

# 57TH GST COUNCIL MEETING

Major recommendations and implications for businesses

New Delhi | 8 October 2026 | Client Information Circular

## IMPORTANT: RECOMMENDATIONS, NOT OPERATIVE AMENDMENTS

The Council has recommended a wide-ranging reform package. These proposals do NOT become law merely upon the announcement. The operative position will depend on the text and commencement of the relevant Act amendments, Rules, rate notifications and circulars. This update records the recommendations as announced on 8 October 2026; businesses should not change tax positions solely on this basis.

## EXECUTIVE OVERVIEW

The 57th meeting focused primarily on ease of compliance, recovery and dispute processes, wider ITC and refund access, exports, and reduced penal exposure. There has been no general restructuring of GST rate slabs at this meeting, although targeted sectoral tax changes/clarifications have been recommended.

The accompanying outcome note also refers to an officer-level study of safeguards for bona fide purchasers affected by supplier defaults (proposed within three months). This is a matter for further consideration, not an immediate change to the ITC conditions or an assured relief.

### ARREST

Proposed omission of section 69; prosecution provisions would continue in revised form.

### PROSECUTION

General monetary threshold proposed to rise from ₹1 crore to ₹5 crore.

### NOTICES

Minimum ₹10,000 tax threshold proposed for notices under sections 73/74/74A.

### REFUNDS

Faster automated refunds; broader credit refund base for exports and inverted-duty cases.

### ITC

Relaxation of selected section 17(5) restrictions and same-line-business relief.

### EXPORTS

Proposed relief for foreign branch services, goods-based services, and SEZ/FTWZ deliveries.

## 01 | INPUT TAX CREDIT AND REFUND OF ACCUMULATED CREDIT

- Wider ITC eligibility under section 17(5):** Relaxation proposed in respect of outdoor catering, employee health and life insurance, telecom towers, pipelines outside factory premises, free samples, and goods destroyed or written off on expiry of shelf life where destruction is legally required. The final statutory language will govern conditions and effective date.
- Same-line-of-business ITC:** Limited credit proposed for restaurant/outdoor catering services, hotel accommodation up to ₹7,500 per unit per day, and gym/fitness services supplied onward in the same line of business, broadly following existing exceptions for specified transport/tour operator businesses. This is not a blanket ITC entitlement for all such expenses.
- Inverted-duty refund on input services:** Section 54(3) and rules proposed to permit refund of accumulated credit attributable to input services, for input-service ITC availed on or after 1 November 2026, subject to implementation.
- Capital goods refund:** Accumulated ITC on capital goods to qualify for refund in zero-rated supply and inverted-duty cases, spread over 60 months; proposed for capital-goods ITC availed on or after 1 April 2027. The 60-month method is a refund computation, not an automatic immediate 100% refund.

## 02 | REFUND PROCESS AND PROCEDURAL RELIEF

- Automatic cash-ledger refunds:** Full refund of excess electronic cash ledger balance proposed to be sanctioned by system without officer involvement (Phase 1).
- Faster acknowledgment and provisional sanction:** Time to issue an acknowledgment or deficiency memo proposed to fall from 15 to 10 days, failing which system-generated deemed acknowledgment would follow. For eligible zero-rated/inverted-duty claims, risk-based automated provisional sanction of 90% is proposed.

- 7. Phase 2 and refund form:** Risk-based system sanction of eligible full zero-rated refunds after adjustment of pending dues, along with system-readable RFD-01 and dispensing with scanned attachments for specified refund categories, is contemplated in subsequent implementation.
- 8. Valuation cap removed:** Proposed deletion of the rule 89(4)(C) restriction capping zero-rated goods turnover at 1.5 times comparable domestic value for refund calculation.
- 9. ₹1,000 minimum refund threshold:** Clarification proposed that section 54(14) threshold applies to combined CGST, SGST/UTGST and IGST refund amount, not separately to each tax head.
- 10. Appeal pre-deposit interest:** Standalone section 115 provision and a circular proposed to clarify the rate of interest on refund of appellate pre-deposits; the precise rate remains subject to the final text.

### 03 | REGISTRATION AND FILING OF RETURNS

- 11. Registration application simplification:** Comprehensive documentary checklist/FAQ; revised REG-01 with purpose-mapped document selections and navigational help, while preserving existing system-based route for applicants eligible under rule 14A.
- 12. Automatic amendments to registration:** Proposed rule 19 changes allow automatic acceptance of particulars other than principal place of business (PPOB). For rule 14A automated registrants, PPOB changes are also proposed to be automatically accepted.
- 13. Cancellation and restoration:** Phased auto-acceptance of REG-16 after returns/dues compliance, eventual integration of GSTR-10 details, and rule-based system cancellation/revocation for non-filing or missing bank account details once rectified.
- 14. Simplified ECO-linked registration:** Proposed rule 14B would permit qualifying small goods sellers to register in States without physical premises using the e-commerce operator warehouse as PPOB, where monthly ITC passed on does not exceed ₹2.5 lakh (subject to specified exclusions/conditions).
- 15. Returns and invoice-level correction:** Proposed GSTR-1/1A/IFF–GSTR-3B alignment; rule 61(1A)/(1B) correction mechanisms; new rule 86D reverse-charge statement, rule 86C credit reversal/reclaim statement, IMS framework via rule 60(6A), and invoice-level DRC-03 reporting. A public consultation is contemplated.
- 16. Target date for returns reform:** April 2027 return is the Council's suggested start for the revised return/liability/ITC mechanism, subject to enactment, consultation and portal readiness.
- 17. Small B2C annual-return scheme:** In-principle (not final) optional Annual Return Quarterly Payment (ARQP) scheme for persons exclusively supplying to unregistered consumers with turnover up to ₹5 crore in the preceding financial year; detailed rules are still to come.
- 18. Small-taxpayer late fee:** Proposed waiver of late fee for section 39(1) returns filed after due date but within the due month, for taxpayers with turnover up to ₹5 crore in the preceding financial year.

