

JITENDRA KUMAR & ASSOCIATES

Chartered Accountants

8 October 2026

To

The Management / Board of Directors

Clients of Jitendra Kumar & Associates

Dear Sir / Madam,

Subject: Decisions of the 57th meeting of the GST Council held on 8 October 2026 — refunds, input tax credit, enforcement and procedural reforms

The 57th meeting of the GST Council was held in New Delhi today under the chairpersonship of the Union Finance Minister. No change has been made in GST rates. The Council has recommended procedural reforms relating to registration, returns, refunds, input tax credit (ITC), enforcement, movement of goods, export of services and electronic commerce.

Several recommendations will have a bearing on working capital. Refund of accumulated ITC on input services is proposed for taxpayers with an inverted duty structure, and refund of ITC on plant and machinery is proposed for exporters as well as for taxpayers with an inverted duty structure. Refund claims are proposed to be processed by the system within shorter timelines. It is also proposed to omit the power of arrest and to raise the monetary threshold for prosecution to Rs 5 crore.

We enclose our memorandum, which sets out each recommendation, the statutory provision likely to be amended, illustrations on refunds, flow charts summarising the proposed changes and the action recommended at this stage. The memorandum is based on the Note on outcomes of the 57th meeting dated 8 October 2026, as available in the public domain, and the Finance Minister's press briefing. These are recommendations of the Council. Most of them will take effect only after the CGST Act, the IGST Act and the Rules are amended and the amendments are notified.

We will issue an update once the notifications are released. We shall be pleased to examine the effect of these changes on your business, in particular on pending and future refund claims.

Yours faithfully,

For Jitendra Kumar & Associates

Chartered Accountants

CA Nishant Singhal

Partner

Place: New Delhi

Enclosure: Executive Summary and Annexure A — Memorandum on the decisions of the 57th GST Council meeting

EXECUTIVE SUMMARY

57th GST Council Meeting — 8 October 2026

Issue

The recommendations made by the GST Council at its 57th meeting held on 8 October 2026, and the action required of taxpayers at this stage.

Summary of conclusions

No change in GST rates. The recommendations relate to procedure. Those with a significant financial effect are: (a) refund of ITC on input services in an inverted duty structure, for ITC availed on or after 1 November 2026; (b) refund of ITC on plant and machinery at one-sixtieth per month, for ITC availed on or after 1 April 2027; (c) sanction of 90% of the refund claimed by the system within three working days of acknowledgement; and (d) treatment as export of services supplied through the supplier's own branch outside India and of services on goods of a foreign client. In enforcement, it is proposed to omit the power of arrest, to restrict prosecution to cases where the amount exceeds Rs 5 crore and to reduce the general penalty to Rs 10,000. **The recommendations are not yet law.** Taxpayers should maintain records from the relevant dates to support future claims, but should not alter their tax positions until the amendments are notified.

Principal recommendations

Subject	Recommendation	Effect	Annexure A
Refund procedure	Acknowledgement within 10 days, failing which deemed; 90% sanctioned by the system within 3 working days; automatic refund of cash ledger balance	Earlier refund	Para 4.1–4.3
Inverted duty structure	ITC on input services included from 1 Nov 2026; ITC on plant and machinery at one-sixtieth per month from 1 Apr 2027	Release of unutilised ITC	Para 4.4–4.5
Export of services	Services supplied through own branch outside India, and services on goods of a foreign client, to be treated as export	Zero-rating and refund	Para 4.6, 9.1
Input tax credit	ITC on group health and life insurance for employees, telecommunication towers, pipelines outside the factory, free samples and goods destroyed on expiry under a law; removal of double taxation on specified services	Reduction in tax cost	Section 5
Enforcement	Power of arrest omitted; prosecution only above Rs 5 crore; no minimum sentence; general penalty Rs 10,000; no notice below Rs 10,000	Reduced penal exposure	Section 7
Goods in transit	Interception only in the State of origin or destination, on specific intelligence and with prior approval of the Joint Commissioner	Fewer interceptions	Section 8
Registration and returns	Automatic approval of routine amendments; correction of earlier periods; ITC through IMS; optional annual return for B2C taxpayers up to Rs 5 crore	Reduced compliance	Section 6
Deferred	Protection of bona fide recipients under section 16(2) (c), and ITC on motor vehicles under section 17(5)	No change	Section 10

Dates to note

Date	Event
8 October 2026	Council recommendations announced
1 November 2026	ITC on input services availed on or after this date to be eligible for refund in an inverted duty structure (subject to amendment of section 54(3) and Rule 89(5))
Within 3 months	Committee of Officers to report on protection of bona fide recipients; agenda for the next Council meeting
1 April 2027	ITC on plant and machinery availed on or after this date to be eligible for refund at one-sixtieth per month. Procedural reforms reported to take effect from this date
Next Council meeting	Framework for the annual return scheme; proposal on bona fide recipients; annual meeting on rates

This summary does not qualify the memorandum in Annexure A, which should be read in full.

