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Greetings to all our readers!

On 26 October 2026, the CBIC released eight circulars in one go, numbered 257 to 264, turning some of the 57th GST Council's recommendations into working rules. They cover registration, adjudication, pre-deposits, input service distribution, financial sector credit, demo vehicles and exports. Read individually, each is a technical fix. Read together, they point the same way: officers are being asked to give reasons rather than reflexes, several long-running disputes are being closed, and some of the closures apply retrospectively. Before we walk you through what matters and what to do about it, here is a quick summary of all the 8 Circulars issued on 26th October 2026.

Circular ref.	Subject / Topic	Key Summary
Circular No. 257/03/2026-GST dated *26.10.2026*	Comprehensive Guidelines for Handling GST Registration Applications	Provides standardized guidelines and FAQs for filing and processing GST registration applications in FORM GST REG-01, detailing premises documentation, simplified registration under Rule 14A, and prohibiting unwarranted queries by tax officers.
Circular No. 258/04/2026-GST dated *26.10.2026*	Framework for Demand, Adjudication, and First Appeal Proceedings	Establishes a uniform reference framework for drafting Show Cause Notices, conducting personal hearings, issuing speaking orders, invoking extended periods based strictly on intent (*mens rea*), and managing first appeal proceedings.
Circular No. 259/05/2026-GST dated *26.10.2026*	Pre-Deposit Requirements and Refunds in Appeal Proceedings	Clarifies computation of "admitted amount" and "tax in dispute" for pre-deposits under Sections 107 and 112, automatic refund of pre-deposits upon favorable orders or remand, and separate interest computation dates.
Circular No. 260/06/2026-GST dated *26.10.2026*	Compliance Framework for Input Service Distributors (ISD)	Clarifies multi-ISD registration options, recipient unit responsibility for credit eligibility and reversals, monthly distribution mechanics, and the exclusion of Rule 54(1A) credit transfer transactions from turnover calculations and Net ITC.
Circular No. 261/07/2026-GST dated *26.10.2026*	Apportionment of ITC under Section 17(4) for Financial Sector	Clarifies that the 50% ITC option under Section 17(4) applies exclusively to deposit/loan branches (excluding units like bullion trading), and details GSTR-3B reporting and reversal mechanics with and without the Invoice Management System (IMS).
Circular No. 262/08/2026-GST dated *26.10.2026*	ITC Admissibility on Demo Vehicles in Dealer-Agency Model	Withdraws previous restrictions to clarify that Input Tax Credit on test-drive demo vehicles is available to authorized dealers operating under the dealer-agency model, placing them on par with traditional dealership structures.

Circular ref.	Subject / Topic	Key Summary
Circular No. 263/09/2026-GST dated *26.10.2026*	Export Remittances, Permissible Settlement Channels, and Rule 96B	Confirms that export proceeds received in repatriable Rupee accounts (SNRR, Nostro), RBI-permitted set-offs, and net retention mechanisms satisfy export payment criteria, while clarifying that written-off proceeds protect refunds from recovery under Rule 96B.
Circular No. 264/10/2026-GST dated *26.10.2026*	Retrospective Applicability of the Omission of Rule 96(10)	Clarifies, pursuant to the Supreme Court judgment in *Goodluck India Ltd.*, that the omission of Rule 96(10) applies retrospectively from October 23, 2017, eliminating export refund restrictions for all pending proceedings.

DETAILED ANALYSIS OF CIRCULARS

I. Circular No. 257/03/2026-GST dated 26th October, 2026

Subject: Guidelines for handling applications for GST registration.



