

09.10.2026

The 57th GSTC Recommendations

The 57th GST Council meeting, chaired by Union Finance Minister, was held on October 8, 2026. The Council focused on process simplification, compliance relief, and enforcement reforms. Key recommendations and reforms are as follows:

1. Registration

1.1 Streamlining of process: Presently, automatic registrations are granted in cases where the applicant does not intend to pass on ITC $\leq$ ₹2.5 lakh p.m. For other registration applications, the Council has recommended:

- ✓ **A comprehensive Circular and FAQs** specifying the documents and information required for registration.
- ✓ **Changes to Form GST REG-01**, including drop-down selections for prescribed documents and information, to clarify what applicants must submit and what officers may require.
- ✓ **A more user-friendly GST portal**, with clearer navigation, drop-down lists, tooltips and contextual guidance.

Impact: Reduces ambiguity, discretionary documentary requirements by department, and delays. Improves consistency and ease of doing business for genuine applicants.

1.2 Rationalisation:

✓ **Amendment of Registration:**

Automatic acceptance of amendments to all registration particulars, except those relating to the Principal Place of Business (PPOB).

For taxpayers registered through automatic route, amendments of all registration particulars, including those relating to the PPOB, will be accepted automatically on the portal.

Impact: Minimises officer intervention and speeds up updates for non-critical changes.

✓ **Cancellation of Registration:**

On application by TP

- Phase – I: Automatic acceptance of applications once all due returns/dues are filed/paid where:
 - TP has not passed ITC $\leq$ ₹2.5 lakh p.m. in any month since registration.

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- TP has passed ITC $\leq$ ₹2.5 lakh in a month but has filed final return within stipulated time.
- Phase – II: Automatic acceptance of applications once all due returns/dues are filed/paid. Application for cancellation to be amended so that the details of Final return can be furnished in the said application itself.

Su-moto cancellation

- Omission of certain grounds for cancellation through amendment.
- A mechanism of system based cancellation and revocation of registration based on non-compliance and subsequent compliance of the defaults of non-filing return or non-furnishing of the details of the bank account, within specified time period.

Impact: Makes exit easier and less discretionary for compliant taxpayers and shifts routine cancellations to automated, rule-based processes.

1.3 Small sellers on ECO

- ✓ A **simple mechanism for registration** where such sellers do not have physical presence, and where they intend to pass on ITC not more than ₹2.5 lakh p.m., excluding stock transfers between distinct persons, by declaring the warehouse of an ECO in that State/UT, as their PPOB. Automatic registration in such cases subject to certain conditions.

Impact: Reduces entry barriers for small e-commerce sellers operating across states without own premises and encourages formalisation while limiting ITC risk.

2. Return Related Reforms

2.1 Alternative mechanism for amending tax liabilities and ITC to minimize return mismatches and notices

The GST Council recommended the following measures to streamline return filing and minimize mismatches in tax liability and input tax credit (ITC)

- ✓ **Enhancements in FORM GSTR-1, GSTR-1A and IFF:** To streamline reconciliation with tax liability reported in FORM GSTR-3B.
- ✓ **Electronic Statement for RCM liability and ITC:** Insertion of Rule 86D to enable tracking of tax paid under reverse charge and corresponding ITC claimed on the GST portal.

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- ✓ **Correction/rectification of tax liability in Form GSTR-3B:** Insertion of Rule 61(1A) to enable correction of tax liability in FORM GSTR-3B and ensure alignment with FORM GSTR-1, GSTR-1A and IFF.
- ✓ **Amendment in FORM GST DRC-03:** To enable reporting of underlying invoice details against which tax payment has been made.
- ✓ **Invoice Management System (IMS):** Insertion of Rule 60(6A) to enable recipients to accept, reject or keep pending inward supply documents for generation of FORM GSTR-2B, including prescribed condition including the period for which credit notes may remain pending in IMS.
- ✓ **Electronic Credit Reversal and Reclaim Statement:** Insertion of Rule 86C to facilitate accurate reporting of ITC reversed and reclaimed in FORM GSTR-3B.
- ✓ **Correction/Rectification of ITC in Returns:** Insertion of Rule 61(1B) to provide a mechanism for correction/rectification of ITC in FORM GSTR-3B, ensuring alignment with FORM GSTR-2B.
- ✓ **Clarificatory circular on ITC reporting:** Issuance of a circular to clarify correct reporting of ITC and its reversal in FORM GSTR-3B in the context of IMS, Electronic Credit Reversal and Reclaim Statement, and RCM Liability and ITC Statement.

