premiums, FASTag charges and other incidental expenses, incurred by the lessor in relation to the vehicle are incidental to, and closely connected with, the leasing service. The said service shall therefore, be ancillary in nature and the transaction shall be taxed at the rate of the leasing service.**

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CIRCULAR NO. 266/12/2026-GST (3/6)

Import of Services by Indian Establishments of Foreign Shipping Companies

Background

- The issue concerns import of services by an Indian establishment of a foreign shipping company from a related person or any of its establishments located outside India, without consideration.
- The GST Council recommended an exemption for such transactions, effective from 1 November 2026.

Clarification

- The exemption has been implemented through Notification No. 07/2026–Integrated Tax (Rate) dated 27 October 2026.
- GST payment for the period 1 July 2017 to 31 October 2026 has been regularised on an “as is where is” basis.

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CIRCULAR NO. 266/12/2026-GST (4/6)

Whether TRAI Qualifies as "Government" under GST?

Issue: Whether the Telecom Regulatory Authority of India (TRAI), a statutory authority established under the TRAI Act, 1997 and substantially funded through Government grants, qualifies as "Government" under GST law.

Legal Position:

- Section 2(53) of the CGST Act defines "Government" as the Central Government.
- A statutory body or authority established under legislation is a juridical entity distinct from the Government.
- Regulatory bodies and autonomous entities do not qualify as "Government" merely because they are established by statute or receive Government funding.

Clarification:

- TRAI is not "Government" within the meaning of Section 2(53) of the CGST Act.

Implication: GST treatment must be determined by reference to TRAI's status as a separate statutory authority and the specific exemption or charging provisions applicable to the transaction, rather than its statutory origin or funding source.

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CIRCULAR NO. 266/12/2026-GST (5/6)

Fund Transfer Pricing (FTP) Mechanism in Banks

Issue: Whether notional interest recorded in the books of account under the Fund Transfer Pricing (FTP) mechanism is liable to GST when funds are notionally allocated between branches through the Head Office.

- FTP is an internal mechanism used by banks to allocate funds and assess the performance of different branches or business units.
- The Head Office notionally pools funds from deposit-mobilising branches and allocates them to lending branches at an internally determined price.
- GST demands have been raised on the premise that the Head Office and branches are distinct persons under Section 25(4) of the CGST Act.

Clarification:

- The notional amount represents the cost of funds and is akin to interest.
- Such amount is covered by the definition of “interest” under Notification No. 12/2017–Central Tax (Rate).
- Accordingly, the notional amount/interest recorded against the activity of making a loan or advance under the FTP mechanism is exempt from GST.

CIRCULAR NO. 266/12/2026-GST (6/6)

Services Provided by NBFCs to Banks under Co-lending Arrangements

Issue: Whether services provided by a Non-Banking Financial Company (NBFC) to a bank under a co-lending arrangement are liable to GST.

Background

- Under the co-lending model, banks and NBFCs jointly extend credit to borrowers in pre-agreed proportions.
- The borrower is generally charged a blended rate of interest based on the lending rates of the participating regulated entities.
- The NBFC may undertake customer sourcing, KYC, credit appraisal, underwriting, servicing, monitoring, repayment collection and recovery.

Clarification

- The activities undertaken by the NBFC constitute lending services provided to the bank.
- These services are taxable under GST.
- The value of the services is the amount specified in the contractual agreement between the NBFC and the bank.

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E-Way Bill/ Detention

The GST Council recommends amending Section 68, 129 and 130

The GST Council recommends that a conveyance would be capable of interception only on:

- specific intelligence, and
- authorisation of an officer not below the rank of Joint Commissioner.

However, in the absence of any E-Way Bill or supporting documents indicating origin of goods/ destination, goods could still be inspected/detained/seized irrespective of jurisdiction

The Council further recommends that inspection/detention/seizure ordinarily be possible where:

- supplier or recipient is located/registered in the State where interception occurs.

There should be no interception or confiscation under Section 130 in transit States.

Illustration:

- A Karnataka supplier sends goods to Maharashtra through Telangana.
- Under the proposed framework, Telangana should not ordinarily intercept merely because the vehicle is physically transiting Telangana.
- The mechanism shifts enforcement towards the State connected with the actual supplier/recipient rather than the mere transit State.

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MISCELLANEOUS

OTHER RECOMMENDATIONS:

Transfer of Intellectual Property

- The Council proposes amendment of Entry 5(c) of Schedule II to treat transfer of title in IPRs, whether temporary or permanent, uniformly as a supply of services.

Clarificatory Circulars

The Council proposes circulars relating to:

- ISD;
- ITC for banks/NBFCs opting for Section 17(4);
- appellate pre-deposits;
- ITC on demonstration vehicles;
- retrospective omission of Rule 96(10) from 23 October 2017 pursuant to the Supreme Court judgment.

