# 57TH GST COUNCIL MEETING

## KEY RECOMMENDATIONS AT A GLANCE

PROCESS REFORMS | EASIER COMPLIANCE | FASTER REFUNDS | REDUCED LITIGATION | TRADE FACILITATION

**Focus:** Process reforms, registration, returns, refunds, adjudication, GST applicability clarifications and trade facilitation.

## 1 REGISTRATION REFORMS

### EASIER AND FASTER REGISTRATION

- Clear guidelines on required documents, FAQs and a user-friendly portal.
- Drop-down options in REG-01 for documents/information.
- Automatic amendment of registration (Rule 19): all particulars except Principal Place of Business; for Rule 14A taxpayers, even the Principal Place of Business changes are auto-accepted.
- Cancellation (REG-16):
  - Phase 1: Auto-accepted if returns are filed, dues paid and ITC passed on ₹2.5 lakh/month or GSTR-10 filed on time.
  - Phase 2: All cancellation applications auto-accepted on the same conditions.
- New Rule 23A for system-based cancellation and revocation.
- Special registration for small e-commerce sellers (Rule 14B): registration without physical presence using ECO warehouse as PPoB (ITC pass-on ≤ ₹2.5 lakh/month).



## 2 RETURNS AND ITC SIMPLIFICATION

### FEWER MISMATCHES, GREATER CLARITY

- To be effective from the April 2027 return (after consultation).
- Enhanced GSTR-1 / 1A / IFF for better reconciliation with GSTR-3B.
- New Rule 86D – electronic statement of RCM tax and ITC claimed.
- New Rule 86C – electronic credit reversal and reclaim statement.
- Rule 61(1A) – mechanism to correct GSTR-3B liability (align with GSTR-1 / 1A / IFF).
- Rule 61(1B) – mechanism to correct GSTR-3B ITC (align with GSTR-2B).
- Rule 60(6A) – statutory basis for Invoice Management System (accept/reject/pending).
- DRC-03 to capture underlying invoice details.
- Clarificatory circular on ITC, RCM, reversal/reclaim and IMS.




## 3 REFUND REFORMS

### FASTER, AUTOMATED AND WIDER REFUNDS

**Two-phase approach**

**Phase 1 – Immediate**

- Full refund of excess cash ledger balance – auto-sanctioned.
- Acknowledgement/deficiency memo within 10 days (earlier 15); deemed acknowledgement if no response.
- 90% provisional refund for zero-rated supplies and IDS (risk-based).

**Phase 2 – Longer term**

- Automated acknowledgement and full sanction (for eligible zero-rated claims) after adjustment of pending dues.

**Other key changes**

- RFD-01 to be system-readable (no scanned documents).
- 1.5x domestic turnover restriction for zero-rated goods removed.
- ₹1,000 refund threshold to apply to aggregate CGST + SGST/UTGST + IGST.
- Section 115 to provide standalone interest on refund of pre-deposit (with circular).




## 4 DISPUTE RESOLUTION AND LITIGATION REDUCTION

### MORE CERTAINTY, LOWER LITIGATION

- Circular on quality and timeliness of SCNs, adjudication and appellate orders; use of fraud provisions only on merits.
- ₹10,000 minimum threshold for show-cause notices (aggregate CGST + SGST + IGST + Cess).
- Reduced 5% penalty (non-fraud) if tax and interest are paid within 30 days (Sections 73)/60 days (section 74A).
- Minimum ₹10,000 penalty removed in non-fraud cases.
- General penalty under Section 125 reduced from ₹25,000 to ₹10,000.
- Pre-deposit cap of ₹40 crore (₹20 crore CGST + ₹20 crore SGST/UTGST) where the order involves only penalty (no tax demand).
- Complete withdrawal of arrest powers (Section 69 to be omitted).
- Monetary threshold for prosecution to be raised from ₹1 crore to ₹5 crore.



## 5 ITC AND EXPORTS FACILITATION

### WIDER ELIGIBILITY AND GLOBAL COMPETITIVENESS



**Refund of accumulated ITC**

- Input services (IDS): refund available on/after 1 November 2026.
- Capital goods (zero-rated and IDS): refund over 60 months, for ITC availed on/after 1 April 2027.