- **Context and Statutory Intent:** This circular provides comprehensive administrative guidance and standard operating procedures for both taxpayers filing FORM GST REG-01 and proper officers processing registration applications. It seeks to balance the need for rigorous scrutiny to curb fraudulent entities creating fake GSTINs to pass ineligible Input Tax Credit (ITC) with the mandate to ensure seamless, hassle-free onboarding for genuine businesses.
- **Key Legal Clarifications and Operational Guidelines:**
  a. **Filing Mechanics and Identity Verification:**
    i. *Part A Verification:* Legal names must strictly match the Income Tax PAN database and MCA incorporation records. Mobile numbers and email addresses linked to the PAN should be utilized.
    ii. *Promoters and Authorized Signatories:* Details and individual recent photographs of proprietors, managing partners (up to 10), Kartas, managing directors, and primary authorized signatories must be uploaded. Group photographs or cropped identity cards are prohibited.
  b. **Documentary Requirements for Principal Place of Business (PPoB):**

i. *Owned Premises:* Requires latest property tax receipt, municipal khata copy, property identification document, or recent electricity/water bill in the applicant's name with matching address details.

ii. *Rented/Leased Premises:* Requires a valid registered rent/lease agreement where mandatory by state law. Where unregistered agreements are permissible, the agreement must be accompanied by the lessor's ownership proof or utility bill, or an undertaking in **Annexure-V**.

iii. *Consent Basis:* Requires a plain-paper consent letter in **Annexure-VI** signed by the property owner(s) detailing the exact earmarked space, accompanied by the consenter's ownership document proof.

iv. *Co-Working Spaces:* Requires a membership agreement specifying the allocated suite/desk/cabin number, combined with proof of ownership or registered lease deed of the co-working provider.

v. *Inherited Premises:* Requires the ancestor's death certificate, an affidavit on stamp paper in **Annexure-IV** declaring legal heirship/possession, and property proof in the deceased's name.

vi. *Special Exclusions:* Unmanned installations such as telecommunication towers and Bank ATMs do not require GST registration as PPoB or Additional Place of Business (APoB).

c. **Simplified Registration Scheme under Rule 14A:**

i. Small taxpayers making supplies to unregistered persons or passing monthly ITC under ₹2.5 lakh to registered persons can opt for simplified registration under Rule 14A.

ii. Registration is granted automatically by the common portal within 3 working days without manual officer intervention upon successful Aadhaar authentication.

iii. Taxpayers exiting Rule 14A to become regular taxpayers must file FORM GST REG-32 on the portal.

d. **Processing Timelines and Officer Conduct:**

i. Applications with successful Aadhaar authentication must be processed within 7 working days. Where physical verification (Rule 25) or biometric authentication at Facilitation Centres is triggered by system risk parameters, the timeline is 30 days.

ii. Proper officers are strictly prohibited from raising subjective or unwarranted queries (e.g., questioning residential address location, demanding Udyam/MSME certificates, or scrutinizing commercial versus domestic utility connections). Queries must be issued exclusively in FORM GST REG-03 within statutory timelines.

iii. Deemed approval applies if tax officers take no action within the prescribed timelines.

II. Circular No. 258/04/2026-GST dated 26th October, 2026

Subject: Clarification on issues related to demand, adjudication, and appeal proceedings under the CGST Act, 2017.

- **Context and Quasi-Judicial Standards:** To eliminate vague, unreasoned, or non-speaking orders that lead to avoidable litigation and appellate remands, this circular lays down a binding reference framework for tax officers conducting quasi-judicial proceedings under the CGST Act.

- **Detailed Guidelines across Procedural Stages:**

a. **Pre-SCN Intimation and Structure of Show Cause Notice (SCN):**

i. Pre-SCN intimations in Part A of FORM GST DRC-01A under Rule 142(1A) should be issued wherever feasible to encourage voluntary compliance.

ii. SCNs must be structured into distinct sections: Introduction/Taxpayer Profile, Factual Background (using neutral expressions like "it appears that"), Legal Framework, Statement of Charges, Quantification of Demand (financial year-wise and head-wise), and Concluding Paragraph specifying the adjudicating authority and reply deadlines.

iii. Summary of notice in FORM GST DRC-01 must be uploaded electronically on the common portal.