Section 16(4), Section 37 and Section 39 alignment

The Council recommends amendments to Sections:

- 16;
- 37;
- 39,

to align the time limits for furnishing outward supply statements and returns with the Section 16(4) time limit for ITC.

This aims to consolidate both temporary and permanent transfer of title in IPR *(permanent transfer was previously considered as 'sale of goods')*

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OTHER RECOMMENDATIONS:

E-invoicing for RCM from unregistered persons/import of services

The Council recommends extending e-invoicing to:

- domestic supplies received from an unregistered person where tax is payable under RCM; and
- import of services,

for taxpayers having aggregate annual turnover of **₹5 crore and above.**

Amendment in Rule 86A

- The Council recommended an amendment to provide a mechanism for enabling the taxpayer to file an objection against blocking of any amount in the electronic credit ledger and to avail an opportunity of personal hearing.

GSTAT reforms

The Council approved amendments to the CGST Act and GSTAT Appointment Rules to align GSTAT provisions with:

- Tribunals Reforms Act, 2026;
- National Tribunals Commission;
- 2026 qualification/selection/service rules.

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Circular No. 264/10/2026-GST (1/2)

Retrospective applicability of the omission of Rule 96(10) of the CGST Rules, 2017.

- Rule 96(10), effective from 23 October 2017, sought to prevent exporters from claiming a double benefit where they procured inputs under specified exemption or concessional notifications and also claimed IGST refunds on exports.
- In view of difficulties faced by exporters, the GST Council recommended removal of the restriction.
- Rule 96(10) was omitted prospectively with effect from 8 October 2024 through Notification No. 20/2024-Central Tax.
- The issue arose whether the omission could apply retrospectively from 23 October 2017, particularly to pending proceedings.

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Circular No. 264/10/2026-GST (2/2)

Supreme Court Ruling : Goodluck India Ltd.

- In M/s Goodluck India Limited v. Union of India, judgment dated 6 August 2026, the Supreme Court considered the effect of omitting Rule 96(10).
- The Court held that, in the absence of a saving clause or sunset clause accompanying the omission, it applies to all proceedings pending on the date of omission.
- Relying on the Constitution Bench decision in ***Kolhapur Canesugar Works Ltd. v. Union of India (2000)***, the Court reiterated that Section 6 of the General Clauses Act, 1897 does not apply to the omission of a rule.
- Pending proceedings can continue after omission only where an express provision or an appropriate legal mechanism preserves them.

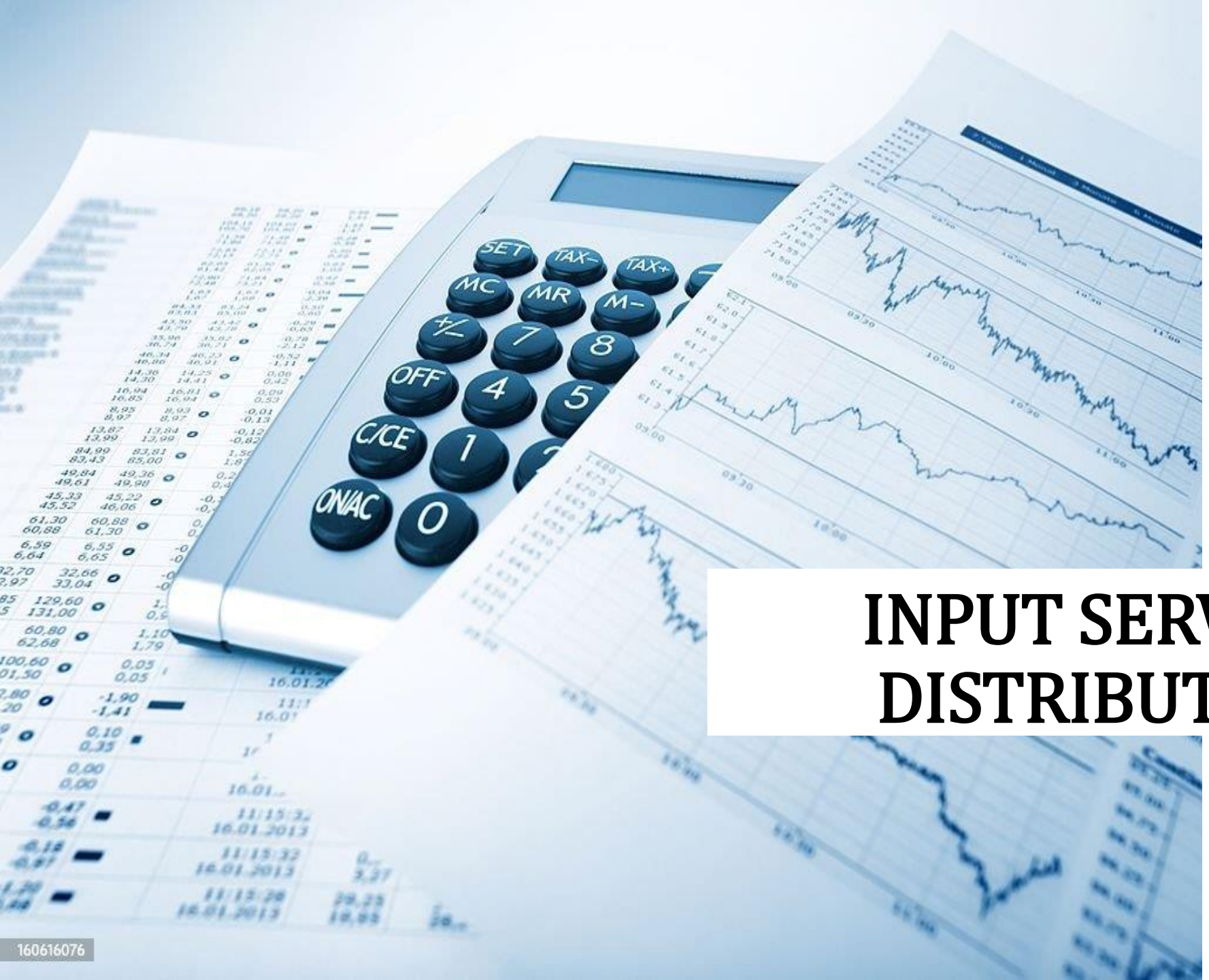
CBIC Clarification : Retrospective Effect

