

GST

Recommendations of the 57th GST Council Meeting on 8th October, 2026

Key Highlights

- Arrest powers under GST proposed to be withdrawn completely through omission of Section 69 of the CGST Act.
- Threshold for prosecution proposed to be increased from ₹1 crore to ₹5 crore.
- General penalty under Section 125 proposed to be reduced from ₹25,000 to ₹10,000.
- No Show Cause Notice (SCN) to be issued where the tax amount involved is below ₹10,000.
- Automated refund mechanism proposed, including provisional sanction of 90% of eligible export and inverted duty structure refund claims.
- Significant expansion of Input Tax Credit (ITC) eligibility through relaxation of blocked credit restrictions.
- Simplified GST registration framework proposed for small suppliers operating through e-commerce platforms.
- Late fee waiver proposed for taxpayers having turnover up to ₹5 crore if returns are filed within the prescribed extended timeline.
- Optional 5% GST rate proposed for EV passenger transport and EV rental services.
- In-principle approval granted for Annual Return Quarterly Payment (ARQP) Scheme for eligible B2C taxpayers with turnover up to ₹5 crore.

A. Process Reforms

1. Registration Reforms

- Comprehensive circular and FAQs proposed to standardize registration documentation requirements.
- FORM GST REG-01 to be simplified through document-specific drop-down selections and improved portal interface.
- Automatic approval of registration amendments except changes relating to Principal Place of Business (PPOB).
- For taxpayers registered through automatic registration route, even PPOB amendments to be auto-approved.
- Registration cancellation applications to be processed automatically upon filing pending returns and payment of dues.
- System-based cancellation and revocation mechanism proposed for non-filers and taxpayers not furnishing bank account details.
- Small suppliers selling through E-Commerce Operators (ECOs) to obtain GST registration in other States through a simplified mechanism without establishing physical presence.

2. Return Filing Reforms

- Enhanced reconciliation between GSTR-1/IFF and GSTR-3B proposed.
- Facility introduced for correction and rectification of tax liability and ITC reporting in returns.
- Electronic Statement for RCM liability and ITC reporting proposed.
- Electronic Credit Reversal and Reclaim Statement proposed.
- Invoice Management System (IMS) functionality expanded for acceptance, rejection and pending actions on inward supply documents.
- FORM GST DRC-03 to capture invoice-level details.
- Revised return framework proposed to be implemented from April 2027.



3. Refund Reforms

- Full refund of excess Electronic Cash Ledger balance proposed to be automated.
- Time for issuance of acknowledgement or deficiency memo reduced from 15 days to 10 days.
- Deemed acknowledgement proposed where officers fail to act within prescribed timelines.
- 90% provisional sanction of export and inverted-duty refunds to be processed through system-based evaluation.
- Automated sanction of eligible export refunds proposed in subsequent phase.
- Refund application process to become fully system-readable with reduced documentation requirements.
- Restriction of 1.5 times domestic value for export refund computation proposed to be removed.
- Clarification proposed regarding interest on refund of appellate pre-deposits

4. Dispute Resolution Reforms

- Comprehensive guidelines proposed for issuance of notices, adjudication orders and appellate orders.
- SCNs not to be issued where tax amount involved is below ₹10,000.
- Reduced penalty of 5% proposed for non-fraud cases where dues are paid within prescribed timelines.
- Mandatory minimum penalty in non-fraud cases proposed to be removed.
- General penalty under Section 125 reduced from ₹25,000 to ₹10,000.
- Pre-deposit in penalty-only appeals capped at ₹40 crore.



B. Other Major Reforms

5. Input Tax Credit (ITC)

- Refund of accumulated ITC on input services proposed for inverted duty structure cases.
- Refund of ITC on capital goods proposed for zero-rated and inverted duty supplies.
- Blocked credit restrictions proposed to be removed for:
 - Outdoor catering services;
 - Health insurance;
 - Life insurance;
 - Telecommunication towers;
 - Pipelines laid outside factory premises;
 - Free samples; and
 - Goods destroyed or written off due to expiry of shelf life as required under law.

6. Exports & Zero-Rated Supplies

- Condition relating to supplier and recipient not being distinct persons proposed to be removed for export of services.
- Export benefits extended to services supplied to or through overseas branches.
- Place of supply provisions proposed to be rationalized for certain service transactions.
- Supplies made to overseas buyers but delivered in SEZ/FTWZ to qualify for zero-rating benefits.
- Circular proposed regarding export proceeds received in foreign currency or permitted Indian Rupees.

7. Arrest & Prosecution

- Complete withdrawal of arrest powers through omission of Section 69.
- Prosecution threshold increased from ₹1 crore to ₹5 crore.
- Scope of offences under Section 132 proposed to be narrowed and rationalized.
- Punishment provisions proposed to be streamlined.



8. E-Way Bill & Goods Movement

- Interception of goods vehicles only on specific intelligence and prior authorization by an officer not below Joint Commissioner.
- No routine interception in transit States.
- Detention and seizure powers retained where e-way bill or movement documents are absent.
- Confiscation provisions under Section 130 not to apply to goods merely in transit.

9. Other Ease-of-Business Measures

- Transfer of title in Intellectual Property Rights (IPR), whether permanent or temporary, to be treated uniformly as supply of services.
- Opportunity of hearing proposed before blocking ITC under Rule 86A.
- Late fee waiver for eligible taxpayers having turnover up to ₹5 crore.
- Clarificatory circulars proposed on ISD, ITC for banks/NBFCs, pre-deposits, demonstration vehicles and Rule 96(10).
- ARQP Scheme approved in principle.
- E-invoicing proposed to be extended to specified reverse charge and import of services transactions.
- GSTAT provisions proposed to be aligned with Tribunal Reforms legislation.



C. GST Rate Changes & Clarifications

Goods

- Classification clarified for sublimation paper under Heading 4809.
- Clarification that toy entries cover all toys under Heading 9503.
- Seaweed-based bio-stimulants classified as fertilizers.
- ITC permitted on ancillary inputs and services under second-hand vehicle margin scheme.
- RCM introduced on specified scrap and used cooking oil supplied by unregistered persons.
- Nil GST prescribed on Isabgol (Psyllium) seeds.
- GST anomaly on re-treaded tractor tyres corrected.
- Compensation Cess relief granted for specified past CSD and Unit Run Canteen transactions.

Services

- Optional 5% GST rate with restricted ITC proposed for EV passenger transport and EV rental services.
- Delivery services through e-commerce operators proposed at 5% GST without ITC in specified cases.
- Clarification proposed on GST treatment of motor vehicle leasing recoveries.
- Limited ITC permitted in same line of business for restaurant, outdoor catering, hotel accommodation and gym services.
- Exemptions proposed for helicopter passenger transport in specified regions, warehousing of seeds, coffee curing services, SPFO services and certain shipping-related transactions.
- Simplified self-certification mechanism proposed for R&D service exemption.
- Clarification regarding Funds Transfer Pricing transactions in banks.

Please note, these recommendations will be given effect through circulars, notifications and law amendments, which alone carry the force of law.

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