### 04 | NOTICES, APPEALS AND ADJUDICATION

- 19. Minimum notice threshold:** Statutory threshold of ₹10,000 in aggregate tax (CGST + SGST/UTGST + IGST + Cess) proposed under sections 73, 74 and 74A. The recommendation also envisages corresponding treatment of notices/appeals below this amount pending when the threshold comes into force; this is not presently an automatic closure.
- 20. Natural justice and quality of orders:** Comprehensive circular proposed addressing issuance/service of notices, clear allegations, judicious invocation of fraud/suppression, timely orders, personal hearing and reasoned adjudication/appeal orders.
- 21. Non-fraud penalties:** Proposed reduced 5% penalty where tax with interest is discharged within 30 days of an order under section 73 or 60 days under section 74A; proposed removal of minimum ₹10,000 penalty in non-fraud matters.
- 22. General penalty and pre-deposit:** Maximum general penalty under section 125 proposed to drop from ₹25,000 to ₹10,000; pre-deposit for penalty-only appeals before first and second appellate authorities proposed to be capped at ₹40 crore (₹20 crore CGST + ₹20 crore SGST/UTGST), subject to final legislative wording.
- 23. Rule 86A blocked credit:** Proposed express facility to object to blocking of electronic credit ledger and obtain a personal hearing before the proper officer decides the objection.
- 24. Multiple-financial-year SCNs:** A validation clause has been proposed for notices invalidated by courts because a single notice covered multiple financial years. This potentially contentious proposal requires close attention to enacted scope and constitutional/judicial developments.

**25. Appeal and sector clarifications:** Circulars proposed concerning pre-deposits, ISD distribution, section 17(4) banking/NBFC credits, demo vehicles and retrospective operation of omission of rule 96(10), stated in the announcement as from 23 October 2017.

## 05 | ARREST, PROSECUTION, TRANSIT AND E-WAY BILLS

**26. Removal of arrest power:** The Council recommends complete omission of section 69 of the CGST Act. GST prosecution is not abolished; narrower offence definitions and revised monetary/punishment provisions have separately been proposed.

**27. Prosecution changes:** Threshold proposed to increase from ₹1 crore to ₹5 crore, with changes to section 132 including narrowing fraudulent-ITC offence language to specified no-receipt/no-invoice situations and rationalisation of punishment. Scope and exceptions must be checked from the amended text.

**28. Interception based on intelligence:** Proposed amendment of sections 68/129/130 so that a vehicle is intercepted only on specific intelligence and authorisation by an officer not below Joint Commissioner. Normally action would be at supplier's or recipient's State, not merely a transit State.

**29. Important transit exceptions:** Where no e-way bill or no carriage document revealing origin/destination exists, inspection/detention/seizure may still occur irrespective of State jurisdiction. Section 130 confiscation would not apply to goods/conveyances in transit after the proposed amendment; other compliance duties continue.

## 06 | EXPORTS, ZERO RATING, INTELLECTUAL PROPERTY

**30. Indian supplier and its foreign establishment:** Deletion proposed of section 2(6)(v) of the IGST Act, removing the distinct-person establishment bar from the export-of-services definition. All other export criteria, including applicable place of supply and receipt conditions, still require examination.

**31. Services on goods made available in India:** Omission proposed of section 13(3)(a) so that the general recipient-location rule in section 13(2) would govern relevant cross-border services, subject to other applicable specific place-of-supply provisions.

**32. Goods delivered to SEZ/FTWZ for overseas buyers:** An explanation to section 16(1) IGST Act proposed to treat qualifying delivery to an overseas buyer in an SEZ/FTWZ as a supply to that zone, where prescribed foreign-exchange/INR realisation conditions are met.

**33. Export receipt clarification:** Circular proposed on receipt of permitted foreign currency/INR for goods and service exports; do not presume any blanket extension/waiver of FEMA or realisation requirements.

**34. IPR ownership transfers:** Schedule II amendment proposed so that transfer of title in intellectual property rights, whether temporary or permanent, is classified as a supply of services.

**35. RCM e-invoicing and other compliance:** E-invoicing proposed for domestic reverse-charge transactions with unregistered suppliers and import of services where recipient turnover is ₹5 crore or above. The recommendation also contemplates aligning section 16/37/39 timelines and clarifying ECO liability under section 9(5).