Impact: *The proposed reforms aim to streamline return filing, minimize mismatches in tax liability and ITC, reduce demand notices and system-generated intimations, facilitate accurate reporting and rectification, and strengthen ITC integrity across the supply chain, thereby reducing compliance burden and unnecessary litigation.*

2.2 Proposed Implementation from April 2027: The Council recommended implementing the alternative mechanism for amendment of tax liability and ITC from the April 2027 return period, subject to the necessary legislative amendments and notifications.

2.3 Public Consultation on Proposed Reforms: The Council recommended inviting stakeholder feedback within a specified timeline and authorized the Union Finance Minister to approve necessary modifications based on such feedback.

3. Refunds related reforms

The proposed GST refund reforms aim to accelerate refunds through automatic sanction of cash ledger refunds and 90% provisional refunds for zero-rated supplies and inverted duty claims, while widening refund eligibility for accumulated ITC on input services and capital goods.

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3.1 Refund of accumulated ITC on input services and capital goods

Since GST's inception in 2017, the exclusion of input services from inverted duty refunds and capital goods from zero-rated and inverted duty refunds has kept accumulated ITC blocked, straining working capital.

The prolonged legal battle for refund of ITC on input services under the inverted duty structure did not secure relief for taxpayers.

Now, the Council recommended amendments to clause (ii) of the proviso to Section 54(3) of the CGST Act, 2017, and the relevant CGST Rules to address this longstanding concern by widening refund eligibility and easing ITC blockage, as outlined below:

SN	Refund category	Proposed additional eligibility	Proposed applicability
1	Zero-rated supplies	Accumulated ITC on capital goods.	ITC availed on or after 1 April 2027 , with the refund spread over 60 months.
2	Inverted duty structure	Accumulated ITC on input services.	ITC availed on or after 1 November 2026.
3	Inverted duty structure	Accumulated ITC on capital goods.	ITC availed on or after 1 April 2027 , with the refund spread over 60 months.

Impact:

- ✓ **Wider refund eligibility** for ITC on input services and capital goods.
- ✓ **Reduced credit blockage** and accumulation of unutilised ITC.
- ✓ **Improved liquidity** for exporters and businesses under an inverted duty structure.
- ✓ **Relief from working capital constraints**, supporting business operations and investment.

3.2 System-driven processing and sanction of refunds

Refund applications involve officer scrutiny at various stages, including acknowledgement, identification of deficiencies and sanction. Delays at these stages can keep funds blocked and place pressure on working capital.

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Further, the acknowledgement confirms completeness, while the statutory 60-day disposal period runs from receipt of a complete application u/s 54(7).

To address these difficulties, the Council recommended amendments to **Section 54 of the CGST Act, 2017, and the relevant rules** for system-based processing and sanction of refunds relating to excess cash ledger balances, zero-rated supplies and inverted duty structure.

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The transition is proposed in **two phases**:

SN	Particulars	Phase 1	Phase 2
1	Excess cash ledger balance	Automatic refund sanction without officer intervention.	
2	Timeline for issuance of Acknowledgement in respect of refund claimed filed in RFD -02 u/r 90(2)	➤ Reduced from 15 days to 10 days ➤ Deemed acknowledgement if not issued in 10 days	➤ Automatic acknowledgement following system verification of the application, without officer intervention ➤ For system-acknowledged applications, automatic full sanction, after adjusting pending dues, if any, and based on system risk assessment, without officer intervention.
3	Zero-rated supply refunds	Automatic 90% provisional sanction of refund , based on ➤ System identification and ➤ Evaluation of risk, without officer intervention.	
4	Inverted duty refunds	Automatic 90% provisional sanction of refund , based on ➤ System identification and ➤ Evaluation of risk, without officer intervention	

Impact:

- ✓ **Faster processing and earlier release of eligible refunds.**
- ✓ **Reduced manual intervention and fewer departmental interactions.**
- ✓ **Greater transparency, consistency and predictability in refund processing.**

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- ✓ **Lower working capital blockage and improved cash flow.**
- ✓ **Simpler compliance and greater ease of doing business.**

3.3 Simplified applications and removal of refund restrictions

- **Amendment in FORM GST RFD-01** (Rrefund Application) - To capture the details in the said application in a system-readable format and omit uploading of scan documents in case refund claims pertaining to zero rated supply and inverted duty structure.
- Amendment in Rule **89(4)(C)** - To remove the restriction for maximum amount of turnover of zero-rated supply of goods, as 1.5 times the value of like goods domestically supplied.
- **Amendment in section 54(14)** - To add an explanation that the threshold of Rs. 1000 shall be applicable in respect of total refund amount (CGST+SGST+IGST taken together).

