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Tax Flash News



9 October 2026

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Key recommendations of 57th GST Council meeting

Executive summary

The Goods and Services Tax ('GST') framework has continued to evolve through a series of reforms aimed at simplifying compliance, enhancing taxpayer experience and leveraging technology for efficient tax administration.

Following the implementation of the "Next-Generation GST Reform" unveiled at the 56th GST Council Meeting in 2025, which primarily focused on rate rationalisation, the 57th GST Council Meeting held on 8 October 2026 has carried forward the reform through comprehensive set of measures aimed at simplifying compliance, rationalising input tax credit provisions, facilitating exports and refunds, and promoting technology-driven tax administration.[1]

This Flash News summarises the key reforms recommended in the press release issued after the GST Council meeting.[2]

[1] Please click here for the press release dated 8 October 2026 (accessed on 8 October 2026)

[2] The recommendations of the GST council highlighted in the press release would be given effect through circulars, notifications and amendments which alone would have the force of law

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Process related reforms

Registration

- Measures to streamline GST registration process:

  a) Issuance of a comprehensive circular and FAQs specifying the documents and information required for GST registration.

  b) Revision of FORM GST REG-01 to introduce document and information selection boxes, providing greater clarity to taxpayers and tax officers.

  c) Enhancements to GST portal through a more user-friendly interface.

- Amendments to GST registration : particulars will be auto-approved on the GST portal, except those relating to the Principal Place of Business ('PPoB').

- For taxpayers registered under the automated registration mechanism [under Rule 14A of the Central Goods and Service tax Rules, 2017 ('CGST Rules')] amendments to all registration particulars, including the PPoB, will be accepted automatically without officer intervention.

GST registration cancellation

- Automatic acceptance of registration cancellation applications (REG-16) to be rolled out in phases, once all pending returns are filed and all dues are paid by taxpayers.

  Phase 1: For taxpayers having output tax liability:

  – Less than or equal to INR 2.5 lakh in all months since registration

  – More than INR 2.5 lakh in a month, but filed final return (REG-10) within specified time period

  Phase 2: For all taxpayers:

  – Amendment in REG-16 so that the Final return (REG-10) can form part of the closure application itself.

  – Amendment in rule 21 of the CGST Rules for omission of certain grounds of cancellation of registration by the tax officers.

  – Amendment in rule 21A and rule 22 of the CGST Rules and insertion of a rule 23A to the CGST Rules to provide for system-based cancellation and revocation based on non-compliance and subsequent compliance of the defaults of non-filing of return or non-furnishing of bank account details within specified time period.

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- Amendment would be made to insert rule 14B in the CGST Rules to allow small suppliers who do not intend to pass on the input tax credit ('ITC') more than INR 2.5 lakhs per month (excluding stock transfers between distinct persons) to obtain automated registration in a state where they do not have a physical presence by declaring the warehouse of an electronic commerce operator ('ECO') platform as their principal place of business.

Return related reforms

- Enhancements to GSTR-1, GSTR-1A and invoice furnishing facility to improve reconciliation with GSTR-3B.
- Insertion of rule 60(6A) in the CGST Rules, for Invoice Management System ('IMS') facility which enables the recipient to accept, reject or keep invoices pending for ITC purposes including credit notes, subject to prescribed conditions.
- Insertion of rules 61(IA) and 61(1B) in the CGST Rules, to provide a mechanism of correct reporting and correction/rectification of liability/ITC in the return, to reconcile liability in FORM GSTR-3B with details furnished in FORM GSTR-1/1A/IFF and ITC with GSTR-2B respectively.
- Insertion of rules 86D and 86C in the CGST Rules, to provide for 'Electronic Statement of tax paid on Reverse charge basis and input tax credit claimed' ('RCM Statement') and 'Electronic Credit Reversal and Reclaim Statement' ('ECRS') respectively.
- Amendments in FORM DRC-03, to declare underlying invoice for which tax is paid.
- Circular on manner of furnishing correct and proper information of ITC and reversal thereof in return in FORM GSTR-3B, in the context of IMS, ECRS and RCM Statement.