## 07 | RECOMMENDED CHANGES CONCERNING GOODS

|                                       |                                                                                                                                                                                                                                                                     |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Classification clarifications</b>  | Sublimation paper to fall under heading 4809 (past cases on "as is where is" basis); all toys within heading 9503 to be covered by relevant toy entries; registered seaweed-extract biostimulants under heading 3101, with past cases regularised "as is where is". |
| <b>Second-hand vehicles</b>           | Under margin scheme, ITC bar would apply to tax on purchased second-hand vehicle itself; inputs and input services such as spares, repair, rent, marketing, technology etc. may qualify, subject to other conditions.                                               |
| <b>Specified scrap &amp; used oil</b> | RCM proposed on unregistered-to-registered supplies of plastic scrap, electrical/electronic scrap, tyre scrap and used cooking oil; 2% GST-TDS proposed on registered-to-registered transactions in these notified categories.                                      |
| <b>Agriculture / tyres</b>            | Nil GST proposed for psyllium (isabgol) seeds regardless of fresh/chilled/frozen/dried state; retreaded tractor tyre rate proposed to align with new tractor tyre rate.                                                                                             |
| <b>CSD / URC legacy matters</b>       | Proposed compensation cess relief for specified vehicles sold through CSD during 1 Jul 2017–30 Sep 2022 and specified aerated drinks through CSD/Unit Run Canteens during 1 Jul 2017–31 Mar 2022.                                                                   |

## 08 | RECOMMENDED CHANGES CONCERNING SERVICES

|                                   |                                                                                                                                                                                                                                           |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Electric vehicle transport</b> | Proposed 5% GST option with restricted ITC for passenger transport and renting of motor vehicles with operator using EVs, where battery charging cost is part of price.                                                                   |
| <b>E-commerce delivery</b>        | Non-postal/non-courier delivery through ECO proposed under section 9(5) for non-registrable delivery suppliers; 5% without ITC for specified delivery services; related GTA-to-unregistered exemption narrowed for ECO orders.            |
| <b>Motor vehicle leasing</b>      | Clarification proposed on lessor recoveries for vehicle registration, road tax, insurance and FASTag charges.                                                                                                                             |
| <b>Hotels, catering, gyms</b>     | Limited same-line-of-business credit proposed for restaurant/outdoor catering, hotel accommodation up to ₹7,500/unit/day and gym/fitness services.                                                                                        |
| <b>Specific exemptions</b>        | Seat-sharing helicopter passenger transport to/from specified North-East States, Sikkim and Bagdogra; warehousing of seeds for sowing; coffee curing supplied to cultivators; specified services by Seamen's Provident Fund Organisation. |
| <b>R&amp;D exemption</b>          | Self-certification by head of organisation proposed to demonstrate genuine R&D, not consultancy, for Entry 44A exemption.                                                                                                                 |
| <b>Shipping groups</b>            | Import of services without consideration by Indian establishment of foreign shipping line from related overseas person/establishment proposed to be exempt; past period to be regularised "as is where is".                               |
| <b>Highway TOT projects</b>       | Proposed exemption for grant of toll collection rights by specified public bodies; special valuation/time-of-payment procedure for O&M services under toll-operate-transfer model.                                                        |
| <b>Bank fund transfers</b>        | Clarification proposed treating notional funds-transfer-pricing "interest" between bank head office/branches within definition of interest for exemption purposes.                                                                        |

## 09 | PRACTICAL ACTION POINTS FOR TAXPAYERS

- 1. Do not implement in anticipation:** Continue to apply existing notified GST law, rates, eligibility limits and procedural deadlines until relevant measures formally commence.
- 2. Review major affected positions:** Map employee insurance, samples/expired stock, capital goods and inverted-rate refunds; examine exports through foreign branches, foreign-principal processing, and SEZ/FTWZ transaction structures.
- 3. Preserve litigation rights:** Continue to respond to SCNs, seek hearings, file appeals and protect limitation. Changes to notices, penalty, arrest, rule 86A, section 130 and validation of multi-year notices are not yet enforceable.
- 4. Prepare systems, not assumptions:** Accounts/ERP teams may assess readiness for IMS, RCM statement, GST credit reversal/reclaim statement, proposed e-invoicing expansion and April 2027 return amendments.
- 5. Check sector notifications:** Affected ECOs, scrap dealers, second-hand vehicle dealers, logistics companies, EV operators, banks, exporters and concessionaires should revisit contracts and rates only after notification text is available.

### KEY TAKEAWAY

The Council's package is taxpayer-facilitative in several important respects, but its economic and litigation benefits depend on the exact statutory wording, transitional rules, dates of operation and implementing notifications. Treat this circular as an early-alert advisory, not a statement that the recommendations have already commenced.

**SOURCE** Ministry of Finance / PIB, "Recommendations of the 57th Meeting of the GST Council", 8 October 2026 (Release ID: 2320934); accompanying outcome note supplied for review.

**OFFICIAL RELEASE** <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2320934>

*Disclaimer: General information as of 8 October 2026. Legal consequences depend on individual facts and the operative law.*