



Tax alert: 57th GST Council Recommendations Implemented: Key GST Amendments, Notifications and Clarifications

29 October 2026

The Central Government has recently issued a series of notifications and clarificatory circulars to give effect to the recommendations made during the 57th GST Council Meeting. It has also notified the date of coming into force of key legislative amendments, including those relating to post-supply discounts and provisional refunds in cases involving an inverted duty structure (IDS), as proposed vide Budget 2026.

These changes are intended to further the Government's objective of simplifying GST compliances, enhancing procedural certainty, rationalizing tax administration, accelerating refund mechanisms and facilitating trade. The latest measures encompass a wide spectrum of areas including registration, adjudication, appeals, Input Service Distributor provisions, export procedures, refund processes, e-invoicing, and reverse charge compliances. Given the significant impact of these developments on taxpayers, businesses should evaluate the changes and assess their implications on ongoing and future transactions.

In a nutshell



Effective dates notified for amendments made through the Finance Act, 2026

The Government has notified the date of coming into force of key legislative amendments, including those relating to post-supply discounts and provisional refunds in cases involving an inverted duty structure (IDS)



Notifications Amending GST Rules

The Government has notified extensive amendments to the CGST Rules covering registration, returns, refunds, e-invoicing, ISD credit distribution, electronic liability management and other procedural compliances, with several changes being implemented on a staggered basis up to 1 April 2027.

Notifications Amending GST Rates

Various rate notifications have been issued to give effect to the GST Council's recommendations, introducing exemptions, rationalising tax rates, and providing sector-specific reliefs for industries such as hospitality, transportation, warehousing, e-commerce and logistics.



Key Circulars

The Government has issued a series of clarificatory circulars addressing critical issues relating to registration procedures, adjudication and appeals, refund mechanisms, Input Service Distributor (ISD) compliances, export realisation requirements, banking sector ITC, and other long-standing interpretational disputes, providing much-needed certainty to taxpayers.

A. Effective dates notified for amendments introduced through the Finance Act, 2026

Notification No. 03/2026-CT (G.S.R. 5791(E))

Area	Key amendment	Effective date	Deloitte Comments
Amendment in Section 15(3)(b), CGST Act, 2017	A post-supply discount may be excluded from the value of supply where the supplier issues a credit note and the recipient reverses the ITC attributable to the discount in accordance with section 34. The earlier requirements for an agreement entered into or before supply and specific linkage of the discount to relevant invoices are removed. <i>[Section 153 of the Finance Act, 2026 substitutes section 15(3)(b).]</i>	1 November 2026	Rationalises post-supply discount treatment by replacing the prior-agreement and invoice-linkage conditions with a credit-note/ITC-reversal based framework. Supplier credit notes and corresponding recipient ITC reversals remain essential; the amendment should not be read as dispensing with applicable section 34 requirements.
Amendment in Section 34(1), CGST Act, 2017	Expands section 34(1) to expressly recognise a discount referred to in section 15(3)(b) as a ground for issuing a credit note. This aligns the credit-note provision with the substituted post-supply discount valuation provision. <i>[Section 154 of the Finance Act, 2026.]</i>	1 November 2026	Provides express statutory enablement for credit notes relating to qualifying post-supply discounts. Read with section 15(3)(b), the change establishes a consistent framework linking the supplier's credit note to the recipient's attributable ITC reversal; issuance of a credit note alone does not satisfy both conditions.
Amendment in Section 54(6), CGST Act, 2017	Extends the 90% provisional refund mechanism under section 54(6) to eligible refunds of unutilised ITC under clause (ii) of the first proviso to section 54(3), covering inverted duty structure claims, in addition to the existing zero-rated supply category. <i>[Section 155(a) of the Finance Act, 2026.]</i>	1 November 2026	Extends provisional refund access to eligible inverted duty structure claims and may facilitate earlier release of accumulated ITC, subject to prescribed conditions and procedures. The amendment concerns provisional disbursement, not automatic final sanction or an expansion of the underlying refund entitlement.
Amendment in Section 54(14), CGST Act, 2017	Excludes refunds of tax claimed on goods exported out of India with payment of tax from section 54(14), which otherwise bars refunds under section 54(5) or section 54(6) where the amount is less than ₹1,000. <i>[Section 155(b) of the Finance Act, 2026.]</i>	1 November 2026	Removes the ₹1,000 minimum refund restriction for the specified tax-paid export-of-goods category, allowing otherwise eligible small-value claims to be considered. This is not a general removal of the threshold for all refunds; export-of-services and other refund categories are not covered by this specific exclusion.

B. Notifications Amending GST Rules

Notification No. 04/2026-CT (G.S.R. 918(E))

Area	Key amendment	Effective date	Deloitte Comments
E-invoicing	Extends e-invoicing to reverse charge supplies received from unregistered persons and imports of services, bringing the related recipient-issued self-invoices within the e-invoicing framework.	1 January 2027	Evaluate ERP readiness and self-invoicing workflows for covered RCM transactions and imports of services. Align transaction identification, invoice generation and return reporting ahead of 1 January 2027, with appropriate reconciliation controls.