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ANNEXURE A

Decisions of the 57th Meeting of the GST Council

Refunds, input tax credit, enforcement and procedural reforms — with illustrations on refunds and flow charts

MEETING DATE

8 October 2026, New Delhi

STATUS

Recommendations of the Council — legislative amendments and notifications awaited

PREPARED FOR

Clients of Jitendra Kumar & Associates

Contents

- 1 Background and scope
- 2 Status of the decisions and implementation path
- 3 Overview of decisions
- 4 Refunds — procedural changes and illustrations
- 5 Input tax credit
- 6 Registration, returns and cancellation
- 7 Enforcement, prosecution and litigation
- 8 Movement of goods
- 9 Export of services and electronic commerce
- 10 Matters deferred or pending
- 11 Action points for clients
- 12 Scope, assumptions and limitations

Flow charts

- | | | |
|---|---|----------|
| 1 | Implementation path of a Council decision | Para 2 |
| 2 | Summary of recommendations by subject | Para 3 |
| 3 | Refund procedure — present and proposed | Para 4.1 |
| 4 | Refund of accumulated ITC in an inverted duty structure | Para 4.4 |
| 5 | Proposed enforcement framework | Para 7 |
| 6 | Interception of goods in transit — present and proposed | Para 8 |

Illustrations

- | | | |
|---|--|----------|
| 1 | Exporter of goods — timeline for refund | Para 4.2 |
| 2 | Excess balance in electronic cash ledger | Para 4.3 |
| 3 | Inverted duty structure — input services and plant and machinery | Para 4.5 |
| 4 | Services supplied through a branch outside India | Para 4.6 |
| 5 | Testing services on goods of a foreign client | Para 4.6 |
| 6 | ITC of Rs 3 crore on invoices of a non-existent supplier | Para 7.2 |

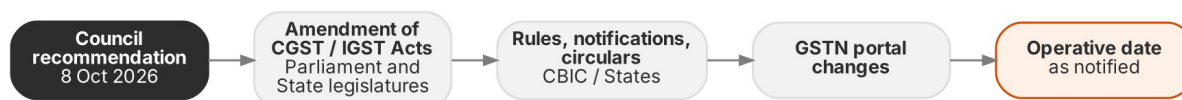
1 Background and scope

- 1.1 The 57th meeting of the GST Council was held on 8 October 2026 at New Delhi under the chairpersonship of the Union Finance Minister. The meeting had been rescheduled from 7 October 2026. It was attended by the Chief Ministers, Deputy Chief Ministers and Finance Ministers of States and Union Territories and senior officers of the Ministry of Finance and CBIC.
- 1.2 This memorandum summarises the recommendations, identifies the provision of the CGST Act, 2017, the IGST Act, 2017 or the CGST Rules, 2017 likely to be amended, explains the changes in refunds with illustrations and sets out the action recommended.
- 1.3 **Sources.** The memorandum is based on the Note on outcomes of the 57th meeting of the GST Council dated 8 October 2026, as available in the public domain, and on reports of the Finance Minister's press briefing on the same day. The Note has not been verified against a release of the Press Information Bureau or the GST Council Secretariat. The minutes of the meeting, the amending legislation and the notifications have not yet been issued.

2 Status of the decisions and implementation path

- 2.1 Under Article 279A of the Constitution, the GST Council makes recommendations. A recommendation becomes law only when Parliament and the State legislatures amend the CGST, IGST and SGST Acts, or when the Central and State Governments amend the Rules and issue notifications. Changes relating to arrest, prosecution, penalty, blocked credits, the definition of export of services and the scope of refund in an inverted duty structure require amendment of the Acts, which is expected to be carried out through the Finance Bill, 2027. Changes in refund forms and timelines are largely within the Rules, although sanction by the system and deemed acknowledgement may also require amendment of section 54.

Flow chart 1 Implementation path of a Council decision



- 2.2 The Note specifies two dates: ITC on input services availed on or after 1 November 2026, and ITC on plant and machinery availed on or after 1 April 2027, will qualify for refund. According to media reports of the press briefing, the procedural reforms will take effect from 1 April 2027. The operative date of each measure must be confirmed from the notification.
- 2.3 **Refund of ITC on input services from 1 November 2026.** The restriction to 'inputs' is in clause (ii) of the first proviso to section 54(3) itself; the Supreme Court in *Union of India v. VKC Footsteps India Pvt Ltd* (2021) held that the Act, and not only Rule 89(5), confines the refund to goods. Since 1 November 2026 precedes the earliest date on which a Finance Act can be enacted, the recommendation implies either a retrospective amendment of the Act or an interim mechanism. Taxpayers should record such ITC separately from that date but should not file refund claims for input services until the Act is amended.

Recommendation. Since eligibility for the proposed refunds depends on the date of availment of ITC, records should classify ITC by category and by month of availment from 1 November 2026, even before the amendment is notified.

3 Overview of decisions

- 3.1 The Council has stated that the rate structure introduced last year is settled and that rate matters will now be taken up once a year at a meeting set aside for that purpose. The recommendations at this meeting relate to six subjects.