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Refund related reforms

- Phased transition towards a fully automated refund processing framework:

  Phase 1:

  – Refund of excess balance in the electronic cash ledger will be processed through a fully automated mechanism, without any intervention by the proper officer.

  – The time limit for issuance of acknowledgement/ deficiency memo to be reduced from fifteen days to ten days. Deemed acknowledgement to be issued by the system post expiry of ten days.

  – Refund claims relating to zero-rated supplies and inverted duty structure, up to 90 per cent of the claimed amount to be provisionally sanctioned through a system-driven, risk-based mechanism without officer intervention.

  Phase 2:

  – Automated acknowledgement of refund applications upon system-based verification.

  – Automated sanction of 100 per cent eligible refund claims relating to zero-rated supplies, after adjustment of outstanding dues, based on system-driven risk assessment and without officer intervention.

- Refund application forms will be enhanced through auto-population of shipping-related details from the Customs portal and payment-related particulars from the banking system.

- FORM GST RFD-01 to be digitized further through system-readable data capture and removal of scanned document requirements for specified refund claims.

- Restriction linking the value of zero-rated supplies to 1.5 times the domestic value proposed to be removed [rule 89(4)(C) of the CGST Rules].

- INR 1,000 refund threshold to apply on the aggregate refund amount across CGST, SGST/UTGST and IGST [explanation to be added in section 54(14) of the Central Goods and Services Tax Act, 2017 ('CGST Act')].

- Amendment to section 115 of the CGST Act, to establish a standalone provision prescribing the rate of interest on refunds of pre-deposits.

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Dispute resolution reforms

- Circular prescribing standardized guidelines for issuance of demand notices, adjudication orders and appellate orders, including proper invocation of fraud-related provisions, adherence to principles of natural justice, conduct of personal hearings, and timely issuance of notices and orders to be issued.
- No show cause notice will be issued where the disputed tax amount is below INR 10,000. Provision to apply also to pending notices and appeals
- Deeming penalty amount as ‘charge’ where full tax amount is voluntarily paid, along with interest and penalty, within the specified time limit.
- Reduction of penalty to 5 per cent of the tax amount in non-fraud cases where the tax and applicable interest are paid within 30 days (Section 73) or 60 days (Section 74A) from the adjudication order.
- Minimum penalty of INR 10,000 in non-fraud cases proposed to be removed.

Other reforms

Returns for small taxpayers

Approved concept note for an optional Annual Return Quarterly Payment (ARQP) scheme for taxpayers with turnover up to INR 5 crore. in the preceding financial year and only B2C supplies.

Goods in transit

Amendment in sections 68, 129 and 130 to be amended to provide that:

- Goods in transit to be intercepted only on specific intelligence and on advance authorization by officer of rank Joint Commissioner or above.
- Inspection and detention/seizure to be undertaken only by states where supplier or recipient are located/registered.
- In cases where no E-way bill generated or no document showing origin/destination, goods can be inspected/detained/seized irrespective of jurisdiction.
- Provision of confiscation not applicable to goods in transit.

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Arrest, prosecution and penalty

- Omission of section 69 for removal of arrest powers.
- Increase in monetary threshold for prosecution to be increased from INR 1 crore to INR 5 crore.
- Invocation of section 132 made more difficult.
- Reduction in amount of general penalty under section 125 of the CGST Act from INR 25000 to INR 10000.
- Amendment in the provisos to section 107(6) and section 112(8) of the CGST Act to provide an upper limit of INR 40 crore (INR 20 crore for CGST and INR 20 crore for SGST) on pre-deposit payable for appeals before Appellate authority/Tribunal in cases involving only penalty
- Taxpayers to face only recovery, interest and penalty for delayed filing or for any mistake/omission, etc.

