



dhruva

A Ryan LLC Affiliate

GST ALERT

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Recommendations from the
57th GST Council meeting

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The GST Council, in its 57th meeting, has made various recommendations.¹ This Dhruva Alert captures the proposals, along with Dhruva Comments, grouped as: substantive changes (ITC, exports and zero-rating, classification), dispute resolution, compliance related process reforms, GST rates / exemptions and clarifications.

Subject	GST Council Recommendation
Part A: Substantive legislative changes	
A1. Input Tax Credit ('ITC')	
Refund of accumulated ITC	- Amend Section 54(3) of the CGST Act and related rules to provide for: (a) refund of accumulated ITC on capital goods for zero-rated supplies and (b) on input services and capital goods for cases under inverted duty structure ('IDS'). - Refund of accumulated ITC on input services for refunds pertaining to IDS shall be available for ITC availed on/after 1 November 2026. - Refund of accumulated ITC on capital goods (for refunds pertaining to zero-rated supplies and IDS) shall be spread over 60 months and, will be available for inclusion in refund where ITC is availed on/after 1 April 2027. Dhruva Comments: In <i>Union of India v. VKC Footsteps</i>², the Supreme Court upheld the constitutional validity of Rule 89(5) of the CGST Rules, 2017, confirming that refund of unutilised ITC accumulated due to an IDS is strictly restricted to ITC paid on input goods, and does not extend to ITC on input services and capital goods. Acknowledging the computational anomalies in the IDS refund formula the Government revised the formula to prorate the deduction of output tax liability based on the ratio of Net ITC (goods) to the total ITC availed (both goods and services), thereby ensuring a fair and balanced refund calculation for taxpayers. However, the formula continued to restrict the ITC on input services and capital goods. To remove blockage from working capital constraints, the GST Council has proposed that refund of accumulated ITC shall be allowed for ITC of GST paid on capital goods in case of zero-rated supplies, and refund should be allowed for ITC of GST paid on capital goods and input services accumulated on account of IDS. Resultantly, the difference in treatment of ITC on inputs, input services and capital goods shall be eliminated in respect of refund claims on account of zero-rated supply and on account of IDS.

¹ These recommendations as summarised in the Press Release will be given effect through the law amendments, notifications (which will have the force of law) and circulars

² 2021 (52) GSTL 513 (SC)

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	<i>The text of the legislative amendment will reveal whether IDS refund will include situations wherein the rate of GST on output supplies is less than the rate of GST on input services.</i>
Blocked ITC – removal of restrictions	- Amend section 17(5) of the CGST Act, 2017, to remove present restrictions of ITC for outdoor catering, health/life insurance, telecommunication towers, pipelines laid outside factory premises, free samples, and goods destroyed/written off on expiry required by law. Dhruva Comments: Section 17(5) of the CGST Act contains a list of inward supplies of goods and services in respect of which ITC is not allowed. The GST Council has proposed to remove these restrictions of ITC availment, so as to minimize cascading impact of tax. The following changes have been recommended: - Presently, ITC on outdoor catering is available if any law mandates the provision of a canteen. With the proposed change, taxpayers who were availing this service including on account of business exigency will be eligible to claim ITC. - Credit for health/life insurance has historically not been allowed is now recommended to be allowed. - Credit of taxes in telecommunication towers and pipelines outside the factory has been a litigious issue since the erstwhile tax regime. ITC was restricted however, the proposal to allow such ITC will put to rest litigation and positively impact costs due to the free-flow of set-off. - Free samples are given to market the goods being supplied by a person in the course of its business but, ITC was blocked. The GST Council has recommended to allow ITC of GST paid on procurement/manufacturing of free samples whilst acknowledging the commercial intent of such spends. - The GST Council has recommended to allow ITC of goods written off or destroyed on account of statutory mandates. This will bring savings to amongst others pharma industry.
Second-hand vehicles (Margin Scheme) ³ (Clarification / Relief)	It is clarified that suppliers of second-hand vehicles under the margin scheme are allowed to claim ITC on inputs and input services such as spares, repairs, technology, rent and marketing. The ITC restriction applies only to the tax paid on the purchase of the second-hand vehicle itself. Dhruva Comments: Under the margin scheme, GST is paid on the margin between sale and purchase price of the vehicle, and ITC was not availed. The issue arose in respect of ITC on other business expenses. The GST Council has recommended clarifying that the restriction on ITC under the margin scheme applies only to the tax paid on the purchase of second-hand vehicles and does not extend to other eligible inputs and input services used in the course or furtherance of business.
Restaurant, Hotel & Gym services (ITC Relaxation)	Allow limited ITC in the same line of business for restaurant/outdoor catering, hotel accommodation (up to INR 7500/day), and gym/fitness services, similar to passenger transport/tour operators. Dhruva Comments: The amendment will impact aggregators/resellers in the same line of business and will unlock ITC.
A2. Exports & Zero-Rating	
Services Export	Omit section 2(6)(v) of the IGST Act, 2017, to remove the condition that export of services shall not include services provided to a foreign branch/office of the same Indian entity, facilitating refunds for Indian service providers supplying to/through foreign branches/offices.