b. **Strict Legal Thresholds for Extended Period (Fraud/Suppression):**



i. Invoking Section 74 or Section 74A(5)(ii) requires explicit material evidence establishing *mens rea* (deliberate intent to evade tax).

ii. Reaffirming Supreme Court principles in *G.R Infra Project Ltd.* and High Court rulings in *Sriba Nirman Co.*, the circular mandates that mechanical reproduction of terms like 'fraud', 'wilful-misstatement', or 'suppression of facts' without factual substantiation invalidates the extended period.

ii. Mere omission or non-payment without intent does not constitute suppression.

iv. Subsequent SCNs on identical facts for later periods cannot invoke the extended period unless new independent grounds exist.

v. Section 74A (applicable from FY 2024-25 onwards) establishes a uniform 42-month notice timeline, eliminating time-limit distinctions between fraud and non-fraud cases while still requiring clear bifurcation of charges and quantification.

c. **Prohibition of Parallel Proceedings:**

i. In terms of Section 6 of the CGST Act and Supreme Court guidelines in *Armour Security*, where SGST or UTGST authorities have initiated proceedings on a subject matter, CGST officers are barred from initiating parallel proceedings on the same matter.

d. **Adherence to Principles of Natural Justice:**

i. Granting personal hearing is mandatory under Section 75(4) where requested in writing or where an adverse order is contemplated.

ii. Adjournment limits under Section 75(5) cap total hearing opportunities at four (maximum three adjournments).

iii. Virtual hearings should be provided, detailed hearing records maintained, and orders issued promptly, preferably within one month of hearing completion.

e. **Standards for Adjudication Orders (FORM GST DRC-07):**

i. Orders must be speaking orders containing independent evaluation of taxpayer defense (FORM GST DRC-06), analysis of evidence, and discussion of cited precedents. Generic phrases like "reply considered" are prohibited.

ii. Adjudicated demands cannot exceed the amount or rely on grounds outside the SCN (Section 75(7)).

iii. Where Artificial Intelligence (AI) or technological tools are used in drafting or analysis, mandatory human oversight and independent factual verification by the officer are required.



f. **Rectification and First Appeal Proceedings:**

i. Rectification under Section 161 (issued via FORM GST DRC-08) is strictly confined to errors apparent on the face of the record and cannot be used to re-evaluate merits or correct decisional errors.

ii. First Appeals under Section 107 require preliminary scrutiny of limitation (3 months + 1 month condonable delay). Condonation must be decided as a preliminary issue, and time-barred appeals cannot be decided on merits.

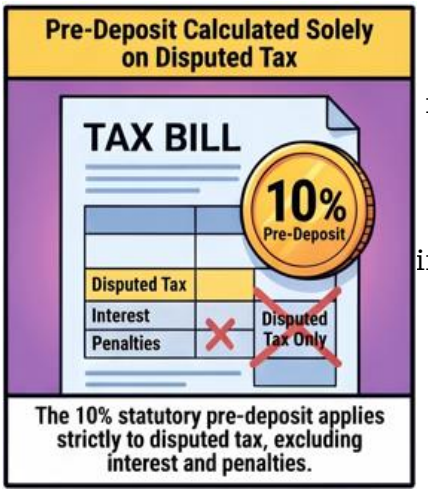
iii. Summary of appellate orders must be uploaded in FORM GST APL-04 on the portal.

III. Circular No. 259/05/2026-GST dated 26th October, 2026

Subject: Clarification on various issues pertaining to the amount paid as pre-deposit as per sub-section (6) of section 107 or sub-section (8) of section 112 of the CGST Act.

- **Context and Objective:** This circular resolves conflicting interpretations across jurisdictions regarding pre-deposit calculations and refund procedures for appeals filed before the First Appellate Authority (Section 107) and Goods and Services Tax Appellate Tribunal (Section 112).