Notification No. 05/2026-CT (G.S.R. 919(E))

Area	Key amendment	Effective date	Deloitte Comments
Registration (New Rule 14B)	Eligible suppliers selling through e-commerce operators may obtain registration in a state/UT without physical presence by declaring the ECO warehouse as the principal place of business, subject to prescribed conditions.	1 November 2026	Eligible ECO suppliers may register using an ECO warehouse without establishing a separate physical presence in the state/UT, subject to prescribed conditions. Businesses should assess state-wise eligibility, validate warehouse declarations and supporting documents, and align registration records with their fulfilment arrangements.
Amendment of Registration (Rule 19)	Registration amendments are generally required within 15 days. Changes to the principal place of business remain subject to officer review, while other changes are largely system-driven.	1 November 2026; specific Rule 19(3) provision relating to Rule 14A registrations applies from 1 December 2026.	The 15-day amendment requirement and differing approval routes increase the need for timely, accurate registration updates. Businesses should assign responsibility for reporting changes, retain supporting documents, distinguish principal-place changes requiring officer review from system-driven updates, and track the separate Rule 14A-related commencement.
Cancellation, Suspension and Revocation	Amends Rules 20, 21, 21A and 22 and introduces Rule 23A, revising cancellation, suspension and revocation procedures. System-driven mechanisms are introduced with staggered commencement	Cancellation related changes - 1 November 2026 Suspension and system based cancellation/ revocation related changes - 1 April 2027	System-driven actions may accelerate suspension or cancellation following filing and registration defaults, increasing the risk of disruption to GST compliance and business operations. Businesses should strengthen filing calendars and registration-status monitoring, clear identified defaults, and assign responsibility for responding to portal communications and completing applicable revocation procedures. Controls should be operational ahead of the respective commencement dates.
ISD Framework	Amends the ISD framework to permit distribution of central tax ITC as well and align input-service attribution to one or more distinct persons, moving away from the concept of common input services. FORM GSTR-6A is also revised regarding information made	1 November 2026	The revised attribution and tax-head distribution framework may affect existing ISD allocation and reporting processes. Businesses should map services to the relevant distinct persons, review allocation methodologies, update distribution configurations, and

	available to ISDs.		reconcile GSTR-6A information with invoices before reporting the credit distribution.
Refund Provisions	Significant amendments to refund procedures, documentation requirements, timelines, and refund computation methodology as follows:		
	<p>Refund formula revised to include eligible input services from 1 November 2026; capital goods ITC introduced into the framework from 1 April 2027.</p> <p>‘Capital goods attributable to the relevant period’, shall mean ITC on such capital goods is availed on or after 01 April 2027 and that such ITC has been availed in any of the months not earlier than 59 months from the last month of the relevant period.</p> <p>ITC on such capital goods is calculated as per the formula = {Aggregate of (1/60 * eligible ITC availed on capital goods * number of months)} – {Aggregate of input tax credit reversals applicable as per the provisions of the Act or the Rules in respect of such capital goods attributable to the months in the relevant period}.”</p> <p>Number of months - shall be taken as the period covered within the relevant period, out of the period of sixty months commencing from the month in which the input tax credit in respect of such capital goods was availed.</p> <p>Revised formula for calculation of refund:</p> <p>Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) × Net ITC ÷ Adjusted Total Turnover} – tax payable on such inverted rated supply of goods and services.</p> <p>Net ITC shall mean - the sum of input tax credit availed on inputs and eligible input services during the relevant period and the input tax credit on capital goods attributable to the relevant period.</p>		
A. Inverted Duty Structure Refunds		1 November 2026 / 1 April 2027	This is a positive development for companies facing an inverted duty structure, as inclusion of eligible input services and, subsequently, capital goods ITC (availed after the effective dates) in refund computations may enable greater recovery of accumulated credit and improve cash flows, subject to applicable conditions. Companies should revise computation templates, separately identify each ITC category, reconcile supporting data, and apply the revised methodology from the respective effective dates.
B. Export Refunds	Restriction linked to 1.5 times the value of like goods domestically supplied, has been removed.	1 November 2026	Removal of the domestic like-goods benchmark may increase the export value recognised in refund computations

			where the cap previously applied. This provides significant relief to exporters who are facing litigation on this count.
C. Refund Timelines	Time limit for issuance of acknowledgement or deficiency memo reduced from 15 days to 10 days; deemed acknowledgement mechanism introduced.	1 November 2026	The shorter review period and deemed acknowledgement mechanism may accelerate initial refund processing. Businesses should submit complete applications, track the 10-day period and portal status, retain filing evidence, and promptly address deficiency communications.
D. New documents & declarations	Invoice-wise ITC statements; a statement of invoices and shipping bills/bills of export for supplies to recipients under notifications 40/2017-CT(R) and 41/2017-IT(R); a declaration of no prosecution for tax evasion above ₹250 lakh in the preceding five years; and, from 1 April 2027, a capital goods declaration.	1 November 2026 / 1 April 2027	Additional statements and declarations increase refund-preparation and data-validation requirements; incomplete or inconsistent records may delay processing. Businesses who intend to refund capital goods credit should update claim checklists, reconcile invoice-wise ITC and applicable export-document linkages, verify the factual basis of declarations, and prepare capital goods records for the April 2027 requirement.
Restriction of Electronic Credit Ledger (Rule 86A)	New Forms and objection mechanism introduced for blocking and restoration of ITC. Restriction of debit will be communicated through new Form, GST DRC-26. Taxpayers may object through Form GST DRC-27, with the officer's decision communicated through Form GST DRC-28.	1 April 2027	ITC restrictions may reduce credit available for utilisation and create cash-flow pressure; the new Forms provide a structured objection process. Businesses should monitor DRC-26 communications, reconcile the credit affected, prepare evidence-backed DRC-27 objections, and track DRC-28 decisions and ledger restoration. An objection does not itself restore credit.
Demand and SCN Forms	DRC-01, DRC-01A and related Forms amended to capture the underlying proceeding and grounds of demand.	1 April 2027	More detailed proceeding and demand particulars may improve visibility but may require closer reconciliation with the underlying notice. Businesses should update notice trackers, verify the stated grounds and amounts against records, assign response ownership, and monitor applicable deadlines to support timely, evidence-based submissions.

