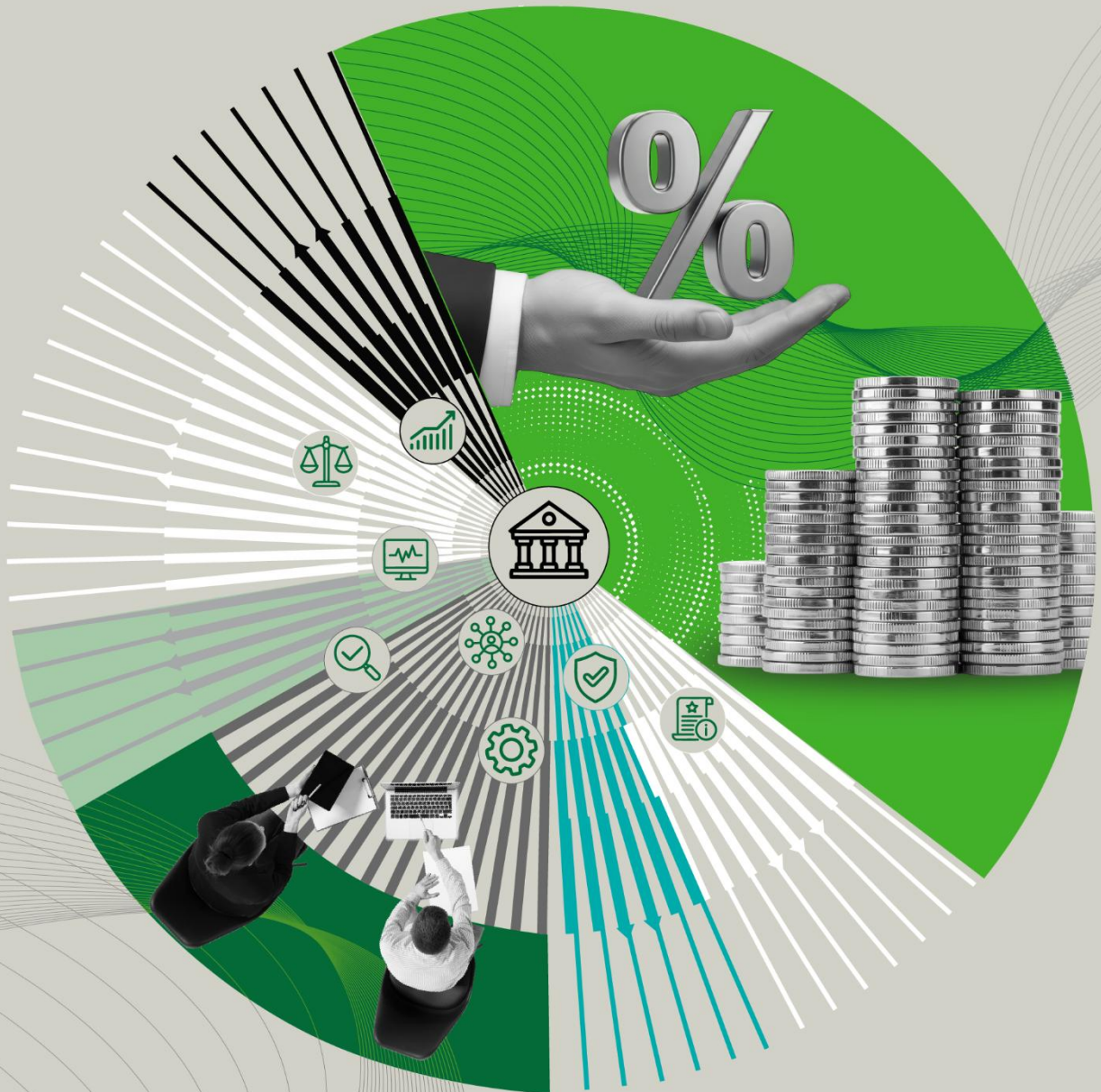




Tax alert - 57th GST council meeting held on 8 October 2026 GST 2.0: Prakriya Aasaan

October 2026

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Preface

GST 2.0: Prakriya Aasaan: Towards a new era of simpler compliance

The next phase of GST reform is now taking shape. The journey that began with the vision of reducing and rationalising GST rates is moving beyond rates to address how businesses experience the tax system in their day-to-day operations. With the rate rationalisation implemented in September 2025, the focus is now firmly turning towards simpler compliance, greater clarity and certainty for businesses, and a more seamless ease of doing business.

In her recent article, *“Next-Gen GST and India’s Next Phase of Growth,”* the Hon’ble Union Finance Minister, Smt. Nirmala Sitharaman drew on nearly nine years of GST experience to outline the priorities for its next reform stage, with a focus on making the framework more responsive, accessible and predictable for taxpayers.

Against this backdrop, the recent deliberations of the GST Council assume particular significance in shaping the next chapter of GST 2.0. The recommendations address several practical areas that directly affect businesses, including Input Tax Credit (ITC), refunds, exports, registration, return filing, e-way bills and dispute resolution. They are particularly relevant to long-standing challenges around working-capital blockage, accumulated credits, export refunds, multi-State registrations, vendor defaults and procedural disputes.

The Hon’ble Prime Minister has, in fact, in his post on X mentioned:

I welcome the new round of GST reforms approved by the GST Council. The Council’s recommendations on the removal of arrest provisions, greater decriminalisation and simpler procedures will have a very positive impact. The focus is clear:

- Faster decisions
- Lower compliance costs
- Automated refunds
- Trust-based administration

