

RECOMMENDATIONS OF THE GST COUNCIL • NEW DELHI • 8 OCTOBER 2026

57th GST Council Meeting: Process Reforms at a Glance

Registration, returns, refunds and adjudication are reworked, along with input tax credit, exports, arrest and prosecution, e-way bill checks and a set of rate clarifications.

ARREST POWERS

Withdrawn

Section 69, CGST Act, to be omitted

PROSECUTION THRESHOLD

₹1 crore → ₹5 crore

Monetary limit for prosecution raised

GENERAL PENALTY

₹25,000 → ₹10,000

Maximum under section 125 reduced

◆ What changes: from and to

SUBJECT	AT PRESENT	RECOMMENDED
Minimum penalty in non-fraud cases	₹10,000	Condition removed
Acknowledgement or deficiency memo on a refund claim	15 days	10 days, then deemed acknowledged
Cap on turnover of zero-rated supply of goods in refund formula, rule 89(4)(C)	1.5 times the value of like goods supplied domestically	Restriction removed
Services to an establishment of a distinct person as 'export of services'	Barred by section 2(6)(v), IGST Act	Condition omitted

◆ New in this round

₹10,000

No show cause notice where the tax involved is below this amount

5%

Reduced penalty in non-fraud cases, on payment within 30 or 60 days of the order

₹40 crore

Upper limit on pre-deposit for appeals against penalty-only orders

90%

Provisional refund sanctioned automatically for zero-rated and inverted duty claims, based on risk

60 months

Period over which refund of ITC on capital goods will be spread

₹5 crore

Turnover ceiling for the late fee waiver, and for the optional ARQP scheme for B2C suppliers

DATES TO NOTE

1 November 2026

ITC on input services availed from this date qualifies for inverted duty refund

1 April 2027

ITC on capital goods availed from this date qualifies for refund

April 2027 return

Alternate mechanism to amend liability and ITC in returns

Source: PIB press release, Ministry of Finance, 8 October 2026 (Release ID 2320934). These are recommendations of the GST Council; they take effect only through the relevant circulars, notifications and law amendments. For general information only; not professional advice.



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Notices, Penalties and Appeals

Reforms related to dispute resolution: fewer small-value notices, lighter penalties where dues are paid, and a ceiling on pre-deposit.

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₹10,000

Minimum tax amount for issuing a show cause notice

5%

Reduced penalty in non-fraud cases, on timely payment after the order

₹40 crore

Upper limit on pre-deposit in penalty-only appeals

MEASURE	PROVISION	WHAT THE COUNCIL RECOMMENDED
1 Quality of notices and orders	Circular	Comprehensive guidelines to tax officers on demand notices, adjudication orders and appeal orders: their quality and timely issuance, invoking fraud, wilful misstatement or suppression of facts only on the merits of each case, and adherence to natural justice, including personal hearings.
2 Threshold for show cause notices	Sec. 73 Sec. 74 Sec. 74A	No notice where the tax involved (CGST + SGST + IGST + Cess) is less than ₹10,000 . Notices and appeals below ₹10,000 that are pending when the threshold comes into force will be decided as if it had been in force when the notice was issued.
3 Penalty deemed a 'charge'	Sec. 73 Sec. 74 Sec. 74A	The penalty amount is deemed a 'charge' where the full tax is paid voluntarily, along with interest and penalty, within the specified time limit.
4 Reduced penalty of 5%	Sec. 73 Sec. 74 Sec. 74A	In non-fraud cases, where tax along with interest is discharged within 30 days (section 73) or 60 days (section 74A) of the adjudication order.
5 Minimum penalty	Sec. 73 Sec. 74 Sec. 74A	The condition of a minimum penalty of ₹10,000 is removed in non-fraud cases.
6 General penalty	Sec. 125	Maximum general penalty reduced from ₹25,000 to ₹10,000 .
7 Cap on pre-deposit for appeals	Sec. 107(6) Sec. 112(8)	Upper limit of ₹40 crore (₹20 crore under CGST and ₹20 crore under SGST/UTGST) on the pre-deposit for an appeal before the Appellate Authority or the Appellate Tribunal, where the order involves only penalty and no demand of tax.

ALSO RELEVANT TO LITIGATION

- Objection and personal hearing against blocking of the electronic credit ledger under **rule 86A** (page 08).
- Validation clause for notices held invalid by courts for covering **multiple financial years** (page 08).
- **Section 115** to become a standalone provision on the rate of interest on refund of pre-deposit, with a clarificatory circular (page 06).
- Circular to clarify various issues relating to payment of **pre-deposits**.