- Based on the Supreme Court ruling, CBIC has clarified that the omission of Rule 96(10) is effective retrospectively from 23 October 2017.
- Field formations have been advised to deal with pending proceedings concerning Rule 96(10) in accordance with the Supreme Court judgment.
- **The same treatment applies, mutatis mutandis, to the omission of Rules 89(4A) and 89(4B).**
- The clarification resolves the uncertainty arising from the 8 October 2024 notification and the subsequent judicial interpretation.

Practical Implications for Exporters

- Pending proceedings: Proceedings relying on Rules 96(10), 89(4A) or 89(4B) must be examined in light of the retrospective effect of their omission.
- Departmental action: Field formations should apply the Supreme Court ruling while dealing with pending cases.
- Exporter implications: Exporters may rely on the circular in relevant pending disputes concerning refund restrictions under the omitted provisions.

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INPUT SERVICE DISTRIBUTOR

CIRCULAR NO. 260/06/2026-GST (1/9)

Pursuant to the 57th GST Council Meeting, CBIC has issued Circular 260/06/2026-GST dated 26.10.2026 providing clarifications on Input Service Distributor (ISD) under the CGST Act, 2017, noting that:

- Representations were received from trade and industry seeking clarity on Sections 2(61), 20 and related provisions of the CGST Act, 2017, and Rules 39 and 54(1A) of the CGST Rules, 2017.
- The issues concern the scope of ISD registration, distribution and eligibility of ITC, timing of distribution, reversal obligations, and the treatment of credit-transfer invoices for turnover and refund calculations.
- The objective is to ensure uniform implementation of the ISD provisions and clarify the respective responsibilities of the ISD and the recipient of credit.

Section 2(61) of the CGST Act, 2017- Input Service Distributor-

"Input Service Distributor" means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9 of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), for or on behalf of distinct persons referred to in section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in section 20"

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CIRCULAR NO. 260/06/2026-GST (2/9)

Requirement for multiple ISD registration

Issue: Whether separate ISD registrations are required for each business vertical or place of business within the same State/UT?

Legal Position

- Section 2(61) defines an ISD as an office of a supplier that receives invoices for input services for or on behalf of distinct persons and distributes the corresponding ITC.
- Under Sections 25(2) and 25(4), separately registered business verticals or places of business within a State/UT are treated as distinct persons, subject to the applicable statutory provisions.
- The provisions do not prohibit obtaining multiple ISD registrations within the same State/UT.

Clarification

- Each registered person receiving input service invoices for distribution to distinct persons is required to obtain an ISD registration where the statutory requirements apply.
- Credit must be distributed only to the distinct person to whom it is attributable, in accordance with Rule 39(1).

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CIRCULAR NO. 260/06/2026-GST (3/9)

Responsibility for ITC eligibility

Issue: Whether ISD or the recipient is responsible for satisfying the conditions for ITC under Section 16.

ISD Distribution Responsibility

- Identify the distinct persons to whom the input services relate.
- Distribute ITC in accordance with Section 20 and Rule 39.
- Separately distribute eligible and ineligible credit, as prescribed.

Recipient Availment Responsibility

- Satisfy the applicable conditions under Sections 16 and 17.
- Assess eligibility of the credit received, including applicable restrictions.
- Undertake reversals where required under the Act and Rules.

Consequences of irregular distribution

- Under Section 122(1)(ix), the ISD may be liable to a penalty for distributing ITC in contravention of Section 20.
- Under Section 21, excess credit distributed in contravention of Section 20 is recoverable from the recipient(s), along with applicable interest, through the relevant statutory proceedings.

