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Greetings to all our readers!



The 57th GST Council meeting reflects a significant policy shift towards fostering a more taxpayer-friendly, trust-based GST framework aimed at enhancing ease of doing business, reducing litigation, and improving compliance efficiency. Key recommendations include the decriminalization of GST offences through the withdrawal of arrest powers and rationalization of penalties, introduction of a technology-driven automated refund mechanism, restoration of input tax credit on several previously restricted business expenditures, and far-reaching measures to facilitate exports and cross-border transactions.

At Gabhawalla & Co., through this Newsflash, we bring you a clear, concise summary of the major GST changes proposed by the 57th GST Council Meeting held on 08th October 2026.

I. Registration related reforms

- Streamlining Registration Filing and Processing: The Council has recommended measures to standardize and simplify the registration process for applicants not covered under Rule 14A (automatic registration). These include issuance of guidelines supported by FAQs, enhancements to Form GST REG-01 through predefined document selections, and a redesigned portal interface to reduce errors, departmental queries, and processing delays.

- Rationalization of registration amendments: To minimize dept. intervention and expedite changes, the Council has recommended system-based approval of most amendment applications, except changes to the Principal Place of Business. For taxpayers registered under the automated Rule 14A route, all amendments, would be approved automatically without officer scrutiny.

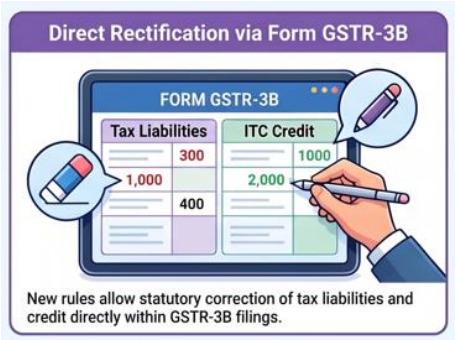
- Rationalization of registration cancellation process: The Council has proposed a system-driven framework for cancellation and revocation by enabling phased automatic approval of cancellation applications upon necessary compliance. It also recommended introducing an automated workflow for suspension, cancellation, and revocation based on compliance defaults and subsequent rectification.

- Registration for small sellers on ECOs: To facilitate expansion of small businesses through e-commerce platforms, the Council proposed introduction of Rule 14B, allowing eligible suppliers to use an ECO's warehouse as their PPoB in states where they lack physical presence.

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II. Return related reforms

- Effective from the April 2027 return period, the Council recommended a revised framework to strengthen reconciliation between Form GSTR-1/ 1A/ IFF, GSTR-2B and GSTR-3B, reducing mismatches, system-generated intimations, and avoidable disputes.
- Proposed amendments include insertion of Rules 86D and 86C for maintaining electronic statements relating to RCM tax paid, ITC claimed, credit reversals, and reclaims on the GST portal.

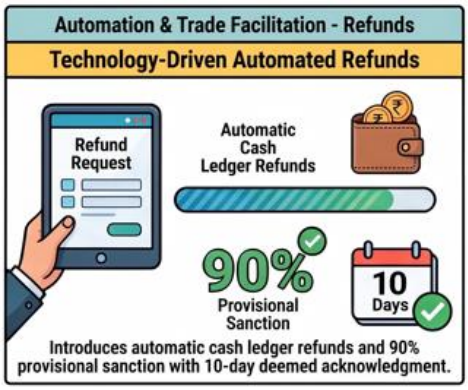


- New Rule 61(1A) and Rule 61(1B) will provide a statutory mechanism for rectification of tax liabilities and ITC directly through FORM GSTR-3B, ensuring alignment with outward and inward supply data.
- FORM GST DRC-03 will require invoice-level tagging of voluntary payments, while Rule 60(6A) will formally govern the Invoice Management System (IMS), including acceptance, rejection, and pending of invoices. Detailed guidance and stakeholder consultation are also proposed before implementation.
- Amendments to Sections 16, 37, and 39 are proposed to harmonize the due dates for GSTR-1 and GSTR-3B with the time limit prescribed under Section 16(4) for availing ITC.

