

GST COUNCIL RECOMMENDATIONS TAKE EFFECT:
Analysis of Key Notifications, Circulars and Instructions

In a significant move towards trade facilitation, reduction of compliance burden and enhancement of 'ease of doing business', the Central Board of Indirect Taxes and Customs ('CBIC') has issued a series of notifications, circulars and instructions to operationalise the recommendations of the 57th GST Council meeting and address several long-pending interpretational and procedural issues under the GST regime.

The measures cover a broad spectrum of subjects including clarifications on GST rates on certain goods and services, expansion of tax exemptions, introduction of reverse charge liability on specified transactions, reforms in registration procedures, substantial overhaul of refund provisions, strengthening of the Input Service Distributor ('ISD') framework and expansion of the e-invoicing ecosystem.

CBIC has also issued detailed clarifications on the demand and adjudication proceedings, appeal-related pre-deposit requirements, export realisation conditions, classification disputes, sector-specific issues, and the retrospective implications of the omission of Rule 96(10) of Central Goods and Services Tax Rules, 2017 ('CGST Rules'). This tax alert provides a concise overview of the key amendments, clarifications and administrative directions that taxpayers should evaluate from a GST compliance, litigation and business impact perspective.

A. Notifications issued by CBIC

a. **Rationalisation of GST Rates on Fertilisers and Retreaded Tyres**: Based on the recommendations of the GST Council, the Government has amended the GST rate schedule to provide clarity on classification and concessional tax treatment for certain goods. The changes have been notified under both the CGST and IGST rate notifications and will come into effect from **1 November 2026**.

   i. **Seaweed extract-based bio-stimulants**, registered under the Fertiliser (Inorganic, Organic or Mixed) (Control) Order, 1985, have been specifically included within the scope of fertilisers taxable at the concessional GST rate @ 5% as is applicable to animal, vegetable and organic fertilisers.

   ii. **Retreaded tractor tyres** have been carved out from the general category of retreaded tyres and made eligible for the lower GST rate (of 5%). Corresponding amendments have been made to ensure that other retreaded and used tyres continue to attract GST @ 18%.

   [*Notification nos:02/2026-Central Tax (Rate) and 02/2026-Integrated Tax (Rate) dated 27 October 2026*]

b. **Exemption to Psyllium Seeds (Isabgol)**: The Government has expanded the list of exempt goods under GST by specifically including Psyllium Seeds (Isabgol) under HSN 1211 90 13 with effect from **1 November 2026**. The amendment has been simultaneously carried out under the CGST and IGST exemption notifications.

   [*Notification nos:03/2026-Central Tax (Rate) and 03/2026-Integrated Tax (Rate) dated 27 October 2026*]

c. **Reverse Charge Mechanism ('RCM') on certain procurements**: To improve tax compliance, GST has been made payable under the RCM on procurement of specified scrap and waste materials from unregistered suppliers. The amendments have been issued under both CGST and IGST laws and are effective from **1 November 2026**. Accordingly, the following supplies made by unregistered persons will now be liable to GST under RCM in the hands of the recipient:

   i. Used cooking oil;

   ii. Waste and scrap of plastics;

   iii. Waste and scrap of tyres; and

   iv. Electrical and electronics waste and scrap.

Simultaneously, suppliers dealing exclusively in the above categories of goods have been excluded from the exemption available to persons making wholly RCM supplies and corresponding TDS exemptions have also been withdrawn effective **1 November 2026**.

[*Notification nos:04/2026-Central Tax (Rate), 04/2026-Integrated Tax (Rate), 06/2026-Central Tax and 07/2026-Central Tax dated 27 October 2026*]

d. Nominated Agencies under Precious Metals Scheme: The Government has amended the definition of "Nominated Agency" for the purposes of GST exemptions available on imports and supplies of precious metals with effect from **1 November 2026**. The revised definition now links the eligibility to entities specified in Appendix 4B of the Handbook of Procedures, as amended from time to time by the DGFT.

[*Notification nos:05/2026-Central Tax (Rate) and 05/2026-Integrated Tax (Rate) dated 27 October 2026*]

e. Services Sector: Significant GST Rate, Exemption and Valuation Amendments:

i. Concessional GST Rate for Electric Vehicle Transportation and Renting Services: To promote electric mobility, a concessional GST rate of 5% has been prescribed for:

1. Transportation of passengers by electrically operated vehicles where battery charging costs are included in the consideration;
2. Renting of electrically operated passenger vehicles; and
3. Renting of electrically operated goods vehicles.

