Dipen D Shah & Associates
CHARTERED ACCOUNTANTS



Summary of Key Recommendations of the 57th GST Council Meeting

Based on the PIB Press Release dated 8 October 2026 and the Council's official recommendations

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604, Block B,Addore Aspire 2,Opp.Old Passport office, University Road,
Nr.Jhanvi Restaurant, Gulbai Tekra, Ahmedabad 380009

The 57th Meeting of the Goods and Services Tax (GST) Council, chaired by the Hon'ble Union Finance & Corporate Affairs Minister, Smt. Nirmala Sitharaman, was convened on 8 October 2026. The Council considered wide-ranging reforms aimed at simplifying GST administration, enhancing compliance efficiency, strengthening dispute resolution, rationalising enforcement, and improving the overall ease of doing business.

Important: All recommendations are subject to enactment through notifications, circulars, rules, and statutory amendments. The Council's communication clarifies that the recommendations are not, by themselves, final law; only the relevant circulars, notifications, and legislative amendments will have the force of law.

Key Changes at a glance

Area	Recommendation
GST arrest	Proposed complete withdrawal
Prosecution threshold	₹1 crore → ₹5 crore
General penalty – Sec. 125	₹25,000 → ₹10,000
SCN threshold	Minimum ₹10,000
Reduced penalty	5% in specified non-fraud cases
Penalty-only appeal pre-deposit	Cap ₹40 crore
Refund acknowledgement	15 days → 10 days
Provisional refund	90% for specified refunds
Small ECO seller registration	Simplified registration proposed

Area	Recommendation
ARQP	Optional scheme for B2C taxpayers up to ₹5 crore
Input Service Refund for inverted duty	Input services procured after 01.11.26 eligible for refund
Capital Goods refund for ZRS & IDS	60-month spread; specified ITC from 1 Apr 2027
Late fee relief	Specified taxpayers up to ₹5 crore
Rule 86A	Objection + personal hearing proposed
Interception of conveyance	Specific intelligence + Joint Commissioner authorisation
E-invoicing	Specified RCM / import of services for ₹5 crore+ taxpayers
Section 17(5)	Several restrictions proposed to be removed
IPR transfer	Uniformly treated as services

1. PROCESS REFORMS

1.1 Simplification of GST Registration

The Council recommended substantial procedural simplifications to reduce registration related queries and rejections:

- A comprehensive circular/FAQ will specify mandatory documents and information.
- Form GST REG 01 will be redesigned with structured drop down options.
- The GST portal will be upgraded with improved navigation, tooltips, and contextual guidance.
- The overarching objective is to expedite registration processing and reduce officer intervention.

"The GST portal will be made more user-friendly... The objective is to reduce registration rejections..."

1.2 Automatic Acceptance of Amendments

Amendments to Rule 19 of the CGST Rules were proposed:

- Most registration amendments will be auto approved, except changes to Principal Place of Business (PPoB).
- For taxpayers registered under Rule 14A, even PPoB amendments will be auto accepted.
- This measure is expected to significantly reduce administrative delays.

1.3 Simplified Cancellation Procedures

A two phase system based cancellation framework was proposed:

• Phase 1: Automatic acceptance of REG 16 applications where pending returns are filed and dues paid, subject to ITC thresholds.
• Phase 2: Automatic acceptance for all cancellation applications once compliance is completed.
• REG 16 will be amended to capture GSTR 10 details.
• Suo moto cancellation will transition to a system-driven mechanism, reducing discretionary powers.

1.4 Simplified GST Registration for Small E-commerce Sellers

• A new Rule 14B is proposed for small suppliers selling goods through Electronic Commerce Operators (ECOs).
• Eligible sellers may obtain registration in States/UTs where they have no physical presence, subject to the prescribed conditions and monthly ITC threshold of ₹2.5 lakh, excluding stock transfers between distinct persons.
• The ECO warehouse may be declared as the Principal Place of Business, with automatic registration proposed subject to conditions.