Flow chart 2 Summary of recommendations by subject

57th GST Council Meeting · 8 October 2026 No change in rates · Procedural reforms in six areas		
REGISTRATION Routine amendments approved automatically Simplified application form Automated cancellation	RETURNS Corrections of earlier periods allowed ITC determined through IMS Annual return option (B2C only, up to Rs 5 crore)	REFUNDS Acknowledgement in 10 days 90% sanctioned by system in 3 working days Refund of ITC on input services and machinery
INPUT TAX CREDIT Group health and life insurance for employees Telecom towers, pipelines Free samples, goods destroyed on expiry Bona fide recipient: referred for study	ENFORCEMENT Power of arrest omitted Prosecution above Rs 5 crore only General penalty Rs 10,000 No notice below Rs 10,000	EXPORT OF SERVICES · E-COMMERCE Supply through own branch abroad treated as export Services on goods of foreign client treated as export Small suppliers: inter-State supply via ECO warehouse

- 3.2 The table below sets out, for each recommendation, the provision likely to be amended. The references represent our understanding; the amendments as notified may differ.

Recommendation	Provision likely to be amended	Present position
Refund acknowledgement in 10 days, deemed if not issued	Rule 90(2) and 90(3), CGST Rules	15 days for acknowledgement or deficiency memo; no deemed acknowledgement
90% refund sanctioned by system within 3 working days	Section 54(6) and Rule 91(2)	Provisional refund by officer within 7 days of acknowledgement; risk-based since October 2025
Refund in inverted duty structure to include ITC on input services	Clause (ii) of first proviso to section 54(3); Rule 89(5) ('Net ITC')	Only ITC on inputs (goods) counts
Refund of ITC on plant and machinery	Rule 89(4) and 89(5)	Capital goods excluded from refund
Services supplied through own branch outside India as export	Section 2(6)(v) and Explanation 1 to section 8, IGST Act	Not export where supplier and recipient are establishments of a distinct person
Services on goods of a foreign client as export	Section 13(3)(a), IGST Act	Place of supply in India; GST payable
ITC on employee insurance, towers, pipelines, free samples and goods destroyed on expiry	Section 17(5)(b), (c), (d), (h) and Explanation to section 17	Blocked
Removal of arrest power	Section 69, CGST Act	Arrest permitted for specified offences
Prosecution threshold Rs 5 crore; no minimum sentence	Section 132(1) and 132(3), CGST Act	Rs 2 crore (Rs 1 crore for issue of invoices without supply under clause (b)); minimum six months under section 132(3); imprisonment and fine

Recommendation	Provision likely to be amended	Present position
General penalty Rs 10,000	Section 125, CGST Act	Up to Rs 25,000
No notice below Rs 10,000	Proviso to section 74A(1), CGST Act	No notice below Rs 1,000 (FY 2024-25 onwards)
Interception of goods in transit	Sections 68 and 129; Rule 138B	Interception permitted in any State
Automated cancellation; final return with application for cancellation	Section 29 and section 45	Separate final return (GSTR-10)

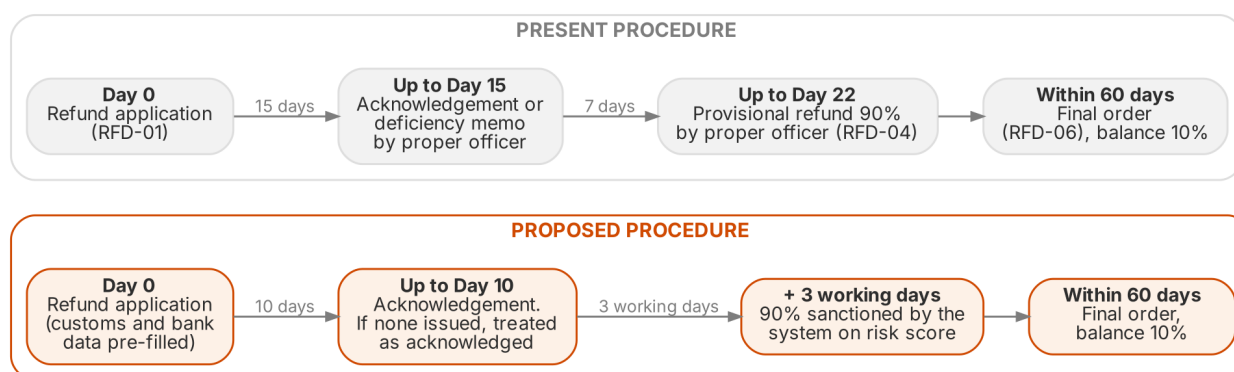
4 Refunds — procedural changes and illustrations

4.1 Acknowledgement and sanction of refund claims

4.1.1 At present the proper officer has 15 days under Rule 90(2) and 90(3) to issue an acknowledgement or a deficiency memo, and a further 7 days under Rule 91(2) to issue a provisional refund of 90%. Since October 2025, under CBIC Instruction No. 06/2025-GST dated 3 October 2025, the provisional refund is sanctioned on a system risk evaluation for zero-rated and inverted-duty claims, but the order is still issued by the officer.