III. Refund related reforms

The Council recommended amendments to Section 54 and the CGST Rules to introduce a phased, technology-driven refund processing framework with minimal officer intervention:

A. Phase 1 implementation:

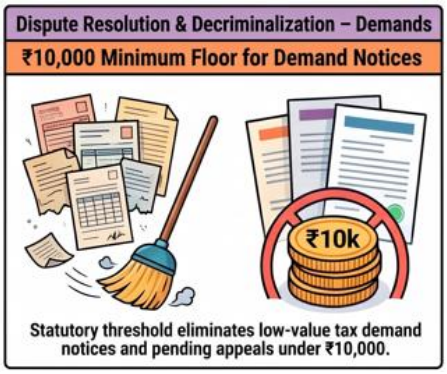


- The Council has proposed automatic sanction of refunds from the Electronic Cash Ledger and automated sanction of 90% provisional refunds for zero-rated and inverted duty structure claims based on system risk parameters.
- The statutory timeline for issuing an acknowledgment or deficiency memo in RFD-02/ RFD-03 is proposed to be reduced from 15 days to 10 days. In the absence of an officer's action within 10 days, the portal will issue a deemed acknowledgment.

B. Phase 2 implementation:

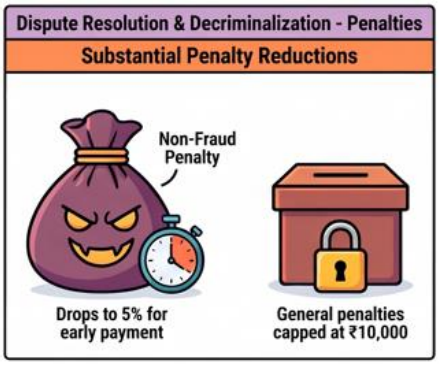
- The Council has proposed machine-verified acknowledgments and automated sanction of eligible refund claims for zero-rated supplies, subject to adjustment of outstanding liabilities and risk scores.
- Additional simplifications include a system-readable Form GST RFD-01 with reduced document uploads, omission of the Rule 89(4)(C) export turnover cap and a clarification that the ₹1,000 refund threshold applies on an aggregate tax basis.
- Standalone amendment has been proposed to Section 115 accompanied by a circular to provide certainty regarding the rate of interest payable on refunded pre-deposits following successful appeals.

IV. Dispute resolution reforms



The Council has approved the following measures to improve the quality of notices and reduce low-value litigation

- Guidelines for Adjudication: Issuance of a circular mandating quality benchmarks for SCNs and orders, strict observance of timelines, adherence to natural justice (including PHs), and restricting allegations of fraud or suppression strictly to cases supported by tangible evidence.
- De-Minimis notice threshold: Proposed introduction of a statutory floor of ₹10,000 (aggregate of CGST, SGST, IGST, and Cess) below which no demand notice can be issued. Pending notices and appeals below ₹10,000 will be deemed to have been subject to this threshold at the time of issuance.
- Closure of Proceedings: Where the demanded tax, applicable interest, and penalty are paid within statutory limits, the penalty amount will be deemed as a 'charge', facilitating complete closure.



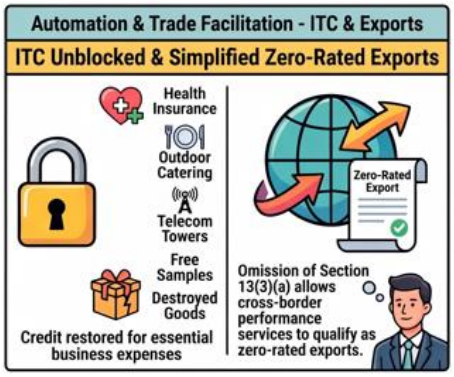
- Mitigated Penalties: Proposed reduction of penalty to 5% in non-fraud cases where the tax and interest are fully discharged within 30 days (under Section 73) or within 60 days (under Section 74A) of the order, along with the omission of the mandatory ₹10,000 minimum penalty in non-fraud cases.