Refund

Amendment in clause (ii) of proviso to section 54(3) and CGST Rules to provide for refund of ITC relating to:

- Input services in case of inverted duty structure ('IDS'), availed on or after 1 November 2026
- Capital goods in case of export refunds and IDS refunds, availed on or after 1 April 2027 (refund to be spread over 60 months)

Input Tax Credit

- Amendment in section 17(5) to allow ITC on the following:
  - Outdoor catering
  - Health and life insurance
  - Telecommunication towers, pipelines laid outside factory premises
  - Free samples
  - Goods destroyed or written off on expiry of shelf life as required by law
- Amendment in rule 86A to provide for a mechanism of filing objection and opportunity of being heard before any blocking of ITC
- Waiver of late fees on delayed filing of return by taxpayers with annual turnover up to INR 5 crore. in the preceding financial year if such return is filed by the end of the month in which it was due.

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Measures to streamline compliances in GST

The Council also made the following recommendations to streamline compliances:

- Amendments in section 16, section 37 and section 39 of the CGST Act to align provisions with the provisions relating to time limit for availment of input tax credit under section 16(4) of the CGST Act.
- Amendment in section 9(5) of the CGST Act, to provide clarity regarding liability of the ECO to pay tax for the notified services, irrespective of the business models followed by him.
- Introduction of a validation clause in CGST Act, for validation of notices which have been held invalid by various courts on the ground of having been issued for multiple financial years.
- Extension of e-invoicing requirement to:
  - domestic supplies received from an unregistered person where the tax is payable under reverse charge mechanism
  - import of services

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

Treatment of transfer of title in Intellectual Property Rights ('IPR')

Amendment in Schedule II of CGST Act to provide that transfer of title in IPRs, whether temporary or permanent, will be uniformly treated as supply of services.

Clarification in respect of various issues through circulars

- Issues relating to Input Service Distributor (ISD) mechanism.
- Availment of input tax credit by banking companies and financial institutions including NBFCs opting for section 17(4) of the CGST Act.
- Various issues relating to payment of pre-deposits.
- Admissibility of input tax credit in respect of demonstration vehicles in certain situations.
- Retrospective applicability of omission of rule 96(10) of the CGST Rules.

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Export related reforms

Reforms relating to exports/zero rating of supplies of goods and services

- Omission of sub-clause (v) of section 2(6) of the Integrated Goods and Services Tax Act, 2017 ('IGST Act') to extend export benefits to transactions between establishments of a distinct person.
- Issuance of a circular to clarify various issues related to receipt of payment in foreign exchange or Indian rupees as permissible.
- Omission of clause (a) of section 13(3) of IGST Act, to make the place of supply for services in cases where goods are made physically available by the recipient the location of such recipient
- An Explanation will be added to Section 16(1) of the IGST Act to treat the supply of goods by Indian manufacturers to overseas buyers, where such goods are delivered to an SEZ/FTWZ for warehousing or further processing, as zero-rated supplies to the SEZ/FTWZ, provided payment is received in convertible foreign exchange or in Indian Rupees, as permitted by the RBI.

Rate changes

Changes/ Clarifications in relation to GST rates on Goods

- To clarify that sublimation paper is classified under heading 4809 and to regularize past cases on "as is where is' basis.
- To clarify that the notification entries related to toys in the GST Rate Schedules also covers all other categories of toys mentioned in heading 9503 in the Customs Tariff Act, 1975.
- To provide clarity that sea-weed extract based specified bio-stimulants, are classifiable under heading 3101 as fertilisers and to regularise the past cases on 'as is where is' basis
- To clarify that the suppliers of second-hand vehicles, under the GST margin scheme, are allowed to avail ITC on various inputs or input services and that restriction on availment of ITC under the said scheme applies only on the tax paid on the second-hand vehicles procured.
- Introduction of reverse charge on specified waste and scrap (plastic, e-waste, tyre, scrap, used cooking oil) when supplied by an unregistered person to a

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registered person. The supplier must register once crossing the threshold. Additionally, TDS at 2 per cent will apply on such supplies between registered persons.