4.1.2 It is proposed to reduce the period for acknowledgement to 10 days. If neither an acknowledgement nor a deficiency memo is issued within 10 days, the claim will be deemed to have been acknowledged. Thereafter, 90% of the amount claimed will be sanctioned by the system, and not by the proper officer, on the basis of risk assessment, and the order will be issued within three working days of acknowledgement. Shipping particulars will be drawn from the customs system and payment particulars from the banking system and auto-populated in the application.

Flow chart 3 Refund procedure — present and proposed



4.1.3 According to the Note, 65% of refund claims relate to exports or an inverted duty structure, and 55% of these are already assessed as low risk. A further 19% are balances in the electronic cash ledger. The system-based procedure is therefore expected to apply to the majority of claims. Claims identified as high risk will continue to be examined by the proper officer.

4.2 Illustration — exporter of goods

ILLUSTRATION 1 Exporter of goods under LUT — refund of unutilised ITC

A manufacturer exports goods under a Letter of Undertaking without payment of IGST. It files a refund claim of unutilised ITC of Rs 50,00,000 for March 2027 on Monday, 5 April 2027. The claim is assessed as low risk. Holidays are ignored and the proper officer is assumed to take the full time permitted.

Step	Present procedure	Proposed procedure
Refund application filed	5 April 2027	5 April 2027
Acknowledgement (latest)	20 April 2027	15 April 2027 (deemed)
Refund of 90% sanctioned (latest)	27 April 2027	20 April 2027
Amount released at this stage (Rs)	45,00,000	45,00,000
Balance 10% on final order (Rs)	5,00,000	5,00,000
Final order — section 54(7), within 60 days	By 4 June 2027	By 4 June 2027
Days to receive 90%	22 days	15 days

Observation. The provisional refund of Rs 45 lakh is received seven days earlier. More significantly, the timelines become certain, since acknowledgement is deemed on expiry of 10 days and sanction does not depend on the proper officer. For an exporter filing monthly claims, the benefit recurs every month. The balance of 10% continues to be paid on the final order.

4.3 Excess balance in the electronic cash ledger

4.3.1 Refund of an excess balance in the electronic cash ledger under section 49(6) will become fully automatic, with no officer involvement. At present such a refund requires an application in Form GST RFD-01 and processing by the officer, although the amount is already held by the Government.

ILLUSTRATION 2 Excess balance in the electronic cash ledger

A trader inadvertently deposited Rs 3,50,000 twice through Form GST PMT-06 in February 2027. After discharge of its liability, an excess balance of Rs 3,50,000 remains in the electronic cash ledger.

Step	Present procedure	Proposed procedure
Application	RFD-01, category 'excess balance in cash ledger'	Portal request (form to be notified)
Examination	Proper officer: acknowledgement, scrutiny and order	None — processed by the system
Refund (Rs)	3,50,000	3,50,000
Time	Up to 60 days	Automatic

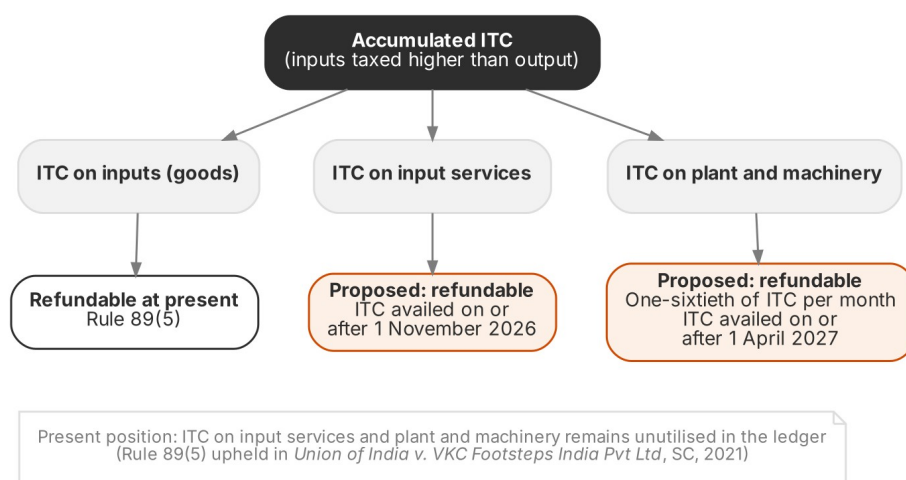
Observation. Excess balances, whether deposited in advance or in error, will be refunded without a refund proceeding. Until the facility is operational, taxpayers should avoid maintaining surplus balances in the electronic cash ledger.

4.4 Inverted duty structure — input services and plant and machinery

4.4.1 Present position. Clause (ii) of the first proviso to section 54(3) allows refund of ITC accumulated because the rate on inputs is higher than the rate on output, except for goods notified as ineligible (for example, under Notification No. 5/2017-Central Tax (Rate)). Rule 89(5) restricts 'Net ITC' to ITC on inputs, which excludes input services and capital goods. The Supreme Court upheld this restriction in *Union of India v. VKC Footsteps India Pvt Ltd* (2021), holding that the restriction flows from the Act itself. Rule 89(4) similarly excludes capital goods from refund for zero-rated supplies. Consequently, ITC on input services and capital goods remains unutilised in the electronic credit ledger of a taxpayer with an inverted duty structure.