- General Penalty Reduction (Section 125): The maximum residual penalty under Section 125 is proposed to be reduced from ₹25,000 to ₹10,000.
- Ceiling on Appellate Pre-Deposit [Sections 107(6) and 112(8)]: Proposed introduction of a ceiling of ₹40 crore (₹20 crore under CGST and SGST each) on the pre-deposit required for filing appeals before the Appellate Authority or the GSTAT where the dispute involves only penalty.

V. Reforms for improving seamless flow of ITC

The Council has recommended the following changes:

- Zero-Rated Supplies: Sanction of refund of accumulated unutilized ITC attributable to capital goods which will be spread over 60 months, applicable to credit availed on or after 1st April 2027.
- Inverted Duty: Refund of ITC on input services under IDS for credit availed on or after 1st November 2026
- Unblocking in Section 17(5): Statutory amendments will be proposed to Section 17(5) of the CGST Act to remove restrictions on ITC for essential business expenses such as, Outdoor catering, Health insurance and life insurance, Telecommunication towers, Pipelines laid outside factory premises, Free samples distributed for business promotion, Goods destroyed or written off due to the expiry of shelf life as mandated by law.



VI. Reforms relating to exports and Zero-rated supplies

The Council introduced significant trade-facilitative amendments to unlock refunds as under:

- Proposed omission of Section 13(3)(a) of the IGST Act

  Background: Under Section 13(3)(a) of the IGST Act, where services are supplied in respect of goods that are made physically available by the recipient to the supplier (or to a person acting on behalf of the supplier) to enable provision of the service, the PoS is statutorily fixed as the location where the services are actually performed

  Challenge: When Indian entities performed technical testing, analysis, inspection, repairs, refurbishment, or any other services on goods supplied by foreign clients, the PoS was determined to be within India (the location of actual performance). Consequently, the supply failed the mandatory test

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under Section 2(6)(iii) of the IGST Act ("place of supply must be outside India"), disqualifying the transaction from being an "export of services" and denying zero-rated refund benefits

Proposed change: The GST Council recommended the complete omission of clause (a) of Section 13(3) of the IGST Act.

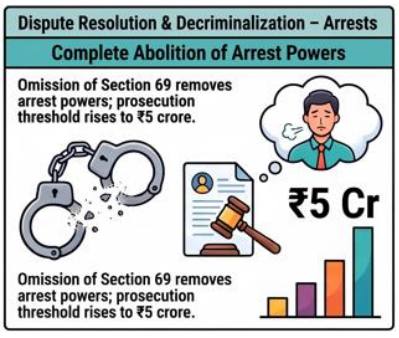
GCO Comments: Following this proposed omission, determining the PoS for performance-based cross-border services will revert to the default rule under Section 13(2) of the IGST Act—which is the location of the recipient of services. Because the foreign principal is located outside India, the PoS will then fall outside India. Indian service providers handling overseas goods in India can now treat these services as zero-rated exports of services, entitling them to execute exports under LUT or claim refunds of unutilized ITC.

Likewise, GST under RCM will also be payable moving forward on all such cases where services were received from foreign service providers for such services involving activity performed on the goods, under import of services.

- Relaxation of "Distinct Persons" condition for export of services: Proposed omission of Section 2(6)(v) of the IGST Act, which previously denied export status if the supplier and recipient were merely establishments of a distinct person under Explanation 1 to Section 8.

  GCO Comment: The operational impact of this amendment would be that any Indian entity providing services to their overseas branch offices, project offices, or establishments will no longer be disqualified from zero-rating on this technical ground, unlocking refunds of accumulated input credits.

