
57th GST Council Meeting

Process reforms and business implications

CLIENT UPDATE

Recommendations issued on 8 October 2026

Vishnu Daya & Co LLP

These recommendations require supporting amendments, notifications or circulars before they take effect.

Vishnu Daya & Co LLP



Executive snapshot

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The recommendations focus on automation, working capital and lower litigation exposure

The proposed package changes both day-to-day compliance and the economics of GST credits.

Businesses should prepare data and systems now, but should not change their tax positions until the legal instruments are issued.

90%

Provisional refund for zero-rated and inverted duty claims

₹10,000

Proposed minimum tax amount for issuing an SCN

₹5 crore

Proposed prosecution threshold

Legal status

Council recommendations only. Existing provisions continue until Parliament, the Government or CBIC issues the necessary amendments, notifications and circulars.

Refunds and working capital

Faster processing and a broader refund base form the central business relief

90% provisional sanction

Zero-rated supply and inverted duty structure claims would be sanctioned automatically on a provisional basis, subject to system risk evaluation.

PROCESS CHANGES

- Full excess cash-ledger balance to be sanctioned automatically
- Acknowledgement or deficiency memo within 10 days instead of 15 days, with deemed acknowledgement after 10 days
- RFD-01 to capture data in a system-readable format
- No scanned documents for zero-rated and inverted duty structure claims
- Phase 2 proposes automated acknowledgement and full sanction for eligible zero-rated claims

RECOMMENDED ELIGIBILITY DATES

15 NOV 2026

Input services in inverted duty refunds

1 APR 2027

Capital-goods ITC for zero-rated and inverted duty refunds, spread over 60 months

Input tax credit reforms

04

The Council recommended wider credit availability, subject to the conditions in the final law

SECTION 17(5): PROPOSED REMOVAL OF RESTRICTIONS

- Outdoor catering
- Health insurance and life insurance
- Telecommunication towers
- Pipelines laid outside factory premises
- Free samples
- Goods destroyed or written off on expiry of shelf life where required by law

LIMITED CREDIT IN THE SAME LINE OF BUSINESS

Restaurant and outdoor catering

Credit proposed for inward supplies used to make the same category of outward supply.

Hotel accommodation

Applies to accommodation valued up to ₹7,500 per unit per day.

Gym and fitness services

Limited same-line credit proposed on the model used for selected transport and tour services.

Practical implication: businesses should separately identify these credit categories so prospective eligibility can be implemented cleanly from the notified date.

Returns, registration and small-taxpayer compliance

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Portal statements and system corrections are intended to reduce mismatch notices

RETURNS

- New statement for reverse-charge tax paid and corresponding ITC
- New Electronic Credit Reversal and Reclaim Statement
- Correction mechanism to align GSTR-3B liability with GSTR-1/1A/IFF and ITC with GSTR-2B
- DRC-03 to include the underlying invoice details
- Revised framework proposed from the April 2027 return after public consultation

REGISTRATION AND SMALL TAXPAYERS

- Automatic acceptance of registration amendments, except principal place of business for most taxpayers
- Phased automatic cancellation once pending returns are filed and dues are paid
- Rule 14B route for small e-commerce sellers using the operator's warehouse as principal place of business, subject to conditions
- Late-fee waiver for section 39(1) returns of taxpayers up to ₹5 crore turnover if filed by month-end
- ARQP scheme approved in principle for B2C-only taxpayers up to ₹5 crore turnover

Systems impact: ERP, return utilities and reconciliation controls will need redesign if the April 2027 mechanism proceeds in its proposed form.

Dispute resolution, penalties and enforcement

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Lower monetary exposure accompanies stronger procedural safeguards

Area	Council recommendation	Business relevance
Show cause notices	No notice where tax involved is below ₹10,000	Pending matters below the threshold also proposed for relief
Non-fraud penalty	5% where tax and interest are paid within 30 days under section 73 or 60 days under section 74A	Removes the ₹10,000 minimum penalty in non-fraud cases
General penalty	Maximum under section 125 reduced from ₹25,000 to ₹10,000	Lower exposure for residual contraventions
Penalty-only appeals	Pre-deposit capped at ₹40 crore: ₹20 crore CGST plus ₹20 crore SGST/UTGST	Cap applies where the order has penalty but no tax demand
Rule 86A	Objection and personal hearing before a decision on blocked credit	Express procedural opportunity for the taxpayer
Arrest and prosecution	Omit section 69 arrest power; raise prosecution threshold from ₹1 crore to ₹5 crore	Major change, but it requires statutory amendment

A separate circular is proposed on notice quality, fraud allegations, timely orders, natural justice and personal hearings.