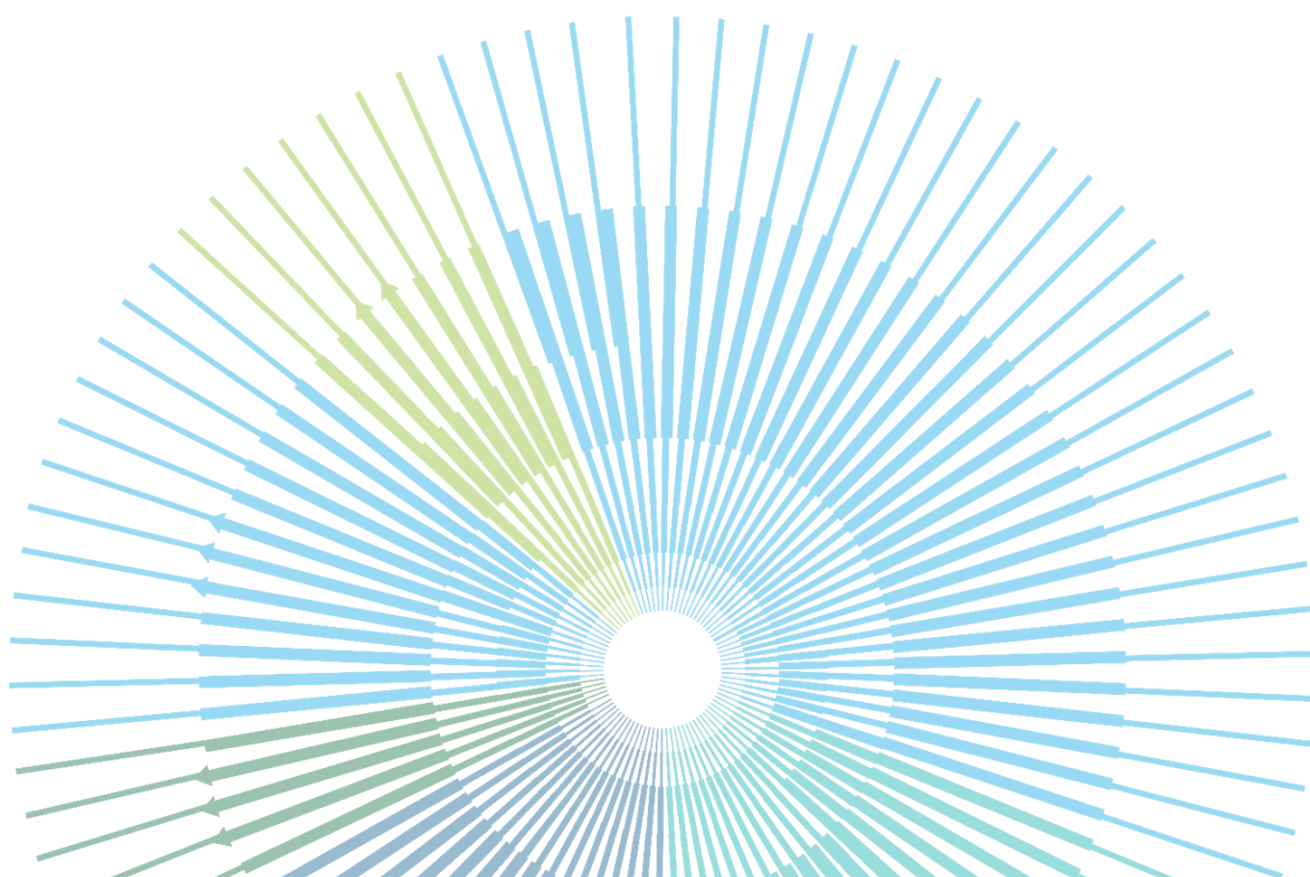
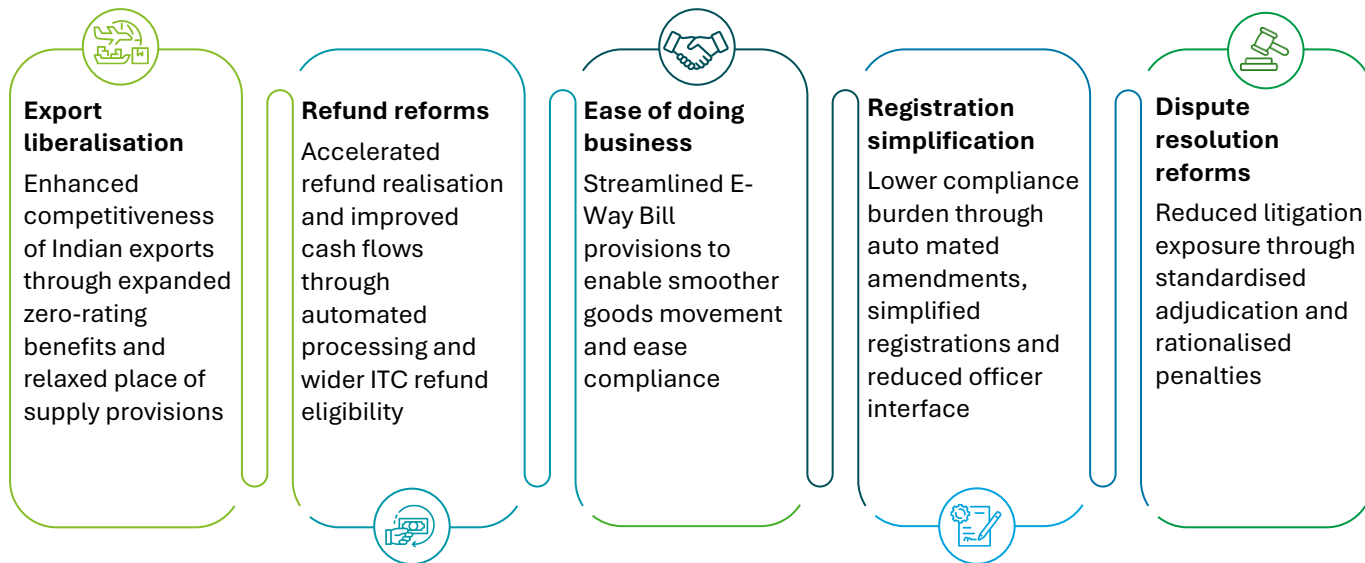
These are in line with our constant efforts to make GST more efficient, transparent and citizen-friendly.

Underlying this next stage is a clear movement towards a trust-based approach to tax administration, with trust in the taxpayer emerging as an important guiding principle. This approach, underpinned by the spirit of cooperative federalism, recognises that businesses that seek to comply should be trusted and enabled to do so with greater ease, rather than be burdened by unnecessary procedural complexity. The latest reforms, therefore, mark **yet another phase in the GST journey**, a further step towards a more seamless, efficient and taxpayer-centric GST ecosystem.

The first phase of GST reforms focused on simplifying the tax structure through rate rationalisation, while the current phase seeks to enhance taxpayer experience through streamlined processes, faster refunds, smoother credit flows and greater certainty in tax administration. As the GST ecosystem matures, the focus will remain on resolving emerging challenges and strengthening ease of compliance.

This alert provides a summary of the key recommendations emerging from the 57th GST Council meeting and their potential implications for businesses.

Key tax reform factors



Reforms relating to exports/zero rating of supplies of goods and services

a. Export liberalisation

1

Performance-based services

The special place-of-supply rule for services performed on goods physically made available by the recipient is proposed to be removed. Consequently, the place of supply would be determined based on the location of the service recipient. This will help Indian service providers qualify for export benefits under GST when providing such services to foreign customers, subject to the fulfilment of prescribed export-related conditions.

2

Zero rating status for goods delivered from DTA to SEZ/FTWZ unit on behalf of foreign buyer

An amendment to Section 16(1) of the IGST Act is proposed to provide that where goods are supplied to an overseas buyer but delivered to such buyer for warehousing or further processing in an SEZ/FTWZ, the supply would be **deemed to be a supply to the SEZ/FTWZ**.

This deeming provision would apply where **consideration is received in convertible foreign exchange** or in INR, where permitted by the RBI.

3

Services involving overseas branches

Condition (v) of section 2(6) of the IGST Act is proposed to be omitted, following which services to or through overseas offices or branches may then qualify as exports, subject to the remaining conditions.

