

KEY RECOMMENDATIONS OF THE 57th GST COUNCIL MEETING

The 57th Meeting of the GST Council was held on October 08, 2026 at New Delhi under the chairpersonship of the Union Finance & Corporate Affairs Minister, Smt. Nirmala Sitharaman.

1. Registration

Simpler applications

- Circular and FAQs to list the exact documents and information needed for registration.
- Application form to offer drop-down selection of documents; portal to carry user friendly interface, clearer guidance and tool-tips.

Amendments and cancellation

- **Amendments:** to be accepted automatically on the portal, except changes to the principal place of business; also automatic for taxpayers registered under the automatic route.
- **Voluntary cancellation:** accepted automatically once pending returns are filed and dues paid, rolled out in two phases.
- **Departmental cancellation:** certain grounds dropped; system-based cancellation and revocation for non-filing of returns or missing bank details.

Small e-commerce sellers

- Automatic registration in States where the seller has no physical presence, using the e-commerce operator's warehouse as place of business.
- Available where ITC passed on does not exceed INR 2.5 lakh per month (excluding stock transfers), subject to conditions.

2. Returns and Compliance

Correcting liability and ITC in returns

- New mechanism to rectify liability and ITC so that GSTR-3B aligns with GSTR-1 / 1A / IFF and GSTR-2B, reducing mismatch notices.
- Proposed from the April 2027 return; draft to be released for public consultation.
- New portal statements for correct reporting of reverse-charge tax and credit, and for ITC reversed and reclaimed.
- **Invoice Management System (IMS):** recipients may accept, reject or keep inward documents pending subject to conditions.
- Voluntary payment Form DRC-03 to capture underlying invoice details.

Other compliance measures

- **E-invoicing:** extended to reverse-charge purchases from unregistered persons and import of services, for turnover of INR 5 crore and above.
- **Late fee waiver:** for taxpayers with turnover up to INR 5 crore, if the return is filed by the end of the month in which it was due.
- **Annual Return Quarterly Payment scheme:** approved in principle as an option for B2C-only businesses with turnover up to INR 5 crore.
- Time limits for the outward supply statement and return to be aligned with the time limit for availing ITC.
- **E-commerce operators:** liability to pay tax on notified services to be clarified, irrespective of business model.

3. Refunds

Faster, system-based processing

- **Excess cash ledger balance:** full refund sanctioned automatically.
- **Exports and inverted duty structure:** 90% provisional refund sanctioned automatically on a risk basis; full automated sanction for zero-rated claims in the second phase.
- Acknowledgement or deficiency memo within 10 days (down from 15), failing which deemed acknowledgement.
- No scanned document uploads for export and inverted duty refund claims; details to be captured in system-readable format.

Other relaxations

- Removal of the cap that limited export turnover value to 1.5 times the value of like domestic supplies.
- INR 1,000 minimum refund threshold to apply to the total across all tax heads i.e. CGST, SGST / UTGST and IGST.
- Interest on refund of appeal pre-deposit to be clarified through a law change and circular.

4. Input Tax Credit

Refund of accumulated credit widened

- **Exports:** refund to also cover ITC on capital goods.
- **Inverted duty structure:** refund to also cover ITC on input services and capital goods.
- **Effective dates:** input services for ITC availed from 1 November 2026; capital goods for ITC availed from 1 April 2027, with the refund spread over 60 months.

Blocked credits relaxed

- ITC to be allowed on outdoor catering, health and life insurance, telecom towers, pipelines laid outside the factory, free samples, and goods destroyed or written off on expiry as required by law.
- **Blocking of credit ledger:** taxpayer to get a right to object and a personal hearing.
- Circulars to follow on Input Service Distributor issues, ITC for banks and NBFCs, demonstration vehicles, and payment of pre-deposits.