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CIRCULAR NO. 260/06/2026-GST (4/9)

Issue: What does “input tax credit available for distribution in a month” mean under Rule 39(1)(a)?

- The ISD is required to distribute credit in the same month in which the credit becomes available for distribution.
- Receipt of invoice details in FORM GSTR-6A does not, by itself, mean that the credit is immediately available for distribution.
- The credit is considered available for distribution when the ISD ascertains that it is prima facie eligible for availment.
- The ISD must distribute the credit in the month in which such ascertainment is made.
- Eligible and ineligible credit must be separately distributed in accordance with Rule 39(1)(g), and the details must be reported in FORM GSTR-6.

Illustration: An ISD receives an invoice in its FORM GSTR-6A in October but completes the preliminary eligibility assessment in November. Under the clarification, the credit is to be distributed in November, the month of ascertainment, subject to the applicable statutory provisions.

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CIRCULAR NO. 260/06/2026-GST (5/9)

Issue: Whether the ISD or the recipient must reverse ITC under Sections 17(1), 17(2) or 17(4)?

- The ISD must distribute the entire ITC available for distribution to the distinct persons to whom the credit is attributable, in accordance with the applicable distribution rules.
- The recipient is responsible for making reversals under:
  - Sections 17(1) and 17(2), read with Rules 42 and 43, as applicable.
  - Section 17(4), read with Rule 38, where applicable.

Illustration: Where common input services are distributed to multiple registrations, and a recipient uses the relevant services partly for taxable and partly for exempt supplies, the applicable reversal must be undertaken at the recipient's end.

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CIRCULAR NO. 260/06/2026-GST (6/9)

Rule 54(1A): Nature of the Credit-Transfer Mechanism

Issue: Treatment of invoices issued by a regular registration having the same PAN and State code as the ISD.

Legal Position

- Rule 54(1A) provides a mechanism for a regular registered person to issue an invoice, credit note or debit note to the ISD for transferring ITC pertaining to input services attributable to one or more distinct persons.
- The taxable value reflected in the invoice is the same as the value of the services whose credit is sought to be transferred.

Clarification

- The invoice issued under Rule 54(1A) is a credit-transfer mechanism and does not represent an outward supply of the transferring registration.
- The amount reflected in such invoice, credit note or debit note is not included in the transferring registration's “turnover in State” or “turnover in Union territory” under Section 2(112).
- The amount is also excluded when computing the relevant turnover for:
- Distribution of ITC under Section 20 read with Rule 39.
- Adjusted total turnover for refund computation under Section 54(3) read with Rule 89.

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CIRCULAR NO. 260/06/2026-GST (7/9)

Issue: Whether credit transferred to the ISD can be included in Net ITC for refund computation under Rules 89(4) and 89(5).

- Credit transferred under Rule 54(1A) does not constitute ITC in respect of an inward supply of the transferring registration.
- The transferring registration merely transfers the credit to the ISD for further distribution to the relevant recipients.
- Consequently, such credit cannot be included in Net ITC of the transferring registration for computing refunds under:
  - Rule 89(4): Refund of unutilised ITC in cases of zero-rated supplies, subject to the applicable conditions.
  - Rule 89(5): Refund of unutilised ITC on account of an inverted duty structure, subject to the applicable conditions.

Practical implication: Refund computations must distinguish between ITC belonging to the transferring registration and credit that is merely routed through that registration to the ISD.

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CIRCULAR NO. 260/06/2026-GST (8/9)

Issue: Whether the transferring registration must reverse credit under Sections 17(1), 17(2) or 17(4).

- The transferring registration is not required to reverse ITC under the above provisions merely in respect of credit transferred under Rule 54(1A).
- The entire credit available on account of payment of tax under reverse charge is required to be transferred to the ISD for further distribution, in accordance with the clarification and applicable provisions.
- The recipient of the distributed credit must undertake reversals under the relevant provisions of Section 17, read with the applicable Rules.
- The transferring registration may itself be one of the recipients of the credit distributed by the ISD and may consequently have reversal obligations in that recipient capacity.

As the transferring registration

- No reversal is required merely because credit is transferred to the ISD under Rule 54(1A).

As the recipient of distributed credit

- The registration must undertake applicable reversals based on its own circumstances and the statutory requirements.

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CIRCULAR NO. 260/06/2026-GST (9/9)

Overview of clarifications provided:

ISSUE	CLARIFICATION
Multiple ISD registrations	Separate ISD registrations may be required for different registered business verticals or places of business within the same State/UT.
ITC eligibility	The ISD distributes credit in accordance with Section 20; recipients must satisfy the applicable ITC eligibility conditions.
Timing of distribution	ITC must be distributed in the month in which the ISD ascertains it to be prima facie eligible for distribution.
ITC reversals	Recipients are responsible for reversals under the applicable provisions of Section 17 and Rules 38, 42 and 43.
Turnover computation	Invoices issued under Rule 54(1A) are a credit-transfer mechanism and are excluded from the relevant turnover computation.
Net ITC for refunds	Credit transferred under Rule 54(1A) does not qualify as Net ITC of the transferring registration for refund computation.
Reversal by transferring registration	The transferring registration is not required to reverse the transferred credit; applicable reversals are undertaken by the recipient(s).