Further, service providers opting for the concessional rate can avail input tax credit ('ITC') on services procured from another supplier in the same line of business, subject to specified restrictions and monetary caps.

ii. Removal of ITC Restrictions for Hospitality and Catering Services: The Government has amended the conditions applicable to concessional GST rates for hotel accommodation, restaurant services and outdoor catering services. Under the revised framework, suppliers charging GST at concessional rates may avail ITC on services procured from another supplier engaged in the same line of business, subject to specified restrictions and prescribed caps. Similar relief has also been extended for catering services supplied on railway platforms and trains through Indian Railways, IRCTC and their licensees.

iii. GST Treatment of Delivery Services through E-Commerce Operators: The scope of concessional GST applicable to delivery services supplied through e-commerce operators has been rationalised. Delivery services (other than postal and courier services) supplied through e-commerce operators by persons not liable for compulsory GST registration would now attract GST at the concessional rate, subject to non-availment of ITC. Corresponding amendments have also been made to the e-commerce operator tax payment mechanism.

iv. Expansion of GST Exemptions for Specified Services: The Government has expanded the list of GST-exempt services under both the CGST and IGST exemption notifications. Key exemptions include:

1. Transportation of passengers by helicopter on a seat-share basis for specified North-Eastern States and Bagdogra (West Bengal);
2. Services provided by the Seamen's Provident Fund Organisation to covered beneficiaries;
3. Grant of exclusive rights, licences and authority to collect toll fees under toll-operate-transfer and similar infrastructure arrangements;
4. Coffee curing services supplied to coffee cultivators;
5. Storage and warehousing services in relation to cereals, pulses, fruits, vegetables and seeds meant for sowing.

Additionally, a specific GST exemption has been introduced for import of services by the Indian establishment of a foreign shipping company (which is a shipping company) from its related person or its other establishment located outside India without consideration.

v. Clarifications Relating to Goods Transport Agency ('GTA') Services: The definition of GTA has been amended to provide uniformity across GST provisions. The exemption available to GTA services has been clarified to exclude transportation of goods supplied through e-commerce operators.

vi. RCM changes for Rent-a-Cab and Related Passenger Transportation Services: The Government has amended the RCM notifications by revising the relevant service category entries under CGST and IGST. As a result, the scope of services covered in relation to passenger transportation and vehicle hiring arrangements has been expanded.

vii. Special Valuation Mechanism for Toll-Operate-Transfer ('TOT') Projects: A special procedure has been notified for concessionaires operating under TOT arrangements. Under the new mechanism, GST on operation and maintenance services supplied by concessionaires to concessioning authorities shall be payable only on the amounts charged/debited from the designated Escrow account towards operation and maintenance expenditure during the relevant tax period. The provision has been notified under both the CGST and IGST frameworks.

[*Notification nos:06/2026 to 10/2026-Central Tax (Rate) and corresponding Notification Nos. 06/2026 to 10/2026-Integrated Tax (Rate) dated 27 October 2026*]

f. **Implementation of the legislate change in respect of post-supply discounts, credit notes and refunds as proposed by Finance Act, 2026**: The Government has appointed **1 November 2026** as the date on which sections 153 to 155 of the Finance Act, 2026 come into force. These provisions amend sections 15 (relating to post-supply discounts), 34 (credit notes) and 54 (refund) of Central Goods and Services Tax Act, 2017 ('CGST Act').

[*Notification no:03/2026-Central Tax dated 26 October 2026*]

g. **Applicability of E-Invoicing**: The Government has widened the scope of the e-invoicing regime by prescribing that e-invoices shall also be generated in respect of:

i. Supplies received from unregistered persons where tax is payable by the recipient under RCM; and

ii. Import of services.

The amendment shall come into force from **1 January 2027**.