- **Specific Issues Clarified:**



a. **Definitions of "Admitted Amount" and "Tax in Dispute":**

i. **Admitted Amount:** Refers to the portion of tax, interest, fine, fee, and penalty acknowledged as payable by the taxpayer. This amount must be paid in full prior to appeal admission.

ii. **Tax in Dispute:** Refers exclusively to the remaining contested tax liability. The statutory 10% pre-deposit requirement is calculated strictly with reference to this disputed tax component (excluding interest and penalties).

b. **Pre-Deposit Quantum for GSTAT Appeals (Section 112(8)):**

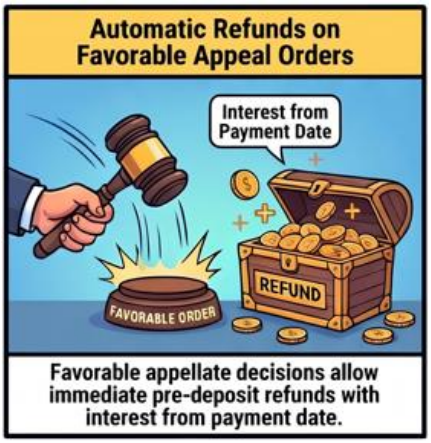
i. When appealing to GSTAT against an appellate order, the additional 10% pre-deposit is computed based on the tax liability *confirmed by the Appellate Authority* that remains disputed by the appellant.

c. **Automatic Pre-Deposit Refund Protocol:**

i. Orders passed by Appellate Authorities or GSTAT in favor of taxpayers do not need to contain explicit directions ordering the refund of pre-deposits.

ii. Taxpayers are entitled to claim refunds by filing FORM GST RFD-01 under Serial No. 7 ("on account of order").

d. **Refund Eligibility During Departmental Appeals:**



i. A favorable appellate order entitles the taxpayer to immediate refund of the pre-deposit.

ii. Refund cannot be withheld merely because the Department contemplates or has filed a further appeal, unless a formal stay order is granted by the Tribunal or Court.

e. **Interest Calculation Dates (Section 115):**

i. Interest on refunded pre-deposits accrues from the actual date of payment. Where pre-deposits were paid at both appellate levels, interest computation dates are determined separately based on the respective payment dates for each level.

f. **Pre-Deposit Refunds in Remand Cases:**

i. Complete remand to the original adjudicating authority entitles the appellant to a full refund of the pre-deposit within statutory timelines.

ii. In partial remand cases, pre-deposit refunds are released after adjusting or recovering tax demands confirmed in favor of Revenue.

IV. <u>Circular No. 260/06/2026-GST dated 26th October, 2026</u>

Subject: Clarification on Issues pertaining to Input Service Distributor (ISD).

- **Context and Statutory Framework:** Provides detailed operational guidance regarding Section 2(61), Section 20, Section 21, and Rules 39 and 54(1A) governing Input Service Distributors (ISD).

- **Key Legal Clarifications:**

  a. **Multiple ISD Registrations:**

     i. Taxpayers maintaining separate business verticals or places of business within the same State/UT under Section 25 can obtain multiple ISD registrations for each respective vertical/place of business.

  b. **Bifurcation of Compliance Obligations (ISD vs Recipient):**

     i. The ISD's legal mandate is restricted to distributing credit in accordance with Section 20.

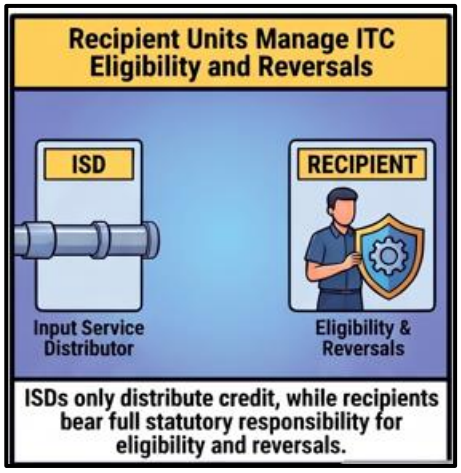
     ii. The recipient units receiving the credit bear sole statutory responsibility for fulfilling eligibility conditions under Section 16, Section 17, and making necessary credit reversals.

