



57TH GST COUNCIL MEETING – KEY GST REFORMS

The 57th meeting of the GST Council was held on 8 October 2026 under the chairpersonship of the Union Finance Minister, Smt. Nirmala Sitharaman. The Council has recommended a number of significant reforms aimed at simplifying GST compliance, expediting refunds, improving availability of input tax credit (ITC), rationalising enforcement provisions and facilitating ease of doing business.

Significant rationalisation of GST arrest and prosecution provisions

The GST Council has recommended complete withdrawal of the power of arrest under GST by proposing omission of section 69 of the CGST Act.

Further, the monetary threshold for prosecution is proposed to be increased from ₹1 crore to ₹5 crore. The Council has also recommended rationalisation of certain offences under section 132, including restricting the offence relating to fraudulent ITC availment to specified circumstances involving availment of ITC without receipt of goods/services or without invoice/bill.

Potential impact: The recommendations represent a significant shift towards a more trust-based GST enforcement framework and may reduce the severity of criminal consequences in appropriate cases.

Reduction in general penalty

The maximum general penalty under section 125 of the CGST Act is proposed to be reduced from ₹25,000 to ₹10,000.

Faster and more automated GST refunds

The Council has recommended greater automation in the processing and sanction of GST refunds.

Key proposals include:

- Automatic sanction of full refund claims of excess balance in the electronic cash ledger, without officer intervention.
- Reduction of the timeline for issuance of acknowledgement/deficiency memo from 15 days to 10 days, with deemed acknowledgement in specified circumstances.
- Automatic provisional sanction of 90% of eligible refund claims relating to zero-rated supplies and inverted duty structure, based on system-based risk assessment.
- Greater system-based processing of refunds for zero-rated supplies.
- Simplification of refund applications and reduction in the requirement for uploading scanned documents.

Potential impact: These measures could materially improve refund timelines and working capital management, particularly for exporters and businesses with significant accumulated ITC.

Wider availability of ITC and refund of accumulated ITC

The Council has recommended allowing refund of accumulated ITC attributable to capital goods in case of refunds relating to zero-rated supplies and input services and capital goods in case of refunds relating to inverted duty structure.

Refund of ITC on input services in inverted duty structure cases is proposed for ITC availed on or after 1 November 2026.

Refund of ITC on capital goods is proposed to be spread over 60 months and would apply to ITC availed on capital goods on or after 1 April 2027.

The Council has also recommended removal of certain restrictions on blocked ITC under section 17(5), including in relation to specified supplies such as outdoor catering, health and life insurance, telecommunication towers, pipelines outside factory premises, free samples and goods destroyed or written off on expiry of shelf life as required by law.

Potential impact: The proposed changes are significant as they seek to address the long-standing accumulation of ITC under an inverted duty structure, particularly in respect of input services and capital goods. The proposed expansion of refund eligibility represents a significant policy shift and could improve working capital and mitigate the cascading effect of taxes. It should also help address the accumulation of ITC arising from the GST rate rationalisation implemented in September 2025, subject to the applicable cut-off dates and other prescribed conditions.

Measures to reduce GST return mismatches and related notices

The Council has recommended an alternate mechanism for amendment and correction of tax liability, and ITC reported in GST returns, including enhanced functionality in GSTR-1/1A/IFF, an electronic statement for RCM tax and ITC, and an electronic credit reversal and reclaim statement.

The proposed mechanism is recommended to be brought into force from the April 2027 return period, subject to consultation and finalisation. The stated objective is to reduce mismatches between GSTR-1, GSTR-3B and GSTR-2B and consequently reduce system-generated intimations and demand notices.

Rationalisation of GST demand and adjudication processes

The Council has recommended comprehensive guidelines for tax officers covering the issuance of demand notices and adjudication/appeal orders, including appropriate invocation of allegations of fraud, wilful misstatement or suppression of facts and adherence to principles of natural justice.

Further, a ₹10,000 minimum threshold has been proposed for issuance of GST show cause notices. A reduced penalty of 5% has also been proposed in specified non-fraud cases where the tax and interest are discharged within the prescribed period following adjudication.

Potential impact: The recommendations could provide greater consistency in GST adjudication and reduce litigation and compliance burden in lower-value matters.

Greater safeguards before blocking of ITC

An amendment to Rule 86A has been recommended to provide taxpayers an opportunity to file an objection and avail a personal hearing before the proper officer takes a decision regarding blocking of an amount in the electronic credit ledger.

This is a significant procedural safeguard for taxpayers facing ITC blockage.