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Arrest, Prosecution and E-way Bill

Ease of living and doing business: criminal provisions narrowed and road checks confined to intelligence-based, authorised interception.

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Arrest powers under GST: complete withdrawal

By omission of section 69 of the CGST Act, 2017. The Council describes the package as strengthening a progressive and trust-based tax regime while retaining effective deterrence against fraud and evasion.

PROSECUTION THRESHOLD

₹1 crore → ₹5 crore

◆ Offences and prosecution

Section 132

PROVISION	RECOMMENDED CHANGE
Sec. 132(1)(i)	Clause omitted.
Sec. 132(1)(e)	The words “evades tax” deleted.
Sec. 132(1)(h)	The words “or in any other manner deals with” deleted.
Sec. 132(1)(c)	Amended to cover only the offence of fraudulent availment of ITC without receipt of goods or services, or without invoice or bill.
Sec. 132	Amount of punishment for the various offences to be rationalised.

◆ E-way bill: interception of goods in movement

Sec. 68

Sec. 129

Sec. 130

1 Only on specific intelligence

A conveyance carrying goods can be intercepted only on specific intelligence, and with the authorisation of an officer not below the rank of **Joint Commissioner**.

2 No interception in transit States

Inspection and further action for detention or seizure can be taken when either the supplier or the recipient is located or registered in the State where the interception is made.

3 Exception: no e-way bill or documents

Where no e-way bill has been generated, or the conveyance carries no document showing the origin or destination of the goods, the goods can be inspected, detained or seized irrespective of jurisdiction.

4 No confiscation in transit

The provision for confiscation of goods or conveyances under section 130 will not apply to goods or conveyances in transit.

The Council expects these changes to enable smooth movement of goods and conveyances and to improve supply and transportation efficiency for businesses.

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Registration

Clearer applications, automatic amendments, system-driven cancellation and a simple route for small sellers on e-commerce platforms.

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ALREADY IN PLACE FROM THE 56TH MEETING

Automatic registration without officer intervention under **rule 14A**, where the applicant does not intend to pass on ITC of more than **₹2.5 lakh per month**. The measures below cover the remaining cases and the later life of a registration.

STAGE	PROVISION	WHAT THE COUNCIL RECOMMENDED
1 Applying for registration	Circular REG-01	- Comprehensive circular specifying the documents and information required, with FAQs. - FORM GST REG-01 amended to provide drop boxes for selecting the prescribed documents and information, so that taxpayer and officer are both clear on what is to be furnished. - User-friendly portal interface with clear navigational paths, drop-down lists, tool-tips and contextual guidance.
2 Amending registration details	Rule 19	Automatic acceptance on the portal of amendments to all registration particulars, except the Principal Place of Business (PPOB) . For taxpayers registered under rule 14A, all amendments including PPOB are accepted automatically.
3 Cancellation on the taxpayer's application	REG-16 GSTR-10	Phase 1: applications accepted automatically by the system once all pending returns are filed and all dues are paid, where the taxpayer (a) has not passed on ITC exceeding ₹2.5 lakh in any month since registration, or (b) has done so but has filed the final return in FORM GSTR-10 within the specified period. Phase 2: all applications accepted automatically once returns are filed and dues paid. REG-16 to be amended so that GSTR-10 details can be furnished in the application itself.
4 Suo motu cancellation by the officer	Rule 21 Rule 21A Rule 22 Rule 23A	Certain grounds of cancellation by tax officers omitted from rule 21. A system-based mechanism for cancellation and revocation, driven by non-compliance and subsequent compliance, for defaults of non-filing of returns or non-furnishing of bank account details within the specified period.
5 Small sellers on e-commerce platforms	Rule 14B	Simple registration for small suppliers of goods through e-commerce operators (ECOs) in States/UTs where they have no physical presence and intend to pass on ITC of not more than ₹2.5 lakh per month (excluding stock transfers between distinct persons), by declaring the ECO's warehouse in that State/UT as their PPOB. Registration granted automatically by the system, subject to conditions.

Dark tag new provision to be inserted **Light tag** existing provision or form to be amended, or a circular

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Returns

An alternate mechanism to amend liability and input tax credit in returns, to minimise mismatches and the notices that follow.

