

RECOMMENDATIONS OF THE 57TH GST COUNCIL MEETING

The 57th GST Council meeting was held in New Delhi on 8 October 2026. The Council has recommended a significant package of reforms covering registration, returns, refunds, input tax credit ('ITC'), dispute resolution, exports, enforcement and ease of doing business, along with certain sector-specific rate changes and clarifications.

While the reforms announced pursuant to the 56th GST Council meeting last year primarily focused on rate rationalisation, the recommendations of the 57th GST Council meeting seek to address procedural bottlenecks and areas of continuing litigation while increasing automation and reducing taxpayer interface with GST authorities.

The key recommendations proposed by the GST Council are as under:

Process and compliance reforms

- a. To streamline the process of GST registration applications, the GST Council made the following recommendations:
 - i. Issuance of a comprehensive circular and Frequently Asked Questions ('FAQs') specifying the documents/information required for GST registration;
 - ii. Amendment in Form GST REG-01 to provide drop boxes for selection of prescribed documents/information; and
 - iii. A user-friendly interface for filing registration applications, with clear navigational paths, drop-down lists, tooltips and contextual guidance.
- b. Rule 19 of Central Goods and Services Tax Rules, 2017 ('CGST Rules') is to be amended to provide for automatic acceptance of amendments to all registration particulars on the GST portal, except those relating to the Principal Place of Business ('PPOB'). For taxpayers registered under Rule 14A of the CGST Rules (automatic route), amendments to all particulars, including the PPOB, will be accepted automatically.
- c. The following amendments are proposed in the Central Goods and Services Tax Act, 2017 ('CGST Act') and the CGST Rules to simplify cancellation:
 - i. **Automatic cancellation of registration (on taxpayer's application):** National
 1. **Phase 1:** Applications in Form GST REG-16 will be accepted automatically once all pending returns are filed and all dues are paid, where (i) the taxpayer has not passed on ITC exceeding INR 2.5 lakh in any month since registration; or (ii) the taxpayer has passed on ITC exceeding INR 2.5 lakh in a month but has filed the final return in Form GSTR-10 within the specified time.
 2. **Phase 2:** All cancellation applications will be accepted automatically once pending returns are filed and dues are paid. Form GST REG-16 will be amended so that Form GSTR-10 details can be furnished in the application itself.
 - ii. **Suo-moto cancellation of registration:**
 1. Rule 21 of CGST Rules to be amended to omit certain grounds for cancellation of registration by tax officers.
 2. Rules 21A and 22 of CGST Rules to be amended and Rule 23A to be inserted to provide for system-based cancellation and revocation, depending on default and subsequent compliance in non-filing of returns or non-furnishing of bank account details within a specified time.

- d. **Small suppliers selling through Electronic Commerce Operators ('ECOs'):** Rule 14B is to be inserted in CGST Rules for simple registration of small suppliers of goods through ECOs in States/Union Territories where they have no physical presence and intend to pass on ITC of not more than INR 2.5 lakh per month (excluding stock transfers between distinct persons). The supplier must declare the ECO's warehouse as its PPOB. Registration will be granted automatically, subject to prescribed conditions.
- e. **Return related reforms:** To reduce mismatches in liability and ITC, and the resulting notices and system-generated intimations, the Council recommended:
- i. Enhancement of Form GSTR-1/GSTR-1A/IFF for better reconciliation with Form GSTR-3B;
 - ii. Insertion of rule 86D of CGST Rules to provide for '**Electronic Statement of tax paid on Reverse Charge basis and input tax credit claimed**';
 - iii. Insertion of rule 61(1A) of CGST Rules to enable correct reporting/correction of tax liability in Form GSTR-3B vis-à-vis Form GSTR-1/GSTR-1A/IFF;
 - iv. Amendment to Form GST DRC-03 to report details of the underlying invoice against which payment is made;
 - v. Insertion of rule 60(6A) of CGST Rules to provide for the Invoice Management System ('IMS') functionality allowing recipients to accept, reject or keep inward-supply documents pending for generation of Form GSTR-2B, subject to conditions (including the period for which a credit note can be kept pending)
 - vi. Insertion of rule 86C for an '**Electronic Credit Reversal and Reclaim Statement**'; and
 - vii. Insertion of Rule 61(1B) providing a mechanism for correction/rectification of ITC in Form GSTR-3B so that ITC availed aligns with ITC available in Form GSTR-2B.
 - viii. The mechanism for amending liability and ITC in returns may be effective from the return for April 2027, and the proposed revised mechanism will be placed in the public domain for time-bound consultation.