2. RETURN-RELATED REFORMS

2.1 Reduction of GSTR Mismatches

To address persistent mismatches between GSTR 1, GSTR 3B, GSTR 2B and RCM disclosures, the Council proposed an alternate reconciliation mechanism:

- Rule 86D: Electronic statement for RCM tax paid and corresponding ITC.
- Rule 61: Alignment of GSTR 3B liability with GSTR 1/IFF.
- DRC 03: Mandatory invoice level details for voluntary payments.
- Invoice Management System (IMS): Facility for recipients to accept/reject/keep pending inward invoices.
- Rule 86C: Electronic ITC reversal and reclaim statement.
- Mandatory alignment of ITC availed in GSTR 3B with GSTR 2B.

The mechanism is proposed to be effective from April 2027, post stakeholder consultation.



3. REFUND-RELATED REFORMS

3.1 Automated Refund Processing

A two phase automation strategy was recommended:

Phase 1

• Automatic sanction of excess Electronic Cash Ledger balance.
• Reduction of acknowledgement/deficiency memo timeline from 15 to 10 days.
• Deemed acknowledgement if no memo is issued within 10 days.
• 90% provisional refund for zero rated and inverted duty claims based on system based risk evaluation.

Phase 2

• Full automation of refund sanction for eligible zero rated supplies after verification and adjustment of dues.
Additional measures include:
• System readable RFD 01 format.
• Removal of scanned document uploads for specified claims.
• Removal of turnover cap for zero rated goods.
• Minimum refund threshold of ₹1,000 to apply to aggregate CGST+SGST/UTGST+IGST.

3.2 Interest on Refund of Pre-deposit

Section 115 will be amended to independently govern interest on pre deposit refunds, with a clarificatory circular to be issued.

4. DISPUTE RESOLUTION & LITIGATION

4.1 Improved Standards for Notices and Orders

The Council emphasised:

- Enhanced quality of demand notices and adjudication orders.
- Timely issuance of notices.
- Proper invocation of fraud/suppression provisions.
- Strict adherence to natural justice and proper conduct of personal hearings.

4.2 Minimum Threshold for SCNs

A minimum ₹10,000 tax threshold was proposed for issuance of SCNs under Sections 73, 74, and 74A.

Pending notices below this threshold will be addressed once the provision is notified.

4.3 Rationalisation of Penalties

Key proposals include:

- Penalty treated as a "charge" where tax, interest, and penalty are voluntarily paid.
- In non fraud cases, penalty reduced to 5% if dues are paid within prescribed timelines.
- Removal of minimum ₹10,000 penalty in non fraud cases.
- Reduction of maximum general penalty under Section 125 from ₹25,000 to ₹10,000.

4.4 Appeal Pre-deposit

For penalty only orders, pre deposit will be capped at ₹40 crore (₹20 crore CGST + ₹20 crore SGST/UTGST).

5. INPUT TAX CREDIT (ITC) REFORMS

5.1 Refund of Accumulated ITC

The Council recommended:

• Refund of accumulated ITC on capital goods for zero rated supplies.
• Refund of ITC on input services and capital goods for inverted duty structure.
• ITC refund on input services allowed for ITC availed on or after 1 November 2026.
• Refund of ITC on capital goods to be spread over 60 months for ITC availed on or after 1 April 2027.

5.2 Rationalisation of Blocked ITC (Section 17(5))

Restrictions proposed to be removed for:

- Outdoor catering
- Health and life insurance
- Telecom towers
- Pipelines outside factory premises
- Free samples
- Goods destroyed/written off due to expiry as required by law

6. EXPORTS / ZERO-RATED SUPPLIES

6.1 Export of Services – Distinct Person Condition Removed

The condition that supplier and recipient must not be establishments of a distinct person is proposed to be removed, enabling Indian entities to claim export benefits for services rendered through foreign branches/offices.

6.2 Clarification on Receipt of Export Proceeds

A circular will clarify permissible foreign currency/INR receipts for exports.

6.3 Place of Supply Reform

Section 13(3)(a) of the IGST Act is proposed to be omitted, making location of recipient the default rule.

6.4 Supplies to Overseas Buyers Delivered at SEZ/FTWZ

Such supplies will be deemed SEZ supplies, provided consideration is received in permitted foreign currency/INR.