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What has to match



TOOL OR FORM	PROVISION	PURPOSE
1 FORM GSTR-1 / 1A / IFF	Enhanced	Better reconciliation of details in these forms with those reported in FORM GSTR-3B.
2 Electronic Statement of tax paid on Reverse charge basis and input tax credit claimed	Rule 86D	Portal facility for correct reporting of tax liability and ITC on supplies liable to RCM.
3 Correction of liability	Rule 61(1A)	Mechanism for correct reporting and correction or rectification of liability, so that GSTR-3B aligns with GSTR-1 / 1A / IFF.
4 FORM GST DRC-03	Amended	To declare the details of the underlying invoice for which payment has been made.
5 Invoice Management System (IMS)	Rule 60(6A)	Recipient may accept, reject or keep pending an inward supply document for generating FORM GSTR-2B, subject to conditions, including the period for which a credit note can be kept pending.
6 Electronic Credit Reversal and Reclaim Statement	Rule 86C	Portal facility for correct reporting of ITC reversed and reclaimed in FORM GSTR-3B.
7 Correction of ITC	Rule 61(1B)	Mechanism for correct reporting and correction or rectification of ITC, so that ITC availed in GSTR-3B aligns with GSTR-2B.
8 Manner of reporting ITC and reversals	Circular	To clarify how ITC and its reversal are to be furnished in GSTR-3B, in the context of IMS and the two electronic statements.

Dark tag new provision to be inserted **Light tag** existing provision or form to be amended, or a circular

EFFECTIVE FROM

April 2027 return

Recommended start for the alternate mechanism for amendment of liability and ITC in the return.

PUBLIC CONSULTATION FIRST

The revised mechanism will be placed in the public domain for a time-bound consultation. The Union Finance Minister is authorised to approve changes based on stakeholder feedback.

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Refunds

Faster, system-based automated processing of refunds, rolled out in two phases.

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Section 54 of the CGST Act and the relevant rules are to be amended for system-based processing and sanction of refund claims relating to **excess balance in the electronic cash ledger**, **zero-rated supplies** and **inverted duty structure**, in two phases.

Phase 1 Automatic sanction begins

- 1 Electronic cash ledger:** full refund of excess balance sanctioned automatically by the system, without officer intervention.
- 2 Acknowledgement:** time limit for acknowledgement or deficiency memo reduced from 15 days to **10 days**. Deemed acknowledgement by the system if neither is issued within 10 days of the application.
- 3 Zero-rated and inverted duty claims:** 90% of the amount claimed sanctioned provisionally and automatically, without officer intervention, based on identification and evaluation of risk by the system.

Phase 2 Automated acknowledgement and full sanction

- 1 Automated acknowledgement:** system-based acknowledgement, without officer intervention, on due verification of the refund application by the system.
- 2 Full refund for zero-rated supplies:** in acknowledged cases, automated sanction of the full claim by the system, after adjusting pending dues, if any, based on identification and evaluation of risk by the system.

◆ Other refund amendments

SUBJECT	PROVISION	WHAT THE COUNCIL RECOMMENDED
1 Refund application	RFD-01	Details to be captured in a system-readable format. No uploading of scanned documents for claims relating to zero-rated supply and inverted duty structure.
2 Turnover of zero-rated supply of goods	Rule 89(4)(C)	Restriction capping it at 1.5 times the value of like goods domestically supplied to be removed.
3 ₹1,000 threshold	Sec. 54(14)	Explanation that the threshold applies to the total refund amount: CGST, SGST/UTGST and IGST taken together.
4 Interest on refund of pre-deposit	Sec. 115	Section 115 to be a standalone provision on the rate of interest applicable to refund of pre-deposit paid for filing appeals.
5 Interest on refund of pre-deposit	Circular	To clarify issues regarding the rate of interest on refund of pre-deposit.

The Council expects greater automation and reduced manual intervention to bring timely sanction of eligible refunds, transparency, certainty and uniformity, and better cash flows for taxpayers.

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Input Tax Credit and Exports

A wider base of eligible credit, refunds of accumulated ITC on capital goods and input services, and easier access to export benefits.