³ Notification No. 8/2018-Central Tax (Rate), Notification No. 9/2018-Integrated Tax (Rate) and Notification No. 1/2018-Compensation Cess (Rate)

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	Dhruva Comments: Services provided to a foreign branch/office by an Indian entity does not qualify as export of services and so, ineligible for zero-rating benefits. GST thus became a cost. Circular No. 161/17/2021-GST, dated 20-9-2021, clarified this position in the context of persons established under the laws of different nations. By the recommendation, services between branch offices will be entitled to export status as also zero-rating benefits.
Clarifications	Issue clarificatory circular to clarify issues related to receipt of payment in foreign exchange or in INR, as permissible for exports of goods and services. Dhruva Comments: Receipt of consideration in convertible foreign exchange (or in INR where permitted by RBI) is required for export of services. With technology and changing business needs, there are many ways in which consideration could be received for exports, such as book adjustments, through online platforms such as PayPal etc. Besides there are other situations where zero-rating status was denied due to improper documents, technicalities. The imminent circular is likely to clarify export treatment in a variety of cases, by mimicking the position adopted for forex regulatory purposes by the RBI.
Place of Supply – amendment of the rule	Omit section 13(3)(a) of the IGST Act, 2017, so that the place of supply for services in cases where goods are made physically available by the recipient of services to the supplier will be determined as per the default rule, i.e. the location of the recipient (section 13(2) of the IGST Act, 2017), enabling the export benefits. Dhruva Comments: Section 13(3)(a) of the IGST Act, 2017 provides that the place of supply for services provided physically on goods shall be the location of such goods. The second proviso to the said provision provides that this provision shall not apply to services of repairs provided on goods temporarily being imported into India and not being put to use in India. Thus, such service already qualified as an export of service. Due to the above, zero-rating benefits were not allowed for services performed on goods belonging to a person located outside India (other than repair services, as discussed above). To enable zero-rating benefits for services performed on goods belonging to a recipient located outside India, the GST Council has proposed to omit Section 13(3)(a) of the IGST Act, 2017. Consequently, the place of supply of this service shall be the location of the recipient, and zero-rating benefits shall be allowed for such services being performed by an Indian entity for a recipient located outside India. This will benefit many sectors. On the flip side, since the place of supply would now be the location of the recipient, the services procured by an Indian entity, from a foreign counterpart, on goods belonging to them would qualify as an import of service and shall be leviable to GST under RCM.
SEZ / FTWZ Supply	Recommendation to insert an explanation to section 16(1) of the IGST Act, 2017, to provide that in the cases where goods are supplied to an overseas buyer, but the delivery of goods is made to the said buyer in an SEZ/FTWZ, and the payment for such supply is received in convertible foreign exchange or in Indian Rupees wherever permitted by the RBI, then such a supply will be deemed to be a supply of goods to an SEZ/FTWZ. Dhruva Comments: It is noteworthy that benefits of zero rating are allowed for goods exported outside India and for supplies made to SEZ units. However, in cases wherein goods are supplied to a person located outside India but delivered inside an SEZ/FTWZ, there was no clarity as to whether zero-rating benefits shall be available. The GST Council has proposed that an explanation should be added in Section 16 of the IGST Act, 2017 to enable zero-rating benefits in such cases as well.