4.4.2 Recommendation. ITC on input services availed on or after 1 November 2026 is to be included in the refund in an inverted duty structure. The exclusion of ITC on plant and machinery is to be withdrawn, both for zero-rated supplies and for an inverted duty structure. Refund of ITC on plant and machinery availed on or after 1 April 2027 will be computed at one-sixtieth of the ITC for each month, corresponding to a useful life of five years.

Flow chart 4 Refund of accumulated ITC in an inverted duty structure



4.5 Illustration — inverted duty structure

ILLUSTRATION 3 Manufacturer with output at 5% and inputs at 18%

A manufacturer supplies goods taxed at 5%. Its main inputs are taxed at 18%. All its supplies are domestic and are inverted-rated supplies, and its output goods are not notified as ineligible for refund. Figures are for the quarter April–June 2027. In April 2027 it installs a new production line costing Rs 2 crore, on which it avails ITC of Rs 36 lakh.

The amended Rule 89(5) formula has not been notified. We have assumed that ITC on input services and the monthly one-sixtieth share of ITC on plant and machinery will be added to 'Net ITC' in the existing formula: Maximum refund = (Turnover of inverted-rated supply × Net ITC ÷ Adjusted total turnover) – (Tax payable on inverted-rated supply × Net ITC ÷ ITC considered).

Particulars (Rs lakh)	Current law	Proposed
Turnover of inverted-rated supply = adjusted total turnover	1,000.00	1,000.00
Output tax payable @ 5%	50.00	50.00
ITC on inputs (goods) @ 18%	70.00	70.00
ITC on input services	15.00 — excluded	15.00

Particulars (Rs lakh)	Current law	Proposed
ITC on plant and machinery ($36.00 \div 60 \times 3$ months)	1.80 — excluded	1.80
Net ITC for the formula	70.00	86.80
$(1,000 \times \text{Net ITC} \div 1,000) - (50 \times \text{Net ITC} \div \text{Net ITC})$	70.00 – 50.00	86.80 – 50.00
Refund admissible for the quarter	20.00	36.80
ITC remaining in the electronic credit ledger at quarter end	51.00	34.20

Observation. The refund for the quarter increases from Rs 20.00 lakh to Rs 36.80 lakh. ITC of Rs 15 lakh on input services becomes refundable in the same quarter. ITC of Rs 36 lakh on the production line, which would ordinarily remain unutilised in an inverted duty structure, becomes refundable at Rs 0.60 lakh per month over 60 months. In both cases, the accumulated ITC is Rs 71 lakh (total ITC of Rs 121 lakh less output tax of Rs 50 lakh); the difference lies only in the portion that is refundable.

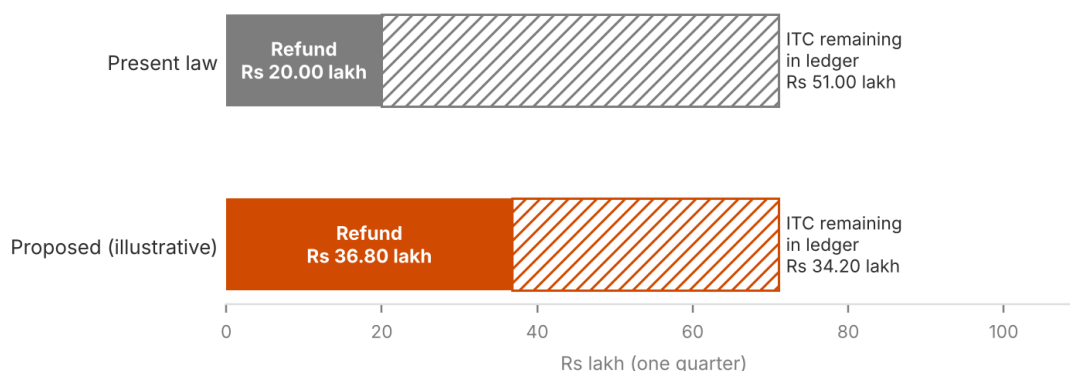


Illustration 3: refund admissible and ITC remaining in the ledger for the quarter (Rs lakh)

4.5.1 The following points should be noted. First, ITC on input services availed before 1 November 2026 will not qualify; the month of availment of ITC is therefore relevant. Second, the 60-month spread matches the five-year life already used in Rule 43 for common ITC on capital goods. Where the machinery is sold within that period, section 18(6) and Rule 44(6) already require payment; the Rules may also provide for recovery of refund already received on that machinery.

4.6 Export of services — supplies through a foreign branch and services on goods of foreign clients

4.6.1 **Supplies through a branch outside India.** A supplier in India that provides services to a foreign client through its own branch outside India does not satisfy condition (v) of section 2(6) of the IGST Act, because under Explanation 1 to section 8 the Indian establishment and the foreign branch are establishments of distinct persons. The supply is an inter-State supply under section 7(5)(a) and IGST is payable, even though consideration is received in foreign exchange. The Council has recommended that this condition be relaxed for such cases.

Position of subsidiaries. An Indian subsidiary supplying services to its foreign parent or a foreign group company is already treated as exporting services, because a company incorporated in India and a body corporate incorporated abroad are separate persons (Circular No. 161/17/2021-GST dated 20 September 2021). The proposed change is relevant only to entities in India that operate through their own branch outside India.