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◆ Blocked credits to be opened up

Sec. 17(5)

Section 17(5) of the CGST Act is to be amended to remove the restriction on availing ITC, inter alia, on supplies of:

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

◆ Refund of accumulated ITC

Sec. 54(3) proviso, cl. (ii)

ITC ON	REFUND CATEGORY	ELIGIBLE ITC	CONDITION
Capital goods	Zero-rated supplies and inverted duty structure	Availed on or after 1 April 2027	Refund spread over 60 months
Input services	Inverted duty structure	Availed on or after 1 November 2026	-

◆ Exports and zero-rating

IGST Act

SUBJECT	PROVISION	WHAT THE COUNCIL RECOMMENDED
1 Services to foreign offices and branches	Sec. 2(6)(v)	Sub-clause omitted, removing 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 on services supplied to or through foreign offices and branches.
2 Receipt of export proceeds	Circular	To clarify issues on receipt of payment in foreign exchange or in Indian rupees, as permissible, for export of goods and services.
3 Services on goods made physically available	Sec. 13(3)(a)	Clause omitted. Place of supply will follow the default rule in section 13(2): the location of the recipient. Opens export-related benefits for such services provided to foreign recipients.
4 Delivery to an overseas buyer in an SEZ or FTWZ	Sec. 16(1)	Explanation inserted: goods supplied to an overseas buyer but delivered to that buyer in an SEZ/FTWZ, with payment in convertible foreign exchange or in Indian rupees where permitted by the RBI, are deemed a supply to the SEZ/FTWZ. Gives certainty of zero-rating.

RELATED CIRCULARS TO REMOVE AMBIGUITY

- Input Service Distributor (ISD) mechanism for distribution of input service credit.
- ITC of banking companies and financial institutions, including NBFCs, opting for section 17(4).
- Admissibility of ITC on demonstration vehicles in certain situations.
- Omission of rule 96(10) to be effective from **23.10.2017**, in accordance with the Supreme Court decision.

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Compliance and Other Measures

A hearing before credit is blocked, late fee relief, a simpler scheme for small B2C suppliers, and streamlined compliance provisions.

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◆ Taxpayer relief and clarity

SUBJECT	PROVISION	WHAT THE COUNCIL RECOMMENDED
Blocking of electronic credit ledger	Rule 86A	A mechanism for the taxpayer to file an objection against blocking of any amount in the electronic credit ledger, and to avail a personal hearing before the proper officer decides on it.
Late fee waiver for small taxpayers	Sec. 39(1)	Late fee on a delayed return waived for taxpayers with annual turnover up to ₹5 crore in the preceding financial year, if the return is filed by the end of the month in which it was due.
Annual Return Quarterly Payment (ARQP)	In-principle	Concept note approved in principle for an optional scheme for taxpayers with aggregate turnover of ₹5 crore or less in the preceding financial year, engaged exclusively in supplies to unregistered persons (B2C).
Transfer of title in IPR	Schedule II	Transfer of title in intellectual property rights, whether temporary or permanent, to be uniformly treated as a supply of services .

◆ Streamlining compliance

SUBJECT	PROVISION	WHAT THE COUNCIL RECOMMENDED
Outward supply statement and return	Sec. 16 Sec. 37 Sec. 39	Provisions on the statement of outward supply (section 37) and the return (section 39) aligned with the time limit for availing ITC under section 16(4).
Liability of e-commerce operators	Sec. 9(5)	Clarity that the ECO is liable to pay tax on notified services, irrespective of the business model it follows.
Notices covering multiple years	Validation clause	Validation of notices held invalid by various courts on the ground of having been issued for multiple financial years.
E-invoicing extended	E-invoice	To domestic supplies received from unregistered persons where tax is payable under reverse charge, and to import of services, for taxpayers with aggregate annual turnover of ₹5 crore and above.

GST APPELLATE TRIBUNAL

Amendments approved to the CGST Act and the GSTAT (Appointment and Conditions of Service of President and Members) Rules, 2023, to align the Tribunal's provisions with the Tribunals Reforms Act, 2026 and the National Tribunals Commission and Qualification, Selection and Conditions of Service of Chairpersons and Members of Tribunals Rules, 2026.

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Rate Clarifications: Goods

Changes and clarifications in relation to GST rates on goods.