     iii. Irregular distribution exposes the ISD to penalties under Section 122(1)(ix), while excess credit distributed is recoverable from recipient units under Section 21.

  c. **Monthly Credit Distribution Mechanics:**

     i. Credit is deemed "available for distribution" under Rule 39(1)(a) in the month the ISD ascertains its prima facie eligibility after invoices reflect in FORM GSTR-6A.

     ii. Eligible and ineligible credits (under Section 17(5)) must be distributed separately via FORM GSTR-6.



  d. **ITC Reversals:**

     i. Recipient units—not the ISD—must perform reversals under Section 17(1)/17(2) (Rules 42/43) or Section 17(4) (Rule 38).

  e. **Treatment of Rule 54(1A) Credit Transfer Mechanism:**

     i. Invoices, debit notes, or credit notes issued under Rule 54(1A) by a regular registrant to an ISD under the same PAN/State serve strictly as an internal credit transferring mechanism (e.g., for reverse charge tax paid centrally).

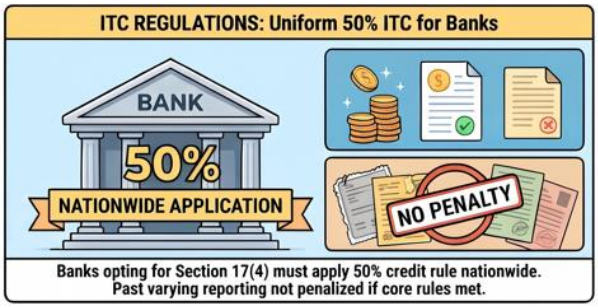
     ii. These transferred amounts do not constitute "turnover in State/UT" under Section 2(112) or "Adjusted Total Turnover" for the transferring unit.

     iii. These transfers do not qualify as "Net ITC" for computing refund amounts under Rule 89(4) or Rule 89(5).

     iv. The transferring registrant is not required to make Section 17 reversals on such transferred credit; reversals are managed entirely by ultimate recipient units.

V. Circular no. 261/07/2026-GST dated 26th October, 2026

Subject: Clarification on issues related to provisions of section 17(4) of the Central Goods and Services Tax Act, 2017.



- **Context and Scope:** Addresses divergent practices among banking companies, financial institutions, and NBFCs regarding the optional 50% Input Tax Credit apportionment mechanism under Section 17(4) of the CGST Act.
- **Detailed Administrative Clarifications:**

a. **Applicability Thresholds for Section 17(4):**

i. The option to avail 50% of eligible ITC under Section 17(4) is restricted exclusively to registrants engaged in supplying services by way of accepting deposits, extending loans, or making advances.

ii. Distinct operational units/registrations under the same entity engaged exclusively in non-banking commercial activities (e.g., bullion trading branches) cannot opt for Section 17(4) and must follow proportionate availment under Section 17(2).

iii. If one deposit/loan branch of a financial entity opts for Section 17(4), all other deposit/loan branches of that entity nationwide must mandatorily comply with Section 17(4).

b. **Intra-Entity Supply Relaxation (Second Proviso to Section 17(4)):**

i. Full (100%) credit availment without the 50% restriction on supplies received from another registered unit under the same PAN is permissible **only if** the supplying unit has also opted to comply with Section 17(4).

c. **Reporting and Reversal Mechanics in FORM GSTR-3B:**

i. **Without Invoice Management System (IMS):** Non-business ITC and Section 17(5) blocked credit are permanently reversed in Table 4(B)(1). Intra-PAN credit under the second proviso is fully availed. Of the remaining eligible ITC, 50% is availed and 50% is permanently reversed in Table 4(B)(1). Ineligible credit under Section 16 is temporarily reversed in Table 4(B)(2) and reclaimed in Table 4(A)(5) and Table 4(D)(1) upon meeting conditions.

ii. **With Invoice Management System (IMS):** Invoices with pending Section 16 conditions are kept pending on IMS (preventing auto-population in GSTR-2B/3B). Accepted invoices auto-populate into GSTR-2B/3B, followed by the 50% availment and 50% permanent reversal protocol.