Subject	GST Council Recommendation
A3. Classification	
Intellectual Property (IPR)	Amend Schedule-II of the CGST Act, 2017, to provide that transfer of title in IPRs, whether temporary or permanent, will be uniformly treated as a supply of services. Dhruva Comments: <i>Intangible property, capable of being transferred and bought/sold has traditionally been treated as a sale of goods, under the erstwhile VAT regime. In the GST regime, the same principle was carried forward - permanent transfer of IPR is treated as a supply of goods. Although the prescribed rate is 18%, the possibility to classify such transactions as “services” and liable to 18% GST existed.</i> <i>Now, to ensure ease of GST compliance involved in transferring IPRs across borders, the GST Council has recommended that the transfer of IPRs should be deemed as a supply of service, in Schedule II of the CGST Act, 2017.</i> <i>This amendment should settle the ambiguity around export status of permanent transfer of IPR to an offshore recipient, whereas a permanent transfer of IPR by a foreign supplier to an Indian recipient will trigger reverse charge liability in the hands of the Indian recipient.</i>
Fund Transfer Pricing (FTP) in Banks (Clarification)	It is clarified that the notional interest recorded in books for transfer of funds between branches or between a branch and the head office is covered by 'interest', and is therefore exempt under Notification 12/2017.
E-commerce operators (ECO)	GST Council has proposed an amendment under Section 9(5) of the CGST Act, 2017, to provide for clarity regarding the liability of the E-commerce operator ('ECO') to pay tax for the notified services, irrespective of the business models being followed by him. Dhruva Comments: <i>This will address doubts concerning the responsibility of an ECO, given the variety of operating business models.</i>
Sublimation paper (Clarification)	Sublimation paper is clarified to be classified under heading 4809. Cases of the past, where a different classification may have been adopted, are to be regularised on an 'as is where is' basis. Dhruva Comments: <i>Sublimation paper is a coated, heat-transfer paper used in textile and merchandise printing. It was being classified variedly by different taxpayers and field officers, which resulted in differing rates and litigation including that of anti-dumping.</i>
Toys (dolls, puzzles, etc.) ⁴ (Clarification)	It is clarified that the toy-related entries in the rate notification are not limited to tricycles, scooters and pedal cars. The entry covers all goods falling under heading 9503 of the Customs Tariff Act, 1975, including dolls, puzzles and similar items.
Seaweed extract-based bio-stimulants ⁵ (Clarification)	Seaweed-extract based bio-stimulants are classified under heading 3101 as fertilisers, provided they are registered under Schedule VI of the Fertiliser (Control) Order, 1985. Past cases are regularised on an 'as is where is' basis.

⁴ Sr. No. 497 of Schedule I and Sr. No. 616 of Schedule II of Notification No. 09/2025-Central Tax (Rate) dated September 17, 2025

⁵ Explanation to be inserted in Sr. No. 237 of Schedule I of Notification No. 09/2025-Central Tax (Rate) dated September 17, 2025

Subject	GST Council Recommendation
Part B: Dispute Resolution – ease of living and doing business	
Arrest & Prosecution	Complete withdrawal of arrest powers under GST by omitting section 69 of the CGST Act, 2017. Dhruva Comments: Section 69 of the CGST Act, 2017 provides powers to GST authorities to arrest a person for committing offences mentioned under Section 132 of the CGST Act, 2017, which include issuance of an invoice without supply, supply without an invoice, fraudulent availment of ITC, evasion of tax or similar offences involving tax evasion exceeding a predetermined amount.
Prosecution Threshold	Raise the monetary threshold for prosecution from INR 1 crore to INR 5 crore. Dhruva Comments: Section 132 of the CGST Act, 2017, governs criminal prosecution for serious offences like tax evasion, fake invoicing, and non-payment of collected tax. Under the existing framework, criminal prosecution could be initiated for tax evasion starting at a minimum threshold of INR 1 crore, with jail terms scaling up to five years for offences exceeding INR 5 crore. To decriminalize certain offences and protect businesses from undue hardship, this provision is proposed to be amended to raise the minimum threshold for initiating prosecution to INR 5 crore across the board.
Offence related amendments	- The following changes have been proposed under Section 132 of the CGST Act, 2017: - Omit section 132(1)(i) - Delete 'evades tax' under Section 132(1)(e) - Delete 'or in any other manner deals with' under Section 132(1)(h) - Amend Section 132(1)(c) to cover only fraudulent ITC availment without receipt of goods/services or invoice. - Rationalise punishments provided under Section 132. Dhruva Comments: These recommended-amendments are aimed at rationalising the offences and the punishment prescribed therein, while retaining effective deterrence against fraud and evasion.
Objection to ledger blocking (Rule 86A)	Amend Rule 86A of the CGST Rules, 2017, to provide a mechanism for enabling a taxpayer to file an objection against the blocking of any amount in the electronic credit ledger and to avail a personal hearing before the proper officer takes a decision on such objection. Dhruva Comments: Rule 86A of the CGST Rules, 2017 empowers the Commissioner or an Assistant Commissioner to block the debit of fraudulently availed or ineligible ITC from the electronic credit ledger, in specified scenarios. Such blocked ITC cannot be used for payment of tax liability or claiming refund of unutilised ITC. However, currently the rule does not allow taxpayers to object to the blocking of the electronic credit ledger. In light of this, High Courts have quashed actions taken under Rule 86A on account of non-adherence to principles of natural justice. The GST Council has now proposed that a person would be allowed to defend against the blocking of the electronic credit ledger by filing objections, effectively mandating adherence to principles of natural justice before blocking the electronic credit ledger.
Notices covering multiple financial years	GST Council has proposed the introduction of a validation clause in the CGST Act, 2017, for validation of notices which have been held invalid by various courts on the ground of having been issued for multiple financial years. Dhruva Comments: It is noteworthy that multiple High Courts have quashed single notices issued alleging demand for multiple tax periods on the grounds that section 73/74 of the CGST Act, 2017 envisages financial year wise assessment. Several High Courts have allowed single notices issued