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Circular 261/07/2026-GST dated 26.10.2026

Clarification on issues related to provisions of Section 17(4) of the CGST Act

- Only distinct persons engaged in core banking activities (accepting deposits, lending loans/advances) can opt for the 50% credit mechanism under Section 17(4).
- Segregated registrations of banks exclusively engaged in activities like Bullion Trading neither have the option nor are required to follow Section 17(4).
- If one qualifying distinct person opts for Section 17(4), all qualifying banking/lending registrations across India under that PAN must follow suit.
- Full ITC is available only for supplies received from another distinct person with the same PAN who has also opted for Section 17(4).

Section 17(4) states that a banking company or a financial institution including a NBFC, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option to either comply with the provisions of sub-section (2), or avail of, every month, an amount equal to 50% of the eligible ITC on inputs, capital goods and input services in that month and the rest shall lapse:

Provided that the option once exercised shall not be withdrawn during the remaining part of the financial year:

Provided further that the restriction of 50% shall not apply to the tax paid on supplies made by one registered person to another registered person having the same PAN.

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POST SALE DISCOUNT

POST-SALE DISCOUNT (1/4)

The valuation provisions under Section 15 of the Central Goods and Services Tax Act, 2017 permitted exclusion of secondary discounts from the value of supply only when two conditions were satisfied:

1. The discount had to be established in terms of an agreement entered into before or at the time of supply and was specifically linked to relevant invoices, and
2. The recipient of the supply reversed the ITC attributable to such discount

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POST-SALE DISCOUNT (2/4)

GST Council, in its 56th Meeting held on 03.09.2025, recommended significant changes to the treatment of secondary discounts pursuant to which legislative amendments and Circular No. 251/08/2025-GST dated 12.09.2025 were issued.

The amendments sought to align the statutory framework with prevailing practices, particularly in industries operating through multi-tier distribution networks. The amendments were:

1. The requirement that post-supply discounts must be established through a prior agreement was omitted. Businesses are no longer be required to demonstrate pre-existing contractual arrangements for availing GST benefit on post-sale discounts.
2. Amendment to Section 15(3)(b)(ii) of the CGST Act to recognize credit notes as a mechanism for passing on post-sale discounts, subject to reversal of corresponding ITC by the recipient.
3. Corresponding amendment to Section 34 of the Act to permit reduction of output tax in cases of post-sale discounts.

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POST-SALE DISCOUNT (3/4)

Amendments were made to Section 15, Section 34 and Section 54 of the CGST Act vide The Finance Act, 2026 (No. 4 of 2026)

Substituted vide	Old	Substitution
Section 15(3)(b) of CGST Act substituted vide Section 153 of the Finance Act, 2026 (No. 4 of 2026)	"(b) after the supply has been effected, if- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply."	"(b) after the supply has been effected, if for such discount, a credit note has been issued by the supplier and input tax credit as is attributable to such discount has been reversed by the recipient of the supply, in accordance with the provisions of section 34."

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POST-SALE DISCOUNT (4/4)

Amendments were made to Section 15, Section 34 and Section 54 of the CGST Act vide The Finance Act, 2026 (No. 4 of 2026)

Insertion vide Section 154 of the Finance Act

- In section 34 of the CGST Act, in sub-section (1), after the words "both supplied are found to be deficient", "or where a discount referred to in clause (b) of sub-section (3) of section 15 is given" shall be inserted.

Insertion vide Section 155 of the Finance Act

- Insertions in section 54 of the CGST Act:
  a) in sub-section (6), after the words "supply of goods or services or both", the words "or of unutilised input tax credit allowed under clause (ii) of the first proviso to sub-section (3)" shall be inserted.
  b) in sub-section (14), after the words, brackets and figures "sub-section (5) or sub-section (6)", the words ", other than cases where refund of tax is claimed on account of goods exported out of India with payment of tax," shall be inserted.

It was notified vide ***Notification No. 03/2026-Central Tax dated 26.10.2026*** that Sections 153 to 155 of the Finance Act 2026 (No. 4 of 2026) shall come into force on 01.11.2026.

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GST REGISTRATION

REGISTRATION (1/6)

EXISTING POSITION

- Pursuant to the 56th Meeting, automatic registration under Rule 14A of the CGST Rules is already being granted without officer intervention where the applicant does not intend to pass on ITC exceeding ₹2.5 lakh per month.
- For other applications, the registration process can involve scrutiny by the proper officer, document queries and interaction with the department.