[*Notification no:04/2026-Central Tax dated 26 October 2026*]

h. **Comprehensive Amendments to CGST Rules**: The Government has notified wide-ranging amendments to the CGST Rules aimed at simplifying registrations, strengthening system-based administration and facilitating refunds. Key changes are summarised below.

i. Registration Reforms for E-commerce Sellers:

1. A new Rule 14B has been introduced to facilitate GST registration for small suppliers operating through e-commerce platforms.
2. Eligible suppliers may obtain GST registration in States where they do not have a physical presence by declaring the warehouse of the e-commerce operator as their principal place of business.

ii. Rationalisation of Registration Amendment and Cancellation Procedures:

1. Revised procedures have been prescribed for amendment of registration particulars, cancellation of registration, revocation of cancellation and suspension of registrations.
2. System-driven approvals, deemed approvals and electronic communications have been introduced to reduce administrative intervention.
3. New forms and timelines have been notified for registration-related proceedings.

iii. Refund Reforms: Key refund-related changes include

1. Inclusion of input services in the computation of refund on account of inverted duty structure from 1 November 2026.
2. Inclusion of capital goods in refund calculations for zero-rated and inverted duty structure claims from 1 April 2027, subject to prescribed conditions.
3. Introduction of deemed acknowledgement where refund applications are not scrutinised within prescribed timelines.
4. Reduction in timelines for issuance of deficiency memos and acknowledgements.
5. Comprehensive overhaul of Form GST RFD-01 and supporting statements.

iv. Input Service Distributor ('ISD') Amendments:

1. Changes have been made to facilitate distribution of ITC, including distribution of Central Tax credit and rationalisation of ISD compliance procedures.
2. Various amendments have been carried out in Rules 36, 39, 54 of CGST Rules and related forms.

v. Electronic Credit Ledger Restrictions:

1. A structured framework has been introduced for restricting and restoring utilisation of ITC under Rule 86A of CGST Rules.
2. New Forms have been introduced to enable taxpayers to raise objections and seek removal of restrictions.

vi. Other Key Changes:

1. Metro rail transportation has been included within the e-way bill framework.
2. Amendments have been made to composition scheme forms and returns.
3. Various registration, refund, annual return and adjudication forms have been revised and digitised.
4. E-invoice schema has been updated to Version 1.2 with additional transaction reporting fields.

[*Notification no:05/2026-Central Tax dated 26 October 2026*]

B. Clarifications issued by CBIC

a. **Guidelines for applicants on GST registration**:

i. **Application details**: Legal name must match the PAN details and MCA incorporation certificate (wherever applicable). Further, the e-mail address and mobile number linked to the PAN should be used in Part A of registration application. The photographs of the promoters and authorised signatories are required, with an authorisation letter.

ii. **Principal place of business ('PPoB')**: A complete address including PIN code is required, and it must match the document uploaded by the applicant. Further, the list of documents to be uploaded in case of owned premises, rented premises, etc. is also prescribed in the circular.

iii. **Bank details and earlier registrations**: The bank account details are not mandatory at the time of application, but they must be furnished under Rule 10A of CGST Rules within 30 days of registration or before filing Form GSTR-1/IFF, whichever is earlier.

iv. **Processing timelines**: The processing timeline shall be 7 working days where Aadhaar is authenticated; 30 days where physical verification is required or Aadhaar authentication is not opted. In respect of registrations under Rules 14A and 9A of CGST Rules, corresponding timeline is 3 working days. A notice in Form GST REG-03 can be issued only for specified deficiencies (illegible documents, address mismatch or vague address). The applicant has 7 working days to reply, and the officer thereafter has 7 working days to decide on the application. Registration is deemed to be approved if the officer does not act within time.

v. **Directions to the officers**: CBIC has directed the tax authorities to not seek unwarranted documents or raise presumptive queries. The aggrieved applicants may complain to the jurisdictional Chief Commissioner/Commissioner of State Tax.