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	<i>alleging demand for multiple tax periods. Presently, the matter is sub judice before the Hon'ble Supreme Court, and pending in the case of Lakshmi Mobile Accessories.⁶</i> <i>To settle this controversy, the GST Council has now recommended to insert validation clause in the law itself such that all such notices shall be valid, thereby giving rest to litigation initiated due to this controversy.</i>
Guidelines & SCN Thresholds	- Issue comprehensive guidelines to tax officers to streamline issuance of demand notices, adjudication orders, and appeal orders (covering quality, timelines, proper fraud invocation, natural justice). - A minimum threshold limit of tax demand of INR 10,000 (CGST + SGST + IGST + Cess) has been proposed for issuance of a show cause notice under sections 73, 74 and 74A of the CGST Act. The notices and appeals already issued and pending as on the date of enactment of the proposed amendment, having a total tax demand of less than INR 10,000, will be decided as if this threshold was in operation at the time when the notice was issued. Dhruva Comments: The Press Release indicates that the threshold limit of INR 10,000 has to be seen at the aggregate demand level in the notice and not for each issue in the notice.
Penalties	- Deem penalty amount as 'charge' when full tax is voluntarily paid with interest and penalty within timelines. - Reduced penalty of 5% from the existing 10% in non-fraud cases where tax and interest is paid within 30 days (Section 73) or 60 days (Section 74A) of adjudication order. - The minimum penalty of Rs. 10,000 in non-fraud cases will be deleted.
Interest on pre-deposit	- Section 115 of the CGST Act will be suitably amended to establish as a standalone provision governing the rate of interest applicable to refunds of pre-deposits paid while filing appeals, delinking it from the rate on delay refunds specified under Section 56. - The Council has also recommended issuance of a circular to clarify issues relating to the applicable interest rate.
Pre-deposit upper limit	The amount of pre-deposit for filing appeals against orders involving only penalty and no demand of tax has been recommended to be capped at INR 40 crore (INR 20 crore each under CGST Act and SGST Act) by amending the provisos to sections 107(6) and 112(8) of the CGST Act, 2017 (for appeals before the Appellate Authority and the Appellate Tribunal, respectively).
GSTAT –changes to the administrative Rules	The GST Council recommended various amendments to the CGST Act, 2017 and the GSTAT (Appointment and Conditions of Service of President and Members) Rules, 2023 to align the provisions in respect of the GST Appellate Tribunal with the relevant provisions of the Tribunals Reforms Act, 2026 and the National Tribunals Commission and Qualification, Selection and Conditions of Service of Chairpersons and Members of Tribunals Rules, 2026.
Part C: Compliance Related Process Reforms	
C1. Registration Related	
Streamlining Process	CBIC will issue a comprehensive circular specifying documents and information required for GST registration along with FAQs to simplify the process for obtaining GST registration.