7. ENFORCEMENT REFORMS

7.1 Withdrawal of Arrest Powers

Complete omission of Section 69 was recommended, thereby withdrawing arrest powers under GST.

7.2 Prosecution Threshold Enhanced

- Threshold increased from ₹1 crore to ₹5 crore.
- Amendments proposed to Section 132(1), including omission of certain clauses.
- Fraudulent ITC availment without receipt of goods/services will be specifically covered.

8. E-WAY BILL & MOVEMENT OF GOODS

Key reforms include:

- Interception only based on specific intelligence authorised by a Joint Commissioner or above.
- No interception in transit States where neither supplier nor recipient is registered.
- Confiscation under Section 130 will not apply to goods merely in transit.
- Goods may be inspected, detained or seized irrespective of jurisdiction where no e-way bill is available or no document establishes the origin/destination of goods.



9. OTHER COMPLIANCE REFORMS

9.1 IPR Classification

Transfer of title in IPRs—temporary or permanent—will be uniformly treated as supply of services.

9.2 Rule 86A – ITC Blocking

Taxpayers will be allowed to file objections and receive personal hearings before ITC blocking decisions.

9.3 Late Fee Relief

Late fee under Section 39(1) will be waived for taxpayers with turnover up to ₹5 crore, if returns are filed within the month of due date.

9.4 Clarifications Proposed

Clarifications will be issued on:

- ISD mechanism
- ITC for banks/NBFCs under Section 17(4)
- Pre-deposit issues
- ITC on demonstration vehicles
- Omission of Rule 96(10) from 23 October 2017 (as per Supreme Court ruling)

10. OPTIONAL ARQP SCHEME

The Council approved an optional Annual Return Quarterly Payment (ARQP) scheme for taxpayers:

- Turnover up to ₹5 crore
- Exclusively engaged in B2C supplies

This aims to reduce compliance burden for small taxpayers.

11. GST APPELLATE TRIBUNAL (GSTAT)

Amendments to the CGST Act and GSTAT Rules, 2023 were recommended to align tribunal provisions with the Tribunals Reforms Act, 2026.



12. GST RATE CLARIFICATIONS – GOODS & SERVICES

12.1 Goods

Key proposals include:

- Classification of sublimation paper under heading 4809.
- Clarification of toy classifications under heading 9503.
- Seaweed extract-based bio-stimulants classified as fertilisers (heading 3101).
- ITC allowed on specified inputs/services for second-hand vehicle dealers.
- RCM on specified waste/scrap supplied by unregistered persons; 2% TDS for specified B2B supplies.
- NIL rate for psyllium seeds (Isabgol).
- Alignment of GST rate for retreaded tractor tyres with new tyres.
- Compensation cess exemption for historical CSD/URC supplies.

12.2 Services

Key proposals include:

- 5% GST (restricted ITC) for passenger transport/rental services using EVs.
- 5% GST (no ITC) for specified delivery services through ECOs.
- Clarification on motor vehicle leasing charges (registration, road tax, insurance, FASTag).
- Limited ITC for restaurant/outdoor catering, hotel accommodation up to ₹7,500/day, and gym services.
- Exemption for helicopter seat-sharing services in specified NE regions.
- Exemptions for warehousing of seeds, curing of coffee, Seamen's Provident Fund services, R&D under Entry 44A, and specified imports by foreign shipping companies.
- Exemption proposed for specified upfront/concession amounts under the Toll Operate Transfer model.
- Special procedure proposed for valuation and timing of GST payment on operation and maintenance services (TOT – O&M Services).
- Notional interest in banks proposed to be covered under the definition of interest in the relevant exemption notification.

Conclusion

The 57th GST Council Meeting reflects a decisive policy shift towards automation, simplification, reduced litigation, and enhanced compliance certainty. Key reforms relating to arrest powers, prosecution thresholds, ITC rationalisation, export facilitation, and refund automation demonstrate a clear intent to make GST more predictable and business-friendly.

Implementation note: The practical effect of these recommendations will depend on the final notifications, circulars, rules, and statutory amendments issued by the Government.

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dipen@ddsaca.com
info@ddsaca.com

079-40039647

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