C. Notifications Amending GST Rates

Notification Nos. 06 to 10 /2026-Central Tax (Rate) dated 27 October 2026 - Corresponding IGST Notifications - Notification No. 06 to 10/2026-Integrated Tax (Rate) dated 27 October 2026

The GST notifications summarised below cover changes to tax rates, input tax credit conditions, exemptions and tax-payment mechanisms across hospitality, transport, e-commerce, agriculture, infrastructure and shipping.

Key themes include limited credit for specified procurements in the same line of business, specific rate treatment for electric-vehicle services, changes to delivery services supplied through e-commerce operators, and targeted exemptions and sector-specific provisions. The table sets out the changes notified and their practical implications for the affected businesses.

Sr. No.	Area	Change notified	Deloitte comments
1	Hotel accommodation services	The concessional-rate conditions are revised to permit ITC of input services procured in the same line of business , while continuing the restriction on other ITC. Where the upstream supplier charges tax above the concessional rate, credit is capped at 5% GST of the value of the same-line input service.	Introduces limited flow-through ITC even under the concessional-rate structure, reducing cascading where the same service is procured from another supplier.
2	Restaurant services	For restaurant service other than at specified premises, ITC is permitted for restaurant service procured from another restaurant service provider other than at specified premises , while other ITC remains restricted.	Relevant particularly where restaurant services are subcontracted/procured from another operator.
3	Railway catering	Same-line ITC carve-out specifically covers food/drinks procured from Indian Railways, IRCTC or their licensees , whether on trains or platforms.	Targeted relaxation of the no-ITC condition.
4	Outdoor Catering/ Composite supply of "outdoor catering" together with renting of premises	For specified outdoor catering services other than at specified premises, ITC is permitted for outdoor catering service procured from another supplier of outdoor catering service , while other ITC remains restricted. Where the upstream supplier charges tax above the concessional rate, credit is capped at 5% GST of the value of the same-line input service	Reduces GST cost for caterers who outsource or subcontract catering operations.
5	Electric vehicles (EV): passenger transport	Passenger transport by an electrically operated vehicle , where battery-charging cost is included in the consideration, gets the 5% GST option with restricted ITC or 18% without the restriction . Same-line (i.e. service of transportation of passengers in an EV or service of renting of an EV, procured from another service provider) ITC under the 5% option is permitted but capped at 5% of the upstream consideration.	Provides specific rate treatment for EV-based passenger transport.
6	Renting of EVs	Similar 5% / 18% structure introduced for renting electrically operated vehicles for passenger as well as goods transportation , where battery charging is included in consideration. The 5% route carries restricted ITC permitting same-line capped ITC.	Important for EV fleet/rental and mobility businesses.
7	Definition of EV	"Electrically operated vehicle" is defined as a road vehicle running solely on electrical energy from an external source or batteries fitted to the vehicle, and expressly includes e-bicycles .	Provides the scope for the new EV-related rate entries.
8	Delivery services / e-commerce	The delivery-service entry is reworked. Delivery services supplied through an ECO by suppliers not liable for registration under section 22(1), and delivery services relating to goods supplied through an ECO, attract 5% GST without ITC.	Significant change for e-commerce and last-mile delivery models.

9	Delivery services other than postal and courier services	<p>Amendment to ‘delivery services entry’ (earlier known as local delivery services) which now would be applicable to such services (a) supplied through electronic commerce operator where the person supplying such services is not liable for registration under sub-section (1) of section 22 of the Central Goods and Services Tax Act, 2017</p> <p>(b) in relation to goods, where such goods are supplied through an electronic commerce operator.</p> <p>Prescribes 5% GST rate without ITC as against current 18% GST rate.</p>	The amendment provides clarity regarding the GST rate applicable to the e-commerce delivery sector.
10	Section 9(5): delivery services	<p>ECO liability under section 9(5) now covers delivery services other than postal and courier services, except where the person supplying the service through the ECO is liable for registration under section 22(1).</p>	Expands/clarifies ECO-level GST liability for delivery services.
11	GTA	<p>Definition aligned to mean a person providing services relating to transport of goods by road and issuing a consignment note, by whatever name called. Also, the relevant exemption will not apply to GTA services relating to goods supplied through an ECO.</p>	Clarifies GTA scope and interaction with e-commerce supplies.
12	Warehousing of agricultural produce	<p>Exemption entry recast to specifically cover storage/warehousing of seeds meant for sowing in addition to cereals, pulses, fruits, vegetables.</p> <p>A detailed definition of “seed” is inserted covering specified seeds and planting material.</p>	Exemption is now expressed by reference to the listed commodities/seed definition.
13	Helicopter travel in North-East / Bagdogra	<p>Exemption extended to seat-share helicopter travel embarking from or terminating at airports/helipads in Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura or Bagdogra, West Bengal</p>	Specific exemption for qualifying helicopter passenger travel.
14	Seamen’s Provident Fund	<p>Services by the Seamen’s Provident Fund Organisation to persons governed by the Seamen’s Provident Fund Act, 1966 made exempted.</p>	New exemption.
15	Toll / right-of-way concession	<p>Grant by Government/local authority/governmental authority/entity of exclusive right of way/access, licence and authority to demand, collect and appropriate toll fee made exempted.</p>	Important relief for Toll-Operate-Transfer structures.
16	TOT O&M services	<p>For a concessionaire under a Toll-Operate-Transfer concession agreement, GST on O&M services supplied to the concessioning authority becomes payable on amounts charged/debited from the escrow account</p>	Special timing/valuation mechanism introduced for TOT concessionaires.