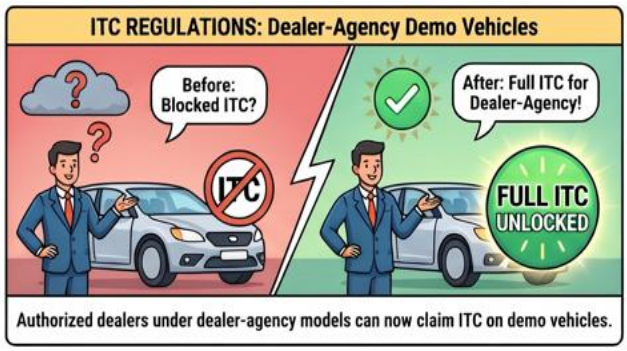
d. **Non-Adverse View for Past Periods:**

i. Tax authorities are instructed not to take adverse action against financial institutions for varying reporting practices in past returns, provided the core credit quantum complied with Section 17(4) principles.

VI. Circular No. 262/08/2026-GST dated 26th October, 2026

Subject: Clarification on Input Tax Credit admissibility to authorised agents appointed by manufacturers for sale of motor vehicles, pursuant to Circular No. 231/25/2024-GST dated 10.09.2024.

- **Context and Legal Reconsideration:** Re-examines the restriction previously imposed under Paragraph 4.6 of Circular No. 231/25/2024-GST, which blocked ITC on demo vehicles purchased by authorized dealers operating under the "dealer-agency model" on the grounds that such dealers merely provided marketing/facilitation services rather than supplying vehicles on their own account.



- **Key Legal Findings and Policy Change:**

  a. **Operational Parity of Demo Vehicles:**

  i. Under both the traditional dealership model and the dealer-agency model, demo vehicles serve an identical commercial function: providing test drives to prospective buyers to promote vehicle sales.

  ii. In both models, demo vehicles are purchased against tax invoices, capitalized in books of account, held for mandatory periods, subject to Central Motor Vehicle Rules, 1989, and subsequently sold at written-down value with payment of applicable GST.

  iii. Denying ITC to the dealer-agency model created unfair commercial discrimination.

  b. **Statutory Interpretation of "Such Motor Vehicles":**

  i. Section 17(5)(a)(A) uses the phrase "such motor vehicles" rather than "said motor vehicle", establishing that ITC is permissible not only on the specific vehicle sold but on vehicles used to promote or make further supplies of similar motor vehicles.

  c. **Withdrawal of Restriction:**

  i. Paragraph 4.6 of Circular No. 231/25/2024-GST is formally withdrawn.

  ii. ITC on demo vehicles is officially clarified as not blocked under Section 17(5)(a) for authorized dealers operating under the dealer-agency model.

VII. Circular No. 263/09/2026-GST dated 26th October, 2026

Subject: Clarification in respect of receipt of payment for export of goods or services.

- **Context and Foreign Exchange Alignment:** Clarifies permissible financial settlement channels, currency modes, and refund recovery mechanisms under Rule 96B for export of goods and services under the IGST Act, aligning tax

procedures with Reserve Bank of India (RBI) regulations and Foreign Exchange Management Act (FEMA) frameworks.