Impact: *Simpler filing, reduced documentation requirements and removal of the specified restriction on zero-rated turnover used in refund computation.*

3.4 Clarity on interest payable on refund of appeal pre-deposits

To ensure greater clarity and certainty on the interest payable on refund of pre-deposit paid for filing appeals, the council recommended:

- Section 115 provides for Interest on refund of amount paid for admission of appeal. The said section currently links interest on refunds of appeal pre-deposits to the rate specified u/s 56, which deals with delayed refunds. The Council recommended **amending Section 115 to make it a standalone provision governing the applicable interest rate on refunds of appeal pre-deposits.**
- **Issuing a circular** to clarify issues concerning the interest rate on such refunds.

Impact: *Greater certainty and uniformity in determining interest payable on refunds of appeal pre-deposits.*

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4. Dispute Resolution

4.1 Streamlining Demand Notices, Adjudication & Appeal Orders

- ✓ A comprehensive circular to guide tax officers on:
 - Improving the quality of demand notices and adjudication/appeal orders
 - Ensuring timely issuance
 - Invoking grounds of fraud, wilful misstatement or suppression of facts **only on merits**
 - Strict adherence to principles of natural justice, including proper personal hearings

Impact: Strengthens trust in the adjudication process and reduces unnecessary litigation.

4.2 Key Amendments to Sections 73, 74 & 74A (to reduce compliance burden & litigation)

Recommendation	Details
Minimum threshold for SCN	No show-cause notice if tax amount (CGST + SGST + IGST + Cess) is < ₹10,000 . Pending notices/appeals below this threshold will also be decided as if the threshold had always applied.
Voluntary payment	Where full tax + interest + penalty is paid within the specified time, the penalty amount will be deemed as 'charge' .
Reduced penalty in non-fraud cases	Penalty reduced to 5% if tax + interest is paid within 30 days (Sec 73) or 60 days (Sec 74A) of the adjudication order.
Removal of minimum penalty	The condition of minimum penalty of ₹10,000 in non-fraud cases is to be removed.

Impact: Significantly lowers the cost and volume of low-value and non-fraud disputes. Promotes voluntary settlement and reduces the workload on both taxpayers and the tax administration.

4.3 Reduction in General Penalty

- ✓ Maximum general penalty u/s **125** reduced from **₹25,000 to ₹10,000**.

Impact: Penalties more proportionate for residual/general contraventions

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4.4 Cap on Pre-deposit for Penalty-only Appeals

- ✓ Upper limit of **₹40 crore** (₹20 crore CGST + ₹20 crore SGST/UTGST) on pre-deposit required for filing appeals before the Appellate Authority or Appellate Tribunal **where the order involves only penalty and no tax demand**.

Impact: Appellate remedies becomes more accessible and financially viable, especially in high-penalty cases without any tax demand.

5. ITC related reforms

Proposed Rationalisation of Blocked ITC

To amend Section 17(5) [Apportionment of credit and blocked credits] to remove ITC restrictions, inter alia, on:

- Outdoor catering;
- Health and life insurance;
- Telecommunication towers;
- Pipelines laid outside factory premises;
- Free samples; and
- Goods destroyed or written off upon expiry of shelf life, as required by law.

Impact:

- ✓ Wider availability of ITC on specified business expenditure.
- ✓ Reduced cascading of taxes and unrecovered tax costs.
- ✓ Smoother flow of ITC across the supply chain.
- ✓ Improved credit utilisation and business cash flow.

6. Exports/zero rating of supplies of goods and services

6.1 Omission of Section 2(6)(v) of the IGST Act, 2017

Currently under Section 2(6)(v) of the IGST Act, services supplied by an Indian establishment to its foreign establishment, being merely establishments of a distinct person do not qualify as “export of services”, thereby denying zero-rating benefits and ITC refunds.

Omission of Section 2(6)(v) to allow such cross-border services to qualify as exports, provided other conditions are satisfied, including the supplier's location in India, recipient's location and place of supply outside India, and receipt of payment in foreign exchange or permissible INR.