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GOODS	NATURE	RECOMMENDATION
1 Sublimation paper	CLASSIFICATION	Classified under heading 4809 . Past cases regularised on “as is where is” basis.
2 Toys	CLARIFIED	Notification entries on toys cover all categories of toys in heading 9503 (such as dolls, puzzles and other toys), not only tricycles, scooters and pedal cars. Sr. No. 497 of Schedule I and Sr. No. 616 of Schedule II, notification No. 09/2025-CTR dated 17.09.2025.
3 Sea-weed extract based bio-stimulants	CLASSIFICATION	Where registered under Schedule VI to the Fertiliser (Inorganic, Organic or Mixed) (Control) Order, 1985: classifiable under heading 3101 as fertilisers. Past cases regularised on “as is where is” basis. Explanation in Sr. No. 237 of Schedule I, notification No. 09/2025-CTR.
4 Second-hand vehicles under the margin scheme	ITC	Suppliers may avail ITC on inputs (other than second-hand vehicles) and input services such as spares, repair and maintenance, technology services, rent, marketing and advertisement. The restriction applies only to tax paid on the second-hand vehicles procured.
5 Waste and scrap of plastics, electrical and electronics, and tyres; used cooking oil	RCM TDS 2%	Reverse charge when supplied by an unregistered person to a registered person. The supplier must register on crossing the threshold; the recipient pays tax under RCM even if the supplier is below it. TDS at 2% introduced on supplies of the specified waste and scrap by a registered person to a registered person (B2B).
6 Psyllium seeds (Isabgol)	NIL RATE	NIL rate of GST, whether the seeds are fresh, chilled, frozen or dried.
7 Re-treaded tractor tyres	RATE ALIGNED	GST rate aligned with that applicable to new tractor tyres, to correct the anomaly.
8 Compensation cess not levied by Canteen Stores Departments	EXEMPT	Cess not levied by CSDs on two and four 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 , to be exempted.

REVERSE CHARGE

4 items

Plastic, electrical and electronic, and tyre scrap, and used cooking oil: RCM on supplies by unregistered persons

NEW TDS

2%

On B2B supplies of the specified waste and scrap between registered persons

PAST PERIODS

“As is where is”

Regularisation for sublimation paper and sea-weed bio-stimulants

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Rate Clarifications: Services

Changes and clarifications in relation to GST rates on services.

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SERVICE	RECOMMENDATION
1 Passenger transport and rental of motor vehicles using electric vehicles	5% OPTION Option to pay GST at 5% with restricted ITC on passenger transport and rental of motor vehicles with operators, where the service uses an electric vehicle and the cost of battery charging is included in the consideration.
2 Transportation and delivery services through e-commerce operators	5%, NO ITC Delivery services, other than courier and postal, supplied through an ECO brought under section 9(5) where the supplier is not liable to register under section 22(1), at 5% without ITC. 5% without ITC also for delivery services for goods supplied or ordered through an ECO. The GTA exemption for transport to unregistered persons (Entry 21A, notification No. 12/2017-CT(R)) will not cover goods supplied or ordered through an ECO.
3 Motor vehicle leasing	CLARIFIED GST treatment of statutory and ancillary recoveries, such as registration charges, road tax, insurance and FASTag charges, incurred by the lessor and recovered from the lessee.
4 ITC in the same line of business	ITC Limited ITC for restaurant and outdoor catering, hotel accommodation of value up to ₹7,500 per unit per day, and gym and fitness services, as now available for passenger transport, tour operator and renting of motor vehicles.
5 Passenger transport by helicopter	EXEMPT On seat-sharing basis, from or to airports and helipads in the north-eastern States, Sikkim and Bagdogra in West Bengal.
6 Storage or warehousing of seeds meant for sowing	EXEMPT Services by way of storage or warehousing of seeds meant for sowing.
7 Curing of coffee	EXEMPT Agricultural support services of curing coffee provided by coffee curers to cultivators.
8 Seamen's Provident Fund Organisation	EXEMPT Services provided by the SPFO to persons governed by the Seamen's Provident Fund Act, 1966.
9 Research and development services	PROCEDURE Self-certification by the head of the institution or organisation that the activity is research and development and not consultancy, for exemption under Entry 44A of notification No. 12/2017-CT(R).
10 Import of services by Indian establishments of foreign shipping lines	EXEMPT Import of services from a related person or any of its establishments outside India, when made without consideration. Past period regularised on "as is where is" basis.
11 Upfront or concession amount paid to NHAI under the Toll Operate Transfer model	EXEMPT Grant of exclusive right, licence and authority by the Government, including a local authority, governmental authority or government entity, to the concessionaire for highway projects to demand, collect and appropriate toll fee.
12 Operation and maintenance for highway projects under the TOT model	PROCEDURE Special procedure for valuation and time of payment of GST on O&M services provided by concessionaires to the concessing authority.
13 Fund Transfer Pricing in banks	CLARIFIED The notional amount regarded as "interest" for notional transfer of funds between branches by the head office is covered by the definition of "interest" in notification No. 12/2017-CT(R).

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