4

Receipt of export consideration

Proposal to issue a circular to clarify that export payments may be received in convertible foreign exchange or Indian rupees, wherever permitted under RBI regulations.

Deloitte's comments

Removing the performance-based proxy may also allow remote maintenance, research and testing services to qualify as exports, aligning India's framework more closely with global indirect tax practice and reducing supply-chain tax costs. The proposed changes should place services supplied to or through overseas offices on par with other exports.

Also, there would be certainty regarding zero rating benefit to Indian manufacturers making supply of goods to overseas buyers by making delivery to them in an SEZ/FTWZ for warehousing or further processing. Businesses would have greater flexibility to structure "bill-to overseas customer, ship-to SEZ/FTWZ" arrangements without having to establish that the goods have already been exported from India.

The proposed clarification would help businesses demonstrate export status where consideration is received through RBI-permitted channels, which may recognise various netting-off and fund receipt arrangements (viz. receipt of INR or from NOSTRO account) as permissible modes of foreign currency receipts for the purpose of fulfilling export (zero-rating) requirements.

Refund-related reforms

The proposed amendments seek to make GST refunds faster, simpler and more automated by:

System-based processing:

Refund applications for zero-rated supplies and inverted duty structure would be processed electronically, without requiring scanned supporting documents to be uploaded.

Removal of export-value cap:

The restriction limiting the turnover of zero-rated goods to 1.5 times the value of similar goods sold domestically would be removed for refund computation.

INR1,000 minimum refund threshold:

The threshold would apply to the aggregate refund amount, combining CGST, SGST/UTGST and IGST, rather than separately to each component.

The simplification of the refund process will happen in the following two phases:

Phase 1



Refund claims of excess balance in Electronic Cash Ledger will be processed and sanctioned automatically by the system without any officer intervention.

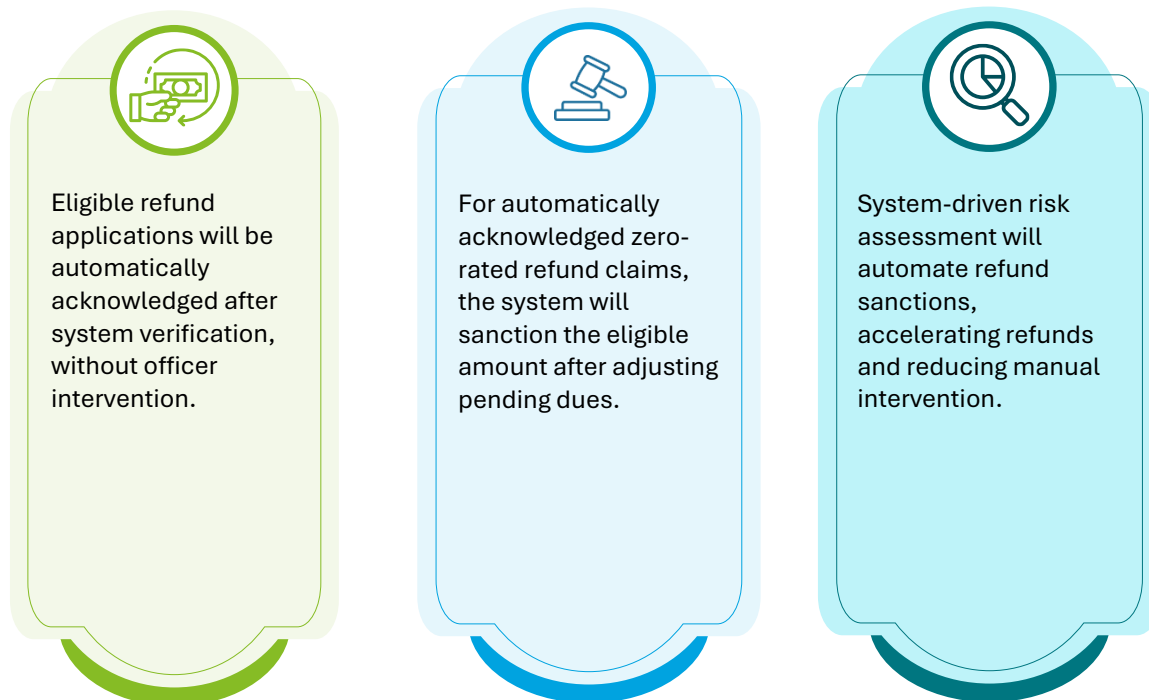


Refund applications will be deemed acknowledged if no deficiency memo is issued within 10 days.



90 percent of refund claims for zero-rated supplies and inverted duty structure will be provisionally sanctioned automatically, based on system-driven risk assessment.

Phase 2



Inverted duty structure refunds

Credit category	Recommended treatment
Input services	Refund eligibility proposed for eligible ITC availed on or after 1 November 2026.
Capital goods	Refund eligibility proposed for eligible ITC availed on or after 1 April 2027, with recovery spread over 60 months.

Deloitte's comments

The proposed automation of GST refunds is a welcome step towards reducing processing delays, officer interface and working-capital blockage. System-based acknowledgements, provisional release of 90 percent of eligible claims and automated sanctions should improve cash flows, particularly for exporters and businesses affected by inverted duty structures.

However, effective implementation will depend on robust portal functionality, transparent risk-assessment parameters and clear procedures for addressing system-generated deficiencies or refund rejections.

A key reform is the government's focus on resolving delays in processing cash refunds, which have long caused working capital blockages.

Extending refunds to eligible input services would remove a long-standing working-capital blocker where output tax rates are lower than input rates. In addition, inclusion of capital-goods credit should unlock capex credit that otherwise remains idle, although the prospective eligibility and five-year recovery period will defer the cash-flow benefit. The proposed changes are expected to reduce refund backlogs and improve liquidity in industries operating under an inverted duty structure, viz. textiles, consumer products, ice cream manufacturing, fertilisers, etc.

Unlocking Input Tax Credit

The GST Council has recommended rationalising blocked ITC across the following sectors:

1. **Employee welfare and business expenses:** ITC to be allowed on outdoor catering and health and life insurance services.
2. **Telecom:** ITC to be allowed on telecommunication towers.
3. **Manufacturing:** ITC to be allowed on pipelines laid outside factory premises, free samples and goods destroyed or written off upon expiry where required by law.
4. **Same-line-of-business supplies:** ITC in the same line of business to be allowed for:
 - Restaurant and outdoor catering services
 - Hotel accommodation valued up to INR7,500 per unit per day
 - Gym and fitness services

Deloitte's comments

The recommendations represent a significant move towards rationalising blocked ITC, reducing business costs and enabling a more seamless flow of credit across supply chains. The proposed relaxation should reduce tax cascading, unlock working capital and improve the ease of doing business.

The proposal concerning physician samples and expired inventory is particularly relevant for the Life Sciences and Healthcare sector. These expenses are ordinarily incurred for business, regulatory and quality-control purposes, but the existing ITC restrictions create embedded tax costs. Allowing ITC should improve liquidity, lower compliance costs and align the GST treatment with commercial realities.