Goods movement, exports and digital compliance

The proposals reshape checks in transit and several cross-border rules

GOODS IN TRANSIT

Interception would require specific intelligence and authorisation by an officer not below Joint Commissioner.

- No interception in transit States, subject to the stated jurisdictional conditions
- Missing e-way bill or origin/destination document remains an exception
- Section 130 confiscation would not apply to goods or conveyances in transit

EXPORTS AND CROSS-BORDER

- Services supplied to or through the supplier’s foreign office or branch can qualify as exports
- Place of supply for goods made physically available would move to the default rule in section 13(2)
- Goods sold to an overseas buyer and delivered in an SEZ or FTWZ would be deemed supplied to the SEZ or FTWZ
- Circular proposed on permitted receipt in foreign currency or Indian rupees

DIGITAL AND LEGAL FRAMEWORK

- E-invoicing proposed for domestic RCM supplies from unregistered persons and imports of services for taxpayers with turnover of ₹5 crore or more
- Transfer of title in IPR, temporary or permanent, to be treated as a supply of services
- Validation clause proposed for multi-year notices invalidated by courts
- GSTAT provisions to align with the Tribunals Reforms Act, 2026

These measures need close review against the precise statutory wording when issued, particularly the validation clause and export conditions.

Sector impact: exporters, manufacturers and digital commerce

The largest working-capital and process effects concentrate in three business models

Sector	Relevant recommendations	Management attention
Exporters and global service providers	Automated refunds; input-service and capital-goods credit; foreign branch export condition; section 13(3)(a); SEZ/FTWZ delivery	Revisit branch arrangements and place-of-supply positions. Prepare refund data for system validation.
Manufacturing and inverted duty businesses	Refund of input-service ITC from 15 Nov 2026; capital-goods ITC from 1 Apr 2027 over 60 months; wider section 17(5) credits	Tag prospective credits by date and category. Preserve capex and utilisation records for the 60-month mechanism.
E-commerce and logistics	Rule 14B registration; delivery services at 5% without ITC; section 9(5) clarification; restricted interception of goods	Update seller onboarding, warehouse registrations, tax engines and delivery-vendor classification once notified.

Priority: quantify cash-flow improvement and system changes only after eligibility rules, risk parameters and effective dates are notified.

Sector impact: services, finance and asset-heavy businesses

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Rate options, credit rules and clarifications will affect operating models differently

Sector	Potential impact	Review focus
Hospitality and fitness	Limited same-line ITC for restaurant, catering, hotel rooms up to ₹7,500 per unit per day, and gym services	Vendor mapping, rate choices and credit attribution
Banks and NBFCs	Circular on section 17(4) ITC; clarification that notional fund transfer pricing interest falls within the notified definition	Common-credit methodology and internal accounting entries
Automotive and passenger transport	Optional 5% rate with restricted ITC for qualifying EV transport/rental; demonstration vehicle circular; margin-scheme and leasing clarifications	Compare tax models and update recoveries in leasing invoices
Waste and scrap	RCM on specified scrap supplied by unregistered persons; 2% TDS on registered B2B supplies	Supplier registration, RCM and TDS controls
Infrastructure, IPR and R&D	Credit for towers and external pipelines; toll/TOT measures; IPR treated as service; self-certification for Entry 44A	Contract classification and contemporaneous documentation

Additional goods and service recommendations include nil GST on psyllium seeds, tyre-rate alignment, selected exemptions and clarification of the second-hand vehicle margin scheme.

Implementation watchlist and immediate actions

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Preparation can begin now without treating recommendations as effective law

ACTIONS FOR BUSINESSES

01 Map exposure

Identify affected registrations, refunds, supplies, blocked-credit categories and sector-specific measures.

02 Preserve data

Maintain invoice-level support for refunds, RCM, reversals, reclaims, capital goods and e-invoicing changes.

03 Define system requirements

Prepare for the proposed April 2027 correction mechanism and the expanded e-invoicing scope.

04 Control implementation

Adopt changes only after checking the final amendment, notification, effective date and transitional provisions.

OFFICIAL INSTRUMENTS TO TRACK

- Amendments to the CGST Act and IGST Act
- CGST Rules, forms and portal specifications
- Rate, exemption and reverse-charge notifications
- CBIC circulars, FAQs and instructions
- Effective dates and transitional provisions

Do not change a tax position based solely on the press release.

This material provides general information and does not constitute legal or tax advice.

Source: PIB release dated 8 October 2026. Council recommendations only.

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Thank you

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