Rationalisation of e-way bill interception

The Council has recommended that interception of a conveyance carrying goods should generally be based on specific intelligence and authorisation by an officer not below the rank of Joint Commissioner.

Further, inspection/detention/seizure in transit States is proposed to be restricted where the supplier or recipient is not located or registered in that State, subject to specified exceptions.

Potential impact: The proposal may reduce routine interception of goods in transit and facilitate smoother movement of goods across States.

Simplification of GST registration and amendments

The Council has recommended measures to make GST registration more transparent and technology-driven, including prescribed document checklists, improvements to FORM GST REG-01 and a more user-friendly GST portal.

It has also recommended automatic acceptance of amendments to registration particulars, except amendments relating to the Principal Place of Business, subject to specified conditions.

Clarifications proposed through circulars

The Council recommended circulars to address differing interpretations by field formations on:

- The Input Service Distributor (**ISD**) mechanism for distribution of input-service credit.
- ITC availment by banking companies, financial institutions and NBFCs opting for section 17(4) of the CGST Act.
- Various issues relating to payment of pre-deposits.
- Admissibility of ITC on demonstration vehicles in certain situations.

Transportation and delivery services through e-commerce operators

The GST Council has recommended to bring delivery services (other than courier and postal) supplied through an E-commerce Operator (ECO) under Section 9(5) of CGST Act, 2017, where the person supplying such services is not liable for registration. GST rate of 5% without ITC is prescribed for such delivery services.

GST rate of 5% without ITC is also recommended for delivery services in relation to goods where such goods are supplied/ordered through an ECO along with withdrawal of the existing exemption for GTA services relating to goods supplied or ordered through an ECO.

Potential impact: This recommendation assumes significance in view of the divergent advance rulings on this issue. The Tamil Nadu AAR, in Flipkart India Private Limited, held that the road transportation services involving issuance of a consignment note qualified as GTA services and were eligible for exemption when supplied to unregistered customers; whereas the West Bengal Appellate AAR, reversed the West Bengal AAR's ruling and denied such exemption. The proposed changes seek to address this interpretational divergence.

Other notable recommendations

The Council has also recommended:

- Removal of the distinct-person condition for qualifying as an export of services, facilitating GST refunds for Indian service providers supplying services to or through their overseas offices/branches.
- Removal of the existing exception for services involving goods made physically available to the supplier, enabling determination of the place of supply based on the recipient's location under the default rule and facilitating export-related GST benefits.
- Deeming supplies of goods delivered to an SEZ/FTWZ for an overseas buyer as supplies to the SEZ/FTWZ, subject to prescribed payment conditions, to provide certainty regarding eligibility for zero-rating benefits.
- Waiver of late fee for delayed filing of specified returns by taxpayers with turnover up to ₹5 crore, where the return is filed by the end of the month in which it was due.
- Clarification that transfer of title in IPRs, whether temporary or permanent, will uniformly be treated as a supply of services.
- Facilitation of export of services by removing the condition relating to establishments of a distinct person in specified circumstances.
- Extension of e-invoicing to specified domestic RCM supplies from unregistered persons and import of services for taxpayers having aggregate annual turnover of ₹5 crore and above
- An optional Annual Return Quarterly Payment (ARQP) scheme, in principle, for taxpayers with turnover up to ₹5 crore who are exclusively engaged in B2C supplies.



ELP Comments

The recommendations of the 57th GST Council meeting reflect a continued effort to evolve the GST framework towards a more facilitative, transparent and technology-driven regime. The proposed measures seek to address several longstanding concerns faced by businesses, particularly in relation to the availability and utilisation of input tax credit, delays in processing refunds and procedural safeguards in enforcement. The proposed rationalisation of arrest and prosecution provisions, together with measures to streamline adjudication and reduce unwarranted intervention by tax authorities, also signals a move towards a more proportionate and taxpayer-centric compliance framework.

If implemented as proposed, these measures could have a meaningful impact on businesses by improving working capital efficiency, reducing procedural and compliance burdens, facilitating the movement of goods and providing greater certainty in the administration of GST. Accordingly, the precise scope of these rationalisations will depend on the manner in which the recommendations are translated into law and operationalised by the GST authorities.

Businesses should accordingly monitor the issuance of the relevant notifications, circulars, rules and legislative amendments for determination of the precise scope, applicability and effective dates of the proposed changes.

We hope you have found this information useful. For any queries/clarifications, please write to us at insights@elp-in.com or write to our authors:

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