[*Circular No. 257/03/2026-GST dated 26 October 2026*]

b. **Guidelines on demand, adjudication and appeal proceedings**:

i. **Pre-Show Cause Notice ('Pre-SCN') and Show Cause Notice ('SCN')**: Pre-SCN in Form GST DRC-01A should be issued wherever feasible. The SCN should set out the taxpayer profile, facts and evidence, legal provisions contravened, statement of charges and a quantified demand (financial year-wise, if feasible and with interest framed as 'as applicable'), together with the reply deadline and adjudicating authority. The summary must be uploaded on the GST portal in Form GST DRC-01.

ii. **Fraud, wilful misstatement or suppression**: Section 74/74A(5)(ii) of CGST Act cannot be invoked merely for non-payment of tax or because a discrepancy is noticed in scrutiny. Intent to evade tax must be established and specific allegations and material must appear in the SCN itself. The second SCN on the same facts for a later period should not invoke these provisions unless there are new grounds. The demands for the later periods should be under section 73 or 74A(5)(i) of CGST Act.

iii. **Parallel proceedings and hearings**: The CBIC has clarified that simultaneous proceedings by both the Central and State GST authorities on the same issue are not permissible. Further, taxpayers may be granted a maximum of three adjournments, effectively limiting the adjudication process to four hearings. The guidelines also mandate the facilitation of virtual hearings and representation through authorised representatives. Adjudication orders should, as far as possible, be issued within one month from the date of hearing. Additionally, where the adjudicating officer is transferred before passing the order, a fresh opportunity of hearing should be provided to the taxpayer.

iv. **Adjudication order**: The adjudication order must be a speaking order, issued with the summary in Form GST DRC-07, examining each submission and each case law cited along with the reasons for acceptance or rejection, thereby providing an issue-wise, year-wise and tax-head-wise quantification. The adjudication order cannot exceed the amount or grounds mentioned in the SCN. Wherever Artificial Intelligence/other technological tools are utilised to enhance efficiency and effectiveness in adjudication proceedings, such use must be accompanied by appropriate human oversight.

v. **First appeal**: Appellate authorities are required to issue a summary of the appellate order in Form GST APL-04, while preliminary scrutiny under Rule 108 should be confined to procedural aspects and not lead to rejection of appeals on merits. Issues relating to limitation are required to be examined separately as a preliminary matter. Further, requests for withdrawal of appeals should be disposed of within seven days, and any admission of additional grounds or evidence must be supported by recorded reasons. Appeals should ordinarily be decided within one year, and cross-appeals arising from the same matter should, wherever feasible, be disposed of through a common order.

[*Circular No. 258/04/2026-GST dated 26 October 2026*]

c. **Pre-deposit for appeals under sections 107(6) and 112(8) of CGST Act**

i. **Admitted amount and tax in dispute**: Taxpayers must pay the entire admitted amount (including tax, interest, penalty, fine and fee). Further, the mandatory pre-deposit of 10% is to be computed only on the **tax in dispute**. The bifurcation between admitted and disputed tax is to be determined by the taxpayer and disclosed in the prescribed appeal forms.

ii. **Pre-deposit for Tribunal Appeals**: For appeals before the GST Appellate Tribunal, the additional 10% pre-deposit is to be calculated only on the balance tax amount that remains disputed pursuant to the order of the First Appellate Authority. This is over and above the pre-deposit made at the first appellate stage.

iii. **Refund of Pre-deposit**: Taxpayers may seek a refund of pre-deposit through Form GST RFD-01 without requiring any specific refund direction in the appellate order. Such refund cannot be withheld merely because the tax authorities propose to file a further appeal, unless the appellate order has been stayed. Interest on the refundable amount is payable from the actual date of payment. Further, where a matter is remanded by the Tribunal, the corresponding pre-deposit would generally be refundable, subject to appropriate adjustment against any demand that continues to be sustained.

[*Circular No. 259/05/2026-GST dated 26 October 2026*]

d. Clarifications on Input Service Distributor ('ISD')

i. **Multiple ISD Registrations Permitted**: There is no restriction on obtaining multiple ISD registrations within the same State for separate business verticals or places of business. Further, a registered person receiving common input service invoices attributable to distinct persons is required to obtain an ISD registration and distribute credits only to the relevant recipient entities.

ii. **Responsibility for ITC Eligibility and Reversals**: While the ISD is responsible for distributing credit in accordance with Section 20 of CGST Act, compliance with the eligibility and restriction provisions under Sections 16 and 17 of CGST Act remains the responsibility of the recipients. Any excess or incorrect distribution may attract penalties on the ISD while recovery of ineligible credit would be undertaken from the recipient entities.

iii. **Timely Distribution of Credit**: ITC may be distributed only after the ISD has undertaken a *prima facie* assessment of its eligibility. Such credit must be distributed in the relevant month and separately reported as eligible and ineligible credit in Form GSTR-6.