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Impact: Expanded export eligibility, enhanced zero-rating benefits and ITC refunds, reduced tax disputes and improved working capital for Indian businesses with overseas establishments.

6.2 Definition of Export of Services: To omit the condition restricting export status where the supplier and recipient are establishments of the same person, thereby enabling cross-border services between head offices and branches to qualify as exports, subject to fulfilment of other prescribed conditions.

Impact: Expanded export eligibility, reduced tax disputes, improved ITC refunds and working capital for businesses operating internationally.

6.3 Clarification on Export Proceeds: Issuance of a circular to clarify issues relating to receipt of payment in foreign exchange or permissible Indian rupees for export of goods and services.

Impact: Greater clarity on permissible modes of receiving export proceeds, reduced tax disputes and improved compliance for exporters.

6.4 Place of Supply for Services involving Goods made physically available by Recipient

Presently, when goods are made physically available by the recipient to the supplier of services, the place of supply is the **location of the goods**. As a result, such services performed in India on goods belonging to a foreign recipient are treated as domestic supplies.

It is now recommended that the place of supply will be **location of the recipient of services**.

Impact: Services performed in India on goods owned by foreign clients can now qualify as **export of services** (subject to fulfilment of other conditions).

6.5 Zero-rating of Goods delivered in SEZ/FTWZ to Overseas Buyers

Presently, in cases of supply of goods to an overseas buyer and delivery inside an SEZ or FTWZ in India, there has been ambiguity on whether such a supply qualifies as a zero-rated supply to an SEZ unit/developer.

It is now recommended that in such cases and where the payment for such supply is received in convertible foreign exchange or in Indian Rupees wherever permitted

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by the RBI, then such supply shall be **deemed to be a supply of goods to an SEZ/FTWZ**.

Impact: Zero-rated supply related benefits (including refund of unutilised ITC) on such supplies extended.

7. Ease of doing Business

7.1 Removal of Arrest Powers and Raising Prosecution Threshold

Section 69 of the CGST Act, 2017 allows the Commissioner to authorise arrest where there is reason to believe a specified offence under section 132 has been committed, and section 132 currently begins prosecution at ₹1 crore of tax involved. Trade bodies have long argued that this power was sometimes used in what were essentially disputes over classification, valuation or ITC eligibility, and the Council has been moving towards decriminalisation in recent years. Accordingly, GST Council has recommended a more “trust-based” regime, while stating that deterrence against fraud and evasion will be retained.

SN	Current Position	Proposed changes
1	Commissioner can authorise arrest for specified offences.	Omit section 69. There would be no power of arrest under GST.
2	Prosecution applies from ₹1 crore of tax involved.	Raise the prosecution threshold from ₹1 crore to ₹5 crore.
3	Covers receiving or dealing with services in contravention of the Act.	Omit section 132(1)(i) .
4	Covers evasion of tax, fraudulent refunds, and attempts to evade payment.	Section 132(1)(e): delete the words “evades tax”.
5	Covers possession of, or dealing in, goods liable to confiscation.	Section 132(1)(h): delete “or in any other manner deals with”.
6	Wider wording on ITC offences.	Section 132(1)(c): limit to fraudulent ITC availment <i>without receipt of goods or services, or without an invoice or bill</i> .
7	Existing slabs apply.	Rationalise punishments for the offences under section 132.

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Impact: For genuine businesses, the risk of arrest for owners and directors would go away, and disputes involving up to ₹5 crore of tax would be treated as civil matters (tax, interest and penalty) rather than criminal ones.

7.2 E-way Bill

E-way bills became mandatory for inter-state movement in 2018. Sections 129 and 130 (detention, seizure, confiscation) quickly became a major source of litigation. Transporters complained about repeated stoppages, including in States that were neither origin nor destination, and about detention for minor documentation errors. Courts repeatedly held that minor discrepancies should not by themselves justify penalty or confiscation.

Accordingly, it is recommended to amend section 68, section 129 and section 130 to provide as follows:

- ✓ A conveyance carrying goods can be stopped only on specific intelligence, with authorisation from an officer not below the rank of Joint Commissioner.
- ✓ Where no e-way bill was generated, or there is no document showing origin or destination, goods can be inspected, detained or seized, irrespective of the Jurisdiction.
- ✓ Inspection, Detention or seizure is possible only if the supplier or recipient is located or registered in the State where the interception is made. **No inception can be made in Transit state.**
- ✓ Section 130 confiscation cannot be used for goods or vehicles in transit.