		towards O&M expenses , in the tax period in which the amount is so charged/debited.	
17	Coffee curing	Services by way of curing of coffee supplied to coffee cultivators exempted; “curing” takes its meaning from section 3(d) of the Coffee Act, 1942.	New exemption for the coffee sector.
18	Foreign shipping companies	Under IGST, import of services without consideration by an Indian establishment of a foreign shipping company from a related person/another overseas establishment is exempted .	Material relief for foreign shipping companies operating through Indian establishments.
19	RCM entry	Rate of tax on reverse charge changed from 12% to 18% for services provided to a body corporate by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the recipient.	Amendment to the referenced rate figures in the RCM notifications for renting of motor vehicles where cost of fuel is included in consideration.

D. KEY CIRCULARS

1. CBIC Circular No. 257/03/2026-GST dated 26.10.2026 - Guidelines for the handling applications for GST registration

The Circular consolidates and clarifies the procedures for GST registration, with the objective of ensuring uniformity in processing applications and preventing unnecessary document demands or avoidable delays.

It provides comprehensive guidance on the filing, verification, and processing of registration applications. The key aspects which have been clarified are as follows:

- **Registration application:** Specifies the applicable Forms for different categories of applicants and explains the step-by-step procedure for filing applications in Form GST REG-01 through the GST portal.
- **Information and documents required:** Provides guidance on furnishing details relating to business constitution, authorised signatory, Principal Place of Business (PPoB), Additional Place of Business (APoB), premises, jurisdiction and bank accounts, along with the supporting documents required for each category.
- **FAQs and document checklists:** Annexure I contains FAQs addressing practical registration-related issues, while Annexure II provides a constitution-wise checklist of required information and documents. Annexure III specifies acceptable documents for establishing the PPoB.
- **Processing and verification:** Clarifies the procedure for Aadhaar authentication, processing timelines, seeking additional information in cases of deficiencies or inconsistencies, biometric authentication and physical verification of business premises, including deemed approval where applicable.
- **Restrictions on unwarranted queries:** Directs relevant officers to avoid subjective assessments, such as questioning the suitability of residential premises, the classification of electricity connections or the amount of utility bills. Verification of utility bills, property tax receipts and rental or lease agreements should be confined to the prescribed requirements.
- **Specimen formats:** Annexures IV, V and VI prescribe formats for an affidavit relating to inherited property, an undertaking where a rent or lease agreement is unavailable, and a consent letter, respectively.

Deloitte Comments:

The Circular is expected to bring greater consistency and certainty to the registration process by standardising

documentation and restricting unwarranted queries by officers. This is particularly relevant for e-commerce, digital and asset-light businesses, which may operate without traditional office infrastructure. Importantly, it expressly recognises co-working spaces as valid PPoB/APoB, subject to prescribed documentation, thereby addressing practical difficulties faced by businesses operating from shared or flexible premises.

2. CBIC Circular No. 258/04/2026-GST dated 26.10.2026 - Clarification on issues related to demand, adjudication and appeal proceedings under the CGST Act, 2017

The Circular lays down comprehensive guidelines for demand, adjudication and appeal proceedings under the CGST Act, 2017, with the objective of ensuring reasoned decision-making, adherence to the principles of natural justice and reduction of avoidable litigation. The key aspects clarified are as follows:

- **Pre-SCN Intimation:** Rule 142(1A) of the CGST Rules allows taxpayers to be informed of tax assessments before formal proceedings, promoting voluntary compliance and reducing the need for show cause notices (SCNs).
- **Show Cause Notice:** As an embodiment of the principles of natural justice, a notice must clearly set out the allegations and their grounds, thereby enabling the noticee to effectively respond through written and/or oral submissions before the Adjudicating Authority against the proposed action. Further, a reasonable opportunity of being heard, should be given. The SCN should be accompanied by the relevant summaries in Form GST DRC-01 or DRC-02 as applicable.
- **Drafting of SCNs:** The following key principles were clarified regarding drafting of SCNs:
 - A brief introductory paragraph must capture the essential particulars of the taxpayer and the background of proceedings.
 - Clearly capture the factual matrix including the acts of omission and commission by the taxpayer and the discrepancies identified.
 - The SCN shall clearly capture the legal provisions allegedly contravened by the taxpayer and support the same with evidence.
 - SCN shall contain a concise summary of all the allegations against the taxpayer.
 - The SCN shall clearly quantify the demand of the allegations, financial year-wise and the basis for such quantification must be captured.
 - The SCN shall conclude with the details of the Adjudicating Authority, the deadline for submission and consequences of non-compliance with the same.
- **Invocation of Fraud or Suppression:** Clarifies that invocation of extended-period provisions under Sections 74 or 74A requires establishment of fraud, wilful misstatement or suppression of facts with intent to evade tax along with evidence. Mere non-payment or discrepancies noticed during scrutiny are insufficient.
- **Demarcation of Demand:** Notices must clearly distinguish between non-fraud and fraud-based allegations, setting out the factual and legal basis for such bifurcation along with separate quantification of demand under each case.
- **No Parallel Proceedings:** Provisions in CGST Act and the SGST Acts prohibit parallel proceedings by CGST and SGST authorities on the same subject matter. As affirmed by the Supreme Court in *Armour Security (India) Ltd.*, effective coordination among tax authorities is essential to avoid multiplicity of proceedings and ensure procedural efficiency.
- **Timely issuance and service of notices:** Notices should, as far as practicable, be issued well in advance to provide the noticee adequate time to respond and to facilitate timely completion of adjudication. They must be served through the prescribed modes and a summary thereof should also be uploaded on the common portal.

- **Adjudication Orders:** Detailed guidance have been outlined regarding issuance of speaking and reasoned orders, critical examination of the evidence, taxpayer submissions, and judicial precedents, with clear issue-wise findings and reasons for accepting or rejecting the taxpayer's defence. There must be timely and planned issuance of the orders.
- **Rectification of Errors:** Rectification of errors in order/ decision/ any other document that are apparent on the face of the record must be made strictly by the issuing authority itself.
- **First Appeal Proceedings:** The circular outlines procedures for filing the first appeal, preliminary scrutiny, personal hearings, admitting additional evidence, and timely disposal of appeals. It also emphasizes the importance of issuing composite orders in cases involving cross-appeals.

Deloitte Comments:

The guidelines strengthen procedural safeguards for taxpayers in GST investigations and adjudication. In particular, the clarification - that fraud, wilful misstatement or suppression requires evidence of intent to evade tax and cannot be invoked merely because of non-payment or a discrepancy - should help curb routine invocation of extended limitation and penal provisions. The effective implication of the Circular should aid in reduction of litigation in cases where notice/order are challenged before High Courts on the grounds of violation of principles of natural justice.

3. Circular No. 259/05/2026-GST dated 26.10.2026 - Clarification on various issues pertaining to the amount paid as pre deposit as per sub-section (6) of section 107 or sub-section (8) of section 112 of the CGST Act

Issue	Board's clarification
Admitted amount vs. tax in dispute	The admitted amount, comprising tax, interest, fine, fee and penalty accepted by the taxpayer, must be paid in full. The 10% pre-deposit is calculated on the disputed tax amount. The classification is made by the taxpayer and reflected in Table 14 of FORM GST APL-01 / Table 20 of FORM GST APL-05, as applicable.
Pre-deposit before the Appellate Tribunal	Where the Appellate Authority modifies the liability, the 10% pre-deposit is calculated on the remaining disputed tax confirmed by the Appellate Authority, in addition to the pre-deposit paid at the first appeal stage.
Refund of pre-deposit without express direction	A favourable appellate/ Tribunal order is not required to expressly direct refund of the pre-deposit. The taxpayer may file Form GST RFD-01 under Sl. No. 7, "On account of order".
Refund of pre-deposit in cases of further appeal by the Department	Refund of pre-deposit cannot be withheld merely because the Department intends to file, or has filed, a further appeal. Refund may be withheld where the favourable order is stayed by the Appellate Tribunal or a Court.
Interest on refund under Section 115	Where pre-deposits are paid at both appellate stages, the actual payment date at each stage is considered separately for interest computation.
Remand by the Appellate Tribunal	In cases of full remand, the pre-deposit is refundable within the prescribed time limit. In cases of partial remand, the demand confirmed in favour of the Revenue, along with applicable interest, must be recovered or adjusted before refunding the balance pre-deposit.

Deloitte Comments: The Circular provides greater clarity on the amount on which statutory pre-deposit is to be calculated and facilitates earlier release of amounts blocked in litigation. This should have a positive working-capital impact for taxpayers involved in GST disputes.

4. Circular No. 260/06/2026-GST dated 26.10.2026 - Clarification on Issues pertaining to Input Service Distributor

The circular addresses practical concerns relating to ISD registration, distribution and eligibility of input tax credit (ITC), reversal obligations and the treatment of credit transferred by normal registration of the same PAN in the same state to the ISD registration of the same PAN in the said state, under Rule 54(1A) of CGST Rules. The clarifications aim to ensure uniformity in the implementation of the ISD provisions. Summary of clarifications are as follows:

- **ISD Registration for different business verticals/ place of business within same state**

Where separate GST registrations have been obtained for separate business verticals or places of business within a state or UT, , each such distinct person receiving invoices for or on behalf of other distinct persons, which is liable to be distributed, would be required to obtain ISD registration. The ISD must distribute the credit only to the relevant distinct person in accordance with Rule 39(1) of the CGST Rules.