iv. **Credit Reversals to be Undertaken by Recipients**: It is clarified that reversals under Sections 17(1), 17(2) and 17(4) of CGST Act are required to be carried out by the recipient entities and not by the ISD.

v. **Transfer of RCM credit under Rule 54(1A) of CGST Act**: Where credit is transferred to ISD through the mechanism prescribed under Rule 54(1A) of CGST Rules, such document merely facilitates credit transfer and does not constitute taxable turnover of the issuing entity. **Accordingly, such transfers are excluded from turnover computations for refund purposes and ISD distribution calculations.** Further, the entire RCM credit is required to be transferred to the ISD, while any consequent reversals under Section 17 of CGST Act are to be undertaken by the recipient entities.

[*Circular No. 260/06/2026-GST dated 26 October 2026*]

e. Section 17(4) option for banks and NBFCs and reporting in Form GSTR-3B

i. **Eligibility to Opt for the 50% ITC Scheme**: The option under Section 17(4) of CGST Act is available only to **registered persons engaged in accepting deposits, extending loans or advances, or undertaking similar financial activities**. Registered persons who are not engaged in such activities are neither eligible nor required to comply with the said provision. Further, where a registered person engaged in such activities opts for the scheme, all the registrations of the same legal entity undertaking similar activities are required to follow the 50% ITC mechanism.

ii. **Applicability of Intra-Entity ITC relaxation**: The benefit of the second proviso to Section 17(4) of CGST Act, which permits availment of full credit in specified cases, is available only in respect of supplies received from another registration under the same PAN that has also opted for the 50% ITC scheme.

iii. **Clarification on ITC Reporting in Form GSTR-3B**: The CBIC has prescribed a uniform reporting methodology wherein ITC relating to non-business purposes and blocked credits under Section 17(5) of CGST Act is required to be permanently reversed in Table 4(B)(1) of Form GSTR-3B. Credits eligible under the second proviso may be availed in full, while only 50% of the balance eligible credit can be retained, with the remaining portion being permanently reversed in Table 4(B)(1) of Form GSTR-3B. Credits that are not yet eligible due to non-fulfilment of conditions under Section 16 of CGST Act are to be temporarily reversed in Table 4(B)(2) of Form GSTR-3B and may subsequently be reclaimed through Table 4(A)(5), subject to the prescribed time limits.

iv. **Alignment with Invoice Management System (IMS)**: Taxpayers following the IMS framework should keep invoices pending where Section 16 of CGST Act conditions remain unfulfilled so that such invoices do not flow in Form GSTR-2B until the relevant conditions are satisfied.

v. **Relief for Earlier Periods**: Recognising the lack of uniformity in practices adopted by taxpayers, CBIC has advised field formations not to take an adverse view for past periods merely on account of a different reporting methodology, provided the quantum of ITC availed is in accordance with the principles now clarified.

[*Circular No. 261/07/2026-GST dated 26 October 2026*]

f. ITC on Demo Vehicles in Dealer-Agency Model

i. **ITC on Demo Vehicles Permitted**: It has been clarified that ITC on demo vehicles used for customer test drives by Authorised Dealers operating under the dealer-agency model is not blocked under Section 17(5)(a) of CGST Act, even where the OEM directly sells vehicles to the customers. This clarification recognises that demo vehicles serve an identical commercial purpose in both the dealer-agency and traditional dealership models. Such vehicles are procured against valid tax invoices, capitalised in the books of account, utilised for demonstration and promotional activities, and subsequently sold on payment of GST.

ii. **Interpretation of Section 17(5)(a) of CGST Act**: The CBIC has clarified that the phrase "***further supply of such motor vehicles***" should not be interpreted narrowly to require resale of the specific motor vehicle on which credit is availed. Accordingly, ITC would be available where the demo vehicle is used to facilitate or promote the supply of similar motor vehicles as part of the taxpayer's business operations.