4.6.2 **Services on goods of a foreign client.** Under section 13(3)(a) of the IGST Act, the place of supply of services on goods made physically available is where the services are performed. Testing, repair, certification, research or processing done in India on goods of a foreign client is therefore not an

export. The proviso to section 13(3)(a) excludes only goods temporarily imported for repairs or any other treatment or process and re-exported without being put to any other use in India. It is proposed that such services be treated as export of services, whether or not the goods are exported.

ILLUSTRATION 4 Engineering design services supplied through a branch in the United States

A company in Gurugram provides engineering design services to a client in the United States. The contract is executed, and the invoice raised, by the company's own branch in the United States. The Indian office charges the branch Rs 2 crore per quarter. Its quarterly ITC on input services is Rs 8 lakh. All its turnover is of this kind.

Particulars (Rs lakh)	Current law	Proposed
Value of services by the Indian office to the branch	200.00	200.00
Nature of supply	Inter-State, taxable	Export (zero-rated)
IGST payable @ 18%	36.00	Nil under LUT
ITC on input services	8.00	8.00
Net IGST paid in cash (36.00 – 8.00)	28.00	Nil
Refund of ITC — Rule 89(4): $200 \times 8 \div 200$	Not available	8.00

Observation. Payment of IGST of Rs 28 lakh per quarter in cash will no longer be required, and ITC of Rs 8 lakh becomes refundable. Taxpayers who have treated such supplies as exports in earlier periods should note that, unless the amendment provides otherwise, the change will be prospective and earlier periods will remain open to demand.

ILLUSTRATION 5 Testing services on prototypes of a client in Japan

A testing laboratory in Pune receives prototypes from a Japanese company, tests and certifies them in India, and sends the results to Japan. The prototypes are consumed in destructive testing and are not re-exported, so the proviso to section 13(3)(a) does not apply. Fee: Rs 40 lakh. ITC on consumables and services used: Rs 3 lakh.

Particulars (Rs lakh)	Current law	Proposed
Place of supply — section 13(3)(a) IGST Act	India	Treated as export
CGST 9% + SGST 9% charged (cost to foreign client)	7.20	Nil under LUT
ITC of the laboratory	3.00 — used against output	3.00 — refundable
Price to client, inclusive of tax	47.20	40.00

Observation. The tax cost of 18% to the foreign client is eliminated, which places such services supplied from India on par with services supplied from other jurisdictions. This is relevant to foreign groups, including Japanese groups, that use Indian subsidiaries or vendors for testing and processing.

4.6.3 The Council has also recommended that the time of receipt of export proceeds be aligned with the directions of the Reserve Bank of India, so that the same standard applies under FEMA and GST.

5 Input tax credit

5.1 ITC on specified business expenditure

- 5.1.1 The following items, now blocked under section 17(5), are to be allowed. The amendment is expected to be prospective; ITC should not be availed until it is notified. Since individual life and health insurance policies have been exempt from 22 September 2025, the relief relating to insurance is relevant mainly to group policies taken by employers, which remain taxable at 18%.

Item	Present restriction	Sectors affected
Group health and life insurance for employees	Section 17(5)(b), unless obligatory under a law	All employers
Telecommunication towers	Excluded from 'plant and machinery'; section 17(5)(c)/(d)	Telecom and tower companies
Pipelines laid outside the factory	Excluded from 'plant and machinery'; section 17(5)(c)/(d)	Oil, gas, water, chemicals
Free samples	Section 17(5)(h)	Pharma, FMCG, consumer goods
Stock written off on expiry where a law requires destruction	Section 17(5)(h)	Pharma, food, FMCG

Section 17(5)(d) was amended by the Finance Act, 2025, with effect from 1 July 2017, to read 'plant and machinery' after the Supreme Court's decision in Chief Commissioner of CGST v. Safari Retreats Pvt Ltd (2024). Towers and pipelines remain outside 'plant and machinery' until the proposed amendment.

5.2 Removal of double taxation on specified services

- 5.2.1 Hotel accommodation up to Rs 7,500 a night, restaurant and catering services and certain passenger transport services are taxed at 5% without ITC. A taxpayer that procures these services and supplies them onward in the same line of business is not entitled to ITC of the tax paid, with the result that tax is levied twice on the same service. It is recommended that ITC be allowed in such cases so that tax is levied only once.

5.3 Protection of the bona fide recipient

- 5.3.1 The proposal to protect a recipient who holds a valid tax invoice, has received the goods and has paid the supplier in full, where the supplier has not paid the tax (section 16(2)(c)), was not approved. A Committee of Officers will study it within three months and place an agenda before the next Council meeting. Media reports indicate that the matter may go to a Group of Ministers. Until a decision is taken, the existing position continues and recipients should continue to verify supplier compliance.