Impact: This will reduce unnecessary vehicle detention, harassment by transit-State authorities, and roadside demands for security, thereby facilitating smoother inter-State movement of goods and easing compliance burdens for transporters, traders, and manufacturers.

7.3 Transfer of Title in Intellectual Property Rights

Schedule II classifies certain activities as supplies of goods or services. For IPR, the entry expressly covers temporary transfer or permitting use. The treatment of permanent transfer is less clear. This led to disputes about whether these are goods or services, which affects the rate, the time of supply and the place of supply.

It is recommended to amend Schedule II to provide **transfer of permanent IPR** shall also be a **supply of services**.

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Impact: This gives one clear rule on rate, time of tax payment and place of supply for transfer of IPR's.

7.4 Opportunity of being heard before blocking of ITC

Since December 2019, rule 86A has allowed officers to block the ITC in a taxpayer's credit ledger if they have "reason to believe" it was wrongly claimed. The rule has no step for the taxpayer to object or be heard before or after the blocking of ITC. As a result, many taxpayers went to High Courts, which often said that officers must record clear reasons and that blocking cannot be used to recover tax.

It is recommended to amend Rule 86A to provide a mechanism for enabling taxpayers to file an objection and to avail an opportunity of personal hearing against blocking of input tax credit.

Impact: Taxpayers would get a formal way to object to a block on their credit ledger and a personal hearing. This removes the need to approach the High Court and helps preserve working capital.

7.5 Late fee Waiver for small taxpayers

A late fee is charged per day on delayed returns, with maximum limits that depend on turnover and on whether the return is a nil return. Small taxpayers have long said the fee is heavy compared with the tax involved, particularly for small or nil-tax returns.

Waiver of late fee is recommended u/s 39(1) for taxpayer with annual TO upto Rs. 5 Crore in preceding FY, if said delayed return is filed by the end of month in which it was due.

Impact: The relief is a short window only. After month end, the normal late fee applies.

7.6 Clarification through Circulars

- ✓ **ISD (Input Service Distributor):** Amendments in 2024 made ISD registration mandatory for distributing common input-service credit from April 2025. That created practical doubts on operation.
- ✓ **Banks and NBFCs:** section 17(4) give them a choice on credit (a restricted percentage versus full credit with proportionate reversals in respect of exempt

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supplies). The doubts are about how the option applies to different kinds of transactions.

- ✓ **Pre-deposit:** Section 107(6) requires a deposit of a percentage of the disputed tax to file an appeal. Disputes are there on mode of payment cash or credit and which amounts counts as pre-deposit i.e. payment made during investigation etc.
- ✓ **Demonstration vehicles:** section 17(5) blocks credit on motor vehicles with limited exceptions, and the position for dealers' demonstration vehicles has been unclear.
- ✓ **Rule 96(10):** This rule restricted IGST refunds for exporters who had used certain concessional or exemption routes. This rule was omitted prospectively in 2024. Courts struck it down, and the press release says the new retrospective omission follows a Supreme Court decision.

7.7 Optional Scheme for Annual Return Quarterly Payment

Under QRMP (from January 2021, turnover up to ₹5 crore), taxpayers file GSTR-1 and GSTR-3B quarterly and pay tax monthly through PMT-06. The composition scheme has quarterly payments with an annual return (GSTR-4). However, it is capped at a lower turnover (₹1.5 crore for goods), allows no ITC, and charges tax on turnover.

For further simplification of compliance for small businesses, the GST council approved concept note for an optional **one annual return with quarterly tax payments** scheme for taxpayers having an **aggregate turnover** equal to or less than **Rs. 5 Crore** in the **preceding FY** and engaged **exclusively** in **supplies to Unregistered persons** (B2C supplies).

Impact: *This will ease the compliance burden for eligible businesses, particularly small retailers, restaurants, and consumer-facing service providers, by allowing quarterly tax payments and annual return filing, thereby reducing paperwork and administrative costs.*

7.8 Compliance measures

Time Limits

The deadline to claim ITC, the deadline to correct sales details, and the deadline to file returns were set at different times and in different ways. This can leave a supplier unable to report or correct a sale while the buyer can still claim credit on it, or the other way round.