- Payment realization in permitted currencies: Issuance of a circular clarifying that receipt of proceeds in convertible foreign exchange or in INR wherever permitted by the RBI satisfies the export realization conditions for goods and services.



VII. Decriminalization: Arrest and Prosecution reforms

- Abolition of arrest: Proposed withdrawal of arrest powers under GST through the omission of Section 69 of the CGST Act

- Revisions in Prosecution provisions: The monetary threshold for initiating criminal prosecution is proposed to be raised from ₹1 crore to ₹5 crore. Section 132(1)(c) is also proposed to be amended to restrict prosecution strictly to the fraudulent availment of ITC without actual receipt of goods/ services or without an invoice/ bill.

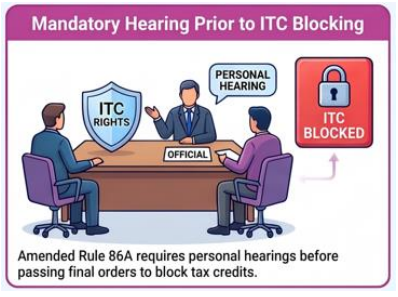
VIII. E-Way Bill interception and transit protection



- Interception of conveyances during transit will be permitted only on the basis of specific intelligence and with prior written approval from an officer not below the rank of Joint Commissioner.
- Inspection, detention, or seizure powers will be restricted to authorities in the supplier's or recipient's State. An exception applies where goods move without an e-way bill or valid origin/ destination documents.
- Further, confiscation proceedings under Section 130 will not apply to goods and conveyances while in transit, providing greater certainty and protection against unwarranted dept. actions.

IX. Other reform measures:

- Clarification on ECO Liability: Section 9(5) is proposed to be amended to expressly clarify the statutory liability of Electronic Commerce Operators (ECOs) to discharge GST on notified services, irrespective of contractual or commercial arrangements.
- Validation of multi-year notices: A validation provision is proposed to retrospectively uphold GST notices issued for multiple financial years through a single proceeding.
- Late Fee relief for small taxpayers: Complete waiver of late fees under Section 47 is recommended for delayed filing of GSTR-3B by taxpayers with aggregate annual turnover up to ₹5 crore, subject to filing within the month of the original due date.



- Safeguards for ITC blocking: Rule 86A is proposed to be amended to provide taxpayers an opportunity for representation and a mandatory personal hearing before final orders blocking ITC are passed.

- ARQP Scheme: In-principle approval has been granted for an optional Annual Return Quarterly Payment (ARQP) scheme for B2C taxpayers with aggregate annual turnover up to ₹5 crore, aimed at simplifying compliance requirements.
- Issuance of clarification through various circulars: Circulars will be issued to ensure nationwide uniformity on issues such as:
  - Procedures governing the ISD mechanism
  - Optional 50% credit availment mechanism under Section 17(4) for banking companies, financial institutions, and NBFCs
  - Modalities and payment accounting for pre-deposits
  - Eligibility of ITC on demonstration vehicles used by automobile dealers
- Extension of E-Invoicing to Self-Invoices



Background: Under Section 31(3)(f) of the CGST Act, a registered recipient liable to pay tax under the RCM on supplies procured from an URD vendor must issue an invoice on the date of receipt. Historically, the generation of an IRN via the E-Invoice Portal applied only to regular B2B tax invoices, CDNRs, issued by outward suppliers exceeding turnover thresholds, leaving self-invoices and import of services outside the scope of E-invoices.

Proposed Change: The Council has recommended extending mandatory e-invoicing (IRN generation) to self-invoices issued for:

(a) Domestic supplies received from URD liable to tax under RCM

(b) Procurements constituting import of services

Proposed applicability: Applicable to all registered taxpayers possessing an aggregate annual turnover of ₹5 crore and above

GCO Comments: Eligible corporate entities will now be required to generate an IRN for self-invoices thereby standardizing RCM reporting and enabling system validation. Currently, because of no IRN mechanism, such self-invoices could very well be generated belatedly. However, with E-invoicing mandated for self-invoices, the IRN would be required to be generated within the statutory timeline of 30 days from date of invoice. Non-generation of IRN could potentially invalidate the self-invoice and thus jeopardize claim of such RCM related ITC as well.