6 Registration, returns and cancellation

- **Registration.** At present, 61% of registrations are granted by the system within three working days. The application form will show only the fields that apply to the applicant. Routine amendments — change of trade name, director or partner, or address of an additional place of business — will be approved automatically. Such amendments constituted 65% of 16.73 lakh amendment applications between November 2025 and September 2026.
- **Returns.** A supplier who reduces a value already reported will do so in its statement of outward supplies, so that the corresponding change is reflected in the records of the recipient. Corrections for earlier periods, including an incorrect GSTIN of the recipient, will be permitted. ITC will be determined through the Invoice Management System, and only invoices accepted by the recipient will be reflected in its return. The Note records that about 95,000 mismatch notices are issued a year with recovery of about 0.08%.

- **Annual return for small B2C taxpayers.** An optional scheme has been approved in principle for taxpayers with turnover up to Rs 5 crore who supply only to consumers: one return a year and quarterly tax payment. The framework and the required amendments will be placed before the next meeting.
- **Cancellation.** Cancellation will be automated in stages, starting with smaller taxpayers. The final return will form part of the application for cancellation. A registration suspended or cancelled by the system for a missing return or bank details will be restored once the default is rectified.

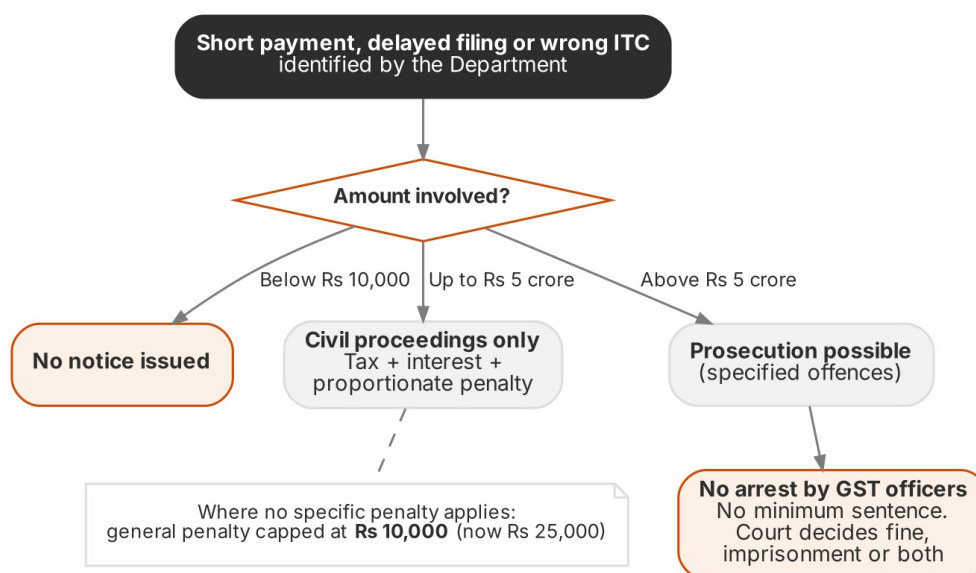
7 Enforcement, prosecution and litigation

7.1 Decisions

- **Arrest.** The power of arrest under section 69 of the CGST Act is proposed to be omitted.
- **Prosecution.** The monetary threshold for prosecution under section 132(1) rises to Rs 5 crore. At present it is Rs 2 crore for most offences and Rs 1 crore for issuing invoices without supply under clause (b) (Finance Act, 2023, on the 48th Council's recommendation). The Note refers to Rs 1 crore; whether the revised threshold applies also to the issue of invoices without supply should be confirmed from the amendment. The minimum sentence of six months under section 132(3) is removed; whether to impose fine, imprisonment or both is left to the court.
- **General penalty.** Penalty under section 125, where no specific penalty is provided, is to be reduced from Rs 25,000 to Rs 10,000.
- **Notices.** No notice will be issued where the amount is below Rs 10,000, as against Rs 1,000 at present under the proviso to section 74A(1). One common standard will govern issue and service of notices, pre-notice intimation, when fraud may be alleged, hearings and the writing of orders.

According to the Note, delay in filing, errors and delay in payment will attract only recovery of tax, interest and a proportionate penalty.

Flow chart 5 Proposed enforcement framework



7.2 Illustration — ITC availed on invoices of a non-existent supplier

ILLUSTRATION 6 Credit of Rs 3 crore availed on invoices of a non-existent supplier

During an investigation, the Department finds that a company has availed ITC of Rs 3 crore on invoices of a supplier later found to be non-existent.

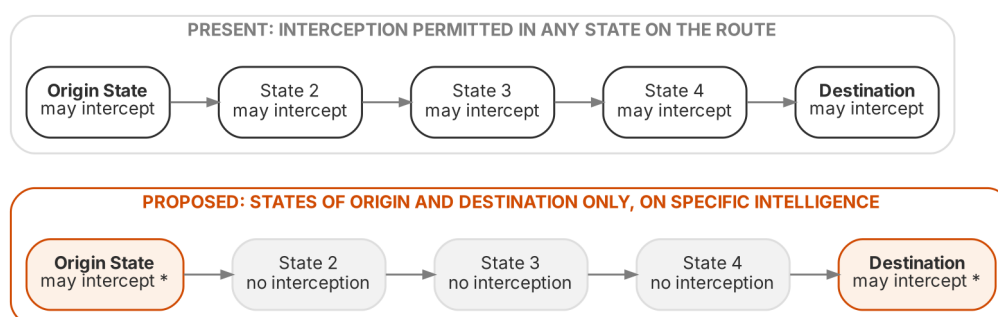
Consequence	Current law	Proposed
Recovery of tax with interest	Yes	Yes
Penalty under section 74 / 74A (FY 2024-25 onwards)	Yes	Yes
Arrest by GST officer — section 69 (offence non-cognizable and bailable, section 132(4))	Possible	Not possible
Prosecution under section 132(1)(c)	Possible (above Rs 2 crore)	Not possible (below Rs 5 crore)
Nature of proceedings	Civil and criminal	Civil only