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It is recommended to amend section 16, section 37 and section 39 to align the provisions.

Impact: *The proposed amendment will align suppliers' return-filing timelines with recipients' ITC availment deadlines, reducing timing mismatches and ensuring greater consistency in GST compliance.*

7.9 E-commerce operator

Under Section 9(5), e-commerce operators (ECOs) are liable to pay GST on notified services, including passenger transport, accommodation, housekeeping, restaurant and specified local delivery services. Since 2024–25, some ride-hailing platforms have shifted to a subscription model, charging drivers a fixed fee instead of commission and argued that they only provide technology services and are not liable to pay GST on rides under Section 9(5).

It is proposed to amend Section 9(5) of the CGST Act to clarify that e-commerce operators (ECOs) are liable to pay GST on notified services supplied through their platforms, irrespective of the business model adopted.

Impact: *Platforms that offer notified services (such as passenger transport, and now delivery services) will have to pay GST on the full amount charged to the end customer, whatever their business model.*

7.10 Validation Clause for Multiple Year SCN

Many High Courts have struck down tax notices that covered more than one year in a single notice. According to them, the law (section 73 & 74) requires a separate notice for each financial year.

It is recommended by the council to introduce a validation clause for validation of notices issued for multiple financial years.

Impact: *This change is against the interest of taxpayers. Courts have quashed the notices because a single notice covered more than one financial year. A validation clause with retrospective effect would make such notices legal again, so the department may be able to pursue them despite the court orders, which would be subject to litigation.*

7.11 E-Invoicing

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E-invoicing is applicable to taxpayers having an aggregate turnover exceeding ₹5 crore (with effect from 1 August 2023), primarily for outward B2B supplies and exports. However, e-invoicing is not applicable to self-invoices issued by recipients under Section 31(3)(f) for RCM purchases from unregistered suppliers or to imports of services liable to RCM.

It is recommended to extend e-invoicing requirements to RCM purchases from unregistered suppliers and imports of services for taxpayers having an aggregate turnover of ₹5 crore or above.

Impact: *The proposed amendment will increase the compliance burden on taxpayers by requiring additional e-invoice reporting. It will particularly affect businesses predominantly engaged in B2C supplies, such as real estate developers, that incur GST liabilities under RCM or import services.*

7.12 GSTAT Alignment

The GST Council has approved changes to the CGST Act and the GSTAT rules on appointment and service conditions of the Tribunal's President and Members. The aim is to bring the GST Appellate Tribunal in line with the Tribunals Reforms Act, 2026 and the related 2026 rules that now govern all tribunals.

Impact: *These changes mainly affect how the Tribunal is staffed and run.*

8. Changes/ Clarifications in relation to GST rates on Goods and Services

8.1 Recommendations relating to goods

- ✓ **Sublimation Paper:** To clarify classification under HSN 4809 and regularise past cases on an "as is where is" basis.
- ✓ **Classification of Toys:** To clarify that GST rate entries for toys cover all categories under heading 9503, including dolls, puzzles and other toys, and are not restricted to tricycles, scooters and pedal cars (Sl. No. 497 of Schedule I and Sl. No. 616 of Schedule II of Notification No. 09/2025-Central Tax (Rate), dated 17.09.2025).
- ✓ **Classification of Seaweed-Based Bio-Stimulants:** To clarify that seaweed-based bio-stimulants registered under Schedule VI of the Fertiliser (Inorganic, Organic or Mixed) (Control) Order, 1985, are classifiable under HSN 3101 as fertilisers, with past cases regularised on an "as is where is" basis (Sr. No. 237 of Schedule I of Notification No. 09/2025-CTR).

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- ✓ **ITC on Second-Hand Vehicles:** To clarify that suppliers of second-hand vehicle under the GST margin scheme can avail ITC on inputs and input services, including repairs, maintenance and marketing, while ITC restriction applies only to tax paid on procurement of second-hand vehicles.
- ✓ **RCM and TDS on Waste and Scrap:** To introduce RCM on plastic scrap, electrical and electronic waste, tyre scrap and used cooking oil supplied by unregistered persons to registered persons, with recipients liable to pay GST even where the supplier is below the registration threshold. Suppliers must register upon crossing the threshold. Further, 2% TDS applies to B2B supplies between registered persons.
- ✓ **GST on Psyllium Seeds (Isabgol):** To clarify NIL GST rate on psyllium seeds, whether fresh, chilled, frozen or dried.
- ✓ **GST on Re-Treaded Tractor Tyres:** To correct the anomaly in GST treatment by aligning the rate on re-treaded tractor tyres with that applicable to new tractor tyres.
- ✓ **Compensation Cess Exemption:** To exempt Compensation Cess not levied by CSDs on two- and four-wheelers (01.07.2017 to 30.09.2022) and by CSDs and Unit Run Canteens on aerated drinks (01.07.2017 to 31.03.2022).