PROPOSED NEW POSTION

- A comprehensive circular specifying the documents/information required.
- Amendments to FORM GST REG-01, introducing drop-boxes for prescribed documents/information.
- A more user-friendly GST portal with navigation guidance, drop-downs, tooltips and contextual instructions

IMPACT

- The GST Council attempts to convert registration from a discretion-oriented scrutiny process into a standardised checklist-based process.
- The idea is to reduce arbitrary documentation demands, inconsistent practices between officers, delay in obtaining registration and expedite registration.

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REGISTRATION (2/6)

AMENDMENT OF GST REGISTRATION PARTICULARS:

The Council recommends amendment to Rule 19 for automatic acceptance of the amendments to all registration particulars, except changes relating to the Principal Place of Business (PPoB).

Ordinary taxpayer → automatic amendments except PPoB

However, for taxpayers registered under Rule 14A(taxpayers having monthly output tax liability below 2.5 lakhs), all amendments, including PPoB, would be automatically accepted.

Note: Registration under Rule 14A is granted automatically within 3 working days.

Rule 14A taxpayer → automatic amendments including PPoB.

Rule 19 of the CGST Rules, 2017 prescribes the procedure for amending the registration particulars of a registered person under GST.

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REGISTRATION (3/6)

INSERTION OF RULE 14B – E-COMMERCE OPERATOR

The GST Council recommends insertion of Rule 14B for small goods supplier to obtain a simplified registration in a State/UT where:

- it has no physical presence;
- supplies goods exclusively through an ECO;
- intends to pass on ITC of not more than ₹2.5 lakh per month;
- declares the ECO's warehouse in that State/UT as its PPoB, after taking prior consent (in case the ECO does not give consent the registration application shall fail);
- mandatory Aadhar authentication and physical verification in home state
- Registration would be granted automatically.

SIGNIFICANCE:

A business need not necessarily establish its own physical establishment in every State merely to support e-commerce supply chains.

This may be particularly useful for:

- D2C businesses;
- marketplace sellers;
- small manufacturers;
- warehouse-based e-commerce models.

In case the taxpayer has obtained registration in the home State only under rule 14A and intends to obtain registration under the scheme under rule 14B in another State or Union territory, the same can be done upon submitting a withdrawal application in FORM GST REG-32 in the home State before applying for registration in another State/UT under this scheme under rule 14B.

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REGISTRATION (4/6)

On the recommendation of the 57th GST Council Meeting, a new Rule 14B has been inserted vide Notification No. 05/2026- Central Tax dated 26.10.2026

Eligibility

- A person registered under Rule 9 may obtain registration in another State/UT, against the same PAN, even without physical presence in that State/UT, by declaring a warehouse of an e-commerce operator (ECO) as the principal place of business.

Conditions

- The applicant intends to supply goods through an ECO required to collect TCS under Section 52 of the CGST Act.
- Monthly output tax liability on supplies to registered persons (excluding persons registered under the same PAN), comprising CGST and SGST/UTGST and IGST, does not exceed ₹2.5 lakh.
- The ECO consents to the warehouse being declared as the principal place of business.

Application & Verification

Application in FORM GST REG-01, with the GSTIN of the home State, warehouse particulars and ECO consent.

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REGISTRATION (5/6)

Approval Process

- ECO consent within 7 working days, followed by Aadhaar-based authentication, document verification and physical verification of the home-State premises, wherever applicable.

Deemed Approval

- Registration is deemed approved if the proper officer fails to conduct physical verification within 30 days of generation of the application reference number after successful authentication and document verification.

Cancellation of Registration

- Registration may be cancelled electronically where the ECO withdraws permission for the principal warehouse, the home-State registration is cancelled, or prescribed amendment requirements are not met within the stipulated period.

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REGISTRATION (6/6)

OBLIGATIONS OF CONCERNED PARTIES

REGISTERED PERSON

- Maintain books of account and electronic records at the Principal Place of Business
- Production of Records upon request by the proper officer of the State/UT where registration is obtained under Rule 14B
- File FORM GST REG-14 within 30 days of the ECO's intimation to amend the Principal or Additional Place of Business in the concerned State/UT.

E-COMMERCE OPERATOR

- The ECO must decide on the warehouse's use as the Principal or Additional Place of Business within 7 working days.
- The ECO must appoint an authorised representative in each State/UT to provide information requested by tax authorities.
- The ECO must intimate the withdrawal of consent for using its warehouse as the Principal or Additional Place of Business

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CANCELLATION

Phase 1

Automatic acceptance of FORM GST REG-16 is proposed where:

- all pending returns are filed; and
- all dues are paid, and either:
- the taxpayer has never passed on ITC exceeding ₹2.5 lakh in any month; or
- the taxpayer crossed ₹2.5 lakh in a month but filed GSTR-10 within time.

(Whether the limit on passing on of credit pertain to cash or credit utilisation or both?)