A circular is also proposed to clarify the manner of furnishing ITC and reversal details in Form GSTR-3B in the context of IMS and the proposed electronic statements.

f. **Refund-related amendments:**

- i. Section 54 of CGST Act and the provisions of CGST Rules to be amended to provide for a system-based processing and sanctioning of refund claims pertaining to excess balance in Electronic Cash Ledger ('ECL'), zero-rated supplies and inverted duty structure in the following two phases:
 1. **Phase 1:** Full refund of excess cash ledger balance to be sanctioned automatically. The time for issuing acknowledgement or deficiency memo is reduced from 15 to 10 days, with deemed acknowledgement if not issued. For zero-rated supplies and inverted duty structure, 90% of the claim will be sanctioned provisionally by the system, based on system risk evaluation.
 2. **Phase 2:** System-based acknowledgement on verification of the application, and automated sanction of the full refund for zero-rated supplies after adjusting pending dues, if any, based on risk evaluation
- ii. Amendment in Form GST RFD-01 to capture details in a system-readable format and dispense with the requirement of uploading scanned documents in case of refunds for zero-rated supply and inverted duty structure;
- iii. Rule 89(4)(C) to be amended to remove the cap on turnover of zero-rated supply of goods (1.5 times the value of like goods supplied domestically);
- iv. Insertion of an explanation to Section 54(14) of CGST Act to clarify that the threshold of INR 1,000/- applies to the total refund (CGST, SGST/UTGST and IGST taken together); and
- g. To provide clarity and certainty on the interest payable on refund of pre-deposit, Section 115 of CGST Act is proposed to be made a standalone provision prescribing the rate of interest on refund of pre-deposits. Further, a circular clarifying the issues regarding the rate of interest on refund of pre-deposits would also be issued.

Dispute resolution, penalties and pre-deposits:

- a. A circular with comprehensive guidelines for tax officers on demand notices, adjudication and appeal orders *inter alia* covering issues relating to their quality and timely issuance, invoking fraud/ wilful misstatement/ suppression only on merits and adherence to natural justice, including personal hearings.
- b. **Amendments to Sections 73, 74 and 74A of the CGST Act to provide:**
 - i. A minimum threshold of INR 10,000/- (CGST + SGST + IGST + Cess) for issuing show cause notices, with notices and appeals below the aforesaid threshold pending on the date of commencement to be decided as if the threshold had been in force;

- ii. Deeming of the penalty amount as a 'charge' where full tax, interest and penalty are voluntarily paid within the specified time;
- iii. To provide a reduced penalty of 5% in non-fraud cases where tax and interest are paid within 30 days (Section 73) or 60 days (Section 74A) of the adjudication order; and
- iv. Removal of the minimum penalty of INR 10,000/- in non-fraud cases.
- c. The quantum of maximum general penalty under section 125 is proposed to be reduced from INR 25,000/- to INR 10,000/-.
- d. The amount of pre-deposit for appeals in cases involving only penalty (no tax demand) to be capped at INR 40 crore (INR 20 crore - CGST and INR 20 crore SGST/UTGST), by amending the provisos to Sections 107(6) and 112(8) of CGST Act.

ITC:

- a. **Refund of accumulated ITC on capital goods and input services:** Clause (ii) of the proviso to Section 54(3) and the CGST Rules are proposed to be amended to provide for refund of accumulated ITC on:
 - i. Capital goods, for refunds relating to zero-rated supplies. Refund of ITC on capital goods (zero-rated supplies and inverted duty structure) will be spread over 60 months and apply to ITC availed on or after 1 April 2027.
 - ii. Input services and capital goods, for refunds relating to inverted duty structure. Refund of ITC on input services will apply to ITC availed on or after 1 November 2026.
- b. **Blocked credits under Section 17(5) of CGST Act:** Restrictions on ITC are to be removed *inter alia* on outdoor catering, health and life insurance, telecommunication towers, pipelines laid outside factory premises, free samples and goods destroyed or written off on expiry of shelf life, as required by law.

Exports/zero-rating supply of goods/services:

- a. Sub-clause (v) of section 2(6) of Integrated Goods and Services Tax Act, 2017 ('IGST Act') is proposed to be omitted, thereby removing the condition that supplier and recipient must not be merely establishments of a distinct person (Explanation 1 to Section 8) for a supply of service to qualify as exports. This will facilitate refunds for Indian service providers supplying services to or through their foreign offices/ branches.
- b. Issuance of a circular to clarify issues on receipt of payment in foreign exchange or in Indian rupees, as permissible, for export of goods and services
- c. Clause (a) of section 13(3) of IGST Act is proposed to be omitted so that for the services where goods are made available by the recipient to the supplier, the place of supply falls under the default provision - Section 13(2) of IGST Act, being the location of the service recipient.
- d. Insertion of an explanation to Section 16(1) of IGST Act to provide that where goods are supplied to an overseas buyer, but the delivery thereof is made to a buyer in an SEZ/ FTWZ, and the payment for such supply is received in convertible foreign exchange or in Indian Rupees wherever permitted by the RBI, such a supply will be deemed to be a supply of goods to an SEZ/ FTWZ, giving certainty on zero-rating.