**Blocked ITC – Section 17(5) relaxed**

- Outdoor catering, health and life insurance, telecom towers, pipelines outside factory, free samples, goods destroyed/expired (as required by law).

**Export of services and zero-rating**

- Omit "distinct person" condition (Section 2(6)(v) of IGST Act).
- Circular on receipt of payment in foreign exchange or INR.
- Place of supply for services where goods are made available by the recipient to default location specified in Section 13(3)(a).
- Supply to overseas buyer with delivery in SEZ/FTWZ to be deemed supply to SEZ/FTWZ (zero-rating certainty).

## 6 ENFORCEMENT AND TRADE FACILITATION

### TRUST-BASED AND SMOOTHER MOVEMENT



- Interception only on specific intelligence and authorisation of an officer not below Joint Commissioner.
- No interception in transit States (with exceptions).
- No confiscation in transit for goods/conveyances.
- Rule 86A – right to be heard and personal hearing before blocking ITC.
- E-invoicing expanded to:
  - Domestic supplies from unregistered persons (RCM).
  - Import of services (turnover threshold ₹5 crore).
- Where no e-way bill or document to show origin/destination, goods can be inspected, irrespective of jurisdiction.

## 7 E-COMMERCE AND SMALL BUSINESSES

### GREATER EASE FOR SMALL TAXPAYERS



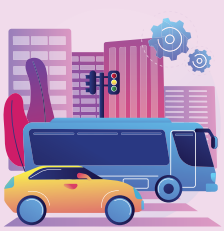
- Registration facility for small e-commerce sellers (Rule 14B) – no physical presence required.
- In-principle optional Annual Return Quarterly Payment (ARQP) scheme for B2C businesses (turnover upto ₹5 crore).
- Late fee waiver for taxpayers with turnover below ₹5 crore if returns are filed by the end of the month in which they are due.
- Clarification on ECO liability (Section 9(5)) – irrespective of business model.

## 8 GOODS – CLASSIFICATION AND KEY CLARIFICATIONS



- Sublimation paper – under heading 4809.
- Toys – all categories under heading 9503.
- Seaweed-extract bio-stimulants – under heading 3101.
- Second-hand vehicles – ITC available on inputs/input services (excluding margin scheme tax).
- Waste and scrap – specified items under RCM; TDS @ 2% for registered-to-registered supplies.
- Psyllium (Isabgol) – NIL rate (fresh, chilled, frozen or dried).
- Retreated tractor tyres – same treatment as new tyres.
- CSD – specified historical relief for vehicles and aerated drinks.

## 9 SERVICES – KEY CHANGES



- EV transport services: Option of 5% with restricted ITC (where battery charging is included).
- ECO delivery services: Under Section 9(5), generally 5% without ITC.
- Motor vehicle leasing: Clarification for recovery of registration charges, road tax, insurance and FASTag.
- Limited ITC for restaurant/outdoor catering, hotel (up to ₹7,500 per unit/day) and gym services (same line of business).
- Exemptions/clarifications: Helicopters (Specified routes), seed storage, coffee curing, SPFO, R&D services (self-certification), shipping lines, NHAI TOT, fund transfer pricing, etc.

## 10 CIRCULARS ON KEY ISSUES



- ISD mechanism.
- ITC for banks/NBFCs opting for Section 17(4).
- Pre-deposit issues.
- ITC on demonstration vehicles.
- Omission of Rule 96(10) of CGST Rules, 2017, effective from 23.10.2017 (as per Supreme Court decision).

## 11 INSTITUTIONAL REFORMS



- Amendments to align GSTAT with the Tribunals Reforms Act, 2026.
- National Tribunals Commission framework.
- Qualification, selection and service conditions of tribunal members.

## 12 OTHER COMPLIANCE REFORMS



- Align time limits for Sections 16, 37 and 39 with Section 16(4).
- Validation for multi-year SCNs held invalid by courts.
- Uniform treatment of IPR as services (Schedule II).

## IMPORTANT NOTE

These are recommendations of the GST Council. They will take effect only through the relevant notifications, circulars and amendments to the law, as applicable.

# Towards a Simpler, Faster and More Facilitative GST Regime

*Contributed by the GST & Indirect Taxes Committee of ICAI*