⁶ SLP (Civil) Diary No. 60097 of 2025 dated January 28, 2026

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	- Registration application in FORM GST REG-01 will be amended to include drop-down options for prescribed documents and information. - A user-friendly interface with clearer navigation, tooltips and contextual guidance will facilitate accurate filing.
Amendment Procedure	- For all taxpayers (except provider of OIDAR service from outside India), the amendments to registration particulars will be accepted automatically on the GST portal, except changes relating to the Principal Place of Business ('PPoB').⁷ - For provider of OIDAR service from outside India, all amendments to GST registration, including changes to the PPoB, will be accepted automatically on the GSTN portal.⁸
Cancellation Process	- The 57th GST Council meeting has recommended a phased implementation of automatic acceptance of GST registration cancellation applications filed, subject to fulfilment of prescribed compliance requirements. Phase 1: Cancellation application in FORM GST REG-16 will be automatically accepted, once all pending returns are filed and all dues are paid, where the taxpayer has not passed on ITC exceeding INR 2.5 lakh in any month since registration, or has passed on ITC exceeding this threshold but filed the Final return (FORM GSTR-10) within the prescribed time. Phase 2: Automatic acceptance of cancellation applications will be extended to all cancellation applications, subject to filing of pending returns and payment of outstanding dues. The details of the Final return will be incorporated in cancellation application itself. - Rule 21 will be amended to remove certain grounds for cancellation of registration by tax officers. - Amendments to Rules 21A and 22, along with the insertion of Rule 23A, to provide for automated cancellation and revocation based on non-filing of returns or non-furnishing of bank account details within the prescribed timelines.
ECO small sellers	- Small sellers on E-commerce platforms can obtain registration in States/UTs where they have no physical presence, by declaring the E-commerce platform's warehouse as their principal place of business. This scheme applies to sellers intending to pass on ITC not exceeding Rs. 2.5 lakh per month, excluding stock transfers between distinct persons.⁹ - Registration will be granted automatically through the GSTN portal, subject to prescribed conditions.
C2. Return Related	
Mismatches & Adjustments	- Enhancements in FORM GSTR-1/1A/IFF to enable better reconciliation with FORM GSTR-3B. - A new electronic statement "Electronic Statement of tax paid on Reverse charge basis and input tax credit claimed" on the GSTN portal to track RCM tax payments and related ITC claims¹⁰. - Introduction of a mechanism to correct reporting and correction/rectification of liabilities reported in returns so that liability reported in FORM GSTR-3B aligns with the liability furnished in FORM GSTR-1/1A/IFF.¹¹

⁷ Rule 19 of the CGST Rules, 2017 to be amended

⁸ Rule 14A of the CGST Rules, 2017 to be amended

⁹ Rule 14B to be inserted in the CGST Rules, 2017

¹⁰ Rule 86D to be inserted in the CGST Rules, 2017

¹¹ Rule 61(1A) to be inserted in the CGST Rules, 2017

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	● Mechanism to be introduced for correct reporting and rectification of ITC in FORM GSTR-3B, ensuring alignment with the ITC available in FORM GSTR-2B.¹² ● Amendments to FORM GST DRC-03 to capture details of the underlying invoice against which payment is made. ● Invoice Management System ('IMS') will be updated to allow recipients to accept, reject, or keep pending an inward supply document for GSTR-2B generation, subject to certain conditions, including the period for which a credit note can be kept pending on IMS.¹³ ● An 'Electronic Credit Reversal and Reclaim Statement' facility to be provided on the GSTN portal to track ITC reversals and subsequent reclaims in FORM GSTR-3B.¹⁴ ● A detailed circular will be issued clarifying proper reporting of ITC and reversals in FORM GSTR-3B in the context of IMS, Credit Reversal/Reclaim Statement, and RCM statement. ● The Council recommended that the provisions regarding the alternate mechanism for amendment of liability and ITC in the GST return be brought into force from the return of April 2027. ● The proposed revised mechanism is to be placed in the public domain for a time-bound consultation. The Union Finance Minister has been authorised to approve the requisite changes/modifications based on the feedback received from stakeholders. Dhruva Comments: The proposed reforms will help businesses to reconcile outward tax liability, ITC claimed, reverse-charge payments and ITC reversals/reclaims. Automated correction mechanisms should reduce avoidable mismatch notices and manual reconciliations.
Late Fee Waiver	● The GST Council has proposed a waiver of the late fee on delayed filing of GST return under Section 39(1) of the CGST Act, 2017, for taxpayers with an annual turnover up to INR 5 crore in the preceding financial year, if the said delayed return is filed by the end of the month in which it was due.
ARQP - Optional Scheme	● The GST Council approved in-principle a concept note for an optional Annual Return Quarterly Payment ('ARQP') scheme for taxpayers having an aggregate turnover equal to or less than INR 5 crore in the preceding financial year and engaged exclusively in supplies to unregistered persons (B2C supplies).
Time limits under Sections 16, 37 and 39	● The GST Council has proposed amendments in Section 16, Section 37 and Section 39 of the CGST Act, 2017, to align provisions relating to furnishing of statement of outward supply under Section 37 and the return under Section 39 of the CGST Act, 2017 with the provisions relating to time limit for availment of ITC under Section 16(4) of the CGST Act, 2017.
C3. Refund Related	
Automated Processing	● Amendments in Section 54 and relevant rules for system-based processing and sanctioning of refunds (excess cash ledger balance, zero-rated supplies, inverted duty structure). – Phase 1: Full refund of excess electronic cash ledger balance sanctioned automatically. Deficiency memo/acknowledgement timeline cut from 15 to 10 days (with deemed acknowledgement). 90% of zero-rated/inverted duty structure claims sanctioned provisionally by system without officer intervention.