Allowing ITC on telecom towers aligns with the **Supreme Court ruling on the issue** and should provide statutory certainty, reduce embedded costs and end long-standing litigation.

Similarly, the proposal to **allow ITC on specified supplies within the same line of business** acknowledges evolving business models where aggregators and multiple service providers operate on a back-to-back basis. By permitting credit in such cases, the amendment is expected to minimise tax cascading and improve efficiency across the value chain.



Clarifications on GST treatment/rate of goods and services

Treatment of the transfer of title in Intellectual Property Rights (IPR)

The GST Council has recommended amending Schedule II of the CGST Act, 2017, to clarify that transfer of title in IPRs, whether temporary or permanent, will be treated as a supply of services.

Deloitte's comments

The recommendation seeks to resolve a longstanding classification dispute, as temporary licensing of IPRs has traditionally been treated as a service. However, the GST Tariff Notification for both goods and services included “permanent transfer of IPR”, thereby leading to ambiguity on the classification of permanent transfer of IPR as “goods” or “services”. By prescribing a uniform GST treatment for all IPR transfers, the amendment is expected to reduce litigation, provide greater certainty for businesses and facilitate smoother domestic and cross-border IPR transactions.

Clarity on taxation of the supply of services via Electronic Commerce Operators (ECO)

1 Section 9(5) will clarify that the ECO is liable to pay GST on notified services, irrespective of the business model adopted.

2 Delivery services supplied through an ECO, excluding courier and postal services, will attract GST under Section 9(5) where the service provider is below the registration threshold.

3 Specified delivery services relating to goods supplied or ordered through an ECO will attract 5 percent GST without ITC.

4 The GTA exemption for transportation of goods to unregistered persons will not apply where the goods are supplied or ordered through an ECO.

Deloitte's comments

The proposals should produce more consistent tax treatment for notified services across ECO business models and clarify responsibility for delivery services. ECOs should review delivery arrangements, identify who must pay GST and assess the effect of unavailable ITC on pricing.

Import of services by Indian establishments of foreign shipping lines

Services received without consideration by an Indian establishment of a foreign shipping company from its overseas related parties or establishments will be exempt from GST, with past cases regularised on an “as is where is” basis.

Deloitte’s comments

The proposal should provide relief from reverse-charge GST exposure on intra-company services received without consideration, reduce related disputes and provide certainty for past periods.

GST treatment of recoveries in motor vehicle leasing

The GST treatment of registration charges, road tax, insurance, FASTag charges and similar expenses incurred by the lessor and recovered from the lessee will be clarified.

Deloitte’s comments

The clarification should reduce valuation disputes and help lessors adopt consistent GST treatment for statutory and ancillary recoveries in motor vehicle leasing transactions.

Passenger transport and rental of motor vehicles using EVs

An option to pay **GST at 5 percent with restricted ITC** is proposed for passenger transport and rental of motor vehicles with operators using electric vehicles, where battery-charging costs are included in the consideration.

Deloitte’s comments

The proposal provides a clear and concessional GST framework for EV-based mobility services, supports evolving transport models and promotes wider adoption of electric vehicles. However, businesses should evaluate whether the benefit of the 5 percent rate outweighs the cost of restricted ITC. This brings it in alignment with other passenger transport services and rent-a-cab services, ensuring greater tax neutrality across vehicle technologies.

Exemption for toll-collection rights under the Toll-Operate-Transfer (TOT) model

The GST Council has recommended exempting the grant of exclusive rights, licence and authority by the Government or specified government bodies to concessionaires for demanding, collecting and appropriating toll fees on highway projects.

Similarly, a special procedure for valuation and payment of GST in respect of Operation and Maintenance (O&M) services provided in highway projects operating under the TOT model has been recommended.

Deloitte’s comments

Under the **TOT model**, concessionaires pay an upfront amount to acquire toll-collection rights. As toll collections are exempt from GST, taxing the corresponding grant of toll rights creates ambiguity and additional project costs. Considering the ongoing litigation before various high courts, the proposed exemption should provide tax certainty, reduce disputes and lower costs for highway concessionaires.

The GST treatment of O&M services under the TOT model has faced challenges regarding valuation and timing of GST liability due to the unique commercial structure of such arrangements. The proposed clarification is expected to provide certainty, simplify compliance and reduce potential disputes for stakeholders in highway projects.

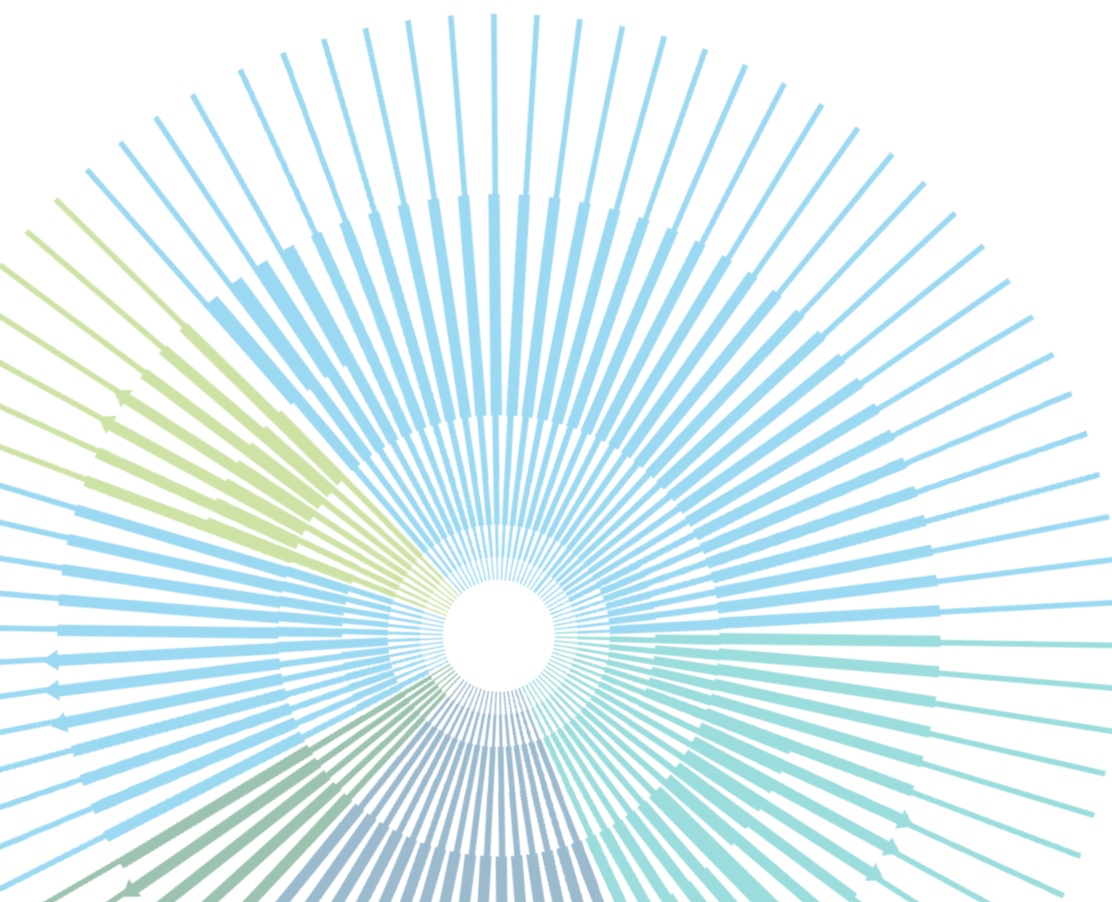
- Clarification proposed to recognise notional fund transfer between Bank branches as akin to ‘interest’ and exempt under Notification No 12/2017-Central Tax (Rate)