[*Circular No. 262/08/2026-GST dated 26 October 2026*]

g. Receipt of Export Proceeds for Goods and Services

i. **Permits receipt of Export Consideration in repatriable INR**: The CBIC has clarified that the condition relating to receipt of consideration for export of services is satisfied where the payment is received either in convertible foreign exchange or through specified repatriable INR accounts such as Special Non-Resident Rupee ('SNRR') accounts, Special Rupee Vostro account ('SRVA') and similar permissible arrangements, in line with FEMA regulations.

ii. **Relief for Stock-Brokers serving overseas customers**: For stock broking services provided to overseas customers, payments received through repatriable accounts such as SNRR and Non-Resident External ('NRE') accounts would qualify as valid consideration for export of services. Where payment is made through Non-Resident Ordinary ('NRO') accounts, the amount should be routed through a repatriable account to satisfy the prescribed condition.

iii. **Set-off of Receivables and Payables Recognised**: Export proceeds may be deemed realised where export receivables are set off against import payables, provided such adjustment is undertaken in accordance with RBI regulations. The circular also acknowledges the liberalised framework introduced under the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026.

iv. **Reinsurance Brokers**: In the case of reinsurance brokers, commission retained through net settlement arrangements prior to remittance of balance premium would be regarded as satisfying the requirement of receipt of export consideration.

v. **Export of Goods – Alignment with RBI Timelines**: For exports of goods, the prescribed time limit for realisation of export proceeds under Rule 96B of CGST Rules is aligned with the timelines stipulated by the RBI, including any extensions granted by the Authorised Dealer bank or RBI. Further, no recovery of GST refunds would arise where the unrealised export proceeds have been formally written off in accordance with RBI or Authorised Dealer bank approvals.

[*Circular No. 263/09/2026-GST dated 26 October 2026*]

h. Omission of Rule 96(10) of the CGST Rules – Retrospective Applicability: Pursuant to the Supreme Court's ruling in ***Goodluck India Limited Vs. Union of India [SLP(C) 24550 of 2025]***, the CBIC has issued a clarified as under:

i. Omission of Rule 96(10) should be given retrospective effect from 23 October 2017.

ii. All pending proceedings, including refund claims, notices and adjudication matters involving Rule 96(10) of CGST Rules, are required to be disposed of in light of the Supreme Court's decision. A similar position has also been adopted for omitted Rules 89(4A) and 89(4B) of CGST Rules.

[*Circular No. 264/10/2026-GST dated 26 October 2026*]

i. Clarifications on classification and GST Rate applicability on certain goods

i. **Sublimation Paper**: It has been clarified that sublimation paper is classifiable under HSN 4809 and attracts GST at the rate of 18%. Further, past disputes regarding classification and taxability have been regularised on an "***as-is where-is***" basis.

ii. **Toys**: It has been clarified that the term "***etc***." used at 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') covering toys under HSN 9503 extends to **all categories of toys falling under the heading and is not restricted only to toys specifically illustrated therein, such as tricycles, scooters and pedal cars**. Accordingly, all non-electronic toys falling under Heading 9503 attract GST at 5%, while electronic toys attract GST at 18%.

iii. **Margin Scheme for Used Motor Vehicles**: It has been clarified that the restriction on availing ITC under the concessional margin scheme for old and used motor vehicles applies only to the tax paid on procurement of second-hand vehicle. ITC on other business inputs and input services such as repairs, maintenance, spare parts, technology, rent, marketing and advertising services remains admissible, subject to the provisions of the GST law.

iv. **Seaweed Extract-Based Bio-stimulants**: Seaweed extract-based bio-stimulants registered under the Fertiliser (Inorganic, Organic or Mixed) (Control) Order, 1985 are classifiable as fertilisers under HSN 3101 viz., Sl. No. 237 of Schedule I of Rate Notification. Further, past disputes regarding classification and taxability have been regularised on an "***as-is where-is***" basis.

[*Circular No. 265/11/2026-GST dated 28 October 2026*]

j. Clarifications on classification and GST Rate applicability on certain services

i. **Research and Development ('R&D') Services Vs. Consultancy Services**: It has been clarified that for claiming exemption on R&D services provided against grants under Entry 44A of notification no:12/2017-Central Tax (Rate) dated 28 June 2017 ('Exemption Notification'), a certificate issued by the head of the eligible institution certifying that the activity qualifies as R&D (not consultancy services) shall be sufficient.

ii. **Import of Services by Foreign Shipping Companies**: As highlighted above, GST exemption has been provided effective 1 November 2026 on import of services by an Indian establishment of a foreign shipping company from related establishments located outside India where no consideration is involved. The GST liability for the period from 1 July 2017 to 31 October 2026 has been regularised on an "***as-is where-is***" basis.