- **Responsibility for Incorrect Distribution of ITC**

The ISD must distribute ITC to its distinct persons in accordance with Section 20 of the CGST Act. The recipients are responsible for ensuring that the credit received satisfies the eligibility conditions under Sections 16 and 17. Any contravention by the ISD may attract a penalty under Section 122(1)(ix), while excess credit distributed is recoverable from the recipients under Section 21.

- **Month in which distribution to be made**

An ISD can distribute ITC only after ascertaining its prima facie eligibility, thus is required to distribute the said ITC in the month in which such ascertainment is made and must report the distribution of eligible and ineligible credit separately in Form GSTR-6.

- **Reversal of ITC by Recipients**

The ISD is required to distribute the entire ITC available for distribution. The responsibility for reversing ITC, wherever applicable under Sections 17(1), 17(2) or 17(4), rests with the recipients of the credit.

- **Clarifications in relation to invoices issued under Rule 54(1A) by normal registration of the same state to ISD**

Sr. No.	Issue	Clarification
1	Inclusion of Rule 54(1A) invoices in issuer's turnover	Invoices, credit notes and debit notes issued under Rule 54(1A) for transfer of ITC to an ISD are not outward supplies and, therefore, do not form part of the issuer's turnover for ITC distribution or refund calculations.
2	Inclusion of credit transferred under Rule 54(1A) in 'Net ITC' computation of issuer	ITC transferred under Rule 54(1A) is not regarded as ITC on inward supplies of the transferring registration and, accordingly, is excluded from "Net ITC" for refund computation under Rules 89(4) and 89(5).
3	ITC reversal obligations on credit transferred under Rule 54(1A)	The registered person transferring credit under Rule 54(1A) is not required to reverse ITC under Sections 17(1), 17(2) or 17(4). The applicable reversal requirements must be complied with by the recipients of the credit, including the transferring person, as applicable.

Deloitte Comments: The Circular provides greater clarity for multi-location businesses following the mandatory ISD framework, particularly where multiple business verticals or registrations operate within the same state. It

clearly delineates the responsibilities of the ISD and recipient GSTIN and confirms that transfers under Rule 54(1A) are credit transfers rather than outward supplies, thereby providing greater certainty on turnover, ITC reversals and refund computations.

5. Circular No. 261/07/2026-GST – dated 26.10.2026 - Clarification on ITC Availment under Section 17(4) of the CGST Act by banking companies or financial institutions

Section 17(4) of CGST Act permits banks, financial institutions and non-banking financial companies (NBFCs) engaged in supplying services, in accepting deposits or in extending loans and advances (specified activities), to avail 50% of eligible ITC which is attributable to taxable and zero-rated supplies, in lieu of undertaking proportionate credit reversal under Section 17(2). Summary of clarifications issued in this context are as follows:

- **Applicability across registrations:** Distinct persons not engaged in the specified activities are neither eligible nor required to follow Section 17(4). Once an eligible registration opts for this mechanism, all other eligible registrations of the same entity must also comply with it.
- **Benefit under the second proviso:** As per second proviso to Section 17(4), the 50% ITC restriction does not apply to supplies made between distinct persons. Accordingly, full ITC can be availed on such inter-unit supplies. It is clarified that such relaxation applies only to supplies received from a distinct person who has also opted for Section 17(4).
- **ITC reporting in FORM GSTR-3B:** Prescribes the manner of ITC availment and reversal under Section 17(4), read with Rule 38, including permanent reversal of ineligible credit and availment of 50% of the remaining eligible ITC.
- **Clarification on reporting of ITC**

Before Invoice Management System (IMS)	<ul style="list-style-type: none"> • Determine the ITC eligible under Section 16 (including reverse charge ITC). • ITC relating to non-business purposes and blocked credits must be permanently reversed. • ITC in respect of inward supplies from specified distinct persons shall be availed. • Of the remaining eligible ITC, 50% is admissible and can be availed, while the balance 50% must be permanently reversed in GSTR-3B. • ITC that cannot be ascertained to be eligible due to non-fulfilment of Section 16 conditions should be temporarily reversed and reclaimed upon fulfilment of the conditions. • The circular clarifies the respective tables in which the above reportings need to be done.
After IMS-related amendments	<ul style="list-style-type: none"> • Invoices on which ITC is presently ineligible due to non-fulfilment of conditions under section 16 should be kept pending in IMS and will not flow into GSTR-2B. • ITC on accepted/deemed accepted invoices, together with reverse-charge ITC, must then be subjected to the same process as in the before IMS cases.

- **Past reporting practices:** Field formations are advised not to take an adverse view of different reporting methodologies adopted in earlier periods, provided the ITC availed is consistent with the principles clarified in the Circular.

Deloitte Comments: Banks, financial institutions and NBFCs now have clearer guidance on which registrations can opt for the 50% ITC mechanism, its application across multiple GST registrations and the treatment of same-PAN supplies. Importantly, the direction not to take an adverse view on past reporting methodologies,

where the ultimate ITC entitlement is correct, should help mitigate disputes arising purely from GSTR-3B reporting practices.

6. CBIC Circular No. 262/08/2026-GST dated 26.10.2026 - Clarification on ITC admissibility to authorised agents appointed by manufacturers for sale of motor vehicle

The Circular has clarified that ITC on demo vehicles would be admissible in the hands of authorised agents/dealers who are appointed by motor vehicle manufacturers under the dealer-agency model and not blocked under section 17(5)(a) of the CGST Act.