¹² Rule 61(1B) to be inserted in the CGST Rules, 2017

¹³ Rule 60(6A) to be inserted in the CGST Rules, 2017

¹⁴ Rule 86C to be inserted in the CGST Rules, 2017

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	– Phase 2: System-based automated acknowledgment and automated sanction of full refund claim for zero-rated supplies after adjusting pending dues based on risk evaluation. Dhruva Comments: <i>The proposed reforms are directed to reduce processing delays, minimize manual (officer) intervention and, improve cash flow for claimants of refund.</i>
Streamlining Forms/Rules	• The 57th GST Council meeting has recommended amendments to the CGST Act, 2017 and CGST Rules, 2017, to simplify refund documentation and remove certain restrictions on refund eligibility. • Simplified refund applications: FORM GST RFD-01 will be amended to capture refund details in a system-readable format, eliminating the requirement to upload scanned documents for refund claims relating to zero-rated supplies and inverted duty structure. • Removal of export refund cap: The restriction under Rule 89(4)(C), limiting the turnover of zero-rated supply of goods to 1.5 times the value of like goods supplied domestically, will be removed. • Minimum refund threshold: Section 54(14) will be amended to clarify that the Rs. 1,000 threshold applies to the aggregate refund amount across CGST, SGST/UTGST and IGST, rather than separately to each tax component Dhruva Comments: <i>The proposed removal of the 1.5x domestic valuation cap on export turnovers will unlock trapped cash and optimize working capital cycles for zero-rated suppliers.</i>
C4. E-way bills related	
E-way Bill Interception	• Amend Sections 68, 129, and 130 of the CGST Act to provide the following: – Interception allowed on specific intelligence and Joint Commissioner-rank authorisation. – Action allowed only if the supplier or recipient is located/registered in the interception State (no interception in transit States). – If no E-way bill has been generated, or the conveyance is not carrying any document to show the origin or destination of the goods, the goods can be detained, irrespective of the jurisdiction. – Provision for confiscation of goods/conveyances under Section 130 of the CGST Act, 2017 is not applicable in respect of goods/conveyances in transit. Dhruva Comments: <i>In view of the blooming litigation concerning vehicle interception, E-way bill discrepancies, the GST Council has recommended streamlining the ease of movement of goods and, in this regard, proposed that no vehicle should be detained in a State unless the supplier or recipient pertains to such State, or unless the goods do not carry an E-way bill or the origin and destination of the goods are not mentioned on the documents. Further, the powers to detain goods have been made more stringent to ensure that the same is done only upon specific intelligence and authorisation of a Joint Commissioner.</i>
C5. E-invoicing related	
E-invoicing for RCM supplies and import of services	• GST Council has proposed extending e-invoicing to domestic supplies received from an unregistered person where the tax is payable under reverse charge mechanism, as well as to the import of services, for taxpayers having aggregate annual turnover of INR 5 crore and above.