Observation. Tax, interest and penalty remain recoverable. The change is limited to the removal of criminal liability where the amount does not exceed Rs 5 crore. Where the amount exceeds Rs 5 crore, prosecution may be launched, but without arrest by GST officers and without a minimum sentence. The treatment of pending proceedings will depend on the transitional provisions.

8 Movement of goods

- 8.1 A vehicle may be stopped only on specific intelligence, and the decision must be authorised in advance by an officer not below the rank of Joint Commissioner. Only the State of origin and the State of destination may inspect goods in a conveyance; States through which the goods pass will not be permitted to intercept the conveyance. The e-way bill remains mandatory and continues to be validated by the system. Detention and penalty under section 129 will continue to apply where a check is validly made.

Flow chart 6 Interception of goods in transit — present and proposed



* Only on specific intelligence, with prior authorisation of an officer not below the rank of Joint Commissioner.

9 Export of services and electronic commerce

- 9.1 The changes relating to export of services are explained with illustrations in para 4.6. They are relevant mainly to providers of analytics and design services, engineering consultancies, captive centres of multinational groups, and contract manufacturers and processors.
- 9.2 **Small suppliers on electronic commerce platforms.** A small supplier will be able to declare the warehouse of an electronic commerce operator in another State as its principal place of business

there, with the operator's consent given automatically through the system. The supplier must have a physical presence in at least one State (its home State). Registration is one per PAN per State and is limited to supplies made through platforms. A supplier whose ITC passed on to recipients exceeds Rs 2.5 lakh in a month will be required to obtain normal registration.

- 9.3 **Uniform treatment across platforms.** Electronic commerce operators with different business models have interpreted the same provision differently. It is proposed that the tax on a booking be determined by the service actually supplied, so that the same supply attracts the same tax irrespective of the platform through which it is booked.

10 Matters deferred or pending

Matter	Status
Protection of bona fide recipient — section 16(2)(c)	Not approved. Committee of Officers to report within three months; reported to be referred to a Group of Ministers
Credit on motor vehicles — section 17(5)	Reported as deferred
Annual return scheme for small B2C taxpayers	Approved in principle; framework and amendments at the next meeting
GST rates	No change; to be reviewed once a year at a dedicated meeting
Operative dates	To be notified; 1 November 2026 and 1 April 2027 stated for the refund changes

11 Action points for clients

Who	Action	When
Taxpayers with an inverted duty structure	Record ITC on input services separately in the books and in GSTR-3B workings, by month of availment. Do not file refund claims for input services until section 54(3) is amended	From 1 November 2026
Exporters and taxpayers with an inverted duty structure	Maintain a capital goods register showing ITC and month of availment for each item of plant and machinery	From 1 April 2027
Exporters of goods	Reconcile shipping bills, export invoices and bank realisation data, as claims will be auto-populated and assessed for risk by the system	Now
Exporters of services through foreign branches, or on goods of foreign clients	Review contractual and invoicing arrangements, LUT and pricing; review exposure for earlier periods	Before amendment
All employers	Do not avail ITC on employee insurance until the amendment is notified	On notification
All taxpayers	Accept or reject invoices in IMS each month; avoid surplus balances in the cash ledger	Ongoing
Taxpayers with pending enforcement matters	Review pending investigations, show cause notices and prosecution proceedings against the new thresholds once transitional provisions are known	On notification

Who	Action	When
Recipients	Continue to verify supplier compliance; section 16(2)(c) remains unchanged	Ongoing

12 Scope, assumptions and limitations

- 12.1 This memorandum is a general information note prepared for clients of the firm. It is not an opinion on the facts of any particular business and should not be acted upon without specific advice.
- 12.2 It is based on the Note on outcomes of the 57th meeting of the GST Council dated 8 October 2026, as available in the public domain, and on media reports of the Finance Minister's press briefing, as available on 8 October 2026. The minutes, amending Acts, Rules and notifications had not been issued on that date. Where we refer to media reports, this is stated.
- 12.3 The provision references in para 3.2 and the formula used in Illustration 3 are our reading of how the decisions are likely to be implemented. The final amendments may differ in wording, scope, effective date and transitional provisions.
- 12.4 The illustrations use assumed figures to illustrate the decisions. Holidays, interest under section 56, and the effect of any restriction in the final Rules have been ignored.
- 12.5 We undertake no obligation to update this memorandum, although we intend to issue an update when the notifications are released.

— End of Annexure A —

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