The clarification has been issued in response to industry representations concerning para 4.6 of Circular No. 231/25/2024-GST dated 10.09.2024 (Circular no. 231). To recap, Circular no. 231 had clarified that ITC would be eligible in respect of demo vehicles to authorised dealers. However, Para 4.6 of the circular carved out an exception that ITC on demo vehicles is not available to dealers operating under the dealer-agency model, since they act only as agents of the manufacturer providing marketing or facilitation services and do not supply motor vehicles on their own account.

The current Circular no. 262 withdraws this para 4.6 of Circular No. 231 which had restricted ITC in dealer-agency arrangements. The reasoning provided in the Circular no. 231 is as follows:

- Notes the treatment of demo vehicles under two prevalent business models in the automobile sector:
 - Traditional dealership model, where dealers purchase and sell vehicles on their own account; and
 - Dealer-agency model, where vehicle sales are made directly by the OEM to customers and dealers function as facilitators while maintaining demo vehicles.
- Recognises that, in both business models, demo vehicles are acquired by dealers against tax invoices, capitalised in their books, used for customer test drives, and subsequently sold upon completion of the prescribed holding period. Also, such vehicles are treated at par under the Central Motor Vehicle Rules, 1989. In absence of any practical difference in the treatment of these vehicles, and denial of ITC to one business model creates a discriminatory effect on the availability of ITC on such vehicles.
- The use of the expression “such motor vehicles” in Section 17(5)(a)(A) indicates that ITC is available not only on the specific vehicle sold, but also on vehicles used to facilitate the further supply of similar motor vehicles. Accordingly, demo vehicles used for test drives qualify for ITC even under the dealer-agency model, as they directly contribute to the further supply of similar vehicles.

Deloitte Comments:

This represents a favourable change from the earlier CBIC position. Dealers operating under the dealer-agency model, where the OEM ultimately sells the vehicle, can now avail ITC on demo vehicles subject to the applicable conditions.

7. CBIC Circular No. 263/09/2026-GST dated 26.10.2026 - Clarification in respect of receipt of payment for export of goods or services

The Circular provides clarifications on the receipt and realization of export proceeds for exports of goods and services under GST. The clarifications seek to align GST requirements with the foreign exchange regulations administered by the Reserve Bank of India (RBI) and address issues being faced by exporters in claiming export benefits and refunds.

Key clarifications

- **Export of services: Receipt through repatriable INR accounts:** Export proceeds received in repatriable rupee (INR) accounts (such as Special Non-Resident Rupee (SNRR) or INR Nostro/ Rupee Vostro accounts)

as permitted by FEMA shall be regarded as valid receipt of consideration for export of services as prescribed under section 2(6)(iv) of the IGST Act.

- **Receipts through NRO accounts:** For stock-broking services supplied to overseas clients, payments received through SNRR or NRE accounts will satisfy the export payment condition. Payments through NRO accounts must be routed through a repatriable INR account, such as an SNRR or NRE account, to qualify it as an export.
- **Set-off of export receivables against import payables:** Where export receivables are adjusted against import payables in accordance with directions issued by RBI, the condition regarding receipt of consideration under section 2(6)(iv) of the IGST Act will be treated as fulfilled.
- **Reinsurance brokerage settled through net retention:** Commission earned by an Indian reinsurance broker and retained from funds before remittance of the net premium outside India will be regarded as satisfying the export payment condition where the export realisation obligation is extinguished under FEMA through the net-retention mechanism.
- **Export of goods: Realisation period and Rule 96B:** For export of goods, the applicable period for realization of sale proceeds will be the period, including any extension, prescribed under the RBI Master Direction and amended from time to time. Where export proceeds are not realised within that period, the refund attributable to the unrealised amount remains recoverable within 30 days of expiry of said period with applicable interest under Rule 96B. The circular further clarifies that recovery should not be made where the realisation requirement has been written off, wholly or partly, by the authorised dealer bank.

Deloitte Comments:

The clarification provides greater flexibility and certainty to exporters using permitted alternative settlement mechanisms, including repatriable INR accounts and RBI-compliant set-off of export receivables against import payables. Alignment of Rule 96B timelines with FEMA/RBI timelines, including permitted extensions and write-offs, should also reduce disputes and potential refund recoveries arising merely from the timing or permitted mode of receipt of export proceeds.

8. CBIC Circular No. 264/10/2026-GST dated 26.10.2026

The Circular clarifies that omission of Rule 96(10) of CGST Rules, 2017 will be effective retrospectively from 23.10.2017 (date from which it was brought into effect).

To recap, Rule 96(10) restricted exporters from claiming IGST refunds on exports where specified exemption/concessional benefits had been availed on procurements, with the objective of preventing double benefits. The said rule was omitted prospectively w.e.f. 08.10.2024 pursuant to difficulties being faced by exporters in claiming refunds.

The clarification is in view of the recent Supreme Court ruling in *M/s Goodluck India Limited & Anr. v. Union of India & Ors. [SLP(C) No. 24550/2025]* wherein it was held that in the absence of a saving clause or sunset clause, the omission of Rule 96(10) applies to all proceedings that were pending on the date of omission.

The same principle shall apply, *mutatis mutandis*, to the omission of Rules 89(4A) and 89(4B) of the CGST Rules.