iii. **Vehicle Leasing Transactions**: It has been clarified that statutory and ancillary charges recovered separately by lessors such as registration charges (including road tax), insurance premiums, FASTag charges and other incidental expenses relating to the leased vehicle form part of the value of the composite leasing service and are taxable at the GST rate applicable to the leasing transaction.

iv. **Status of Telecom Regulatory Authority of India (TRAI) under GST**: It is clarified that TRAI, being a statutory regulatory authority, does not qualify as "Government" under Section 2(53) of CGST Act.

v. **Fund Transfer Pricing ('FTP') in Banking Sector**: The notional interest recorded by banks under the FTP mechanism for internal fund allocation between branches has been clarified to constitute "interest" for GST purposes. Accordingly, such amounts would qualify for exemption under the Exemption Notification.

vi. **Co-lending Arrangements between Banks and NBFCs**: Services provided by NBFCs to banks under co-lending arrangements, including customer sourcing, KYC, underwriting, servicing, collection and recovery activities, are taxable under GST. The value of such services shall be determined in accordance with the contractual arrangement between the parties.

[*Circular No. 266/12/2026-GST dated 28 October 2026*]

k. Implementation of GST Council Recommendations pending legislative amendments

i. **Arrest Provisions**: The GST Council has recommended omission of Section 69 of CGST Act. Accordingly, CBIC has directed field formations not to undertake any further arrests under GST until the legislative changes are formally notified.

ii. **E-way Bill Verification**: To rationalize interception and verification procedures, conveyances may now be intercepted only based on specific intelligence duly approved by an officer not below the rank of Joint Commissioner. Further, jurisdictional restrictions have been prescribed for inspection and detention of goods and confiscation proceedings under Section 130 of CGST Act have been dispensed with for goods in transit.

iii. **Monetary Threshold for SCNs**: To reduce litigation and compliance burden, CBIC has directed that SCNs under Sections 73, 74 and 74A of CGST Act should not be issued where the aggregate GST and Cess involved is below INR 10,000/-.

[*Instruction No. 02/2026-GST dated 30 October 2026*]



BDO India comments

The latest set of notifications, circulars and instructions issued by the CBIC represents one of the most comprehensive GST reform packages since the introduction of the GST regime. Collectively, these measures reflect the Government's continued focus on trade facilitation, digitalisation, reduction of interpretational disputes and rationalisation of tax administration. While several amendments seek to simplify compliance through registration reforms, expanded refund eligibility, procedural safeguards in adjudication and appeals and streamlined export-related provisions, others provide much-needed certainty on long-standing issues relating to ISD compliance, ITC eligibility, rate classification, valuation and export benefits.

Particularly noteworthy are the amendments permitting refund on input services and, subsequently, capital goods under the inverted duty structure framework, the retrospective relief arising from the omission of Rule 96(10) of CGST Rules, procedural safeguards against parallel proceedings and clarification that pre-deposit requirements are to be computed only on disputed tax amounts. These changes are expected to significantly reduce litigation and improve taxpayer confidence. Equally important are the clarifications addressing sector-specific concerns relating to banking and financial services, automotive dealers, stock-brokers, shipping companies, leasing transactions and co-lending arrangements, which should assist taxpayers in reassessing existing positions and mitigating potential disputes.

At the same time, businesses should not view these developments merely as beneficial clarifications. Several changes, including the expansion of the RCM, widening of the e-invoicing framework, revised ISD procedures, enhanced reporting requirements and modifications to registration and refund processes, will require timely updates to ERP systems, internal controls, compliance frameworks and contractual arrangements. Taxpayers should undertake a comprehensive impact assessment to identify operational, financial and litigation implications arising from these changes.

Overall, the reforms indicate a marked shift towards a more technology-driven, transparent and taxpayer-friendly GST ecosystem. Given the breadth and significance of the amendments, businesses would be well advised to undertake an immediate review of their GST positions, compliance processes and ongoing disputes to effectively leverage the opportunities and relief introduced while ensuring seamless compliance with the revised framework.



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Including Alliance Firms

94,900
PEOPLE

870
OFFICES WORLDWIDE

169
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*Data 1 October 2024 to 30 September 2025.

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