- **Key Legal Clarifications:**

  a. **Repatriable Rupee Accounts for Export of Services:**

     i. Service export proceeds received in convertible foreign exchange or repatriable Rupee (INR) channels—including Special Non-Resident Rupee (SNRR) accounts, INR Nostro accounts, and Special Rupee Vostro Accounts (SRVA)—fully satisfy Section 2(6)(iv) of the IGST Act, 2017.

     ii. Stockbrokers receiving payments from overseas clients (FPIs, NRIs) in INR via SNRR, NRE, or properly routed NRO accounts satisfy export realization criteria.

  b. **Set-Off Transactions:**

     i. Export receivables set off against import payables in accordance with RBI directions (including under the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026) satisfy the realization requirement under Section 2(6)(iv) of the IGST Act.

  c. **Net Retention Mechanism for Reinsurance Brokers:**

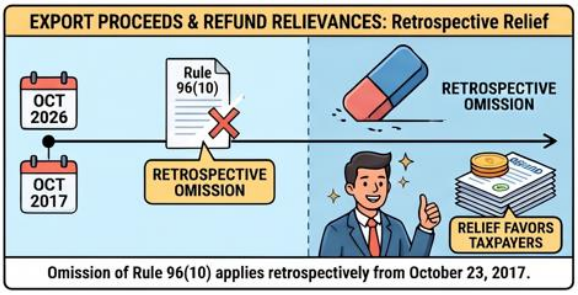
     i. Commission charged by Indian reinsurance brokers retained directly out of foreign insurance premiums prior to remitting net premiums abroad (under FEMA net retention provisions) satisfies Section 2(6)(iv) of the IGST Act.

  d. **Goods Export Realization and Rule 96B Refund Recovery:**

     i. Time limits for realizing goods export proceeds are governed strictly by RBI FED Master Direction No. 16/2015-16.

     ii. Where export proceeds are written off (wholly or partly) by Authorised Dealer (AD) Banks or the RBI on merits under FEMA regulations, tax authorities shall **not** initiate recovery of export GST refunds under Rule 96B of the CGST Rules.

VIII. Circular No. 264/10/2026-GST dated 26th October, 2026



Subject: Clarification in respect of the omission of rule 96(10) of the Central Goods and Services Tax Rules, 2017.

- **Context and Supreme Court Precedent:** Addresses widespread confusion regarding whether the omission of Rule 96(10) of the CGST Rules (which restricted IGST export refunds for exporters who availed duty-free input imports under specified notifications) applies prospectively from October 8, 2024, or retrospectively from October 23, 2017.

- **Binding Legal Interpretation Established:**

  a. **Historical Context and Council Recommendation:**

i. Rule 96(10) was inserted w.e.f. October 23, 2017, to prevent double benefits. Following exporter hardship, the 54th GST Council recommended its omission, which was notified prospectively w.e.f. October 8, 2024 (Notification No. 20/2024-Central Tax).

b. **Apex Court Ruling in *Goodluck India Ltd.*:**

i. The Supreme Court of India in *M/s Goodluck India Limited v. Union of India* (SLP (C) No. 24550/2025, judgment dated August 6, 2026), relying on the Constitution Bench judgment in *Kolhapur Canesugar Works Ltd.*, held that in the absence of a saving clause or sunset clause accompanying the omission of a rule, Section 6 of the General Clauses Act does not apply, and the omission governs all pending proceedings.

c. **Retrospective Applicability Confirmed:**

i. CBIC officially clarifies that the omission of Rule 96(10) of the CGST Rules is effective **retrospectively from October 23, 2017**.

ii. Field formations are directed to conclude all pending show cause notices, adjudications, and appellate proceedings concerning Rule 96(10) in favor of taxpayers in accordance with the Supreme Court judgment.

d. **Application to Rules 89(4A) and 89(4B):**

i. The circular explicitly clarifies that this retrospective treatment applies *mutatis mutandis* to the omission of Rules 89(4A) and 89(4B) of the CGST Rules as well.

CONCLUSION:

The common thread is that the department is tightening its own discipline: fewer unreasoned queries at registration, reasoned orders at adjudication, and settled answers on disputes that have clogged appellate forums. The priority now is not merely to read these circulars once, but to map them against live matters.

DISCLAIMER

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