Impact: The proposed reforms will provide greater clarity on GST classification and rates, minimize disputes and litigation, provide relief for past transactions, improve ITC availability, remove anomalies in tax treatment, and strengthen compliance through RCM and TDS provisions.

8.2 Recommendations relating to services

- ✓ **Passenger Transport and EV Rental Services:** To provide an option to pay GST at 5% with restricted ITC on passenger transport and motor vehicle rental services with operators using EVs, where battery charging costs are included in the consideration.
- ✓ **Transportation and Delivery Services through ECOs:**
 - **Delivery Services under Section 9(5):** To bring delivery services (excluding courier and postal services) supplied through ECOs by persons not liable for registration under Section 22(1) within Section 9(5), making the ECO liable to pay GST at 5% without ITC.
 - **GST on Delivery Services:** To prescribe 5% GST without ITC on delivery services for goods supplied/ordered through ECOs.
 - **Withdrawal of GTA Exemption:** To exclude transportation of goods supplied/ordered through ECOs from the GTA exemption under Entry 21A of Notification No. 12/2017-CTR.

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- ✓ **Motor Vehicle Leasing Transactions:** To clarify the GST treatment of statutory and ancillary charges, including registration fees, road tax, insurance and FASTag charges, recovered by the lessor from the lessee.
- ✓ **ITC in the Same Line of Business:** To allow limited ITC on restaurant/outdoor catering, hotel accommodation (up to ₹7,500 per unit per day) and gym/fitness services, in line with the existing provisions for passenger transport, tour operators and motor vehicle rental services.
- ✓ **GST Exemption on Helicopter Passenger Transport:** To exempt seat-sharing helicopter passenger services to/from airports or helipads in North-Eastern States, Sikkim and Bagdogra (West Bengal).
- ✓ **GST Exemption on Storage/Warehousing of Seeds:** To exempt storage or warehousing services for seeds meant for sowing from GST.
- ✓ **GST Exemption on Coffee Curing:** To exempt coffee curing services provided by coffee curers to cultivators from GST.
- ✓ **Taxability of the services of Seamen's Provident Fund Organisation:** To exempt from GST, the services provided by Seamen's Provident Fund Organisation (SPFO) to persons governed by the Seamen's Provident Fund Act, 1966.
- ✓ **R&D Services – Self-Certification:** To introduce a simplified self-certification mechanism by the head of the institution/organisation confirming that services qualify as R&D and not consultancy, for exemption under Entry 44A of Notification No. 12/2017-CTR.
- ✓ **GST Exemption on Import of Services by Indian Establishments of Foreign Shipping Lines:** To exempt services received without consideration from related persons or establishments abroad, with past cases regularised on an "as is where is" basis.
- ✓ **GST Exemption on Upfront/Concession Amount under NHAI Toll Operate Transfer (TOT) Model:** To exempt the grant of exclusive rights by Government and specified authorities to concessionaires to demand, collect and appropriate toll fees for highway projects.
- ✓ **GST on O&M Services under TOT Model:** To prescribe a special procedure for valuation and timing of GST payment on Operation and Maintenance (O&M) services provided by concessionaires to concessioning authorities for highway projects.
- ✓ **Fund Transfer Pricing in Banks:** To clarify that notional interest recorded on inter-branch fund transfers under the Fund Transfer Pricing mechanism falls within the definition of "interest" under Notification No. 12/2017-CTR.

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Impact: *The proposed reforms will provide greater certainty on GST applicability, valuation and exemptions, extend ITC benefits to specified services, reduce tax disputes and compliance complexities, simplify procedures, and provide relief to eligible sectors, thereby promoting ease of doing business.*

[Recommendations become enforceable under the law only after the necessary amendments are carried out in Act(s), and after the issuance of relevant notifications. The provisions will come into force from such date or dates as may be notified later].

For Press Release dated 08.10.2026, click on [Press Release: Press Information Bureau](#)

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