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C6. Other special procedures	
Research & Development Services	A simple mechanism is provided under which the head of the institution can self-certify that an activity is research and development (and not consultancy) for claiming the exemption under Entry 44A.¹⁵
O&M under Toll Operate Transfer ('TOT')	A special procedure will be prescribed for the valuation and time of payment of GST on O&M services provided by concessionaires to the concessioning authority. Dhruva Comments: In TOT arrangements, the concessionaire also operates and maintains the highway, and the consideration is generally linked to the right to collect toll and is not a separate cash payment. Clarity on the valuation and time of payment of GST will provide much needed relief to taxpayers.
Part D: GST Rate and Exemption	
Specified Waste and Scrap (RCM & TDS Introduction)	GST Council recommends bringing supplies of waste and scrap of plastics, electrical and electronic waste, tyres and used cooking oil by an unregistered person to a registered person under RCM. Scrap supplied by registered person to registered person (B2B supplies) will be subject to TDS at 2%. Dhruva Comments: When a registered business purchases specified waste or scrap from an unregistered supplier, it will be required to pay GST to the Government under the RCM, even if the supplier's turnover is below the GST registration threshold. While these proposed measures aim to improve tax compliance and curb tax evasion in the scrap sector, it may increase working capital blockage for buyers, as GST under RCM must be paid upfront in cash before the corresponding ITC can be availed and utilized. On the other hand, supplies of the named products by registered persons will be subjected to TDS.
Psyllium seeds (Isobgul/Isabgol) (Rate Reduction / Clarification)	Recommended nil rate of GST, irrespective of whether the seeds are fresh, chilled, frozen, or dried.
Re-treaded tractor tyres (Rate Alignment)	The GST rate on re-treaded tractor tyres is recommended to be aligned with the rate applicable to new tractor tyres.
CSD Vehicles & Aerated Drinks (Exemption Regularisation)	Compensation Cess that was not levied by Canteen Stores Department ('CSD') outlets on two-wheelers 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), is recommended to be exempted for those periods.
Passenger transport & EV rentals (New Option)	A new option allows GST at 5% with restricted ITC on: (a) passenger transport services and (b) rental of motor vehicles with operator, where electric vehicles are used and the cost of charging the battery is included in the price.

¹⁵ Entry 44A of Notification No. 12/2017-Central Tax (Rate) dated June 28, 2017

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ECO Delivery Services (RCM / Rate Change)	- Delivery services (other than courier and postal services) supplied through an ECO will be brought under Section 9(5) of the CGST Act where the delivery supplier is not liable for registration under Section 22(1) of the CGST Act. A GST rate of 5% without ITC is also prescribed for delivery services in relation to goods that are supplied/ordered through an ECO. - The GST exemption¹⁶ for transport of goods to unregistered persons by a GTA will not apply where such service is in relation to goods supplied/ordered through an ECO. Dhruva Comments: Delivery partners on food, grocery and quick-commerce platforms (gig-economy) generally earn below the registration threshold, so tax on local delivery services was not collected. ECOs will be made liable to pay GST at the recommended rate of 5% on covered delivery services supplied by unregistered delivery partners. The recommendation also shall prevent the GTA exemption from being used for covered services supplied through ECOs to avoid GST.
Helicopter passenger transport (Exemption)	GST is to be exempted on passenger transportation by helicopter on a seat-sharing basis from or to airports and helipads in the North-Eastern States, Sikkim and Bagdogra (West Bengal).
Storage/Warehousing of seeds (Exemption)	GST is to be exempted on services of storage or warehousing of seeds meant for sowing.
Curing of coffee (Exemption)	GST is to be exempted on the agricultural support service of curing coffee, when provided by coffee curers to cultivators.
Seamen's Provident Fund Organisation (Exemption)	GST is to be exempted on services provided by the Seamen's Provident Fund Organisation to persons governed by the Seamen's Provident Fund Act, 1966.
Import of services by foreign shipping lines (Exemption)	Proposed exemption on import of services by an Indian establishment of a foreign shipping company from a related person or establishment outside India, where the services are provided without consideration. The past period is regularised on an 'as is where is' basis.
NHAI Toll Operate Transfer (TOT) (Exemption)	Proposes exemption on the upfront or concession amount paid to NHAI for highway projects, for the right to demand, collect and appropriate toll fees.
Part E: Clarifications	
Circulars & Clarifications	- Issue circulars on: - ISD mechanism for distribution of credit

¹⁶ Entry 21A of Notification No. 12/2017-Central Tax (Rate) dated June 28, 2017 (exemption for transportation of goods to unregistered persons by a GTA)