ITC under the Margin Scheme for second-hand vehicles

The proposal clarifies that dealers of second-hand vehicles operating under the margin scheme may avail ITC on eligible inputs and input services (for example, spares, repairs, technology services, rent and marketing services). The restriction on ITC under the scheme would apply only to GST paid on the procurement of second-hand vehicles.

Deloitte's comments

The clarification should provide certainty on the scope of ITC restrictions, reduce disputes and lower embedded costs for second-hand vehicle dealers.



Procedural reform relating to registration, returns and dispute resolution

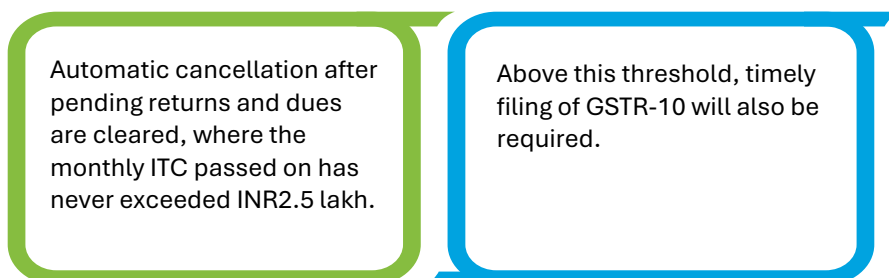
Streamlining of registration processes

Clearer applications and automatic amendments

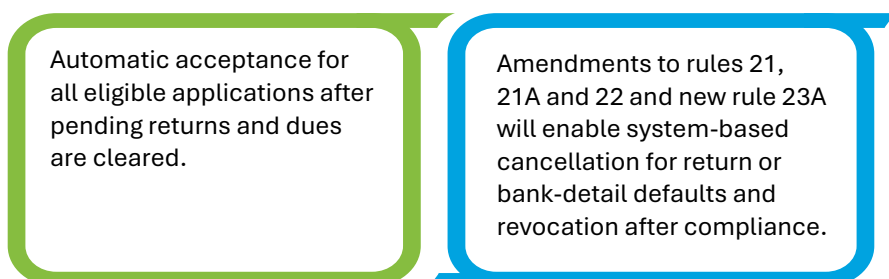
- A circular is proposed to be issued listing the documents, information and FAQs for GST registration applications (outside Rule 14A).
- Revised FORM GST REG-01 to include document drop-downs, tooltips and filing guidance.
- Amendments to GST registration will be auto-accepted except for changes to the principal place of business.
- Under Rule 14A, all amendments, including the principal place of business, will be auto-accepted.

Cancellation and revocation: Phased implementation

Phase 1



Phase 2



Simplified registration for small sellers through ECOs

- Proposed Rule 14B will allow eligible small suppliers through an ECO to use the ECO's warehouse as their principal place of business in a State or Union territory. Monthly ITC passed on must not exceed INR2.5 lakh, excluding stock transfer.

Deloitte's comments

The proposed registration reforms represent a shift towards a more **system-driven, standardised and taxpayer-friendly framework**. Clear documentation requirements, guided filing and automatic processing should reduce avoidable queries, inconsistent officer practices and delays in obtaining or updating registrations.

For small sellers, including MSMEs, the ability to use an ECO's warehouse as the principal place of business could remove the need to maintain separate premises in every State. This may reduce establishment and multi-State compliance costs, improve inventory reach and enable wider participation in e-commerce.

Return and compliance reforms

Alignment of liability and ITC reporting

- Enhancements in GSTR-1, GSTR-1A and IFF to better reconcile with GSTR-3B liability.
- Proposed rule 61(1A) to align and rectify GSTR-3B liability against GSTR-1, GSTR-1A and IFF.
- Proposed rule 86D to introduce an electronic RCM tax and ITC statement.
- Revised FORM GST DRC-03 to capture underlying invoice details.
- Proposed rule 60(6A) to recognise IMS and permit acceptance, rejection or pending status for documents used in GSTR-2B.
- Proposed rule 86C to introduce an ITC reversal and reclaim statement; rule 61(1B) will align GSTR-3B ITC with GSTR-2B.

Deadlines and e-invoicing

- Sections 16, 37 and 39 to align return filing with section 16(4) ITC deadline.
- E-invoicing will extend to specified RCM supplies from unregistered persons and imports of services for taxpayers with a turnover of INR5 crore or more.

Alternate Amendment Mechanism

- An alternate mechanism for amendment of liability and the ITC mechanism is proposed from the April 2027 return period, after public consultation and approved modifications.

Deloitte's comments

Better alignment of outward-supply details, tax liability and eligible ITC should reduce mismatches, demand notices and system-generated intimations. The proposed statements should also strengthen the audit trail for reverse-charge tax, reversals and reclaims, while wider e-invoicing will extend invoice-level discipline to self-invoices.

Interest on pre-deposit

The GST Council recommended:

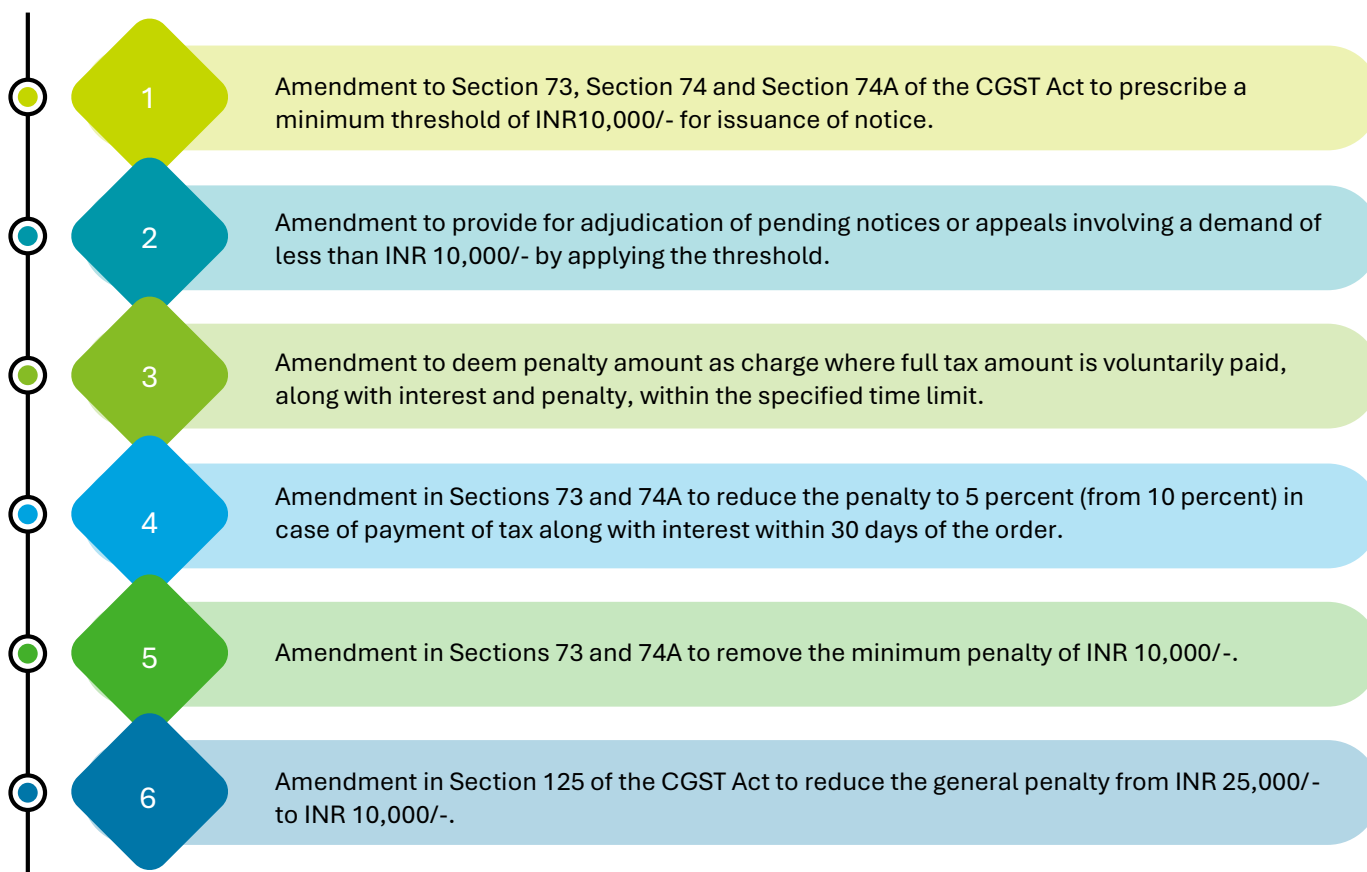
- Amending **Section 115 of the CGST Act, 2017** to make it a standalone provision prescribing the rate of interest applicable to the refund of appeal pre-deposits; and
- Issuing a circular to clarify issues relating to the rate of interest on such refunds

Deloitte's comments

Section 115 currently borrows the rate specified under section 56, which contains two different rates for two different situations. Further, Section 115 provides for interest from the date of deposit, whereas Section 56 provides for interest only after a specified period of delay. A specific provision for interest on the refund of pre-deposit will remove the ambiguity stemming from the language of Section 115.

Reforms related to dispute resolution

The following proposals have been made by the Council:



Issuance of a circular laying down clear guidelines to be followed by the tax officers to streamline the process of issuance of demand notices, adjudication orders and appeal orders. The circular will inter alia deal with:

- Issues relating to the quality of demand notices and adjudication/appeal orders
- Timely issuance of notices/orders,
- Proper invocation of grounds of fraud, wilful misstatement or suppression of facts
- Adherence to the principles of natural justice, including the conduct of personal hearings.

Deloitte's comments

The proposed amendments support the objective of reducing unnecessary litigation. Introducing an **INR10,000 threshold for issuing notices**, including for pending matters, should reduce the burden of pursuing low-value disputes.

The penalty reforms should prevent disproportionate penalties for minor or procedural lapses, while reduced penalties for timely payment should encourage voluntary compliance and early dispute resolution.

Comprehensive guidelines on notices, adjudication and appeals should improve the quality and timeliness of proceedings, promote accountability, curb arbitrary demands and reinforce natural justice through meaningful personal hearings.

Proposed amendment on pre-deposit required in cases involving only a penalty

The Council has recommended an amendment to Section 107(6) and 112(8) of the CGST Act to cap the pre-deposit to INR 40 crore (INR 20 crore under CGST and INR 20 crore under SGST/UTGST) payable for appeals filed in cases where the demand is only on account of penalty.

Deloitte's comments

Unlike tax disputes, penalty-only appeals currently have no cap on the mandatory pre-deposit, creating a disproportionate financial burden for taxpayers. The proposed **INR40 crore cap**, comprising INR20 crore each under CGST and SGST/UTGST, should limit this exposure, unlock working capital and make appellate remedies more accessible.

Proposed amendment to Rule 86A of the CGST Rules

An amendment has been proposed in Rule 86A, which deals with the blocking of ITC to enable a taxpayer to file an objection and to avail the opportunity of a personal hearing.

Deloitte's comments

Rule 86A empowers tax authorities to block the ITC of a taxpayer in cases of fraudulent availment of ITC or the availment of ineligible ITC. While the intention of the provision is to secure the interest of the revenue, the power has been exercised in an arbitrary manner by the department, adversely affecting the business of genuine taxpayers. The proposed amendment, by allowing taxpayers to file objections and avail of an opportunity for a personal hearing, will help ensure that the power under Rule 86A is exercised in a fair, reasoned and transparent manner. The amendment is in line with the view expressed by various High Courts and avoids Rule 86A being used as a tool to initiate an ex parte action against a taxpayer.

Validation of multi-year GST notices

To streamline GST compliance and address litigation on procedural grounds, the GST Council has recommended the introduction of a validation provision in the CGST Act, 2017, to validate notices issued for multiple financial years. The proposed amendment seeks to address instances where such notices have been held invalid by various courts solely on the ground that they covered more than one financial year.

Deloitte's comments

The proposed validation clause reflects the Government's intent to provide legislative certainty and minimise disputes arising from procedural defects in tax notices. If enacted, the amendment could retrospectively validate notices that are currently under challenge covering multiple financial years.

Taxpayers with ongoing litigation involving multi-year notices should closely assess the impact of the proposed amendment, as it may significantly alter the legal position in such cases and reduce the scope for challenges based solely on procedural grounds.

Formation of an officers' committee to examine Section 16(2)(c) of the CGST Act and ITC eligibility on motor vehicles

The GST Council, in the spirit of cooperative federalism and with a view to protecting genuine and bona fide taxpayers, will constitute a committee of officers to examine Section 16(2)(c) of the CGST Act and ITC eligibility on motor vehicles to protect genuine taxpayers. The committee will submit the report within three months, and the report will be placed for consideration before the GST Council.