X. Changes & Clarifications in Relation to GST Rates

- Recommendations relating to Goods are summarized below:

Sr.	Item / Description	Ambiguity / Issue	Proposed recommendation/ classification
1	**Sublimation Paper**	Classification dispute	Clarified as classifiable under Heading 4809; past periods regularized on *"as is where is"* basis.
2	**Toys**	Entry ambiguity	Clarified that schedule entries cover all categories of toys under Heading 9503 (dolls, puzzles, etc.)
3	**Sea-Weed Extract Bio-Stimulants**	Classification disputes	Clarified as classifiable under Heading 3101 as fertilizers if registered under Fertilizer Control Order, 1985; past periods regularized *"as is where is"*.
4	**Second-Hand Vehicles (Margin Scheme)**	Blocking of credits	Clarified that dealers under the Margin Scheme can avail ITC on inputs and input services (spares, repairs, marketing); credit restriction applies *only* to tax on the procured second-hand vehicle itself.
5	**Specified Waste & Scrap**	Credit leakage (Plastic, E-Waste, Tyres, Cooking Oil)	RCM introduced on supplies from URD vendors to registered persons (recipient liable even if supplier is below threshold; supplier to register upon crossing threshold). TDS @ 2% to be introduced
6	**Psyllium Seeds (Isabgol)**	Disputed rates	Prescribed NIL rate of GST across all forms (fresh, chilled, frozen, or dried).
7	**Re-Treaded Tractor Tyres**	Rate inversion	Inverted tax rate anomaly corrected by aligning the rate on re-treaded tyres with new tractor tyres.

- Recommendations relating to Services are summarized below:

Sr.	Service Category	Nature of Transaction	Recommended rate / clarification
1	**Electric Vehicle - Rental**	Motor vehicle rental with operator using an EV	Option to pay 5% GST with restricted ITC, provided the cost of battery charging is included in the consideration.
2	**ECO Delivery Services**	Intra-city delivery services supplied via ECOs	Delivery services (other than postal/courier) supplied via an ECO by URD persons brought under Section 9(5) @ 5% without ITC. Prescribed 5% without ITC on delivery services for goods ordered via ECO. Withdrawal of GTA exemption under Entry 21A for ECO goods.

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Sr.	Service Category	Nature of Transaction	Recommended rate / clarification
3	**Motor Vehicle Leasing**	Ancillary recoveries	Clarification regarding GST taxability on recoveries of road tax, registration fees, insurance, and FASTag charges.
4	**Same Line of Business Credit**	Restaurant/ outdoor catering, hotel accommodation (up to ₹7,500/unit/day), and gym/ fitness	Limited ITC allowed within the same line of business, aligning with tour operators, passenger transport, and vehicle renting.
5	**Helicopter Passenger Transport**	Seat-sharing flights in specified sectors	Exempted from GST for flights operating to or from airports and helipads in North-Eastern States, Sikkim, and Bagdogra.
6	**Storage & Warehousing**	Agriculture supply chain	Exemption from GST for services of storing or warehousing seeds meant for sowing.
7	**Coffee Curing**	Support services to cultivators	Exemption from GST on curing services provided by coffee curers to cultivators.
8	**Foreign Shipping Lines**	Import of services by Indian branch from overseas related entities without consideration	Exempted from GST; past disputes regularized on an *"as is where is"* basis.
9	**NHAI Concessions (TOT Model)**	Upfront concession fee paid for toll collection rights	Exempted from GST on the grant of rights to collect and appropriate toll fees.
10	**Highway O&M Services (TOT Model)**	O&M services rendered to concessioning authorities	Special valuation rules and point of taxation procedures to be notified.

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