Deloitte Comments:

This is a significant relief for exporters facing historical disputes under Rule 96(10). While the Rule was formally omitted with effect from 8 October 2024, CBIC has now clarified that the omission operates retrospectively from 23 October 2017. Consequently, pending demands/proceedings involving denial or recovery of IGST refund under Rule 96(10) should be examined in light of this clarification and the Supreme Court decision. The same principle extending to Rules 89(4A) and 89(4B) may similarly benefit taxpayers with pending refund disputes under those provisions.

9. CBIC Circular No. 265/11/2026-GST dated 28.10.2026 - Clarification regarding classification and applicability of GST on certain goods

The Circular provides clarifications on the classification of specified goods and the applicability of GST rates thereon pursuant to recommendations made by the GST Council at its 57th meeting. The objective is to address classification disputes and ensure uniform tax treatment across field formations.

Issue	Clarification	GST Impact / Outcome	Deloitte Comments
Sublimation Paper	Sublimation paper is classifiable under Heading 4809 and not under sub-heading 4810 22.	Liable to 18% GST. Past disputes relating to classification and GST rate have been recommended to be regularised on an "as is where is" basis.	The clarification brings certainty on the classification of sublimation paper and should help resolve ongoing disputes prior to September 2025.
Toys	The expression "etc." in the relevant GST rate entries is not restricted to tricycles, scooters, pedal cars and similar wheeled toys. The scope extends to all toys classifiable under Heading 9503, including dolls, dolls' carriages, puzzles, scale models and similar recreational models.	Non-electronic toys: 5% GST. Electronic toys: 18% GST. Removes ambiguity regarding GST treatment of toys not specifically enumerated in the notification.	The clarification provides certainty that all toys classifiable under Heading 9503 are covered by the relevant GST entries, thereby reducing classification disputes arising from a restrictive interpretation of the notification.
Margin Scheme for Old and Used Motor Vehicles	The condition regarding non-availment of ITC under the concessional GST and Compensation Cess margin scheme applies only to the tax paid on procurement of the second-hand vehicle itself. It does not extend to other inputs or input services used in the business.	Dealers can avail ITC on eligible procurements such as spares, repairs and maintenance services, technology services, rent, marketing and advertisement services, subject to the provisions of the CGST Act.	This is a taxpayer-friendly clarification for the used vehicle industry, confirming that ITC on ancillary inputs and input services remain available while availing the margin scheme benefit, thereby reducing interpretational disputes.
Sea-weed Extract Based Bio-Stimulants	Sea-weed extract based bio-stimulants registered under Schedule VI of the Fertiliser (Control) Order, 1985 are classifiable as fertilisers under Heading 3101.	Such products will be taxed as fertilisers under the relevant GST entry. Past classification disputes are to be regularised on an "as is where is" basis.	The clarification provides certainty on the classification of sea-weed extract based bio-stimulants and the regularisation of past periods on an "as is where is" basis should help reduce classification disputes and litigation.

certain services

The Circular provides clarifications on various GST issues relating to R&D services, shipping companies, motor vehicle leasing, banking and NBFC sectors to ensure uniformity in interpretation and implementation.

Key clarifications

- **R&D vs Consultancy Services**

- For claiming GST exemption under Entry 44A of Notification No. 12/2017-CTR on grant-funded R&D services, a certificate issued by the head of the eligible Government Entity, research association, university, college or notified institution certifying that the activity is in the nature of R&D and not consultancy would suffice.
- Introduces a self-certification mechanism to distinguish exempt R&D activities from taxable consultancy services.

- **Import of services by Indian establishments of foreign shipping companies**

- Import of services by an Indian establishment of a foreign shipping company from a related person or overseas establishment without consideration has been exempted from GST with effect from **1 November 2026**.
- GST position for the period **1 July 2017 to 31 October 2026** has been regularised on an **"as is where is" basis**.

- **Motor vehicle leasing transactions**

- Registration charges, road tax, insurance premiums, FASTag charges and other statutory or ancillary expenses recovered by the lessor from the lessee form part of the value of the leasing service.
- Such recoveries will be subject to GST at the rate applicable to the principal leasing service.

- **Status of TRAI under GST law**

- Telecom Regulatory Authority of India (TRAI) is not "Government" for the purposes of GST.
- Being a statutory regulatory authority, TRAI is a distinct juridical entity and cannot avail benefits specifically available to the Government.

- **Fund Transfer Pricing (FTP) mechanism in banks**

- Notional interest recorded under the FTP mechanism for internal allocation of funds between branches through the Head Office is covered within the scope of "interest".
- Such amounts qualify for exemption under Notification No. 12/2017-CTR and are not liable to GST.

- **NBFC services under co-lending arrangements**

- Services provided by NBFCs to banks under co-lending arrangements, including customer sourcing, KYC, credit appraisal, underwriting, servicing, monitoring, collection and recovery activities, are taxable under GST.
- The value of taxable services will be the consideration agreed between the NBFC and the bank under the contractual arrangement.

Deloitte Comments

The Circular provides much-needed clarity on several contentious issues across the research, shipping, leasing and financial services sectors. The clarifications relating to grant-funded R&D activities, internal FTP transactions in banks and services imported by foreign shipping companies are largely taxpayer-friendly and should help reduce litigation. At the same time, the Circular confirms the taxability of services provided by

NBFCs to banks under co-lending arrangements, bringing certainty to the tax treatment of such structures.



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