Enforcement and ease of doing business:

- a. **Arrest and prosecution:**
 - i. Complete withdrawal of arrest powers by omission of Section 69 of the CGST Act;
 - ii. Prosecution threshold raised from INR 1 crore to INR 5 crore;
 - iii. Omission of clause (i) of Section 132(1), deletion of the words '*evades tax*' in clause (e) and '*or in any other manner deals with*' in clause (h) of Section 132(1);
 - iv. Clause (c) of Section 132(1) to cover only fraudulent availment of ITC without receipt of goods or services, or without invoice or bill; and
 - v. Rationalisation of punishment for various offences under Section 132 of CGST Act.
- b. **E-way Bill and interception of goods:** Sections 68, 129 and 130 of CGST Act are proposed to be amended to provide that:
 - i. A conveyance can be intercepted only on specific intelligence and with authorisation of an officer not below the rank of Joint Commissioner;
 - ii. Inspection, detention or seizure can be undertaken only where the supplier or recipient is located or registered in the State of interception, with no interception in transit States;
 - iii. Where no e-way bill is generated or the conveyance carries no document showing origin or destination, the goods can be inspected, detained or seized irrespective of jurisdiction; and
 - iv. Confiscation under Section 130 of CGST Act will not apply to goods/ conveyances in transit.

- c. **Transfer of title in intellectual property rights ('IPR'):** Schedule II of CGST Act is proposed to be amended so that transfer of title in IPRs, whether temporary or permanent, is uniformly treated as a supply of services.
- d. **Rule 86A hearing:** Rule 86A of the CGST Rules is recommended to be amended so that a taxpayer can object to the blocking of Electronic Credit Ledger and avail a personal hearing before the proper officer decides on the objection.

Circulars to be issued: The Council recommended to issue circulars to clarify the following:

- a. Issues relating to the Input Service Distributor ('ISD') mechanism;
- b. Availment of ITC by banking companies and financial institutions, including NBFCs, that opt for Section 17(4) of the CGST Act;
- c. Issues relating to payment of pre-deposits;
- d. Admissibility of ITC on demo vehicles in certain situations; and
- e. Omission of Rule 96(10) of the CGST Rules with effect from 23 October 2017, in accordance with the Supreme Court decision in Goodluck India Ltd.¹

Other compliance measures:

- a. **Late fee relief:** Waiver of late fee on delayed Form GSTR-3B/return under Section 39(1) for taxpayers with turnover up to INR 5 crore in the preceding financial year, if the same is filed by the end of the month in which it was due.
- b. **Annual Return Quarterly Payment ('ARQP') scheme:** The GST Council provided an in-principle approval of the concept note for an optional ARQP scheme for taxpayers with aggregate turnover up to INR 5 crore in the preceding financial year, engaged exclusively in B2C supplies.
- c. **Time limits:** Amendments to Sections 16, 37 and 39 of CGST Act to align the outward supply statement and return provisions with the time limit for availing ITC under Section 16(4) of CGST Act.
- d. **ECOs:** Amendment to Section 9(5) of CGST Act to clarify the ECO's liability to pay tax on notified services irrespective of business model.
- e. **Validation of notices:** It is proposed to introduce a validation provision under the CGST Act to validate notices that were previously held to be invalid by courts on the ground that they covered multiple financial years within a single notice.
- f. **E-invoicing:** Extension of e-invoicing provision to domestic supplies received from unregistered persons where tax is payable under reverse charge and import of services, for taxpayers with aggregate annual turnover of INR 5 crore and above.
- g. **GSTAT:** Amendments to the CGST Act and the GSTAT (Appointment and Conditions of Service of President and Members) Rules, 2023 to align the provisions with the Tribunals Reforms Act, 2026 and the related 2026 Rules².