Phase 2

all cancellation applications would be automatically accepted once pending returns and dues are cleared, with GSTR-10 details incorporated directly into REG-16.

Suo Moto Cancellation: The Council also recommends amendments to Rules 21, 21A and 22 and insertion of Rule 23A to create a system-based cancellation/revocation mechanism for specified non-compliance, followed by automatic restoration upon compliance in prescribed circumstances.

Further, 4 grounds of cancellation has been omitted from Rule 21 such as improper availment of ITC, violation of Section 171 (Anti-profiteering), violation of Rule 86B and where the details of outward supplies in FORM GSTR-1/1A, for one or more tax periods is in excess of the outward supplies declared in FORM GSTR-3B.

Amended vide Notification No. 05/2026-Central Tax dated 26.10.2026

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CIRCULAR NO. 257/03/2026-GST (1/7)

Pursuant to the 57th GST Council Meeting, CBIC has issued Circular 257/03/2026-GST dated 26.10.2026 providing guidelines for handling of GST registration applications, noting that:

- Grievances have been received regarding delays and rejection of GST registration applications due to deficiencies in documentation, repeated queries and requests for additional information.
- The objective is to facilitate the timely registration of genuine businesses while preventing fraudulent registrations used for passing on ineligible ITC.
- The guidelines seek to ensure uniformity in processing registration applications across tax jurisdictions.

Intention of the Guidelines:

- Time-bound processing
- Limited and relevant documentation
- Protection against arbitrary queries
- Digital and faceless process
- Effective Greivance Redressal

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CIRCULAR NO. 257/03/2026-GST (2/7)

Application for GST Registration- Form GST REG 01:

- Applications are generally required to be filed online through the GST portal in FORM GST REG-01.
- Part A: Furnishing PAN, legal name, State/Union Territory, district, email address and mobile number.
- Part B: Furnishing business constitution, reason for registration, promoters/partners, authorised signatories, principal and additional places of business, nature of business and HSN/SAC details.
- Applicants should ensure that all mandatory fields are accurately completed and supporting documents are clear, complete and legible.

Other prescribed forms:

Form	Category of taxpayer
GST REG 07	Tax deductors under Section 51 and tax collectors under Section 52
GST REF 09	Non-resident taxable persons
GST REG 10	Specified overseas OIDAR and online money gaming suppliers

Note: The applicable form depends on the category of applicant and the nature of registration sought.

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CIRCULAR NO. 257/03/2026-GST (3/7)

Registration of Principal Place of Business (PPoB)

Nature of Premises	Documents
Own premises	Latest property tax receipt, municipal khata, property identification document, electricity bill or water bill, as permitted by the guidelines
Rented/Lease premises-Agreement available	Valid registered agreement where registration is legally required; otherwise, the agreement along with prescribed ownership proof of the lessor
Rented/Lease premises-Agreement not available	Prescribed undertaking and evidence of possession, such as an electricity or water bill in the tenant's name
Premises provided on consent basis	Prescribed consent letter and ownership proof in the name of the consenter; consent of all co-owners where applicable
Co-working space	Membership agreement specifying the period and allocated suite/cabin/desk, together with the prescribed ownership or lease documents of the provider
SEZ unit/developer	Valid Letter of Approval/Letter of Permission issued by the Development Commissioner

Note: Premises owned by a family member, partner or director should not be declared as owned by the applicant merely because of that relationship.

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CIRCULAR NO. 257/03/2026-GST (4/7)

Processing timelines for registration applications

3 days

- Simplified / system-based registration
- Rule 14A applicants and applicants identified for electronic grant under Rule 9A, as described in the circular, may receive automatic system-based registration within 3 working days.

7 days

- Aadhaar-authenticated applications
- Applications involving successful Aadhaar authentication, subject to the prescribed conditions, are to be processed within 7 working days.

30 days

- Cases requiring additional verification
- Generally applicable where Aadhaar authentication is not opted for or fails, or where physical verification is required under the prescribed provisions.

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CIRCULAR NO. 257/03/2026-GST (5/7)

Queries, Clarifications and Rejection of Applications

Form GST REG 03	Where an application contains incomplete, contradictory, incorrect or illegible information/documents, the proper officer may seek clarification or additional documents through FORM GST REG-03.
Form GST REG 04	The applicant must furnish the clarification, information or documents within 7 working days of receiving the notice. If satisfied, the officer must approve the application within the prescribed period.

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CIRCULAR NO. 257/03/2026-GST (6/7)

Restrictions on Unwarranted Queries by Tax Officers:

- Seek the residential address of the applicant, Managing Director or authorised signatory merely because it is outside the city or State where registration is sought.
- Demand an Udyam Certificate without a relevant basis under the prescribed requirements.
- Object to the nature of business merely on the presumption that the activity cannot be carried out from the declared premises.
- Assess the suitability of the premises based on whether the electricity connection is domestic or commercial, the amount of the utility bill or the fact that the premises are residential.
- Demand documents beyond the prescribed requirements without a relevant basis.