Deloitte's comments

The issue of denial of ITC to genuine taxpayers in case of failure of any of the suppliers, and not just the immediate supplier, in the supply chain, has been a bone of contention under GST since its inception. Various High Courts have also deliberated on this issue and have intervened to protect genuine taxpayers. However, tax authorities routinely deny ITC or issue demand notices to bona fide recipients whenever a supplier in the supply chain fails to deposit tax or causes any default.

The formation of an officers' committee shows institutional recognition of the hardship being faced by genuine taxpayers and the need to protect bona fide recipients while curtailing the misuse of ITC.

The decision to also refer the issue of ITC eligibility on motor vehicles for further examination signals the Council's willingness to revisit long-standing interpretational challenges and explore possible reforms aimed at improving ease of doing business.

Proposed amendment to arrest and prosecution

- **Arrest:** Section 69 of the CGST Act is proposed to be omitted, removing the Commissioner's power to authorise arrests under GST.
- **Prosecution threshold:** The monetary threshold under Section 132 is proposed to be increased from INR1 crore to INR5 crore.
- **Fraudulent ITC:** Section 132(1)(c) would cover only fraudulent ITC availed without receipt of goods or services, or without an invoice or bill.
- **Non-fraud tax evasion:** Tax evasion without fraud is proposed to be removed from the scope of Section 132(1)(e).
- **Dealing with offending goods:** The words "or in any other manner deals with" are proposed to be deleted from Section 132(1)(h).
- **Punishment:** The penalties and imprisonment prescribed for offences under Section 132 are proposed to be rationalised.

Deloitte's comments

The proposed removal of arrest powers under GST, together with a higher prosecution threshold and narrower scope of offences, is a significant move towards a proportionate and trust-based tax regime. It should protect genuine taxpayers from coercive action, reduce litigation arising from indiscriminate invocation of arrest provisions and ensure that prosecution is focused on serious cases involving fraud or fraudulent ITC.

Raising the prosecution threshold from **INR1 crore to INR5 crore** and rationalising punishments should also prevent minor or interpretational disputes from resulting in criminal proceedings, thereby improving taxpayer confidence and ease of doing business.

Procedural recommendations

Rationalisation of provisions relating to E-way Bill

To facilitate smoother movement of goods and improve transportation efficiency, the GST Council has recommended:

- Interception only on specific intelligence and with authorisation from an officer not below the rank of Joint Commissioner;
- No interception in transit States, with detention or seizure generally restricted to a State where the supplier or recipient is located or registered;
- Inspection, detention or seizure in any jurisdiction where no e-way bill or document establishing the origin or destination of goods is available; and
- Non-application of confiscation provisions under Section 130 to goods and conveyances in transit.

Deloitte's comments

The proposals should reduce routine interceptions, jurisdictional disputes and delays in the movement of goods. Requiring specific intelligence and senior-level authorisation should also promote accountability and protect genuine consignments from unnecessary detention.

These changes should particularly benefit businesses that regularly move goods across States by reducing transit delays, logistics costs and disputes arising from such interventions. Overall, the measures should improve supply-chain efficiency and give businesses greater certainty while moving goods across States.

Annual Return Quarterly Payment scheme (ARQP)

In-principle approval has been given for an optional ARQP scheme for taxpayers with a preceding-year turnover of INR5 crore or less, making only B2C supplies.

Deloitte's comments

The optional scheme could reduce the recurring return-compliance burden for smaller businesses (including MSMEs) serving only unregistered customers.



Clarification in respect of various issues through circulars

The GST Council has recommended issuing circulars to remove ambiguities and ensure consistent interpretation by field formations on:

- 1 Distribution of ITC through the **Input Service Distributor mechanism**;
- 2 ITC eligibility for banks, financial institutions and NBFCs opting under **Section 17(4)**;
- 3 Payment of **appeal pre-deposits**;
- 4 ITC eligibility on **demonstration vehicles** in specified cases; and
- 5 Retrospective omission of **Rule 96(10)** with effect from **23 October 2017**, in accordance with the Supreme Court's decision

Deloitte's comments

The proposed circulars should promote consistent implementation across jurisdictions, reduce interpretational disputes and provide greater certainty to taxpayers. In particular, clarification on ISD, demonstration vehicles and Rule 96(10) could help resolve pending disputes and reduce future litigation.

Other Change

Recommendations relating to goods

- **Sublimation paper:** Classification under HSN 4809, attracting GST at 18 percent, is proposed to be clarified, with past cases regularised on an “as is where is” basis.
- **Toys:** The relevant GST rate entries will cover all toys under Heading 9503, including dolls and puzzles, and not merely tricycles, scooters and pedal cars.
- **Seaweed-based bio-stimulants:** Products registered under Schedule VI of the **Fertiliser (Inorganic, Organic or Mixed) Control Order, 1985**, will be classified as fertilisers under HSN 3101, attracting GST at 5 percent, with past cases regularised on an “as is where is” basis
- **Specified waste and scrap:** Supplies of plastic, electrical and electronic waste, tyre scrap and used cooking oil by unregistered persons to registered persons will attract RCM. B2B supplies by registered persons will also be subject to 2 percent TDS.
- **Psyllium seeds:** Isabgol seeds will attract Nil GST, whether fresh, chilled, frozen or dried.
- **Retreaded tractor tyres:** Their GST treatment will be aligned with that of new tractor tyres, attracting GST at the rate of 5 percent.
- **Compensation cess:** Past non-levy by CSDs and Unit Run Canteens on specified vehicles and aerated drinks will be exempted for the prescribed periods.

Deloitte's comments

The proposed measures seek to provide greater **tax certainty and consistency** in the classification and tax treatment of specified goods, while addressing interpretational issues that have resulted in divergent positions and potential tax disputes. The proposed regularisation of past cases on an “**as is where is**” basis should provide relief for historical periods and facilitate closure of legacy disputes. Further, the proposed **Nil/revised GST rates and alignment of tax rates** for specified goods are expected to simplify the tax treatment and address existing rate anomalies.

Further, the proposed introduction of **RCM and TDS requirements for specified waste and scrap transactions** will have implications for the tax compliance processes of recyclers and of businesses generating such scrap, including automotive and tyre manufacturers, whose B2B sales will be subject to 2 percent TDS.