Rate changes and clarifications: Goods

- a. **Sublimation paper:** Clarified as being classifiable under HSN 4809; past cases to be regularised on an '*as is where is*' basis.
- b. **Toys:** Entries in the Rate Notification (Sl. No. 497 of Schedule I and Sl. No. 616 of Schedule II of Notification No. 09/2025-Central Tax (Rate) dated 17 September 2025 ('Rate Notification') covers all toys under heading 9503 (such as dolls, puzzles and other toys) not only tricycles, scooters and pedal cars.
- c. **Sea-weed extract bio-stimulants:** Registered under Schedule VI of the Fertiliser (Inorganic, Organic or Mixed) (Control) Order, 1985, these goods are classifiable under HSN 3101 as fertilisers; past cases to be regularised on an '*as is where is*' basis.
- d. **Second-hand vehicles (margin scheme):** Suppliers may avail ITC on inputs and input services (spares, repairs, technology, rent, marketing, etc.); the restriction to claim ITC applies only to tax paid on procurement of second-hand vehicles.
- e. **Waste and scrap:** Waste and scrap of plastics, electrical and electronic goods, tyres and used cooking oil are proposed to be brought under Reverse Charge Mechanism ('RCM') when these goods are supplied by an unregistered person to a registered person (the recipient pays tax even if the supplier is below threshold). Further, Tax Deducted at Source ('TDS') @ 2% is also proposed to be levied in cases where such waste/scrap is supplied by a registered person to a registered person.
- f. **Psyllium seeds (Isabgul/ Isabgol):** To clarify that the seeds attract Nil rate of GST, irrespective of whether the seeds are fresh, chilled, frozen or dried.
- g. **Re-treaded tractor tyres:** The GST rate on re-treated tractor tyres is aligned with that on new tractor tyres.
- h. **Compensation Cess:** Exemption for Compensation Cess which is not levied by Canteen Stores Departments ('CSDs') on two and four wheelers (1 July 2017 to 30 September 2022), and by CSDs and Unit Run Canteens on aerated drinks (1 July 2017 to 31 March 2022).

¹ TS-575-SC-2026-GST

² National Tribunals Commission and Qualification, Selection and Conditions of Service of Chairpersons and Members of Tribunals Rules, 2026

Rate changes and clarifications: Services

- a. **Electric vehicle passenger transport and rental:** To provide an option to pay GST @ 5% with restricted ITC on passenger transport services and rental services of motor vehicles with operator, where the service is supplied using an electric vehicle and the cost of battery charging cost is included in the consideration.
- b. **Delivery services through ECOs:** Delivery services (other than courier and postal) supplied through an ECO under Section 9(5), by persons not liable for registration under Section 22(1) to attract GST @5% without ITC. Similarly, delivery services in relation to the goods supplied/ ordered through an ECO would also attract GST @ 5% without ITC. The Goods Transport Agency exemption (*Entry 21A of Notification No. 12/2017-Central Tax (Rate)*) for transportation of goods to unregistered persons will not apply to goods supplied/ordered through an ECO.
- c. **Motor vehicle leasing:** Clarification to be issued on GST treatment of statutory and ancillary recoveries (registration charges, road tax, insurance, FASTag) recovered by the lessor from the lessee.
- d. **ITC in the same line of business:** To allow limited ITC for restaurant/ outdoor catering, hotel accommodation (value up to INR 7,500 per unit per day) and gym/ fitness services, in the same manner as passenger transportation, tour operator and motor vehicle rental services.
- e. **Helicopter passenger transport:** To exempt services of passenger transportation by helicopter on seat-sharing basis from/ to airports/ helipads in north-eastern States, Sikkim and Bagdogra in West Bengal.
- f. **Seeds and coffee:** Exemption for the services by way of storage or warehousing of seeds meant for sowing, and for curing of coffee provided to cultivators.
- g. **Services supplied by Seamen's Provident Fund Organisation:** Exemption for the services supplied to persons governed by the Seamen's Provident Fund Act, 1966.
- h. **Research and development ('R&D') services:** Self-certification by the head of the institution that the activity is in the nature of R&D and not consultancy, for determining eligibility of the exemption under Entry 44A of Notification No. 12/2017-Central Tax (Rate).
- i. **Foreign shipping lines:** Exemption on the import of services by an establishment of a foreign shipping company from a related person or its establishment outside India, when made without consideration; past period to be regularised on an '*as is where is*' basis.
- j. **Toll Operate Transfer ('TOT') model:** Exemption on the services supplied by the Government, including local authority, governmental authority and government entity by way of granting the exclusive right to collect toll to the concessionaire for highway projects. Further, it is also proposed to introduce a special procedure on the valuation and time of supply on Operation and Maintenance services provided by concessionaires to the concessioning authority for such projects in the TOT model.
- k. **Funds Transfer Pricing in banks:** Clarification for the notional amount treated as '*interest*' in the books for notional transfer of funds between branches by the head office is covered by the definition of '*interest*' under Notification No. 12/2017-Central Tax (Rate).

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For any content related queries, you may please write to the service line experts at taxadvisory@bdo.in

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