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CIRCULAR NO. 257/03/2026-GST (7/7)

Physical verification of Place of business:

- The verification report, together with supporting documents and photographs, must be uploaded in FORM GST REG-30 at least 5 days before expiry of the applicable 30-day period.
- The report must specifically record whether the declared principal place of business exists.
- Where the premises are found not to exist, the officer must record the efforts undertaken to locate them.
- GPS-enabled photographs and other relevant documents must be uploaded.

Deemed Approval:

- Under the circular, registration is deemed to have been approved where the proper officer takes no action within the time prescribed under Rule 9 of the CGST Rules, 2017.
- The applicable statutory provisions and any specific verification requirements must be considered before determining whether deemed approval has arisen in a particular case.

Grievance Mechanism:

Where an applicant experiences undue delay or unwarranted queries, a complaint may be filed with:

- The jurisdictional Chief Commissioner of Central Tax; or
- the jurisdictional Commissioner of State Tax,

through the e-mail ID identified by the concerned Central/State Zone.

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GST RETURNS

RETURNS (1/5)

Insertion of Rule 86D: Mechanism for RCM reconciliation and a clearer electronic trail

At present

- At present, many GST disputes arise from differences between:
  - GSTR-1;
  - GSTR-3B;
  - GSTR-2B;
  - GSTR-9;
  - GSTR-9C;
  - electronic credit ledger;
  - reversal/reclaim transactions.

GST Council Recommendation

- A new **Rule 86D** is proposed to create an electronic statement titled:

"Electronic Statement of tax paid on Reverse charge basis and input tax credit claimed".

- Its purpose is to ensure correct reporting of RCM liability and availment of corresponding ITC.

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RETURNS (2/5)

Issue	• GSTR-1/1A reports outward supplies, while GSTR-3B determines tax discharge. Differences between the two often trigger automated notices/intimations.
Proposed Rule 61(1A)	• The GST Council has recommended to insert Rule 61(1A) to create a mechanism to correct/rectify liability so that GSTR-3B aligns with liability reported in GSTR-1/1A/Invoice Furnishing Facility.
Proposed Rule 61(1B)	• The GST Council has proposed to establish a mechanism for correcting ITC reported in GSTR-3B so that it aligns with ITC reflected in GSTR-2B.

This is potentially very important in defending mismatch-based demands.

For example, where a Company had a negative liability (credit notes/liability adjustments exceeding outward tax supplies) leading to mismatch between GSTR-1 and GSTR-3B, the system is now intended to provide a correction route before the mismatch becomes a tax dispute.

GST is moving towards system-driven ITC reconciliation rather than merely post-facto departmental reconciliation.

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RETURNS (3/5)

Insertion of Rule 60(6A): Formalisation of Invoice Management System (IMS)

The GST Council proposes to insert Rule 60(6A) to formalise an Invoice Management System (IMS) allowing recipients to:

- accept;
- reject; or
- keep pending

inward supply documents appearing on the portal for purposes of GSTR-2B generation, subject to prescribed conditions including restrictions concerning the period for which a credit note can remain pending.

This could transform ITC compliance from a retrospective reconciliation exercise to a transaction-level approval process.

The Council also recommends amending FORM GST DRC-03 so taxpayers can identify the underlying invoice against which payment is being made.

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RETURNS (4/5)

Rule 86C- Electronic Credit Reversal and Reclaim Statement (ECRS)

The ECRS is a statement available on the GST portal that helps taxpayers track ITC that has been reversed temporarily and subsequently re-claimed in their Electronic Credit Ledger.

Under GST, there are situations in which ITC is reversed in a particular tax period but may be re-availed in a subsequent period when the prescribed conditions are satisfied.

For example:

- ITC is reversed because payment to the supplier has not been made within the prescribed period.
- ITC is reversed temporarily pending verification or reconciliation.
- ITC becomes eligible for re-availment after the relevant condition is satisfied.

GSTR-3B	PURPOSE
Table 4(B)(2)	Temporary reversal of ITC
Table 4(A)(5)	Other eligible ITC, including eligible ITC re-claimed after reversal.
Table 4(D)(1)	Disclosure of ITC re-claimed that was reversed earlier

The intention is to allow taxpayers to link the ITC being re-claimed to the ITC reversed earlier.

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RETURNS (5/5)

Annual Return Quarterly Payment (AQRP)

- The AQRP scheme is a proposed, optional GST compliance scheme approved in principle by the 57th GST Council, intended to simplify compliance for small businesses making exclusively Business-to-Consumer (B2C) supplies.

Eligibility:

- aggregate turnover ≤ ₹5 crore in preceding FY;
- exclusively B2C supplies.

However, the precise mechanics of such Payment Scheme is awaited, but the concept is clearly designed to simplify compliance for very small consumer-facing businesses.

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THANK YOU !

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