5. Exports and Cross-Border Transactions

- **Services to own overseas branches or offices:** can qualify as export of services.
- Services on goods made available by a foreign recipient: place of supply to be the recipient's location, opening up export benefits.
- Goods sold to an overseas buyer but delivered in an SEZ/FTWZ: treated as a zero-rated supply to the SEZ/FTWZ, where payment is received in foreign exchange or permitted INR.
- **Transfer of IPR:** temporary or permanent, uniformly treated as a supply of services.
- Circular to clarify receipt of export proceeds in foreign exchange or INR.
- Restriction on IGST refund for exporters using specified duty-free import schemes: removal to apply retrospectively from 23 October 2017, in line with the Supreme Court decision.
- **Foreign shipping lines:** services received by their Indian establishments from related overseas entities without consideration to be exempt, with past periods regularized.

6. Disputes, Penalties and Prosecution

Arrest and prosecution

- Arrest powers under GST to be withdrawn completely.

- Prosecution threshold raised from INR 1 crore to INR 5 crore; scope of prosecutable offences narrowed.

Notices, penalties and appeals

- No show cause notice where tax involved is below INR 10,000; pending notices and appeals below this amount to get the same benefit.
- **Reduced** penalty of to 5% (in non-fraud cases) if tax and interest are paid within 30 or 60 days of the order (depending on the provision); minimum penalty of INR 10,000 removed.
- Penalty to be treated as part of the charge where tax, interest and penalty are paid voluntarily within the specified time.
- General penalty cap reduced from INR 25,000 to INR 10,000.
- Appeal pre-deposit capped at INR 40 crore (INR 20 crore each under CGST and SGST) for penalty-only orders.
- GST Appellate Tribunal provisions to be aligned with the new tribunals reform framework.
- Guidelines to officers on quality and timeliness of notices and orders, proper invocation of fraud, and personal hearings.
- **Point to watch:** a validation clause is proposed for notices struck down by courts for covering multiple financial years.

7. Movement of Goods (E-way Bill)

- Interception only on specific intelligence and with authorisation of a Joint Commissioner or above.
- No interception in transit States; action only where the supplier or recipient is located in that State.
- **Exception:** goods moving without an e-way bill or origin/destination documents may be detained anywhere.
- Confiscation provisions not to apply to goods and conveyances in transit.

8. Rate Changes and Clarifications

Goods

- Reverse charge on plastic, electronic and tyre scrap and used cooking oil bought from unregistered suppliers; 2% TDS on supplies of such scrap between registered persons.
- **Second-hand vehicle margin scheme:** ITC allowed on other inputs and services (spares, repairs, rent, marketing, etc.).
- **Toys:** rate entries cover all toys (dolls, puzzles, etc.), not only tricycles, scooters and pedal cars.
- Classification clarified for sublimation paper under heading 4809 and seaweed-based bio-stimulants, with past cases regularised.
- Psyllium (isabgol) seeds at nil rate; re-treaded tractor tyres aligned with new tractor tyres.
- Compensation cess not levied by Canteen Stores Department on specified goods for past periods to be exempted.

Services

- **Electric vehicles:** optional 5% rate with restricted ITC on passenger transport and vehicle rental with operator, where battery charging cost is included in the price.
- Delivery services through e-commerce operators (other than courier and postal): 5% without ITC; operator to pay tax where the delivery provider is not liable to register.
- Goods transport agency exemption for services to unregistered persons not to apply to goods ordered through e-commerce operators.

- **Same-line ITC:** allowed for restaurant and catering, hotel accommodation up to INR 7,500 per unit per day, and gym/fitness services.
- **Vehicle leasing:** treatment of recoveries such as registration charges, road tax, insurance and FASTag to be clarified.
- **R&D services:** self-certification by the head of the institution for claiming exemption.
- **New exemptions:** storage of seeds for sowing, coffee curing, helicopter seat-sharing services to and from the North-Eastern States, Sikkim and Bagdogra, Seamen's Provident Fund services, and toll collection rights under the highway Toll-Operate-Transfer model.
- Highway O&M services under the Toll-Operate-Transfer model: special procedure for valuation and time of payment.
- **Banks:** notional interest under funds transfer pricing between branches treated as interest.

The recommendations of the GST Council would be given effect through relevant Circulars / Notifications / Law amendments which alone shall have the force of law. Please [Click Here](#) to read the Press Release.

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