- To provide clarity on the tax treatment of supply of Psyllium seeds (Isobgul/ Isabgol) by prescribing NIL rate of GST on the same, irrespective of whether the seeds are fresh, chilled, frozen or dried.

- To correct the anomaly of GST treatment on re-treaded tractor tyres by aligning the GST rate thereon with that applicable on new tractor tyres.

- To exempt the Compensation Cess not levied by the Canteen Stores Department ('CSDs') on two and four wheelers for the period 1 July 2017 to 30 September 2022, and by CSDs and Unit Run Canteens on aerated drinks for the period 1 July 2017 to 31 March 2022.

Changes/ Clarifications in relation to GST rates on Services

- To provide an option to pay GST at the rate of 5 per cent, with restricted input tax credit, on passenger transport services and rental services of motor vehicles with operators, where the service is supplied using an electric vehicle, and the cost of battery charging is included in the consideration.

- To bring delivery services, other than courier and postal, supplied through an ECO under section 9 (5) of CGST Act, where the person supplying such services is not liable for registration under Section 22 (1) of the CGST Act and to prescribe GST rate of 5 per cent without ITC for such delivery services;

- To prescribe a GST rate of 5 per cent without ITC for delivery services in relation to goods where such goods are supplied/ordered through an ECO.

- To exclude the GST exemption on the services of transportation of goods to unregistered persons by GTA under Entry 21A of Notification No. 12/2017-Central Tax (Rate), where such services are in relation to goods which are supplied/ordered through an ECO.

- To clarify the GST treatment of certain statutory and ancillary recoveries such as registration charges, road tax, insurance and FAS Tag charges incurred by the lessor which are subsequently recovered from the lessee in connection with the leasing of motor vehicles.

- To exempt from GST, the services provided by Seamen's Provident Fund Organisation to persons governed by the Seamen's Provident Fund Act, 1966.

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- To allow limited input tax credit in the same line of business, for the supply of restaurant/outdoor catering services, hotel accommodation services for value up to INR 7500 per unit per day, and gym/fitness services in the same manner as is currently available for passenger transportation services, tour operator services and renting of motor vehicles services.
- To exempt from GST, the services of passenger transportation by helicopter on seat-sharing basis from/to airports/helipads located in north-eastern states, Sikkim and Bagdogra in West Bengal.
- To exempt from GST, the services by way of storage or warehousing of seeds meant for sowing, curing of coffee
- To exempt from GST, the agricultural support services of curing coffee provided by the coffee curers to the cultivators.
- To provide for a simple mechanism of self-certification by the head of institution/organization undertaking research and development services, certifying that the activity is in the nature of research and development and not consultancy, for the purpose of determining eligibility for exemption under Entry 44A of Notification 12/2017 - Central Tax (Rate).
- To exempt the import of services by an establishment of a foreign shipping company in India from a related person or any of its establishment outside India, when made without consideration and to regularize the past period on "as is where is" basis.
- To exempt from GST, the services by the Government (including local Authority, governmental authority and government entity) of the grant of exclusive right, license and authority to the concessionaire for highway projects to demand, collect and appropriate toll fee.
- To provide a special procedure regarding the valuation and time of payment of GST on operation and maintenance services provided by concessionaires to the concessioning authority for highway projects in TOT model.
- To clarify that the notional amount regarded as ‘interest’ in the books of accounts for the activity of notional transfer of funds between the branches of the banks by the head office as part of Funds Transfer Pricing transactions is covered by the definition of ‘interest’ given in Notification No. 12/2017-Central Tax (Rate).

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Our comments

GST council has recommended reforms that are taxpayer friendly, the most important being refund of input services on account of inverted duty structure.

The Finance Minister in the press conference also highlighted the Government's intent to address concerns relating to ITC under section 16(2)(c) of the CGST Act so that *bona fide* taxpayers are not unduly impacted by supplier-level defaults.

Also, the emphasis on expanding faceless administration to Central GST registrants in areas such as appeals, taxpayer grievance redressal and GST Seva Kendras further reinforces the Government's commitment towards a more transparent, technology-driven and trust-based tax administration.



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