Subject	GST Council Recommendation
	– ITC availment by banking/NBFC companies that opt for availment of ITC in accordance with Section 17(4) of the CGST Act, 2017 – Various issues relating to pre-deposit payments – ITC admissibility for demonstration vehicles in certain situations – Omission of Rule 96(10) of the CGST Rules, 2017, to be effective retrospectively from October 23, 2017, in accordance with the instructions of the Hon'ble Supreme Court provided in the case of Goodluck India Limited and Another vs Union of India & Ors. Dhruva Comments: The Council has recommended issue of clarifications on various points, some of which could be: a. ISD mechanism - manner of distribution of ITC paid under RCM on import of services, whether distribution of ITC is required in the same month to which the invoice pertains. b. Manner in which ITC shall be reported by banks/NBFC's adhering to Section 17(4) of the CGST Act, 2017. c. Various issues concerning payment of pre-deposits, such as pre-deposit for cases involving penalties wherein the notices were issued before October 01, 2025, online functionality to pay pre-deposit in cases wherein part demand has been accepted and discharged before filing of an appeal and so on. d. Concerning ITC on demo vehicles, the CBIC has already issued Circular No. 231/25/2024-GST dated September 10, 2024, wherein it was clarified that ITC on demo vehicles shall be allowed if such vehicle is further supplied. However, it remains unclear as to whether ITC shall be allowed if the demo vehicle is used for other purposes, such as for research and development purposes and so on.
Allied charges with motor vehicle leasing	● Clarification is to be issued on the GST treatment of statutory and ancillary amounts such as registration charges, road tax, insurance and FASTag charges that a lessor incurs and recovers from the lessee. Dhruva Comments: In vehicle leasing arrangements, the lessor may pay expenses such as motor vehicle registration charges, road tax, insurance and FASTag charges and subsequently recover these amounts from the lessee. The question is whether these recoveries form part of the taxable value of the leasing service under Section 15 of the CGST Act, 2017, or can be excluded as reimbursements under the pure agent provisions of Rule 33 of the CGST Rules, 2017.



ADDRESSES

Mumbai

Dhruva Advisors India Pvt. Ltd.
1101, One World Centre,
11th Floor, Tower 2B,
841, Senapati Bapat Marg,
Elphinstone Road (West),
Mumbai – 400 013
Tel: +91 22 6108 1000 / 1900

Ahmedabad

Dhruva Advisors India Pvt. Ltd.
402, 4th Floor, Venus Atlantis, 100
Feet Road, Prahlad Nagar,
Ahmedabad – 380 015
Tel: +91 79 6134 3434

Bengaluru

Dhruva Advisors India Pvt. Ltd.
SKAV 909, 8th Floor
Ashok Nagar, Lavelle Road
Bengaluru, Karnataka – 560001
Tel: +91 90510 48715

Delhi / NCR

Dhruva Advisors India Pvt. Ltd.
305-307, Emaar Capital Tower-1,
MG Road, Sector 26, Gurugram
Haryana – 122 002
Tel: +91 124 668 7000

New Delhi

Dhruva Advisors India Pvt. Ltd.
1007-1008, 10th Floor, Kailash
Building, KG Marg, Connaught Place,
New Delhi – 110001
Tel: +91 11 4471 9513

GIFT City

Dhruva Advisor IFSC LLP
510, 5th Floor, Pragya II,
Zone-1, GIFT SEZ, GIFT City,
Gandhinagar – 382050, Gujarat.
Tel: +91 7878577277

Pune

Dhruva Advisors India Pvt. Ltd.
406, 4th Floor, Godrej Millennium,
Koregaon Park,
Pune - 411001,
Tel: +91 20 6730 1000

Kolkata

Dhruva Advisors India Pvt. Ltd.
4th Floor, Camac Square,
Unit No. 403 & 404B,
Camac Street,
Kolkata - 700016, West Bengal
Tel: +91-33-66371000

Singapore

Dhruva Advisors Pte. Ltd.
#16-04, 20 Collyer Quay,
Singapore – 049 319
Tel: +65 9144 6415

Abu Dhabi

Ryan Tax Services L.L.C.
1905 Addax Tower,
City of Lights, Al Reem Island,
Abu Dhabi, UAE
Tel: +971 26780054

Dubai

Ryan Tax Services L.L.C.
Emaar Square Building 4,
2nd Floor, Office 207, Downtown,
Dubai, UAE
Tel: +971 4 240 8477

Saudi Arabia

Ryan Tax Consulting Services Company
308, 7775 King Fahd Rd,
Al Olaya, 2970,
Riyadh 12212, Saudi Arabia

KEY CONTACTS

Dinesh Kanabar

Chairman & CEO
dinesh.kanabar@dhruvaadvisors.com

Ranjeet Mahtani

Partner
ranjeet.mahtani@dhruvaadvisors.com

Jignesh Ghelani

Partner
jignesh.ghelani@dhruvaadvisors.com

Kulraj Ashpnani

Partner
kulraj.ashpnani@dhruvaadvisors.com

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