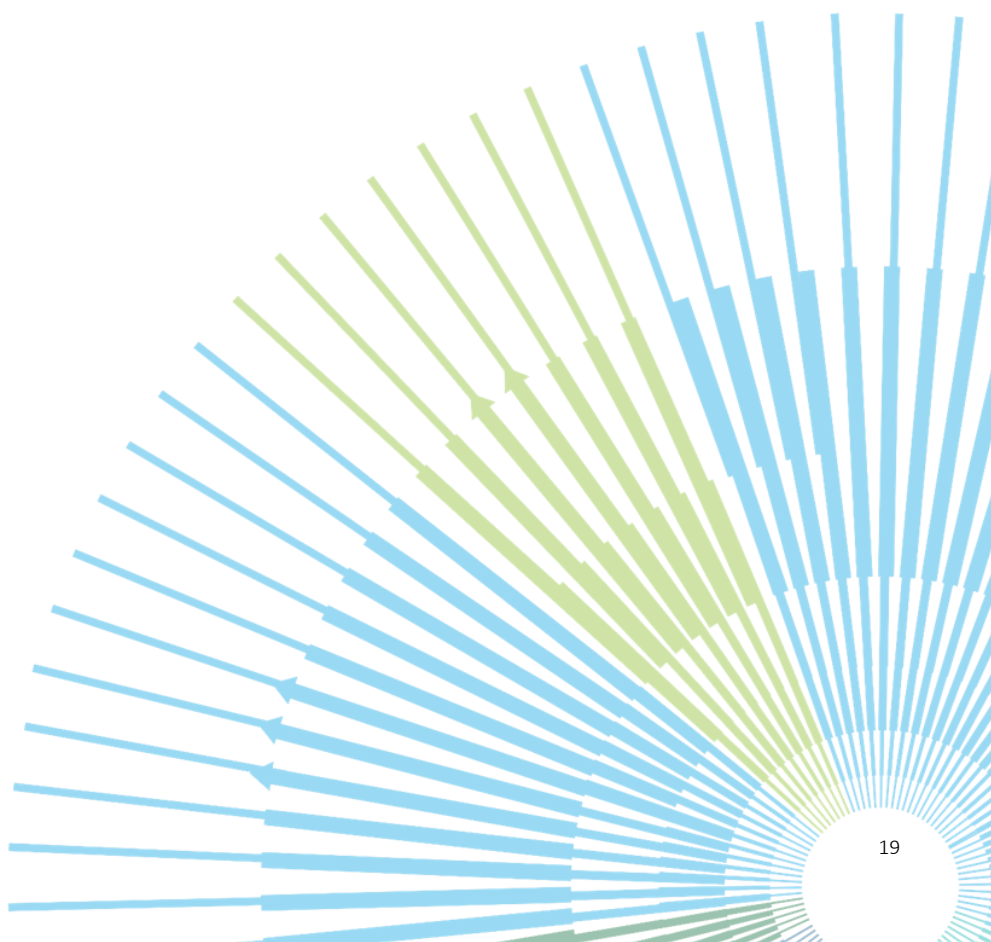


Recommendations relating to services

- **Helicopter passenger transport in specified regions:** Passenger transportation by helicopter on a seat-sharing basis to or from airports and helipads in the North-Eastern States, Sikkim and Bagdogra in West Bengal is proposed to be exempt from GST.
- **Storage or warehousing of seeds:** Services involving the storage or warehousing of seeds intended for sowing will be exempt from GST.
- **Curing of coffee:** Agricultural support services provided by coffee curers to cultivators for curing coffee will be exempt from GST.
- **Seamen's provident fund organisation:** Services provided by the SPFO to persons covered by the Seamen's Provident Fund Act, 1966, will be exempt from GST.
- **Research and development services:** Eligibility for the R&D exemption will be determined through self-certification by the head of the institution or organisation, confirming that the activity constitutes **research and development rather than consultancy**.

Deloitte's comments

These recommendations should reduce tax costs for the agriculture, maritime welfare and research sectors. The simplified self-certification mechanism for R&D services should ease compliance and provide greater certainty, although institutions will need appropriate documentation to substantiate that their activities constitute R&D and not consultancy.



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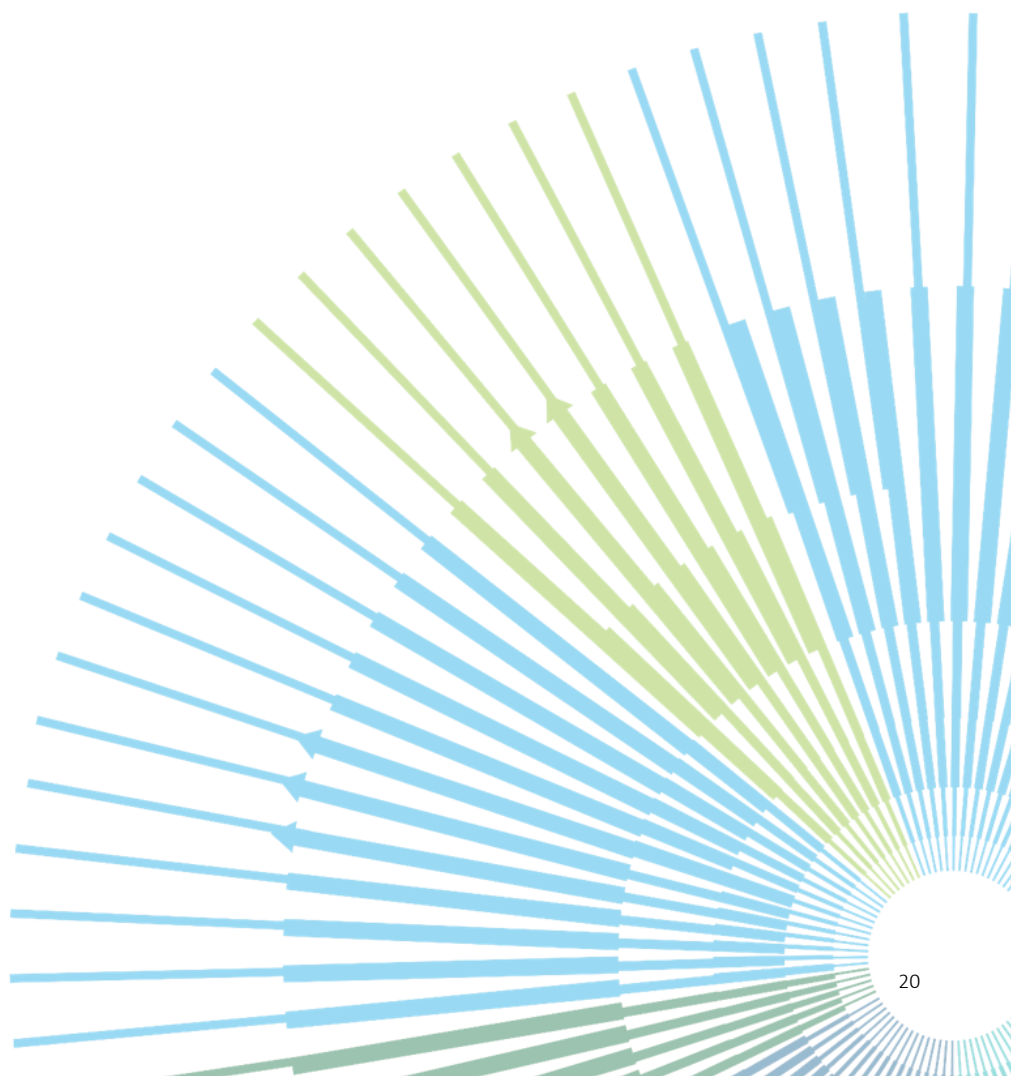
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